

CRYOLIFE INC
Form DEF 14A
April 07, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

CRYOLIFE, INC.

(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

1655 ROBERTS BOULEVARD, NW

KENNESAW, GEORGIA 30144

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO THE STOCKHOLDERS OF CRYOLIFE, INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of CRYOLIFE, INC. (the Annual Meeting) will be held at CryoLife, Inc.'s Corporate Headquarters, 1655 Roberts Boulevard, NW, Kennesaw, Georgia 30144, on May 19, 2009 at 10:00 a.m., Atlanta time, for the following purposes:

1. To elect as Directors the eight nominees named in the attached proxy statement to serve until the next Annual Meeting of Stockholders or until their successors are elected and have been qualified.
2. To approve the CryoLife, Inc. 2009 Employee Stock Incentive Plan.
3. To ratify the selection of Deloitte & Touche LLP as the independent registered public accounting firm for the company for the fiscal year ending December 31, 2009.
4. To transact such other business as may be properly brought before the meeting or any adjournments thereof.

Only record holders of CryoLife's common stock at the close of business on March 23, 2009 will be eligible to vote at the meeting.

Your attendance at the Annual Meeting is very much desired. However, if there is any chance you may not be able to attend the meeting, please execute, complete, date and return the enclosed proxy card in the envelope provided or vote by telephone as directed on the enclosed proxy card. If you attend the meeting, you may revoke your proxy and vote in person.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on May 19, 2009. Pursuant to rules promulgated by the Securities and Exchange Commission, we have elected to provide access to our proxy materials both by: (i) sending you this full set of proxy materials, including a proxy card; and (ii) notifying you of the availability of our proxy materials on the internet. **This proxy statement, the related proxy card and our 2008 Annual Report to Stockholders are available on our corporate website and may be accessed at www.cryolife.com by clicking on About CryoLife, then Investor Relations and then Annual Meeting Materials.** In accordance with such rules, we do not use cookies or other software that identifies visitors accessing these materials on our website.

By Order of the Board of Directors:

STEVEN G. ANDERSON,
Chairman of the Board, President, and
Chief Executive Officer

Date: April 7, 2009

A copy of CryoLife's 2008 Annual Report to Stockholders, which includes CryoLife's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, containing financial statements, is enclosed.

1655 ROBERTS BOULEVARD, NW

KENNESAW, GEORGIA 30144

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS

This proxy statement is furnished for the solicitation of proxies by the Board of Directors of CryoLife, Inc. (CryoLife, the company, we, or us) for CryoLife's Annual Meeting of Stockholders to be held on May 19, 2009, at 10:00 a.m., Atlanta time. The meeting will be held in the auditorium at CryoLife Corporate Headquarters, 1655 Roberts Boulevard, NW, Kennesaw, Georgia 30144. The sending in of a signed proxy will not affect a stockholder's right to attend the meeting and vote in person. A signed proxy may be revoked by the sending in of a timely, but later dated, signed proxy. Any stockholder sending in or completing a proxy may also revoke it at any time before it is exercised by giving timely notice to Suzanne K. Gabbert, Corporate Secretary, CryoLife, Inc., 1655 Roberts Boulevard, NW, Kennesaw, Georgia 30144, (770) 419-3355.

Holders of record of CryoLife's common stock at the close of business on March 23, 2009 will be eligible to vote at the meeting. CryoLife's stock transfer books will not be closed. At the close of business on March 23, 2009, CryoLife had outstanding a total of 28,247,584 shares of common stock, excluding a total of 956,766 shares of treasury stock held by CryoLife, which are not entitled to vote. Each outstanding share of common stock will be entitled to one vote, non-cumulative, at the meeting.

Other than the matters set forth herein, management is not aware of any other matters that may come before the meeting. If any other business should be properly brought before the meeting, the persons named on the enclosed proxy card will have discretionary authority to vote the shares represented by the effective proxies and intend to vote them in accordance with their best judgment.

This proxy statement and the attached proxy card were first mailed to stockholders on behalf of CryoLife on or about April 7, 2009. Properly executed proxies, timely returned, will be voted as indicated by the stockholder where the person solicited specifies a choice with respect to any matter to be acted upon at the meeting. If the person solicited does not specify a choice with respect to election of Directors, approval of the 2009 Employee Stock Incentive Plan, or ratification of the company's independent registered public accounting firm, the shares will be voted for management's nominees for election as Directors, for approval of the 2009 Employee Stock Incentive Plan, and for ratification of the company's independent registered public accounting firm. In addition to the solicitation of proxies by the use of the mails, Directors and officers of CryoLife may solicit proxies on behalf of management by telephone, email, and personal interview. Such persons will receive no additional compensation for their solicitation activities, and will be reimbursed only for their actual expenses incurred. CryoLife has requested brokers and nominees who hold stock in their names to furnish this proxy material to their customers, and CryoLife will reimburse such brokers and nominees for their related out-of-pocket expenses. The costs of soliciting proxies will be borne by CryoLife.

VOTING PROCEDURES AND VOTE REQUIRED

The Secretary of CryoLife, in consultation with the inspector of election, who will be an employee of CryoLife's transfer agent, shall determine the eligibility of persons present at the Annual Meeting to vote and whether the name signed on each proxy card corresponds to the name of a stockholder of CryoLife. The Secretary, based on such consultation, shall also determine whether or not a quorum of the shares of common stock of CryoLife, consisting of a majority of the shares entitled to vote at the Annual Meeting, exists at the Annual Meeting. Abstentions from voting will be counted for the purpose of determining the presence or absence of a quorum for the transaction of business. A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting authority and has not received voting instructions from the beneficial owner. Except as specifically noted below, broker non-votes will be disregarded with respect to all proposals.

Nominees for election as Directors will be elected by a plurality of the votes cast by the holders of shares entitled to vote in the election. Since there are eight Directorships to be filled, this means that the eight individuals receiving the most votes will be elected. Abstentions and broker non-votes will therefore not be relevant to the outcome.

The affirmative vote of a majority of the votes cast, either for, against or abstain, by the holders of the shares of common stock voting in person or by proxy at the meeting is required to approve the 2009 Employee Stock Incentive Plan, in order to comply with the requirements of both Florida law and the New York Stock Exchange (NYSE) rules. Accordingly, abstentions will have the effect of a vote against the proposal to approve the 2009 Employee Stock Incentive Plan and broker non-votes will be disregarded. In addition, NYSE rules also require that at least 50% of the shares outstanding as of the record date actually cast a vote (either for, against or abstain) with respect to the proposal to approve the 2009 Employee Stock Incentive Plan. Broker non-votes will not be counted as votes cast for purposes of the NYSE 50% vote requirement.

The votes cast for the ratification of the appointment of Deloitte & Touche LLP as the company's independent registered accounting firm must exceed the votes cast against the ratification in order for it to be approved. Accordingly, abstentions and broker non-votes will not be relevant to the outcome.

Shares represented at the annual meeting in person or by proxy are counted for quorum purposes, even if they are not voted on one or more matters. Please note that brokers holding shares for a beneficial owner that have not received voting instructions with respect to the election of Directors or the ratification of the appointment of Deloitte & Touche LLP may vote the beneficial owner's shares with respect to those matters; however, such brokers who do not receive voting instructions with respect to the approval of the 2009 Employee Stock Incentive Plan may not vote the beneficial owner's shares with respect to the matter.

There are no rights of appraisal or similar dissenters' rights with respect to any matter to be acted upon pursuant to this proxy statement.

ANNUAL MEETING ADMISSION

Attendance at the Annual Meeting will be limited to stockholders as of the record date, their authorized proxy holders and guests of CryoLife. Admission will be by ticket only. If you are a registered stockholder (your shares are held in your name) and plan to attend the meeting, please detach your Admission Ticket from the bottom portion of the proxy card and bring it with you to the meeting. If you are a beneficial owner (your shares are held in the name of a bank, broker, or other holder of record) and you plan to attend the meeting, you can obtain an Admission Ticket in advance by writing to Suzanne K. Gabbert, Corporate Secretary, CryoLife, Inc., 1655 Roberts Boulevard, NW, Kennesaw, Georgia 30144. Please be sure to enclose proof of ownership, such as a bank or brokerage account statement. Stockholders and proxy holders who do not obtain tickets in advance may obtain them upon verification of ownership or proxy authority at the reception desk on the day of the meeting. Tickets may be issued to others at the discretion of CryoLife. If you are a beneficial owner, in order to vote your shares at the meeting, you must obtain a proxy from the record holder of your shares.

RECOMMENDATIONS OF THE BOARD OF DIRECTORS

The Board of Directors of CryoLife recommends a vote FOR the election of each nominee for Director named below, FOR approval of the 2009 Employee Stock Incentive Plan, and FOR ratification of the independent registered public accounting firm.

ELECTION OF DIRECTORS

Directors of CryoLife elected at the Annual Meeting to be held on May 19, 2009 will hold office until the next Annual Meeting or until their successors are elected and qualified.

Each of the eight nominees is currently a Director of CryoLife and has consented to serve on the Board of Directors, if elected. Should any nominee for the office of Director become unable to accept nomination or election, it is the intention of the persons named on the proxy card, unless otherwise specifically instructed in the proxy, to vote for the election of such other person as the Board may recommend.

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The following table sets forth the name and age of each nominee, the period during which each such person has served as a Director, the number of shares of CryoLife's common stock beneficially owned, directly or indirectly, by such person, and the percentage of outstanding shares of CryoLife's common stock such ownership represented at the close of business on March 23, 2009, according to information received by CryoLife:

Name of Nominee	Service as Director	Age	Shares of CryoLife Stock Beneficially Owned(1)	Percentage of Outstanding Shares of CryoLife Stock
Steven G. Anderson	Since 1984	70	1,532,222(2)	5.4%
Thomas F. Ackerman (9)(11)	Since 2003	54	45,000(3)	*
James S. Benson (10)(12)	Since 2005	70	30,000(4)	*
Daniel J. Bevevino (10)(11)	Since 2003	49	45,000(5)	*
John M. Cook (9)(11)	Since 1999	66	124,500(6)	*
Ronald C. Elkins, M.D. (9)(12)	Since 1994	72	66,250(7)	*
Ronald D. McCall, Esq. (10)(12)(13)	Since 1984	72	168,963(8)	*
Harvey Morgan (10)(11)	Since 2008	67	6,250(7)	*

* Ownership represents less than 1% of the outstanding shares of CryoLife common stock.

(1) Except as otherwise noted, the nature of the beneficial ownership for all shares is sole voting and investment power.

(2) This amount includes:

107,924 shares held by Ms. Ann B. Anderson, Mr. Anderson's spouse,

106,500 shares held in a grantor-retained annuity trust, of which Mr. Anderson's spouse is the trustee,

164,674 shares subject to options that are either presently exercisable or will become exercisable within 60 days after March 23, 2009, and

42,500 shares of unvested restricted stock as of March 23, 2009.

- (3) This amount includes 30,000 shares subject to options that are either presently exercisable or will become exercisable within 60 days after March 23, 2009. This amount also includes 6,250 shares of unvested restricted stock as of March 23, 2009.
- (4) This amount includes 10,000 shares subject to options that are either presently exercisable or will become exercisable within 60 days after March 23, 2009. This amount also includes 6,250 shares of unvested restricted stock as of March 23, 2009.
- (5) This amount includes 30,000 shares subject to options that are either presently exercisable or will become exercisable within 60 days after March 23, 2009. This amount also includes 6,250 shares of unvested restricted stock as of March 23, 2009.
- (6) This amount includes 19,500 shares that are held by CT Investments, LLC of which Mr. Cook owns 90% of the membership interests. This amount also includes options to acquire 30,000 shares of common stock that are either presently exercisable or will become exercisable within 60 days after March 23, 2009. This amount also includes 6,250 shares of unvested restricted stock as of March 23, 2009.
- (7) This amount includes 6,250 shares of unvested restricted stock as of March 23, 2009.
- (8) This amount includes 16,000 shares of common stock owned of record by Ms. Marilyn B. McCall, Mr. McCall's spouse. This amount also includes options to acquire 18,837 shares of common stock that are either presently exercisable or will become exercisable within 60 days after March 23, 2009. This amount also includes 7,662 shares of unvested restricted stock as of March 23, 2009.
- (9) Director is a member of the Compensation Committee.
- (10) Director is a member of the Nominating and Corporate Governance Committee.
- (11) Director is a member of the Audit Committee.
- (12) Director is a member of the Regulatory Affairs and Quality Assurance Policy Committee.
- (13) Mr. McCall is the Presiding Director of the Board.

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Steven G. Anderson, a founder of CryoLife, has served as CryoLife's President, Chief Executive Officer and Chairman of the Board of Directors since its inception. Mr. Anderson has more than 40 years of experience in the tissue preservation and medical device industry. Prior to founding CryoLife, Mr. Anderson was Senior Executive Vice President and Vice President, Marketing, from 1976 until 1983, of Intermedics, Inc. (now Boston Scientific Corporation), a manufacturer and distributor of pacemakers and other medical devices. Mr. Anderson is a graduate of the University of Minnesota.

Thomas F. Ackerman has served as a Director of CryoLife since December 2003. Mr. Ackerman is Executive Vice President and Chief Financial Officer of Charles River Laboratories International, Inc. (NYSE: CRL), a position he has held since 2005. Charles River Laboratories is a leading global provider of solutions that accelerate the drug discovery and development process, including research models and associated services, and outsourced preclinical services. From 1999 to 2005 he served as Senior Vice President and Chief Financial Officer and from 1996 to 1999 he served as Vice President and Chief Financial Officer of Charles River Laboratories, where he has been employed since 1988. Mr. Ackerman is a Director of the University of Massachusetts Amherst Foundation. Mr. Ackerman received a B.S. in Accounting from the University of Massachusetts and became a certified public accountant in 1979 (his license is currently inactive).

James S. Benson has served as a Director of CryoLife since December 2005. Mr. Benson retired from the Advanced Medical Device Association (AdvaMed, formerly known as The Health Industry Manufacturers Association, HIMA) in July 2002 as Executive Vice President for Technical and Regulatory Affairs. He was employed by AdvaMed from January 1993 through June 2002. Prior to that, he was employed by the Food and Drug Administration (FDA) for 20 years, where he held a number of senior positions. He retired from the FDA as Director of the Center for Devices and Radiological Health (CDRH) in December of 1992. Prior to his position as Center Director, he served as Deputy Commissioner from July 1988 through July 1991. During that period, he served as Acting Commissioner for one year, from December 1989 through November 1990. Prior to his position as Deputy Commissioner, he served as Deputy Director of the Center for Devices and Radiological Health from 1978 to 1982. Mr. Benson serves on the Board of Directors for two other companies: CytoMedix, Inc., a public traded company (OTCBB: CYME), and Medical Device Consultants, Inc., a private company. In 2003 Mr. Benson was engaged by the law firm representing a Special Litigation Committee of the Board of Directors of the company to serve as an expert witness in connection with the Special Litigation Committee's independent investigation into allegations made by the plaintiffs in the stockholder derivative lawsuit filed against the company's Directors, which was settled in 2005. Mr. Benson also was engaged to serve as an expert witness by a different law firm representing the company in the securities class action stockholder lawsuit filed against the company, which was also settled in 2005.

Daniel J. Bevevino has served as a Director of CryoLife since December 2003. From 1996 until March of 2008, Mr. Bevevino served as the Vice President and Chief Financial Officer of Respironics, Inc. (Nasdaq: RESP), a company that develops, manufactures and markets medical devices used primarily for the treatment of patients suffering from sleep and respiratory disorders. In March 2008, Respironics was acquired by Royal Philips Electronics (NYSE: PHG), whose businesses include a variety of medical solutions including medical diagnostic imaging and patient monitoring systems, as well as businesses focused on energy efficient lighting and consumer products. Mr. Bevevino is currently employed by Philips as the Head of Post-Merger Integration Respironics to help facilitate the integration of the combined companies. He began his career as a certified public accountant with Ernst & Young (his license is currently inactive). Mr. Bevevino received a B.S. in Business Administration from Duquesne University and an M.B.A. from the University of Notre Dame.

John M. Cook has served as a Director of CryoLife since August 1999. He is a retired Chairman, President, and Chief Executive Officer of PRG-Schultz International, Inc. (Nasdaq: PRGX), the world's leading recovery audit firm. Mr. Cook served as Chief Executive Officer of PRG-Schultz from its founding in January 1991 until his retirement in July 2005. Prior to PRG-Schultz, he served in a number of top financial and management positions in the retail industry, including Senior Vice President and Chief Financial Officer of Caldor Stores and Senior Vice President of Finance and Controller of Kaufmann's Department Stores, both May Department Stores affiliates. He holds a B.S. in Accounting from Saint Louis University, where he serves as a member of the Board of Trustees and holds a seat on the Executive Advisory Board of the University's School of Business and Administration.

Ronald C. Elkins, M.D. has served as a Director of CryoLife since January 1994. Dr. Elkins is Professor Emeritus, Section of Thoracic and Cardiovascular Surgery, University of Oklahoma Health Sciences Center. Dr. Elkins has been a physician at the Health Science Center since 1971, and was Chief, Section of Thoracic and Cardiovascular Surgery, from 1975 to 2002. Dr. Elkins is a graduate of the University of Oklahoma and Johns Hopkins Medical School.

Ronald D. McCall, Esq. has served as a Director of CryoLife since January 1984 and served as its Secretary and Treasurer from 1984 to 2002; however, Mr. McCall has never been an employee of the company and did not receive any compensation for his service as Secretary and Treasurer of the company other than the company's standard compensation provided to Directors. From 1985 to the present, Mr. McCall has been the owner of the law firm of Ronald D. McCall, P.A., based in Tampa, Florida. Mr. McCall was admitted to the practice of law in Florida in 1961. Mr. McCall received a B.A. and a J.D. from the University of Florida.

Harvey Morgan has served as a Director of CryoLife since May 2008. Mr. Morgan has more than 35 years of investment banking experience, with significant expertise in strategic advisory services, mergers and acquisitions, private placements and underwritings. He has been a Managing Director of the investment banking firm Bentley Associates, L.P. since 2004, and from 2001 to 2004, he was a Principal of Shattuck Hammond Partners, an independent investment banking and financial advisory firm. Mr. Morgan also serves on the Boards of Family Dollar Stores, Inc. (NYSE: FDO) and Cybex International, Inc. (Nasdaq: CYBI). Mr. Morgan received a B.A. in Business Administration from The University of North Carolina at Chapel Hill and an M.B.A. from The Harvard Business School.

CORPORATE GOVERNANCE

Information about the Board of Directors

Our Board of Directors believes that the purpose of corporate governance is to maximize stockholder value in a manner consistent with legal requirements and the highest standards of integrity. The Board has adopted and adheres to corporate governance practices that the Board and senior management believe promote this purpose, are sound, and represent best practices. The Board reviews these practices on an ongoing basis.

Director Independence

The Board has adopted certain categorical standards that provide that the following relationships, if existing within the preceding three years, will be considered material relationships that would impact a director's independence, measured consistently with the NYSE's interpretation of independence in Section 303A.02 of the NYSE's listing standards:

The Director is or was employed by us, or an immediate family member of the Director is or was employed by us, as an executive officer;

The Director or an immediate family member of the Director received or receives more than \$120,000 per year in direct compensation from us, other than Director and committee fees and pension or other forms of deferred compensation for prior service, provided such compensation is not contingent in any way on continued service;

The Director was employed by or affiliated with our present or former internal or independent auditors;

An immediate family member of the Director was a partner at our present or former internal or independent auditors or, as an employee of our present or former internal or independent auditors, personally worked on our audit;

The Director or an immediate family member of the Director is or was employed as an executive officer of another company where any of our current executive officers serve on that company's compensation committee; or

The Director is an executive officer or employee, or an immediate family member of the Director is an executive officer, of another company that makes payments to or receives payments from us, for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million or two percent of the other company's consolidated gross revenues.

The Board has adopted categorical standards that provide that the following commercial or charitable relationships will not be considered to be material relationships that would impair a director's independence:

If a CryoLife Director is a partner, executive officer, or controlling stockholder of another company or business that does business with us, and the annual amount paid to, or received from, us in the preceding calendar year, or expected to be paid or received in the current calendar year, is less than \$120,000 and is also less than fifteen percent of the annual revenues of the other company or business in that year;

If a CryoLife Director provides professional services to CryoLife, such as legal, investment banking, or consulting services, either individually or through a personal corporation, and the annual amount received from us in the preceding calendar year, or expected to be received in the current calendar year, is less than \$120,000 and is also less than fifteen percent of the gross annual income of the Director in the year received;

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If a CryoLife Director is an executive officer of another company that is indebted to us, or to which we are indebted, and the total amount of either company's indebtedness to the other is less than five percent of the total consolidated assets of the other company; and

If a CryoLife Director serves as an officer, Director, or trustee of a charitable organization, and our discretionary charitable contributions to the organization are less than two percent of its total annual charitable receipts. Our automatic matching of employee charitable contributions will not be included in the amount of our contributions for this purpose.

In connection with its annual review based on the information available to it, the Board has determined that, with the exception of Mr. Anderson, none of the Directors currently in office have a material relationship with CryoLife. Accordingly, the Board has determined that these individuals qualify as independent Directors under the NYSE's current Listing Standards.

Other than Mr. Ackerman and Dr. Elkins, none of the Directors who were determined to be independent have any relationships with us or our management other than their positions on our Board of Directors.

See Compensation Committee Interlocks and Insider Participation at page 57 for a discussion of payments made by CryoLife to Mr. Ackerman's employer, Charles River Laboratories International, Inc. The Board determined that Mr. Ackerman's relationship with Charles River Laboratories is not a material relationship that could impair his independence based on the relatively small dollar amounts involved when compared to CryoLife's 2008 revenues and expenses and Charles River Laboratories International, Inc.'s fiscal 2008 revenues, the fact that the purchases from Charles River Laboratories were made on an arm's length basis, and the Board's understanding that Mr. Ackerman's compensation is in no way impacted by the size or amount of the business transacted between the two companies.

Dr. Elkins is a former Chief of the Section of Thoracic and Cardiovascular Surgery at the University of Oklahoma Health Sciences Center and is a Professor Emeritus of the Center, for which he is paid \$1 per year. Dr. Elkins receives annual payments from the University of Oklahoma College of Medicine Professional Practice Plan for clinical practice services and for professional fees associated with medical liability reviews. In 2008, the Center paid CryoLife for tissue preservation services and BioGlue provided by CryoLife. Dr. Elkins' son, Charles Craig Elkins, M.D., is a cardiac surgeon who has implanted CryoLife preserved cardiac tissues at Integris Baptist Medical Center in Oklahoma City. Integris paid CryoLife for tissue preservation services and BioGlue in 2008, and we expect this relationship to continue. The Board considered these relationships and determined that they are not material relationships that could impair Dr. Elkins' independence. The Board's basis for this determination was that Dr. Elkins and his son's interests in these transactions were not material and that the dollar amounts accruing to them from the transactions were relatively small.

Presiding Director

Mr. McCall assumed the role of Presiding Director in December 2005. The Presiding Director has frequent contact with Mr. Anderson and other members of management on a broad range of matters and has additional corporate governance responsibilities for the Board, including:

Acting as chairman of, coordinating and developing agendas for, and moderating each of the non-management Director executive sessions;

Presiding at Board meetings when the Chairman of the Board is not present;

Receiving and processing communications from concerned parties wishing to contact the non-management Directors;

Preparing the agenda for each Board and Committee meeting;

Coordinating the activities of the independent Directors;

Determining appropriate schedules for Board meetings;

Seeking to encourage that the independent Directors perform their duties responsibly while not interfering with the flow of the company's operations;

Assessing the quality, quantity, and timeliness of the flow of information from the company's management that is necessary for the independent Directors to effectively and responsibly perform their duties;

Directing the retention of consultants who report directly to the Board;

Overseeing the Nominating and Corporate Governance Committee's activities with respect to compliance with and implementation of the company's corporate governance policies;

Overseeing the Regulatory Affairs and Quality Assurance Policy Committee's activities respecting compliance with and implementation of the company's policies and procedures for the development and implementation of improved safety processes and procedures for new and existing products;

Acting as principal liaison between the independent Directors and the Chief Executive Officer on sensitive issues;

Evaluating, along with the members of the Compensation Committee and the Nominating and Corporate Governance Committee, the Chief Executive Officer's performance and meeting with the Chief Executive Officer to discuss the Board's evaluation;

Overseeing the recommendations regarding membership of the various Board committees, as well as selection of the committee chairpersons, by the Nominating and Corporate Governance Committee; and

Having the authority to retain such counsel or consultants as the Presiding Director deems necessary to perform his responsibilities.

Board and Committee Meetings

During 2008, no Director attended fewer than 75% of the sum of the total number of meetings of the Board of Directors plus the total number of meetings held by all committees of the Board on which he served. In general, members of the Board of Directors are appointed to committees at the annual meeting of Directors immediately following the Annual Meeting of Stockholders.

During 2008, the Board of Directors held five meetings.

Board attendance at the Annual Meeting of Stockholders is encouraged, but not required. All eight of the current Board members who were nominated for election or re-election at the 2008 annual meeting attended the meeting.

Director Compensation

See Fiscal 2008 - Director Compensation at page 56 for a discussion of compensation received by Directors during 2008.

Standing Committees of the Board of Directors

During 2008, the Board of Directors had four standing committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, and the Regulatory Affairs and Quality Assurance Policy Committee. In 2008, the Audit Committee met six times, the Compensation Committee met eight times, the Nominating and Corporate Governance Committee met four times, and the Regulatory Affairs and Quality Assurance Policy Committee met four times. These committees are described below.

Audit Committee CryoLife's Audit Committee currently consists of four non-employee Directors: Mr. Cook, Chairman, Mr. Bevevino, Mr. Ackerman, and Mr. Morgan. Messrs. Cook, Ackerman, and Bevevino served on the Audit Committee for all of 2008. Mr. Morgan joined the Audit Committee in May 2008. The Audit Committee reviews the general scope of CryoLife's annual audit and the nature of services to be performed for CryoLife in connection with it, acting as liaison between the Board of Directors and the independent registered public accounting firm. The Audit Committee also formulates and reviews various company policies, including those relating to accounting practices and internal control systems of CryoLife. In addition, the Audit Committee is responsible for reviewing and monitoring the performance of CryoLife's independent registered public accounting firm, for engaging or discharging CryoLife's independent registered public accounting firm, and for assisting the Board in its oversight of legal and regulatory requirements. Each of the members of the Audit Committee meets the requirements of independence of Section 303A.02 of the current NYSE Listing Standards and also meets the criteria of Section 303A.06, as set forth in Rule 10A-3 promulgated under the Securities Exchange Act of 1934, regarding listing standards related to audit committees. No member of the Audit Committee serves on the Audit Committee of more than three public companies. In addition, the Board of Directors has determined that all of the current members of the Audit Committee satisfy the definition of an audit committee financial expert, as promulgated in Securities and Exchange Commission regulations.

The Audit Committee operates under a written charter. The charter gives the Audit Committee the authority and responsibility for the appointment, retention, compensation, and oversight of CryoLife's independent registered public accounting firm, including pre-approval of all audit and non-audit services to be performed by CryoLife's independent registered public accounting firm. The Audit Committee also oversees and must review and approve all significant related party transactions. See Policies and Procedures For Review, Approval or Ratification of

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Transactions with Related Parties at page 10. The Report of the Audit Committee is on page 12 of this proxy statement.

Compensation Committee The Compensation Committee operates under a written charter that sets out the committee's functions and responsibilities. Our Compensation Committee currently consists of three non-employee Directors: Dr. Elkins, Chairman, Mr. Ackerman, and Mr. Cook, each of whom served on the Compensation Committee for all of 2008. Each member of the Compensation Committee meets the independence requirements of Section 303A.02 of the current NYSE Listing Standards, and is a non-employee director within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 and a disinterested director within the meaning of Section 162(m) of the Internal Revenue Code of 1986.

Pursuant to the Compensation Committee Charter, the Compensation Committee is responsible for reviewing the performance of executive officers and setting the annual compensation for all senior officers, including the salary and the compensation package of executive officers. The committee, among its other responsibilities:

Establishes the corporate goals and objectives upon which the compensation of CryoLife's Chief Executive Officer is based;

Determines the proper relationship of all executive compensation to the performance of CryoLife;

Evaluates annually the performance of CryoLife's CEO in a joint session with the Nominating and Corporate Governance Committee;

Evaluates the performance of other executive officers by consulting with the CEO and reviewing officer evaluations;

Recommends to the full Board the total amount and form of annual and other compensation paid to CryoLife's non-employee Directors;

Establishes and periodically reviews CryoLife's policies regarding management perquisites; and

Recommends executive compensation plans to the Board for approval, approves grants under CryoLife's executive bonus plans, and approves grants of stock options and other stock rights and cash incentives under CryoLife's stock and incentive plans.

The committee consults with Mr. Anderson, the President and CEO of CryoLife, with respect to compensation for all executives. The CEO negotiates with candidates for employment as executive officers, and the negotiated compensation is reflected in each candidate's employment agreement or other arrangement, subject to approval by the committee. Management develops bonus and equity compensation plans at the direction of the committee and submits these plans to the committee to review and approve.

The committee has the power to retain, determine the terms of engagement and compensation of, and terminate any consulting firm that may assist it in the evaluation of compensation decisions. With respect to compensation decisions made in 2008 with respect to the named executive officers, the committee engaged Mercer Human Resource Consulting, a compensation consultant, for this purpose. The committee also engaged Mercer to advise the committee regarding revisions to the CEO's contract, development of the 2008 bonus program, and executive stock ownership guidelines. In addition, the committee separately engaged Mercer to provide the committee with a competitive market review of outside Director compensation.

In September 2008, the committee engaged Pearl Meyer & Partners, or Pearl Meyer, as its compensation consultant for its compensation decisions made in February 2009. Pearl Meyer prepared an executive compensation study in October 2008, which it supplemented in February 2009, that was used by the committee in making its 2009 compensation decisions.

Nominating and Corporate Governance Committee CryoLife's Nominating and Corporate Governance Committee currently consists of four non-employee Directors: Mr. McCall, Chairman, Mr. Benson, Mr. Bevevino, and Mr. Morgan. Messrs. McCall and Benson served on the Nominating and Corporate Governance Committee for all of 2008, and Messrs. Bevevino and Morgan joined the Nominating and Corporate Governance Committee in May 2008. Mr. Ackerman served on the Nominating and Corporate Governance Committee, and as its chairman, from January 2008 to May 2008. Each of these individuals meets the requirements of independence of Section 303A.02 of the current NYSE

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Listing Standards. Among other things, the committee recommends potential candidates for the Board. It also oversees the annual self-evaluations of the Board and its committees. Each year the Nominating and Corporate Governance Committee evaluates the performance of CryoLife's CEO and the other executive officers in a joint session with the Compensation Committee. The Nominating and Corporate Governance Committee also recommends to the Board how the other Board committees should be structured and which Directors should be members of those committees. The committee also reviews and makes recommendations to the Board of Directors regarding the development of and compliance with the company's corporate governance guidelines.

Regulatory Affairs and Quality Assurance Policy Committee CryoLife's Regulatory Affairs and Quality Assurance Policy Committee currently consists of three non-employee Directors: Mr. Benson, Chairman, Dr. Elkins, and Mr. McCall, each of whom served on the Regulatory Affairs and Quality Assurance Policy Committee for all of 2008. Each of these individuals meets the requirements of independence of Section 303A.02 of the current NYSE Listing Standards. Among other things, the committee advises the Audit Committee regarding CryoLife's regulatory affairs and quality assurance policies relating to new and existing biological products and recommends for Audit Committee approval actions that ensure and enhance CryoLife's regulatory compliance and policies and procedures for safeguarding the quality and safety of our new and existing biological products. Pursuant to its charter, the committee is directed to:

Meet with CryoLife's regulatory affairs and tissue processing quality assurance administrators, including in-house audit personnel, on a quarterly basis;

Become familiar with CryoLife's internal policies concerning the development and implementation of improved safety processes and procedures; and

Become apprised of the appropriateness of the company's safety processes and procedures and make recommendations regarding them to the Audit Committee.

Policies and Procedures for Stockholders Who Wish to Submit Nominations or Recommendations for Board Membership

Stockholders may submit the names of potential candidates for Director to the Nominating and Corporate Governance Committee. The policy of the Nominating and Corporate Governance Committee is to give the same consideration to nominees submitted by stockholders that it gives to individuals whose names are submitted by management or other Directors, provided that the nominees submitted by stockholders are submitted in compliance with Article XIV of CryoLife's Bylaws, as discussed below.

Factors to be considered by the committee include:

Whether the committee sees a need for an additional member of the Board, or to replace an existing member;

The overall size of the Board of Directors;

The skills and experience of the nominee, as compared to those of the other members of the Board; and

Whether the nominee is the holder of or is associated with a holder of a large number of shares of CryoLife common stock. Stockholders may also directly nominate a candidate for election to the Board by complying with Article XIV of CryoLife's Bylaws. The Nominating and Corporate Governance Committee also requires compliance with Article XIV as a prerequisite for its consideration of a potential nominee. A summary of certain provisions of Article XIV as it relates to nominations for Director at the 2010 annual meeting of stockholders is set forth below, but you are urged to read Article XIV in its entirety:

We must receive all required information no later than February 18, 2010 but no earlier than January 19, 2010, in order for it to be considered timely see Stockholder Proposals at page 70 of this proxy statement;

The sponsoring stockholder should provide information sufficient to inform us that the sponsor qualifies as a stockholder;

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The sponsoring stockholder should also provide disclosure, as described in the Bylaws, of certain underlying motives that may give rise to a Director nomination, such as any material monetary agreements, arrangements or understandings between a stockholder and his or her nominee; and

The nominee should provide the candidate's written consent to be considered and to serve if elected, a detailed questionnaire that includes questions regarding the background and qualification of the candidate, and a written representation and agreement disclosing certain arrangements that could prevent the candidate from acting in the best interests of CryoLife.

Based on its review of the information provided, the committee may contact the candidate confidentially, and may require that the candidate:

Be available upon request to meet with the committee and management with reasonable notice;

Execute a non-disclosure agreement; and

Provide several references.

From time to time we utilize a third party search firm to identify nominees. All nominees are evaluated according to the same criteria. The committee and the Board have determined that nominees to the Board should be of known integrity, have a good moral and ethical background, and have an appropriate level of education, training, or experience to be able to make a contribution to furthering the goals of CryoLife while being compatible with management and the other Board members. Special knowledge, education, training, and experience that complement the experience of other Board members will be considered. A candidate's capacity for independent judgment will also be considered. A candidate for Director must be no older than 75 to be nominated for election or re-election by the committee.

The current Board policy requires each Director to offer to voluntarily resign upon a change in such Director's principal employment or line of business. The Nominating and Corporate Governance Committee will then review whether he or she continues to meet the needs of the Board and will make a recommendation to the Board regarding whether or not it should require the Director to tender his or her resignation.

Current Board policy also limits the number of other public company boards of Directors on which CryoLife Directors may serve. Non-employee Directors may serve on no more than two public company boards of Directors in addition to service on CryoLife's Board. The CEO may serve on no more than one public company board of Directors in addition to service on CryoLife's Board.

The Nominating and Corporate Governance Committee has not received any recommended Director nominees for election at the 2009 Annual Meeting from any CryoLife security holder or group of security holders.

Stockholders may communicate the necessary information to the Nominating and Corporate Governance Committee or the Board by following the procedures set forth below at [Communication with the Board of Directors and Its Committees](#) on page 12.

Code of Business Conduct and Ethics

CryoLife has established a Code of Business Conduct and Ethics that clarifies the company's standards of conduct in potentially sensitive situations; makes clear that CryoLife expects all employees, officers, and Directors to understand and appreciate the ethical considerations of their decisions; and reaffirms the company's long-standing commitment to a culture of corporate and individual accountability and responsibility for the highest ethical and business practices.

This Code of Business Conduct and Ethics also serves as the code for the company's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller, and all other financial officers and executives. In the event that the company amends or waives any of the provisions of the Code of Business Conduct and Ethics applicable to its Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer or Controller, the company intends to disclose that information on the company's website at www.cryolife.com/investornew.htm.

Policies and Procedures for Review, Approval, or Ratification of Transactions with Related Parties

The Board has adopted written policies and procedures for review, approval, or ratification of transactions with related parties.

Types of Transactions Covered

It is our policy to enter into or ratify related party transactions only when the Board of Directors, acting through the Audit Committee or as otherwise described herein, determines that the related party transaction in question is in, or is not inconsistent with, the best interests of CryoLife and its stockholders. We follow the policies and procedures below for any transaction in which we are, or are to be, a participant and the annual amount involved exceeds \$50,000 and in which any related party, as defined below, had, has, or will have a direct or indirect interest. Pursuant to the policy, compensatory arrangements with an executive officer or Director that are approved or ratified by the Compensation Committee or compensation received under our employee benefit plans that are available to all employees do not require additional Audit Committee approval.

The company subjects the following related parties to these policies: Directors (and nominees), executive officers, beneficial owners of more than 5% of our stock, any immediate family members of these persons, and any entity in which any of these persons is employed or is a general partner or principal or has a similar position or in which the person has a 10% or greater beneficial ownership interest.

Standards Applied and Persons Responsible for Approving Related Party Transactions

The CEO and the Corporate Secretary are responsible for maintaining a list of all related parties known to them and for submitting to the Audit Committee for its advance review and approval any related party transaction into which we propose to enter. If any related party transaction inadvertently occurs before the Committee has approved it, the CEO or the Corporate Secretary shall submit the transaction to the Committee for ratification as soon as he or she becomes aware of it. If the Committee does not ratify the transaction, it shall direct for the transaction to be either rescinded or modified as soon as is practicable. The CEO or the Corporate Secretary may delegate his or her duties under the policy to another officer of CryoLife if he or she gives notice of the delegation to the Committee at its next regularly scheduled meeting.

When reviewing a related party transaction, the Committee shall examine all factors it deems relevant, including, among other things:

Whether the transaction has a business purpose;

Whether the transaction is to be entered into on an arms length basis;

The prior course of dealing between the parties, if any;

Whether such a transaction would violate any provisions of the CryoLife Code of Business Conduct and Ethics or otherwise create the appearance of impropriety;

The impact on a Director's independence in the event the related party is a Director;

The terms available to unrelated third parties or to employees generally;

Management's recommendations regarding the transaction;

Advice of counsel regarding the legality of the transaction;

The financial impact on CryoLife; and

Whether or not it is advisable for the approval to comply with Section 607.0832 of the Florida Business Corporation Act, which addresses Director conflict of interest transactions.

If the CEO or the Corporate Secretary determines that it is not practicable or desirable to wait until the next Audit Committee meeting, they shall submit the related party transaction for approval or ratification to the chair of the Committee, who possesses delegated authority to act between Committee meetings. The chair shall report any action he or she has taken under this delegated authority to the Committee at its next regularly scheduled meeting.

The Committee, or the chair, shall approve only those related party transactions that they have determined in good faith are in, or are not inconsistent with, the best interests of CryoLife and its stockholders.

Review of Ongoing Transactions

At the Committee's first meeting of each fiscal year, the Committee reviews all related party transactions, other than those approved by the Compensation Committee as contemplated in the policy, that remain ongoing and have a remaining term of more than six months or remaining amounts payable to or receivable from CryoLife of more than \$50,000 annually. Based on all relevant facts and circumstances, taking into consideration the factors discussed above, the Audit Committee shall determine if it is in, or not inconsistent with, the best interests of CryoLife and its stockholders to continue, modify, or terminate the related party transaction.

Communication with the Board of Directors and Its Committees

Interested parties may communicate directly with the Board of Directors, the Presiding Director, the non-management Directors as a group, Committee Chairs, Committees, and individual Directors by mail. CryoLife's current policy is to forward all communications to the addressees, unless they clearly constitute unsolicited general advertising. Please send all communications in care of Suzanne K. Gabbert, Corporate Secretary, CryoLife, Inc., 1655 Roberts Boulevard, NW, Kennesaw, Georgia 30144.

Availability of Corporate Governance Documents

You may view current copies of the charters of the Audit, Compensation, Nominating and Corporate Governance, and Regulatory Affairs and Quality Assurance Policy Committees, as well as the company's Corporate Governance Guidelines and Code of Business Conduct and Ethics, on the CryoLife website at www.cryolife.com/investornew.htm. If you are a stockholder, you may receive a printed copy at no charge by making a request to Suzanne K. Gabbert, Corporate Secretary, CryoLife, Inc., 1655 Roberts Blvd., NW, Kennesaw, Georgia 30144.

Notwithstanding anything to the contrary set forth in any of CryoLife's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate other CryoLife filings, including this proxy statement, in whole or in part, neither of the following Reports of the Audit Committee and the Compensation Committee shall be incorporated by reference into any such filings.

REPORT OF THE AUDIT COMMITTEE

The Board of Directors maintains an Audit Committee comprised of four Directors. The Board of Directors and the Audit Committee believe that the Audit Committee's current member composition satisfies the rules of the NYSE that govern audit committee composition, including the requirement that audit committee members all be Independent Directors as that term is defined by Sections 303A.02 and 303A.06 of the current NYSE Listing Standards and Rule 10A-3 promulgated under the Securities Exchange Act of 1934.

The Audit Committee oversees CryoLife's financial processes on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements included in CryoLife's Annual Report on Form 10-K for fiscal 2008 with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Board and the Audit Committee have adopted a written Audit Committee Charter. Since the first quarter of 2004, CryoLife has retained a separate accounting firm to provide internal audit services. The internal audit function reports directly to the Audit Committee and, for administrative purposes, to the Chief Financial Officer.

During the course of fiscal 2008, management completed the documentation, testing and evaluation of CryoLife's system of internal control over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. The Audit Committee was apprised of the progress of the evaluation and provided oversight and advice to management during the process. In connection with this oversight, the Audit Committee received periodic updates provided by management and Deloitte & Touche LLP at each regularly scheduled Audit Committee meeting. The Audit Committee also reviewed the report of management on internal control over financial reporting contained in CryoLife's Annual Report on Form 10-K for fiscal 2008, as well as Deloitte & Touche LLP's Report of Independent Registered Public Accounting Firm included in CryoLife's Annual Report on Form 10-K for fiscal 2008 related to its audit of (i) CryoLife's consolidated financial statements and financial statement schedules, (ii) management's assessment of the effectiveness of the company's internal control over financial reporting, and (iii) the effectiveness of the company's internal control over financial reporting. The Audit Committee continues to oversee CryoLife's efforts related to its internal control over financial reporting and management's preparations for the evaluation in fiscal 2009.

The Audit Committee reviewed with the independent registered public accounting firm, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of CryoLife's accounting principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards, including Statement on Auditing Standards No. 61. In addition, CryoLife's independent registered public accounting firm provided to the Audit Committee the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the audit committee concerning independence, and the Audit Committee discussed with the independent registered public accounting firm that firm's independence from management and CryoLife.

The Audit Committee discussed with CryoLife's independent registered public accounting firm the overall scope and plans for their audit. The Audit Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examination, their evaluation of CryoLife's internal controls and the overall quality of CryoLife's financial reporting.

Aggregate fees paid to Deloitte & Touche LLP for the year ended December 31, 2008 were \$635,000. See Ratification of the Independent Registered Public Accounting Firm at page 69 for further details. The Audit Committee determined that the payments made to its independent registered public accounting firm for non-audit services for 2008 were consistent with maintaining Deloitte & Touche LLP's independence. In accordance with its Audit Committee Charter, CryoLife's Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, specified tax services and other services.

In reliance on the reviews and discussions referred to above, the Audit Committee members did not become aware of any misstatement in the audited financial statements and recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in CryoLife's Annual Report on Form 10-K for the year ended December 31, 2008 for filing with the Securities and Exchange Commission. The Audit Committee will also select CryoLife's independent registered public accounting firm for fiscal 2009.

Audit Committee

JOHN M. COOK, CHAIRMAN
THOMAS F. ACKERMAN
DANIEL J. BEVEVINO
HARVEY MORGAN

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION & ANALYSIS

Analysis of Total Compensation

The Compensation Committee generally makes formal compensation decisions in February of each year. The Compensation Committee has been using an informal tally sheet since the third quarter of 2006 to better understand the total compensation package of each named executive officer and to determine whether CryoLife should make any adjustments to better align each named executive officer's compensation with CryoLife's goals and objectives. The tally sheet utilized by the committee is an itemized worksheet of each element of the named executive officers' compensation that includes a total of all compensation earned during the year. The worksheet includes not only the executives' base salaries and bonuses, but also the fair value of restricted stock and option grants, as well as other elements of compensation. Beginning in 2007, the materials used by the committee also include internal pay equity analyses and summaries of prior compensatory items, such as the in-the-money value of accumulated option and restricted stock grants. The committee included these wealth accumulation items to understand whether the company is effectively incentivizing its executives with continued equity award grants. Beginning with the 2007 fiscal year, the committee moved its formal performance evaluation of executive officers, conducted jointly with the Nominating and Corporate Governance Committee, to February of the following year in order to coincide with the committee's compensation decisions. In connection with the decisions made in February 2008 and 2009, the committee considered tally sheets, wealth accumulation analyses, and internal pay equity comparisons of the CEO's compensation to the compensation of the next highest paid named executive officer and to the average compensation of the other four named executive officers.

Compensation Philosophy and Objectives

CryoLife's executive compensation programs are designed to attract, motivate, and retain executives critical to our long-term success and the creation of stockholder value. The committee believes the actions of our executive officers have a profound impact on the short-term and long-term profitability of CryoLife. Therefore, the committee gives significant attention to the design of CryoLife's compensation package. The committee's fundamental philosophy is to provide competitive salaries and link the executive officers' incentive compensation to the achievement of annual and long-term performance goals related to both personal and company performance. The committee has designed the compensation arrangements in a way that maintains an appropriate balance between base salary and annual and long-term incentive compensation. It is the policy of the committee not to award bonuses or other compensation to company officers for the purpose of satisfying margin call obligations owed by such officers without first obtaining stockholder approval.

To help fulfill these objectives, the committee designed the 2007 executive incentive plan and related bonus programs to motivate executive officers to achieve strategic business objectives and personal goals, as well as to continue to perform at the highest levels in the future. Similarly, the committee designed the equity-based compensation programs to align the long-term interests of employees with those of stockholders. The committee's goal is to achieve total pay levels that are perceived both internally and externally as competitive and fair.

Elements of Compensation Program

CryoLife's compensation package consists of four primary elements:

Base salary;

Performance bonus;

Stock-based incentive compensation; and

Severance/change of control payments.

The named executive officers also receive certain other personal benefits.

Peer Group and Benchmarking

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When making compensation decisions, we also look at the compensation of our CEO and the other named executive officers relative to the compensation paid to similarly-situated executives at companies that we consider to be our peers. This is often referred

to as benchmarking. We believe, however, that a benchmark should be just that a point of reference for measurement but not the determinative factor for our executives' compensation. The purpose of the comparison is not to supplant the analyses of internal pay equity, wealth accumulation and the individual performance of the executive officers that we consider when making compensation decisions.

Because the comparative compensation information is just one of the several analytic tools that are used in setting executive compensation, the Compensation Committee has discretion in determining the nature and extent of its use. Further, given the limitations associated with comparative pay information for setting individual executive compensation, including the difficulty of assessing and comparing wealth accumulation through equity gains and post-employment amounts, the committee may elect to not use the comparative compensation information at all in the course of making compensation decisions.

In evaluating base salaries, the Compensation Committee utilizes the most current edition of the Radford Salary Survey for U.S. Biotech Companies to benchmark specific executive positions. In addition, at the direction of the Compensation Committee, Mercer, the committee's compensation consultant through June 2008, established a peer group of companies in 2007 that was utilized for compensation decisions made in 2008 along with data from four 2007 compensation surveys and one 2006 compensation survey. The data presented by Mercer to the committee in its October 17, 2007 executive compensation study was an even blend of the peer group and compensation survey information, trended forward to January 1, 2008 by a factor of 4%. This study, together with Mercer's December 11, 2007 analysis of management's 2008 bonus program proposal, is referred to herein as the 2008 peer group information. Components of compensation considered in Mercer's October 17, 2007 executive compensation study, which was used by the committee in making its 2008 compensation decisions, included:

Base salary;

Performance bonus, based on the actual bonus earned for 2006;

Total cash compensation, calculated as base salary plus actual 2006 bonus earned, including the portion paid in stock;

Long-term incentive compensation, calculated as the grant date average of equity awards over the prior three years; and

Total direct compensation, calculated as total cash compensation plus the Black Scholes value of equity awards granted during 2007. The study also analyzed CryoLife's performance relative to its peers, equity overhang and annual equity grant rates. In selecting the peer group companies and surveys, the committee and Mercer chose a group of companies with median annual revenues of \$126 million and utilized surveys of biotech and general industry companies with targeted revenues of \$175 million.

In September 2008, the committee engaged Pearl Meyer as its compensation consultant. For compensation decisions made in February 2009, the committee and Pearl Meyer determined to utilize the 2007 peer group for benchmarking purposes, subject to the exclusion of Foxhollow Technologies, Inc., which was acquired by ev3, Inc. in October 2007. The committee and Pearl Meyer also utilized six 2007/2008 compensation surveys of biotech and healthcare companies. The data presented by Pearl Meyer to the committee in its October 16, 2008 and February 11, 2009 executive compensation studies was an even blend of the peer group and compensation survey information, trended forward to January 1, 2009 by a factor of 4.3%. These studies are referred to collectively as the 2009 peer group information. Components of compensation considered in Pearl Meyer's October 16, 2008 and February 11, 2009 executive compensation studies, which were used by the committee in making its 2009 compensation decisions, included:

Base salary;

Total cash compensation, calculated as base salary plus actual 2007 bonus earned, including the portion paid in stock; and

Total direct compensation, calculated as total cash compensation plus the Black Scholes value of equity awards granted during 2008.

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The study also analyzed CryoLife's performance relative to its peers, equity overhang and annual equity grant rates. In selecting the surveys for 2009 benchmarking, the committee and Pearl Meyer chose a group of companies with targeted revenues of \$175 million.

The committee believes that the peer group is representative of the current array of biological implantable devices distributed by CryoLife and the complexities of its business. With the assistance of its compensation consultant, the committee reviews the composition of the peer group periodically to ensure that the companies are relevant for comparative purposes. Our peer group consists of the following companies and survey information:

Peer Group Companies

Abiomed, Inc.	Lifecell Corp.*
Atherogenics, Inc.*	Medical Action Industries, Inc.
Arthrocare Corp.	Micrus Endovascular Corp.
Atrion Corp.	OMRIX biopharmaceuticals LTD
Enzon Pharmaceuticals, Inc.	RTI Biologics, Inc.
ev3, Inc.	Stereotaxis, Inc.
Foxhollow Technologies, Inc.*	Synovis Life Tech, Inc.
Immucor, Inc.	Thoratec Corp.
-	

* Foxhollow Technologies, Inc. was acquired by ev3, Inc. on October 4, 2007, and as a result, was not included in Pearl Meyer's October 16, 2008 or February 11, 2009 studies. Lifecell Corp. was acquired by Kinetic Concepts, Inc. on May 27, 2008. As of March 17, 2009, Atherogenics, Inc. was in the midst of a Chapter 11 bankruptcy proceeding pursuant to which it expected to sell itself and/or its key assets.

2008 Compensation Surveys

- 2007 Mercer U.S. Americas Executive Remuneration Database
- 2007 Mercer U.S. Integrated Health Networks Survey
- 2007 Watson Wyatt Report on Top Management Compensation
- 2007 Watson Wyatt Survey of Hospital and Health Care Management Compensation
- 2006 Presidio Pay Advisors Biotechnology Industry Executive Compensation Survey

2009 Compensation Surveys

- 2008 Mercer U.S. Executive Compensation Database
- 2007/2008 Watson Wyatt Report on Top Management Compensation
- 2007 CHiPS Executive and Senior Management Total Compensation Survey
- 2007 Presidio Pay Advisors Biotechnology Industry Executive Compensation Survey
- 2007/2008 Pearl Meyer Private Biotechnology Industry Survey
- 2008 Pearl Meyer Private Life Sciences Industry Survey

Base Salary

For most of 2008, we paid all of the named executive officers' base salaries pursuant to employment agreements; however, in July 2008, the committee determined that for all officers, other than the CEO, it would replace their employment agreements, as they expire, with change of control agreements. See "Employment and Change of Control Agreements" below. As of the date hereof, Messrs. Lee's and Seery's employment agreements have expired and been replaced with change of control agreements. Dr. Heacox's and Mr. Fronk's employment agreements will expire in May 2009, and the committee anticipates replacing them with change of control agreements as well. With the exception of Mr. Anderson, the committee has the authority to reduce each named executive officer's base salary as it deems appropriate. With respect to Mr. Anderson, his

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amended and restated employment agreement provides that we may only reduce his base salary in the event of a general wage reduction, and then only to the same extent as all executive officers' base salaries are reduced. Mr. Anderson's employment agreement also provides that he will receive an annual base salary increase that shall be, at a minimum, equal to the annual cost of living increase.

The committee reexamines base salaries each February as part of its comprehensive compensation review. In February 2008, the committee reviewed a tally sheet showing each named executive officer's total compensation for 2007. In addition, the committee reviewed the peer group information, comparing base salaries, total cash compensation, and total direct compensation. The committee also reviewed the Radford Salary Survey for U.S. Biotech Companies dated as of September 2007 and internal pay equity analyses between the CEO and the other officers with respect to annual base salary, bonus, equity grants, and total annual compensation. With respect to decisions made in February 2009, the committee reviewed the same tally sheet information and internal pay equity information, updated to 2008, as well as the Radford Salary Survey for Biotech Companies dated as of September 2008 and the updated peer group information.

Set forth below are the base salaries for each executive officer, as in effect in February of 2007 and 2008. The committee did not make any changes to the base salaries of the named executive officers in February 2009. This included Mr. Anderson, who was not contractually entitled to an increase because the annual cost of living index specified by his amended and restated employment agreement did not increase.

Name of Executive Officer	2007 Base Salary	2008 Base Salary	% Change
Steven G. Anderson	\$ 600,000	\$ 619,229	3.2%
D. Ashley Lee	\$ 340,000	\$ 350,897	3.2%
Gerald B. Seery	\$ 250,000	\$ 275,000	10%
Albert E. Heacox	\$ 265,650	\$ 281,589	6%
David M. Fronk	\$ 240,000	\$ 254,400	6%

Analysis

Mr. Anderson

2008 Analysis

Pursuant to his amended and restated employment agreement, in February 2008, Mr. Anderson received an approximately 3.2% cost of living increase in his base salary. The committee determined that, despite its evaluation of Mr. Anderson's performance as excellent, an additional increase in Mr. Anderson's salary was unnecessary. The committee based this decision on its review of the 2007 Radford survey and the 2008 peer group information, which both indicated that Mr. Anderson's base salary was above the 75th percentile. The committee also reviewed the internal pay equity information and determined that the base salary differentials between Mr. Anderson and the other officers were appropriate.

2009 Analysis

As in 2008, the committee determined that, despite its evaluation of Mr. Anderson's performance as excellent, an increase in Mr. Anderson's salary in 2009 was unnecessary, based on the committee's consideration of the current economic climate, and based on the committee's review of the 2008 Radford survey and the 2009 peer group information, which showed that Mr. Anderson's base salary continued to be above the 75th percentiles.

Other Named Executive Officers

2008 Analysis

In February 2008, Mr. Anderson recommended, and the committee approved without modification, the base salary increases disclosed in the table above with respect to each of the named executive officers other than Mr. Anderson. The increases were based on the following:

Mr. Anderson's evaluation that each executive's performance had far exceeded expectations;

The committee's review of the 2007 Radford survey, which showed Mr. Lee's 2007 salary to be slightly below the 75th percentile, Mr. Fronk's to be slightly above the 60th percentile, Dr. Heacox's to be between the 25th and the 50th percentiles, and Mr. Seery's to be at the 25th percentile;

The committee's review of the 2008 peer group information, which showed that Mr. Lee's 2007 salary was between the 50th and 75th percentiles, and Mr. Seery's, Dr. Heacox's and Mr. Fronk's 2007 salaries were near or slightly above the 50th percentile;

The committee's subjective determination that the base salary increases were necessary in order to continue to retain and properly motivate the executives; and

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The committee's belief, after review of the internal pay equity information, that individual salaries were appropriately sized relative to those of the other executives.

In addition to the above factors, Mr. Seery's larger percentage increase was based primarily on his role in increasing revenues from preserved cardiac and vascular tissues by approximately 22% in 2007 over 2006 and the committee's expectation that he would continue to make similar contributions in subsequent years.

2009 Analysis

As with Mr. Anderson, the Committee determined that base salary increases were not warranted for the other named executive officers in 2009. This decision was primarily based on consideration of the current economic climate and a review of the 2008 Radford survey information and the 2009 peer group information, which showed all of the named executive officers other than Mr. Anderson to be near or slightly above the 50th percentiles.

Bonus

2008 Bonus Program

In late 2007, Mr. Lee and Mr. Anderson developed a 2008 bonus program for executives that was modeled after the 2007 bonus program. The 2008 bonus program was prepared pursuant to the 2007 executive incentive plan. Management submitted a draft 2008 bonus program to the committee for its review in December 2007. In connection with its review of the proposed 2008 program, the committee reviewed a December 11, 2007 Mercer analysis of the proposed bonus program's company performance targets versus historical CryoLife and peer group performance, as well as an assessment of the stretch portion of the bonus. Based on committee comments made as a result of the December 2007 review, management revised the 2008 bonus program to increase the adjusted revenue performance targets. The revised adjusted revenue numbers represented increases of 17.5 % over each of the threshold and maximum levels in the 2007 bonus program. The committee approved the 2008 bonus program, as modified, in February 2008. The 2008 bonus program provided for bonuses based on three performance categories: adjusted revenues, adjusted net income, and personal performance. See Annual Performance-Based Bonus Plans 2008 Bonus Program at page 33 for a discussion of the 2008 bonus program. In February 2009, the committee determined to pay the 2008 bonus 100% in cash.

Analysis

In adopting the 2008 program, the committee considered various factors, including its continued belief that the program would motivate executives to increase CryoLife's revenues, net earnings, and cash flow. The committee also reviewed the 2008 peer group information, which showed total cash compensation for all named executive officers, including the cash and stock portions of the 2006 bonus paid in 2007, to be above the 75th percentile; however, total direct compensation—total cash compensation plus the grant date value of annual option and other equity grants, exclusive of special grants—was between the 50th and 75th percentiles. This extreme showing relative to the peer group with respect to total cash compensation was primarily the result of the large bonuses paid in February 2007 for the company's exceptional 2006 performance. The committee concluded that this type of exceptional payment for exceptional performance was appropriate and should be carried forward in the design of the 2008 program. In addition, the 2008 peer group information showed that the named executive officers' bonus opportunities as a percent of salaries were either below or no more than 5% above the 50th percentile. As a result, based on management's recommendation, consultations with Mercer regarding the appropriateness of the 2008 performance and bonus payout levels and the review of the 2008 peer group information, the committee subjectively approved the performance measures discussed at Annual Performance-Based Bonus Plans 2008 Bonus Program at page 33, as appropriate targets to achieve our goals of increases in 2008 revenues, net income, and cash flow, as well as to drive personal performance and provide appropriate incentives to satisfy employee retention goals. The committee's decision to require an increase in the adjusted revenues performance measures proposed by management was subjectively made in order to require a greater improvement in adjusted 2008 revenues over 2007 adjusted revenues before threshold and other bonuses would be earned.

In designing the adjusted revenue measures, management and the committee attempted to identify those revenue sources that most closely related to CryoLife's material ongoing operations and excluded revenue sources that we expected to discontinue or deemphasize. With respect to adjusted net income performance measures, management and the committee determined that it was appropriate to exclude items over which the officers were not likely to have significant control or which we expected to be volatile or difficult to predict. The committee subjectively determined personal performance ratings, with the ratings for all officers other than Mr. Anderson based on Mr. Anderson's recommendations, which were not modified by the committee. The committee did not communicate specific pre-established personal performance criteria to plan participants. Individual bonus percentages for each officer were carried forward from the 2007 and 2006 bonus programs. The committee believed that these bonus measures continued to provide each executive with a proper bonus potential given his position with and importance to CryoLife and that they were appropriately sized based on 2008 peer group information and the internal pay equity information reviewed by the committee.

The changes in the calculation of adjusted net income for 2008 as compared to 2007 were primarily made to eliminate items from 2007 that were no longer material to 2008. We paid bonuses under the 2008 bonus program in February 2009. The committee based its decision to pay the bonuses 100% in cash on its consideration of the company's increased cash flow and cash position and its acknowledgement that aggregate 2008 bonus levels were lower than those in 2007, despite excellent 2008 financial performance.

2009 Bonus Program

In late 2008, the committee requested Pearl Meyer to make recommendations to it regarding potential changes to the 2008 bonus program that should be incorporated into the 2009 bonus program. The 2009 bonus program was also prepared pursuant to the 2007 executive incentive plan. The 2009 bonus program provides for bonuses based on the same three performance categories as the 2008 bonus program: adjusted revenues, adjusted net income and personal performance. See *Annual Performance-Based Bonus Plans 2009 Bonus Program* at page 37 for a discussion of the 2008 bonus program and of changes from the 2008 bonus program with respect to the calculation of adjusted revenues and adjusted net income.

Analysis

In adopting the 2009 program, the committee considered various factors, including its continued belief that the program would motivate executives to increase CryoLife's revenues, net earnings and operating cash flow, as was the case for 2008. The committee also reviewed the 2009 peer group information, which showed total cash compensation for 2007 for all named executive officers, including the cash and stock portions of the 2007 bonus paid in 2008, to be above the 75th percentile. This extreme showing relative to the peer group with respect to total cash compensation was primarily the result of the large bonuses paid in February 2008 for the company's exceptional 2007 performance. As with respect to the 2008 bonus decisions, the committee concluded that this type of exceptional payment for exceptional performance was appropriate and should be carried forward in the design of the 2009 program, with the changes discussed below. As a result, based on consultations with management, and with Pearl Meyer regarding the appropriateness of the 2009 performance and bonus payout levels, and the review of the 2009 peer group information, the committee subjectively approved the performance measures discussed at *Annual Performance-Based Bonus Plans 2009 Bonus Program* at page 37, as appropriate targets to achieve our goals of increases in 2009 revenues, net income and cash flow, as well as to drive personal performance and provide appropriate incentives to satisfy employee retention goals.

The committee's decision to add Hemostase revenues to the adjusted revenues performance measure was made at the recommendation of management in order to reflect increased revenues from that product, which we began distributing in 2008. The exclusion of research and development expenses from the adjusted net income measure was based on the committee's subjective view that this component had a disproportionate impact on bonus levels in prior years and that a number of variables prevented management from forecasting it with precision. The committee adopted management's performance targets and payout levels as proposed without modification. Management based the increases in performance target levels on CryoLife's projections provided to the public. The expansion of the range over which adjusted net income bonuses are payable was driven by the current economic climate and management's and the committee's subjective belief that forecasts of 2009 results were subject to much more uncertainty than in previous years.

Individual target bonus percentages for Mr. Anderson and Mr. Lee were carried forward from the 2008 bonus program, based on the information discussed at *2008 Bonus Program* above. The committee increased each of the other named executive officers' target bonus percentages from 35% to 40% in order to bring their bonus opportunities more in line with those of Mr. Anderson and Mr. Lee based on the committee's review of the internal pay equity information and discussions with Pearl Meyer.

The committee eliminated the additional adjusted net income bonus for the 2009 bonus program based on its belief that this additional bonus was primarily driven by the goal of incentivizing management to return CryoLife to profitability. With this goal having been achieved, the committee determined that this portion of the bonus program was no longer appropriate; however, the committee did remove the cap from the adjusted net income portion of the 2009 bonus program as a result of its discontinuation of the additional adjusted net income bonus. These actions accomplished the committee's and management's goal of moving away from a sizeable cliff-vested additional bonus and moving toward a pro rata bonus payment for increasing levels of adjusted net income performance.

The committee believes that the 2009 adjusted revenue bonus minimum performance level and target are challenging, but expects them to be achieved. The 2009 adjusted revenue target is within the range of 2009 product and tissue processing revenue guidance previously publicly announced by the company, while the minimum performance level is below that range. The Committee believes that the maximum 2009 adjusted revenue performance level will be very difficult to achieve. This performance level significantly exceeds the company's guidance. For 2006, 2007 and 2008, CryoLife paid adjusted revenue bonuses at approximately 98%, 99% and 96% of target, respectively.

The committee believes that 2009 adjusted net income bonus threshold and target performance levels are challenging, but expects the minimum and target levels to be achieved. The 2009 adjusted net income target performance level is consistent with the range of 2009 revenue and other guidance previously publicly announced by the company. The committee believes that the minimum adjusted net income performance level would be consistent with company performance that falls near the bottom end of the company's 2009 range of revenue and expense guidance. The committee believes that adjusted net income performance at levels above the target will be very challenging, but not impossible to achieve. Based on the range of 2009 product and tissue processing revenue and other guidance previously publicly announced by the company, however, the committee does not expect the target level of adjusted net income to be significantly exceeded unless CryoLife outperforms this guidance. For 2006, 2007, and 2008 CryoLife paid adjusted net income bonuses at approximately 172%, 165% and 113% of target, respectively. In addition, CryoLife paid additional adjusted net income bonuses at the maximum levels in 2006 and 2007, as well. CryoLife did not pay an additional adjusted net income bonus for 2008. As discussed above, the Committee has eliminated the additional adjusted net income bonus for 2009.

Equity Incentives

Equity Grant Policy

The committee has discretionary authority over all stock option and other equity grants. It is the current policy of the committee to make annual grants of options and restricted stock at the beginning of each year, except with respect to new hires, and subject to any special grants deemed necessary by the committee's compensation review. It is the committee's general policy not to price option grants or deliver stock awards at times when CryoLife's insiders may be in possession of material non-public information. However, in connection with grants to new hires, the committee may price option grants or deliver equity awards as of the date of hire, provided that management has fully disclosed to the committee at the time of grant any material non-public information. In all other instances, in the event the committee approves the grant of an option or equity award at a time when it is in possession of material non-public information, it is the committee's general policy to delay the grant and pricing of the option and/or issuance of the equity award until a date after the public dissemination of all such material non-public information.

The committee believes that use of the grant date fair value of equity awards to determine the size of the awards could undervalue CryoLife's annual equity grants due to the volatility of CryoLife stock, which could result in relatively low market prices being used to value the awards. This could in turn result in the number of shares and options granted being too large. As a result, the committee agreed with its compensation consultants' recommendations that it consider determining the size of grants based on an analysis of the percentage of the outstanding shares to be granted to the named executive officers. The committee believes that using this approach will avoid the issues involved in valuing equity awards, focus on an annual grant rate, which the committee believes is increasingly important to stockholders and proxy advisors, and allow the remaining share reserve to be estimated more precisely. The committee continues to evaluate this policy.

Annual Grants

2007, 2008, and 2009 Option and Restricted Stock Grants to Named Executive Officers

	2007 Grants		2008 Grants		2009 Grants	
	Stock Options	Restricted Stock	Stock Options	Restricted Stock	Stock Options	Restricted Stock
Steven G. Anderson	63,750	10,625	63,750	10,625	125,000	21,250
D. Ashley Lee	37,500	6,250	37,500	6,250	37,500	12,500
Gerald B. Seery	22,500	3,750	22,500	3,750	22,500	7,500
Albert E. Heacox	22,500	3,750	22,500	3,750	22,500	7,500
David M. Fronk	15,000	2,500	15,000	2,500	15,000	5,000

The committee made the grants disclosed above as part of the committee's annual equity grants. In connection with the option grants in 2007, the committee determined to revise the standard option agreement to provide for annual vesting at one-third per year over three years and a seven year term. Also in 2007, the committee made the restricted stock grant subject to full vesting upon

the third anniversary of the grant. The 2008 and 2009 grants continue to reflect these changes. All vesting of equity awards is subject to earlier termination in certain instances following termination of employment. When setting the 2008 and 2009 equity grant levels and terms, the committee reviewed the most recent peer group information and executive compensation reports prepared by its compensation advisors, the aggregate equity holdings of each executive, including the value of in-the-money options, and internal pay equity comparisons with respect to equity grants. The committee also consulted with Mr. Anderson regarding equity grants in 2008 and 2009.

Analysis

2008 Grants

The committee's decision in February 2008 not to change the size, relative proportions or terms of the option and restricted stock grants was based on the factors discussed above, including Mercer's grant size recommendations, which called for aggregate share usage of approximately .74% of shares outstanding. The committee adopted the Mercer recommendations without limitation. On a percent of shares outstanding basis, the aggregate Mercer grant recommendations were positioned between the 50th and 75th percentiles of the 2008 peer group. In addition, the 2008 peer group information showed that CryoLife's three year average of the grant date value of equity awards made in 2005 through 2007 to the named executive officers was significantly below the 50th percentile for all named executive officers except Mr. Lee, and was slightly below the 50th percentile for Mr. Lee. It also showed that with respect to total direct compensation, Mr. Anderson and Mr. Lee were between the 50th and 75th percentiles, Mr. Seery was slightly above the 50th percentile, and Dr. Heacox and Mr. Fronk were below the 50th percentile. Based on this information and the factors discussed above, including Mr. Anderson's concurrence in the size and proportion of the equity awards, the committee saw no need for changes in the size, relative proportions, or form of the 2008 equity grants relative to 2007.

The committee determined vesting schedules in consultation with Mercer and believes that they provide the appropriate long-term incentive for continued employment.

2009 Grants

The committee's 2009 equity grant decisions were based upon consultations with management and Pearl Meyer and the committee's review of the materials discussed above. Management requested increased option grant levels relative to 2008 based on CryoLife's excellent financial performance in 2008 relative to 2007 that had nonetheless resulted in lower bonus levels for 2008. The committee considered this request and consulted Pearl Meyer regarding appropriate 2009 equity grant levels. Following this consultation, the committee determined to double the size of each executive officer's restricted stock award but to maintain the size of option grants for all executive officers except Mr. Anderson. In addition, the committee increased the size of Mr. Anderson's 2009 option award to 125,000 shares. The committee based its decisions regarding the size of the restricted stock awards on the considerations discussed above, on its belief, after consultation with Pearl Meyer, that CryoLife's annual burn rate would remain within acceptable limits, and on its review of the total direct compensation information provided by Pearl Meyer. This information placed each named executive officer's total direct compensation, after consideration of the increased restricted stock grants but before considering Mr. Anderson's increased option grant, below the 50th percentile of the 2009 peer group. The committee determined the increase in the size of Mr. Anderson's 2009 option grant subjectively following consultation with Mr. Anderson, the committee's review of the in-the-money value of Mr. Anderson's accumulated stock option and restricted stock, and the disproportionate impact on Mr. Anderson of the expiration in 2008 of a large number of his underwater options.

Stock Ownership Guidelines

In October 2007, the Compensation Committee requested that Mercer update its recommendations regarding executive stock ownership requirements for consideration by the committee at its next scheduled meeting. In December 2007, Mercer recommended to the committee that stock ownership guidelines for the named executive officers be approved that would roughly approximate the following multiples of their 2007 base salaries: Mr. Anderson 5x, Mr. Lee 3x, Mr. Seery and Dr. Heacox 2x, and Mr. Fronk 1x. Using an average trading price of the common stock of \$10.14 and rounding to the nearest 10,000 shares, Mercer recommended the following stock ownership guidelines as an approximation of the recommended base salary multiples: Mr. Anderson 300,000, Mr. Lee 100,000, Mr. Seery and Dr. Heacox 50,000, and Mr. Fronk 20,000. Based on the then-current equity holdings of the named executive officers and expected future option and restricted stock grants, Mercer recommended that the named executive officers be given five years to meet the ownership guidelines. Following the committee's consultation with Mercer and with Mr. Anderson with respect to the named executive officers other than himself, the committee and the Nominating and Corporate Governance Committee recommended, and the full Board approved, the Mercer recommendations without modification. The new stock ownership guidelines become effective on February 20, 2013. They immediately superseded previous guidelines adopted in July 2007, which were rescinded.

Employment and Change of Control Agreements

At the beginning of 2008, each of the named executive officers was a party to an employment agreement with CryoLife. During 2008, the committee determined that it would enter into change of control agreements with each of the corporate officers, other than Mr. Anderson, as their employment agreements expired, rather than extending their existing employment agreements or entering into new employment agreements. Messrs. Lee's and Seery's employment agreements expired in September and November of 2008, respectively, and they have entered into change of control agreements with CryoLife. Dr. Heacox's and Mr. Fronk's employment agreements expire in May 2009, and it is anticipated that we will offer them change of control agreements at that time. The change of control agreements do not contain any single trigger payment provisions, but require a termination of the officer's employment within two years after or within six months prior to a defined change of control as a condition to the payment of any severance. The change of control agreements provide for a severance payment that is generally based on the executive's then current annual salary and most recent annual bonus. For Messrs. Lee and Seery, the severance multiple is two times salary and bonus. Although no final decision has been made, the committee expects the multiple for Dr. Heacox and Mr. Fronk to be one times salary and bonus. For a discussion of the terms of the employment and change of control agreements, see Employment and Change of Control Agreements at page 30.

Change of Control Agreements

Analysis

In 2008, the committee determined that employment agreements were no longer necessary or appropriate for its officers, other than Mr. Anderson. CryoLife had originally entered into the employment agreements with its other officers following the 2002 FDA recall of certain products and the related adverse publicity that severely challenged its business. At that time, the committee felt that employment agreements were necessary to provide its key employees with security and to insure that CryoLife was able to retain them through a very difficult time. With the issues that faced CryoLife during that period largely resolved, the committee now believes, after consultation with Pearl Meyer, that employment agreements are no longer necessary components of CryoLife's total compensation package for its officers below the CEO level. The committee believes that its grants of long-term incentives, coupled with the new change of control agreements, provide ample incentives to enable CryoLife to retain these key employees.

It is the committee's intent that provisions in the change of control agreements regarding an executive's termination following or in anticipation of a change of control preserve executive morale and productivity and encourage retention in the face of the disruptive impact of an actual or rumored change in control of CryoLife. In addition, these provisions align executive and stockholder interests by enabling executives to consider corporate transactions that are in the best interests of CryoLife's stockholders and other constituents without undue concern over whether the transactions may jeopardize the executives' own compensation. The committee does not believe that the change of control agreements provide undue incentive for the executive officers to encourage a change in control. Finally, the provisions protect stockholder interests in the event of a change in control by helping increase the likelihood of management continuity through the time of the change of control, which could improve company performance and help maintain stockholder value.

The committee has reviewed the potential costs associated with the gross-up payments called for by the change of control agreements and has determined that they are fair and appropriate for several reasons. The excise tax tends to penalize employees who defer compensation, as well as penalizing those employees who do not exercise options in favor of those who do. In addition, the lapse of restrictions and acceleration of vesting on equity awards can cause an executive to incur excise tax liability before actually receiving any cash severance payments. The committee believes that CryoLife's financial exposure pursuant to the gross-up provisions of the change of control agreements is limited, due to the provision of the agreements that limits aggregate severance, separation and similar payments pursuant to the agreements to the equivalent of the officer's salary, bonus, and guaranteed benefits paid during the three (3) completed fiscal years ended prior to the date of the termination of the officer's employment. In addition, the committee believes that the gross-up payments are necessary to ensure proper consideration of a change in control by the executives.

In consultation with Mercer and Pearl Meyer, the committee determined that single trigger payment provisions did not provide appropriate incentives to CryoLife's key employees. The increased termination payments to be provided to Messrs. Lee and Seery were determined based upon their senior officer status and their ability to influence decisions regarding whether or not a change of control transaction should be pursued.

Employment Agreements**Mr. Anderson**

In May 2007, the committee began a formal review of Mr. Anderson's employment agreement, which was scheduled to expire in September 2008 unless notice of non-renewal was given in August 2007. The committee and the Board approved an amendment and restatement of Mr. Anderson's agreement in July 2007. The terms of Mr. Anderson's amended and restated agreement are summarized at *Employment and Change of Control Agreements - Steven G. Anderson* at page 30. Pursuant to Mr. Anderson's amended and restated employment agreement entered into in 2007, he will receive certain compensation upon termination of his employment, other than for cause or upon death, and upon a change in control of CryoLife. The potential payments that could result under each scenario are described further at *Potential Payments Upon Termination or Change in Control* starting on page 45. The committee also approved amendments to Mr. Anderson's employment agreement in 2008 in order to bring it into compliance with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

Analysis

Mr. Anderson's employment agreement had historically contained a provision that paid a severance to him upon his retirement at will equal to two times his salary and bonus. The committee believed that this was appropriate in light of the fact that CryoLife does not provide any pension or similar retirement plan for Mr. Anderson.

In addition to clarifying the language contained in Mr. Anderson's employment agreement, the committee's primary goals in its 2007 review of the agreement were to remove the automatic renewal feature from the contract and to modify or remove Mr. Anderson's right to receive the severance payment upon retirement. Due to the variability of Mr. Anderson's bonus, which was approximately \$590,000 for 2006 and \$0 for 2005, CryoLife had taken an increased accounting charge for this retirement payment during the first quarter of 2007 and would be faced with additional charges in the future should Mr. Anderson's salary and/or bonus increase. In addition, due to the application of provisions in Mr. Anderson's agreement limiting severance payments to three years of salary, bonus and guaranteed payments, the amount payable to Mr. Anderson upon retirement would have increased on January 1, 2008 by approximately \$460,000, and CryoLife would have incurred an equivalent charge to earnings. Should Mr. Anderson's future bonuses have exceeded his bonus for 2006, CryoLife would have incurred additional charges.

Preliminarily, Mr. Anderson and the committee agreed to proceed to eliminate his right to receive a payment upon retiring at will, believing that the \$1,985,000 then accrued by CryoLife for this payment would be reversed, positively impacting earnings; however, upon discussing the proposed accounting treatment with the CryoLife accounting staff, the committee learned that the \$1,985,000 charge would not be reversed through earnings, but would merely increase paid-in capital. Given that CryoLife would not receive the anticipated financial statement benefit from rescinding Mr. Anderson's right to receive a severance payment upon his retirement, the committee determined to attempt to freeze CryoLife's severance obligation at the currently accrued amount of \$1,985,000. With this amendment, CryoLife would not be required to accrue any additional expense for Mr. Anderson's retirement payment, regardless of any future increases in his salary or bonus. The committee also determined, based on the advice of Mercer contained in an April 2007 review of Mr. Anderson's contract, to offer him a fixed term contract and to remove the automatic renewal feature. The committee believed that the achievement of these goals justified the additional benefits negotiated by Mr. Anderson, including payment of the retirement benefit at the end of the agreement's term, a cost of living increase in his annual salary and clarification that any change in control retention payment would not be subject to the quantitative limitation on severance payments.

In determining Mr. Anderson's severance and change in control benefits, the committee considered a number of factors, including an April 2007 Mercer review and analysis of Mr. Anderson's prior employment agreement and discussions by Mercer in that report of how the terms of his employment agreement related to those that Mercer believed were customary in the marketplace. After reviewing this analysis, discussing the agreement with Mercer and considering what benefits were appropriate for Mr. Anderson, given his importance to CryoLife, the committee approved the severance, retirement, and change in control benefits described at *Potential Payments Upon Termination or Change in Control* starting on page 45. The committee particularly considered its belief that a takeover attempt of CryoLife was a realistic possibility. The committee's goal in determining appropriate change in control benefits was for Mr. Anderson to be comfortable enough with his treatment following a change in control that he would be able to address a potential takeover attempt without concern as to how it might negatively impact him personally, and would not feel the need to seek other employment due to his perception that a change in control could be imminent or would have a material negative impact on him. In addition, given his unique ability to influence whether or not a potential change in control is pursued, the committee wished to provide him with an appropriate incentive to further a change in control that might be in the best interests of the stockholders. As a result, the committee determined that a change in control payment that was not conditioned on termination of employment was appropriate for Mr. Anderson.

Dr. Heacox and Mr. Fronk

In February 2007, the committee reviewed the employment agreements of Dr. Heacox and Mr. Fronk, which would renew for an additional year if notice was not given by April 2007. The committee, following consultation with Mercer, determined to take no action, and Dr. Heacox's and Mr. Fronk's employment agreements automatically renewed in May 2007, moving the termination dates to May 5, 2009. Pursuant to their employment agreements, Dr. Heacox and Mr. Fronk will receive certain compensation upon termination of their employment, other than for cause or upon death, although they will not receive any severance payments upon a change in control of CryoLife that does not result in the termination of their employment. The potential payments that could result under each scenario are described further at Potential Payments Upon Termination or Change in Control starting on page 45. As discussed above, it is currently the committee's intent to replace these employment agreements with change of control agreements when they expire. The committee also approved amendments to Dr. Heacox's and Mr. Fronk's employment agreements in 2008 in order to bring them into compliance with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

Analysis

The committee subjectively determined that the terms of Dr. Heacox's and Mr. Fronk's agreements were appropriate in order to provide them with competitive compensation and to continue to provide them with sufficient incentives to further the interests of CryoLife and its stockholders.

The committee approached Dr. Heacox's and Mr. Fronk's severance and change in control payments from the standpoint of its desire to provide them with benefits similar to those of Mr. Anderson and other senior executives, but more appropriate for their positions, while providing a more typical change in control payment conditioned upon termination of employment. The committee believed that an increase in the amount of their severance payment, from 1x salary and bonus to 2x salary and bonus, provided them with sufficient protection if their employment were terminated in connection with a change in control, and that, given their relative inability to influence whether or not a change in control is pursued, it was not necessary to provide them with a payment that was triggered upon a change in control without regard to termination of employment. See Change of Control Agreements above for a discussion of the committee's decision-making process regarding the proposed replacement of Dr. Heacox's and Mr. Fronk's employment agreements with change of control agreements.

Limitations on Severance, Separation and Benefit Payments

In November 2005, the committee recommended, and the Board adopted, a resolution limiting severance, separation, and benefit payments for the CEO and other employees at the Vice President level or higher to an amount equaling no more than three times the employee's base salary, plus bonuses and guaranteed benefits. The committee adopted this policy in connection with the settlement of stockholder litigation and in order to reduce the amounts CryoLife may be obligated to pay pursuant to change in control or severance arrangements in connection with tax gross-up payments related to excise taxes under Sections 280G and 4999 of the Internal Revenue Code of 1986, as amended. These severance and change in control payments are discussed at Potential Payments Upon Termination or Change in Control starting on page 45. As discussed above under Employment Agreements, the committee approved, and CryoLife has agreed, that Mr. Anderson's retention payment following a change in control is not subject to this three times limitation.

Perquisites

CryoLife generally does not provide perquisites to its officers without prior committee approval. To the extent that perquisites are incidental to a business-related expense, such as personal use of a business club, the named executive officers are generally required to reimburse CryoLife for any incremental cost. Other than these incidental personal benefits, none of our executives receive any perquisites, except for Mr. Anderson, whose compensation is discussed at Employment and Change of Control Agreements Steven G. Anderson at page 30, and except for airline club memberships we provide for each named executive officer other than Mr. Fronk and customary Christmas gifts valued at less than \$500 per person.

Tax Impact of Compensation Decisions

Section 162(m)

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally sets a limit of \$1 million on the amount of compensation, other than certain performance-based compensation that complies with the requirements of Section 162(m), that CryoLife may deduct for federal income tax purposes in any given year with respect to the compensation of each of the named executive officers other than Mr. Lee. CryoLife has historically structured its stock option grants to make them exempt from being

included in the \$1 million aggregate compensation calculation, and the committee intends to continue this practice. In February 2007, the committee established the 2007 Executive Incentive Plan and adopts a bonus program under the plan in February of each year. After careful review, the committee has determined that only Mr. Anderson might reasonably be expected to have any likelihood of exceeding the \$1 million dollar deductibility limit of Section 162(m) in 2009, and that the amount by which he is likely to exceed that limit, if at all, is not expected to be material to CryoLife. Accordingly, the committee has determined not to attempt to qualify compensation under the 2007 Executive Incentive Plan and related bonus programs for an exemption from the \$1 million deductibility limit of Section 162(m) at this time. The committee intends to separately consider the issue of deductibility under Section 162(m) with respect to all future executive bonus plans and other relevant compensation decisions. The application of Section 162(m) did not influence the committee's allocation of compensation among the various short and long-term compensation components during 2008.

Section 409A

Since Section 409A of the Code, which deals with deferred compensation arrangements, was enacted, the committee's policy has been to structure all executive compensation arrangements, to the extent feasible, to comply with the provisions of Section 409A so that the executives do not have to pay additional tax and CryoLife does not incur additional withholding obligations. The committee intends to continue this practice and has amended all of the named executive officers' currently outstanding employment agreements in order to bring them into compliance with Section 409A.

Sections 280G and 4999

Employment agreements and/or change of control agreements with the named executive officers provide for tax gross-up payments if the executive must pay any excise tax pursuant to Sections 280G and 4999 of the Code. We designed these payments to place the executive in the same position he would have been in had the excise tax not been imposed, subject to the limitation that we will not pay severance or similar payments in excess of three times the executive's salary, bonus, and guaranteed benefits, as discussed above. This limitation mitigates our risk pursuant to these gross-up provisions, and the committee has reviewed the potential liability associated with this provision in each executive's employment or change of control agreement and has determined that this limitation is appropriate and reasonable.

CONCLUSION

The committee believes that the mix of compensation elements discussed above represents a balance that has motivated and will continue to motivate CryoLife's management team to produce the best results possible given current regulatory and market challenges, overall economic conditions, and the difficulty of predicting CryoLife's performance in the short term. The committee will continue to evaluate all elements of compensation on at least an annual basis, however, to ensure that total compensation, as well as each element thereof, remains competitive and fair, in light of all relevant factors, and that CryoLife's compensation programs continue to provide appropriate incentives to further CryoLife's overall compensation and business objectives.

COMPENSATION COMMITTEE REPORT

The Compensation Committee reviewed and discussed the Compensation Discussion & Analysis with management. In reliance on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion & Analysis be included in CryoLife's Annual Report on Form 10-K for the year ended December 31, 2008, and CryoLife's 2009 Proxy Statement on Schedule 14A, for filing with the Securities and Exchange Commission.

COMPENSATION COMMITTEE:

RONALD C. ELKINS, M.D., CHAIRMAN
THOMAS F. ACKERMAN
JOHN M. COOK

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non-qualified Deferred Compensation Earnings	All Other Compensation	Total
Steven G. Anderson Chairman of the Board of Directors, President, and Chief Executive Officer	2008	\$ 618,228	\$ 88,240(1)	\$ 234,733(2)	\$ 194,539(3)	\$ 334,718(4)	\$ 45,266(5)	\$ 34,022(6)	\$ 1,549,746
	2007	\$ 600,000	\$ 63,000(7)	\$ 202,959(8)	\$ 111,181(9)	\$ 345,281(10)	\$ 733,362(11)	\$ 28,448(12)	\$ 2,084,231
	2006	\$ 600,000	\$ 54,006(13)	\$ 284,721(14)	\$ 75,351(15)	\$ 299,780(16)	\$ 400,520(17)	\$ 4,100(18)	\$ 1,718,478
D. Ashley Lee Executive Vice President, Chief Operating Officer, and Chief Financial Officer	2008	\$ 349,405	\$ 42,108(1)	\$ 134,301(2)	\$ 249,964(3)	\$ 189,673(4)		\$ 14,820(19)	\$ 980,271
	2007	\$ 340,000	\$ 35,700(7)	\$ 115,614(8)	\$ 200,784(9)	\$ 195,659(10)		\$ 4,500(20)	\$ 892,257
	2006	\$ 340,000	\$ 30,603(13)	\$ 163,391(14)	\$ 118,225(15)	\$ 169,876(16)		\$ 4,400(21)	\$ 826,495
Gerald B. Seery Senior Vice President, Sales and Marketing	2008	\$ 271,575	\$ 21,656(1)	\$ 67,990(2)	\$ 129,729(3)	\$ 80,553(4)		\$ 6,174(20)	\$ 577,677
	2007	\$ 250,000	\$ 15,313(7)	\$ 56,781(8)	\$ 105,325(9)	\$ 94,133(10)		\$ 4,472(20)	\$ 526,024
	2006	\$ 250,000	(13)	\$ 48,812(14)	\$ 52,102(15)	\$ 112,307(22)		\$ 69,777(23)	\$ 532,998
Albert E. Heacox, Ph.D. Senior Vice President, Research and Development	2008	\$ 280,759	\$ 22,175(1)	\$ 72,933(2)	\$ 101,348(3)	\$ 88,789(4)		\$ 4,840(20)	\$ 570,844
	2007	\$ 265,650	\$ 16,274(7)	\$ 61,719(8)	\$ 74,739(9)	\$ 104,692(10)		\$ 4,429(20)	\$ 527,503
	2006	\$ 265,650	\$ 12,560(13)	\$ 84,694(14)	\$ 34,193(15)	\$ 87,401(16)		\$ 4,400(24)	\$ 488,898
David M. Fronk Vice President, Regulatory Affairs and Quality Assurance	2008	\$ 252,427	\$ 17,172(1)	\$ 56,250(2)	\$ 79,493(3)	\$ 68,757(4)		\$ 4,840(20)	\$ 478,939
	2007	\$ 240,000	\$ 12,600(7)	\$ 48,779(8)	\$ 64,221(9)	\$ 85,856(10)		\$ 4,400(20)	\$ 455,856
	2006	\$ 240,000	\$ 10,261(13)	\$ 65,908(14)	\$ 33,940(15)	\$ 70,756(16)		\$ 4,400(24)	\$ 425,265

- (1) These amounts represent the personal performance component of the award that we made pursuant to the 2008 bonus program under the 2007 Executive Incentive Plan, which we paid 100% in cash in February 2009.
- (2) These amounts represent the expense we recognized for financial statement reporting purposes, in accordance with SFAS 123(R), with respect to the 2008 fiscal year for the fair value of the restricted stock awards granted in 2007 and 2008. We valued the restricted stock awards at \$9.02 and \$9.06, respectively, the closing prices on the respective dates of issuance, February 14, 2007 and February 19, 2008. See "Grants of Plan-Based Awards" at page 29 for information on awards made in 2008. See notes 9 and 9, respectively, of the Notes to Consolidated Financial Statements filed with CryoLife's Annual Reports on Form 10-K for the years ended December 31, 2007 and December 31, 2008 for assumptions we used in valuing the stock awards.
- (3) These amounts reflect the SFAS 123(R) expense we incurred in 2008 for all outstanding options for which we incurred expense in 2008. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. No forfeitures for the above named officers occurred during CryoLife's 2008 fiscal year. See Note 9 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2008 for assumptions we used in valuing the option awards. These amounts reflect our accounting expense for these awards, and do not necessarily correspond to the actual value that the named executive officers will recognize.

- (4) These amounts represent the adjusted revenue and adjusted net income performance components of the awards earned pursuant to the 2008 bonus program under the 2007 Executive Incentive Plan. We paid all of these awards 100% in cash in February 2009.
- (5) The amount shown represents the sum of the change in the actuarial present value of Mr. Anderson's accumulated benefit under his post-employment medical plan, which is discussed further at Post-Employment Medical Plan for Steven G. Anderson under Pension Benefits on page 44 and the change in the actuarial present value of Mr. Anderson's accumulated benefit under his retirement severance benefit, which is discussed further at Retirement Severance Benefit under Pension Benefits also on page 44. We have calculated these changes by subtracting the actuarial present values calculated as of the measurement dates used for financial statement reporting purposes with respect to CryoLife's audited financial statements for the 2007 completed fiscal year from the actuarial present values calculated as of the measurement dates used for financial reporting purposes with respect to CryoLife's audited financial statements for the 2008 completed fiscal year.
- (6) This amount includes our matching contribution of \$4,600 to the CryoLife 401K plan. Also includes reimbursement of expenses at certain private clubs, auto and gas expense reimbursement and a holiday gift basket.
- (7) These amounts represent the cash portion of the personal performance component of the award that we made pursuant to the 2007 bonus program under the 2007 Executive Incentive Plan, which we paid in February 2008. We paid the personal performance component of the bonus award 70% in cash and 30% in stock, with the stock valued at \$9.73 per share, the closing price of our common stock on the date of issuance, February 25, 2008.
- (8) These amounts represent the expense we recognized for financial statement reporting purposes, in accordance with SFAS 123(R), with respect to the 2007 fiscal year for the fair value of the restricted stock awards granted in 2007 and the unrestricted stock awards issued under the 2007 bonus program under the 2007 Executive Incentive Plan. We valued the restricted shares at \$9.02 per share, the closing price of our common stock on the date of issuance, February 14, 2007. We paid the bonus award pursuant to the 2007 bonus program under the 2007 Executive Incentive Plan 70% in cash and 30% in stock, with the stock valued at \$9.73 per share, the closing price of our common stock on the date of issuance, February 25, 2008. See Note 9 of the Notes to Consolidated Financial Statements filed with CryoLife's Annual Report on Form 10-K for the year ended December 31, 2007 for assumptions we used in valuing the stock awards.
- (9) These amounts reflect the SFAS 123(R) expense we incurred in 2007 for all outstanding options for which we incurred expense in 2007. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. No forfeitures for the above named officers occurred during CryoLife's 2007 fiscal year. See Note 9 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2007 for assumptions we used in valuing the option awards. These amounts reflect our accounting expense for these awards, and do not necessarily correspond to the actual value that the named executive officers will recognize.
- (10) These amounts represent the cash portion of the adjusted revenue and adjusted net income performance components of the awards earned pursuant to the 2007 bonus program under the 2007 Executive Incentive Plan, as well as the cash portion of the additional adjusted net income performance-based bonus awards earned pursuant to the 2007 bonus program under the 2007 Executive Incentive Plan. We paid all of these awards in February 2008. We paid the adjusted revenue and adjusted net income performance components of the bonus award, as well as the additional adjusted net income performance-based bonus, 70% in cash and 30% in stock. We valued the stock portion of these awards at \$9.73 per share, the closing price of our common stock on the date of issuance, February 25, 2008.
- (11) The amount shown represents the sum of the change in the actuarial present value of Mr. Anderson's accumulated benefit under his post-employment medical plan, which is discussed further at Post-Employment Medical Plan for Steven G. Anderson under Pension Benefits on page 44 and the change in the actuarial present value of Mr. Anderson's accumulated benefit under his retirement severance benefit, which is discussed further at Retirement Severance Benefit under Pension Benefits also on page 44. We have calculated these changes by subtracting the actuarial present values calculated as of the measurement dates used for financial statement reporting purposes with respect to CryoLife's audited financial statements for the 2006 completed fiscal year from the actuarial present values calculated as of the measurement dates used for financial reporting purposes with respect to CryoLife's audited financial statements for the 2007 completed fiscal year.
- (12) This amount represents our matching contribution of \$4,500 to the CryoLife 401K plan, as well as reimbursement of expenses at certain private clubs, auto and gas expense reimbursement and a holiday gift basket.
- (13) These amounts represent the cash portion of the personal performance component of the awards that we made pursuant to the 2006 Performance-Based Bonus Plan, which we paid in February 2007. We paid the personal performance component of the bonus award 60% in cash and 40% in stock, with the stock valued at \$8.57 per share, the closing price of our common stock on the date of issuance, February 13, 2007. Mr. Seery did not participate in the personal performance component of the 2006 Performance-Based Bonus Plan due to his participation in a quarterly commission plan, which we terminated effective January 1, 2007.
- (14) These amounts represent the expense we recognized for financial statement reporting purposes, in accordance with SFAS 123(R), with respect to the 2006 fiscal year for the fair value of the unrestricted stock awards granted in 2006 and the unrestricted stock awards issued under the 2006 Performance-Based Bonus Plan in February 2007. All of the stock was valued at the closing price of the CryoLife common stock on the date the stock was approved for issuance. See Note 11 of the Notes to Consolidated Financial Statements filed with CryoLife's Annual Report on Form 10-K for the year ended December 31, 2006 for assumptions we used in valuing the stock awards. We paid the bonus award under the 2006 Performance-Based Bonus Plan 60% in cash and 40% in stock, with the stock valued at \$8.57 per share, the closing price of our common stock on the date of issuance, February 13, 2007.
- (15) These amounts reflect the SFAS 123(R) expense we incurred in 2006 for all outstanding options for which we incurred expense in 2006. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. No forfeitures for the above named officers occurred during CryoLife's 2006 fiscal year. See Note 11 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2006 for assumptions we used in valuing

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the option awards. These amounts reflect our accounting expense for these awards, and do not necessarily correspond to the actual value that the named executive officers will recognize.

- (16) These amounts represent the cash portion of the adjusted revenue and adjusted net income performance components of the awards earned pursuant to the 2006 Performance-Based Bonus Plan as well as the cash portion of the additional adjusted net income performance-based bonus awards earned pursuant to the 2006 Performance-Based Bonus Plan, all of which we paid in February 2007. We paid the adjusted revenue and adjusted net income performance components of the bonus award, as well as the additional adjusted net income performance-based bonus, 60% in cash and 40% in stock, with the stock valued at \$8.57 per share, the closing price of our common stock on the date of issuance, February 13, 2007.

- (17) The amount shown represents the sum of the change in the actuarial present value of Mr. Anderson's accumulated benefit under his post-employment medical plan, which is discussed further at Post-Employment Medical Plan for Steven G. Anderson under Pension Benefits on page 44, and the change in the actuarial present value of Mr. Anderson's accumulated benefit under his retirement severance benefit, which is discussed further at Retirement Severance Benefit under Pension Benefits, also on page 44. We have calculated these changes by subtracting the actuarial present values calculated as of the measurement dates used for financial statement reporting purposes with respect to CryoLife's audited financial statements for the 2005 completed fiscal year from the actuarial present values calculated as of the measurement dates used for financial reporting purposes with respect to CryoLife's audited financial statements for the 2006 completed fiscal year.
- (18) This amount represents our matching contribution of \$4,100 to the CryoLife 401K plan. We provided Mr. Anderson with perquisites and other personal benefits in 2006 valued at less than \$10,000.
- (19) This amount includes our matching contribution of \$4,600 to the CryoLife 401K plan. Also includes reimbursement of expenses at certain private clubs and a holiday gift basket.
- (20) These amounts represent our matching contributions to the CryoLife 401K plan. We provided each named executive officer other than Mr. Anderson in 2007 and 2008 and Mr. Lee in 2008 with perquisites and other personal benefits valued at less than \$10,000 in each year.
- (21) This amount represents our matching contribution of \$4,400 to the CryoLife 401K plan. We provided Mr. Lee with perquisites and other personal benefits in 2006 valued at less than \$10,000.
- (22) This amount includes \$50,924, representing the cash portion of the adjusted net income performance component of the award earned pursuant to the 2006 Performance-Based Bonus Plan as well as the cash portion of the additional adjusted net income performance-based bonus award earned pursuant to the 2006 Performance-Based Bonus Plan, each of which we paid in February 2007. We paid the adjusted net income performance component of the bonus award as well as the additional adjusted net income performance-based bonus 60% in cash and 40% in stock, with the stock valued at \$8.57 per share, the closing price of CryoLife's common stock on February 13, 2007. This amount also includes \$61,383, representing payments we made pursuant to Mr. Seery's quarterly commission plan, which we terminated effective January 1, 2007.
- (23) This amount represents our matching contribution of \$4,100 to the CryoLife 401K plan and \$65,677 that we paid to taxing authorities on Mr. Seery's behalf for the increased tax liability incurred and estimated to be incurred by Mr. Seery as a result of his employment outside of the United States in prior years. We provided Mr. Seery with perquisites and other personal benefits in 2006 valued at less than \$10,000.
- (24) The amount represents our matching contributions to the CryoLife 401K plan of \$4,400. We provided each of Dr. Heacox and Mr. Fronk with perquisites and other personal benefits in 2006 valued at less than \$10,000.

GRANTS OF PLAN-BASED AWARDS ⁽¹⁾

Name	Grant Date	Committee Action Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Possible Payouts Under Incentive Plan Awards			All Other Stock Awards: Number of Shares or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards (\$/Sh)	Closing Market Price on Committee Action Date	Grant Date Fair Value of Stock and Option Awards
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)					
Steven G. Anderson	2/19/08(2)	2/19/08	156,046(3)	260,076(3)	393,965(3)								
	2/19/08(2)	2/19/08				66,877(4)	111,461(4)	168,842(4)					
	2/19/08(5)	2/19/08	43,346(6)		86,692(6)								
	2/19/08(5)	2/19/08				18,577(7)		37,154(7)					
	2/19/08(8)	2/19/08							10,625				96,262
	2/25/08(9)	2/19/08								63,750	9.73	8.97	276,031
D. Ashley Lee	2/19/08(2)	2/19/08	88,426(3)	147,377(3)	223,247(3)								
	2/19/08(2)	2/19/08				37,897(4)	63,161(4)	95,677(4)					
	2/19/08(5)	2/19/08	24,563(6)		49,126(6)								
	2/19/08(5)	2/19/08				10,527(7)		21,054(7)					
	2/19/08(8)	2/19/08							6,250				56,625
	2/25/08(9)	2/19/08								37,500	9.73	8.97	162,375
Gerald B. Seery	2/19/08(2)	2/19/08	40,425(3)	67,375(3)	100,969(3)								
	2/19/08(2)	2/19/08				17,325(4)	28,875(4)	43,272(4)					
	2/19/08(5)	2/19/08	19,250(6)		38,500(6)								
	2/19/08(5)	2/19/08				8,250(7)		16,500(7)					
	2/19/08(8)	2/19/08							3,750				33,975
	2/25/08(9)	2/19/08								22,500	9.73	8.97	97,425
Albert E. Heacox, Ph.D.	2/19/08(2)	2/19/08	41,394(3)	68,989(3)	104,505(3)								
	2/19/08(2)	2/19/08				17,740(4)	29,567(4)	44,788(4)					
	2/19/08(5)	2/19/08	19,711(6)		39,422(6)								
	2/19/08(5)	2/19/08				8,448(7)		16,895(7)					
	2/19/08(8)	2/19/08							3,750				33,975
	2/25/08(9)	2/19/08								22,500	9.73	8.97	97,425
David M. Fronk	2/19/08(2)	2/19/08	32,054(3)	53,424(3)	80,927(3)								
	2/19/08(2)	2/19/08				13,738(4)	22,896(4)	34,683(4)					
	2/19/08(5)	2/19/08	17,808(6)		35,616(6)								
	2/19/08(5)	2/19/08				7,632(7)		15,264(7)					
	2/19/08(8)	2/19/08							2,500				22,650
	2/25/08(9)	2/19/08								15,000	9.73	8.97	64,950

- (1) This table provides detail regarding stock options and other equity awards that we granted during fiscal 2008, as well as bonus plan awards that we made during fiscal 2008. The table does not include the stock option and restricted stock grants that we made in February 2009 or the grants that we made pursuant to the 2009 Bonus Program under the 2007 Executive Incentive Plan, as more particularly discussed with respect to each named executive officer at Compensation Discussion & Analysis starting on page 14.
- (2) We granted this award pursuant to the 2008 bonus program under the 2007 Executive Incentive Plan adopted by the Board on February 19, 2008. Although we originally expected to pay this award 70% in cash and 30% in stock, pursuant to the Compensation Committee's discretionary authority, we paid this award in February 2009 100% in cash. The award also included a personal performance component that is not included in the possible payouts set forth above, as we do not communicate the specific personal performance goals at the time of grant. See Annual Performance-Based Bonus Plans 2008 Bonus Program starting on page 33 for a discussion of 2008 bonus awards under the 2007 Executive Incentive Plan.

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- (3) This amount represents 70% of the bonus award, or the portion of the award we expected to pay in cash. In February 2009, the Compensation Committee determined to pay 100% of this award in cash. As a result, we did not pay any portion of this award in stock.
- (4) This amount represents 30% of the bonus award, or the portion of the award we expected to pay in stock. In February 2009, the Compensation Committee determined to pay 100% of this award in cash. As a result, we did not pay any portion of this award in stock.

- (5) We granted this award pursuant to the additional adjusted net income component of the 2008 bonus program under the 2007 Executive Incentive Plan adopted by the Board on February 19, 2008. There is no target for this bonus plan. We expected to pay this award in February 2009, 70% in cash and 30% in stock; however, no bonus was earned under this award in 2008. See Annual Performance-Based Bonus Plans - 2008 Bonus Program starting on page 33 for a discussion of 2008 bonus awards under the 2007 Executive Incentive Plan.
- (6) This amount represents 70% of the additional bonus award, or the portion of the award we expected to pay in cash. No bonus was earned under this award in 2008.
- (7) This amount represents 30% of the additional bonus award, or the portion of the award we expected to pay in stock. No bonus was earned under this award in 2008.
- (8) We issued these restricted shares pursuant to our 2004 Employee Stock Incentive Plan. All shares vest on the third anniversary of the grant date if the reporting person remains in the continuous employ of the company.
- (9) We granted these options pursuant to the 2004 Employee Stock Incentive Plan. One-third of the shares became exercisable on the first anniversary of grant, and an additional one-third will become exercisable on each subsequent anniversary thereof until all shares of the option are exercisable on the third anniversary, assuming continuous employment. The exercise price of \$9.73 per share is equal to the closing price of the company's common stock on the New York Stock Exchange on the date of issuance, February 25, 2008. These options have a seven year term.

Employment and Change of Control Agreements

Steven G. Anderson

Compensation and Basic Terms of Employment

Effective July 30, 2007, CryoLife entered into an amended and restated employment agreement with Steven G. Anderson. Pursuant to the agreement, CryoLife employs Mr. Anderson in the capacity of President, CEO and Chairman of the Board. The term of the amended agreement will run through December 31, 2010 and will not automatically renew. The agreement provides for the following compensation:

Annual base salary set at \$600,000 through December 31, 2007; for each year thereafter, Mr. Anderson's base salary will be increased by a minimum amount based on the increase in the cost of living index. This adjustment resulted in Mr. Anderson's base salary being increased to \$619,229 in February 2008. There was no increase in 2009, due to a decrease in the cost of living index;

Bonus compensation on terms and in amounts no less favorable to him than those contained in CryoLife's 2007 Executive Incentive Plan and the 2007 bonus program for Mr. Anderson approved thereunder, with such modifications as may reasonably be imposed for all executive officers and approved by at least two-thirds of CryoLife's independent directors; provided that if CryoLife's CFO advises the Compensation Committee that it would materially and negatively impact CryoLife to pay all or a portion of the bonus in cash, the Compensation Committee may choose to pay the bonus in CryoLife common stock, but only to the extent that such action is taken with respect to all executive officers of CryoLife;

Reimbursement of monthly car payments, auto expenses and dues and business-related expenses at certain social and business clubs, subject to an annual limitation equal to 10% of Mr. Anderson's base salary;

Enrollment in the standard CryoLife medical plan and contributory 401K plan, which includes a CryoLife matching contribution of 50% of Mr. Anderson's contribution with respect to up to 4% of his base salary, subject to the annual maximum allowed by the Internal Revenue Service; and

Life insurance coverage of at least two times base pay; Mr. Anderson has currently agreed for this coverage to be limited to \$350,000.

Pursuant to Mr. Anderson's employment agreement, Mr. Anderson will receive certain compensation upon termination of his employment, other than for cause or upon death or disability and upon a change in control of CryoLife. The potential payments that CryoLife may make under each scenario are described further at Potential Payments Upon Termination or Change in Control starting on page 45.

Non-Compete Commitment

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During the term of his employment and for two years after any termination of his employment, Mr. Anderson agrees not to accept a position as a CEO, President, or Chief Operating Officer with, or provide comparable level executive consultation to, any

competitors of CryoLife in the cardiac or vascular tissue processing business or biological glue business within the U.S. or the European Union. Mr. Anderson must continue to comply with this non-compete commitment as a condition of receiving any severance payment.

Agreement Not to Solicit

During the term of his employment and for two years after any termination of his employment, Mr. Anderson agrees not to solicit or hire away any person employed by CryoLife or any customer of CryoLife without CryoLife's prior written consent.

409A Compliance

On November 4, 2008, we entered into an amendment to the employment agreement with Mr. Anderson in order to bring it into compliance with Section 409A of the Internal Revenue Code of 1986, as amended.

D. Ashley Lee and Gerald B. Seery

As of September 5, 2008 and November 1, 2008, respectively, CryoLife is not party to an employment agreement with Mr. Lee or Mr. Seery. On October 24, 2008 and November 2, 2008, respectively, CryoLife entered into change of control agreements with Mr. Lee and Mr. Seery that provide that the company will pay to each of them a severance payment if he is terminated by the company without cause or terminates his own employment for good reason for a period extending from six months before to two years after a change of control of CryoLife.

Basic Terms of the Change of Control Agreement

The initial term of the agreements ends September 1, 2011, and each agreement renews on September 1, 2011, and every three-year anniversary thereafter, for an additional three-year term, unless CryoLife gives notice at least thirty days prior to the end of the then-current term that the agreement shall not be extended.

The severance payment is an amount equal to two times the aggregate of base salary as of the date of termination and bonus compensation for the year in which the termination of employment occurs, or if the bonus for that year has not yet been awarded, the most recently awarded bonus compensation. The potential payments that CryoLife may make under this scenario are described further at Potential Payments Upon Termination or Change in Control starting on page 45.

Change of control as defined in the agreement means a change in the ownership of CryoLife, a change in the effective control of CryoLife or a change in the ownership of a substantial portion of the assets of CryoLife, as described further at Potential Payments Upon Termination or Change in Control starting on page 45.

The Agreement is not an employment agreement and Messrs. Lee's and Seery's employment is at will.

Agreement Not to Solicit

Mr. Lee and Mr. Seery agree not to solicit any actual or prospective customers of CryoLife with whom they have had contact for a competing business or to solicit employees of CryoLife to leave CryoLife and join a competing business during the term of the agreement and for a period of one year following the termination of the agreement. CryoLife is not required to make the severance payment and Mr. Lee and Mr. Seery are required to repay any portion of the severance payment already received if they solicit customers or employees of CryoLife during the term of the agreement and for a period of one year following the termination of the agreement.

Albert E. Heacox, Ph.D.

Compensation and Basic Terms of Employment

On May 4, 2006, CryoLife entered into an amended and restated employment agreement with Albert E. Heacox, Ph.D. Pursuant to the agreement, CryoLife employs Dr. Heacox in the capacity of Senior Vice President of Research and Development. The agreement expires on May 4, 2009 and provides for the following compensation:

Annual base salary set at \$265,650, subject to yearly review by the Compensation Committee. The Committee increased Dr. Heacox's base salary to \$281,589 in February 2008 but made no adjustment in February 2009;

Bonus as set by the Compensation Committee on a yearly basis, at its discretion; and

Enrollment in the standard CryoLife medical plan, life insurance plan, and contributory 401K plan, which includes a CryoLife matching contribution of 50% of Dr. Heacox's contribution with respect to up to 4% of his base salary, subject to the annual maximum allowed by the Internal Revenue Service.

Pursuant to Dr. Heacox's employment agreement, Dr. Heacox will receive certain compensation upon termination of his employment, other than for cause, or upon termination following a change in control of CryoLife. The potential payments that we may make under each scenario are described further at Potential Payments Upon Termination or Change in Control starting on page 45.

We do not currently intend to renew the employment agreement and, upon its expiration this year, we plan to offer Dr. Heacox a change of control agreement.

Non-Compete Commitment

During the term of employment and for one year after any termination of his employment, Dr. Heacox agrees not to accept a position as Senior Vice President of Research and Development with any competitors of CryoLife in the cardiac, vascular, or orthopedic tissue processing business or biological glue business within the U.S. Dr. Heacox must continue to comply with this non-compete commitment as a condition of receiving any severance payment.

Agreement Not to Solicit

During the term of his employment and for one year after any termination, Dr. Heacox agrees not to solicit or hire away any person employed by CryoLife without CryoLife's prior written consent.

409A Compliance

On December 9, 2008, we entered into an amendment to the employment agreement with Dr. Heacox in order to bring it into compliance with Section 409A of the Internal Revenue Code of 1986, as amended.

David M. Fronk

Compensation and Basic Terms of Employment

On May 4, 2006, CryoLife entered into an amended and restated employment agreement with David M. Fronk. Pursuant to the agreement, CryoLife employs Mr. Fronk in the capacity of Vice President of Regulatory Affairs and Quality Assurance. The agreement expires on May 4, 2009 and provides for the following compensation:

Annual base salary set at \$240,000, subject to yearly review by the Compensation Committee. The Committee increased Mr. Fronk's base salary to \$254,400 in February 2008 but made no adjustment in February 2009;

Bonus as set by the Compensation Committee on a yearly basis, at its discretion; and

Enrollment in the standard CryoLife medical plan, life insurance plan, and contributory 401K plan, which includes a CryoLife matching contribution of 50% of Mr. Fronk's contribution with respect to up to 4% of his base salary, subject to the annual maximum allowed by the Internal Revenue Service.

Pursuant to Mr. Fronk's employment agreement, Mr. Fronk will receive certain compensation upon termination of his employment, other than for cause, or upon termination following a change in control of CryoLife. The potential payments that we may make under each scenario are described further at Potential Payments Upon Termination or Change in Control starting on page 45.

We do not currently intend to renew the employment agreement and, upon its expiration this year, we plan to offer Mr. Fronk a change of control agreement.

Non-Compete Commitment

During the term of employment and for one year after any termination of his employment, Mr. Fronk agrees not to accept a position as Vice President of Regulatory Affairs and Quality Assurance with any competitors of CryoLife in the cardiac, vascular, or orthopedic tissue processing business or biological glue business within the U.S. Mr. Fronk must continue to comply with this non-compete commitment as a condition of receiving any severance payment.

Agreement Not to Solicit

During the term of Mr. Fronk's employment and for one year after any termination, Mr. Fronk agrees not to solicit or hire away any person employed by CryoLife without CryoLife's prior written consent.

409A Compliance

On December 11, 2008, we entered into an amendment to the employment agreement with Mr. Fronk in order to bring it into compliance with Section 409A of the Internal Revenue Code of 1986, as amended.

Plan-Based Awards

CryoLife granted the awards disclosed in the Grants of Plan-Based Awards table pursuant to:

The 2007 Executive Incentive Plan and the 2008 bonus program;

The 2004 Employee Stock Incentive Plan; and

The material terms of these plans and CryoLife's 1998 Long-Term Incentive Plan and 2002 Stock Incentive Plan are as follows:

Annual Performance-Based Bonus Plans

2008 Bonus Program

The 2008 bonus program under the 2007 Executive Incentive Plan provided for bonuses of up to a maximum of 90.9% of participants' 2008 base salaries, varying among participants, based on three areas:

Adjusted revenues;

Adjusted net income; and

Personal performance rating.

All bonus criteria related to company and individual performance for the full 2008 fiscal year. We intended to pay all bonuses 70% in cash and 30% in unrestricted shares of CryoLife stock, subject to the discretion of the committee, which was exercised in February 2009 to pay 100% of the bonus in cash. See the tables below at *Adjusted Revenues* and *Adjusted Net Income* for a description of the calculation of adjusted revenues and adjusted net income.

Adjusted Revenues

Each named executive officer could earn a bonus of up to a specified percentage of his 2008 base salary based on CryoLife achieving 2008 adjusted revenues in the range of \$95,280,000 to \$116,454,000. The adjusted revenues target for this plan was \$105,867,000. No bonus was payable if the specified minimum adjusted revenues goal was not met.

2008 Bonus Named Executive Officer Could Earn as Percentage of His Base Salary

	Adjusted Revenues* of \$95,280,000 (Minimum)	Adjusted Revenues* of \$105,867,000 (Target)	Adjusted Revenues* of \$116,454,000 (Maximum)
Steven G. Anderson	12%	24%	36%
D. Ashley Lee	12%	24%	36%
Gerald B. Seery	8.8%	17.5%	26.2%
Albert E. Heacox	7%	14%	21%
David M. Fronk	6%	12%	18%

* Adjusted revenues were fiscal 2008 revenues from cardiac and vascular allograft tissue processing, BioGlue and related product sales, and CardioWrap sales.

2008 Bonus Actually Earned by Named Executive Officer Based on Company Actual**Adjusted Revenues of \$101,764,000**

	Bonus Earned	Bonus Earned as Percentage of Base Salary
Steven G. Anderson	\$ 119,816	19.3%
D. Ashley Lee	\$ 67,896	19.3%
Gerald B. Seery	\$ 38,799	14.1%
Albert E. Heacox	\$ 31,783	11.3%
David M. Fronk	\$ 24,612	9.7%

Adjusted Net Income

Each named executive officer could earn a bonus of up to a specified percentage of his 2008 base salary based on the company achieving 2008 adjusted net income in the range of \$11,701,000 to \$16,500,000. The adjusted net income target for this plan was \$13,766,000. No bonus was payable if the specified minimum adjusted net income goal was not met.

2008 Bonus Named Executive Officer Could Earn as Percentage of His Base Salary

	Adjusted Net Income* of \$11,701,000 (Minimum)	Adjusted Net Income* of \$13,766,000 (Target)	Adjusted Net Income* of \$16,500,000 (Maximum)
Steven G. Anderson	12%	24%	39.9%
D. Ashley Lee	12%	24%	39.9%
Gerald B. Seery	5.2%	10.5%	17.5%
Albert E. Heacox	7%	14%	23.3%
David M. Fronk	6%	12%	19.9%

* Adjusted net income was defined as GAAP net income for 2008, exclusive of :

Interest expense;

Interest Income;

Stock compensation expense, other than stock compensation expense related to the bonus program itself;

Other income and expense; and

Income taxes.

2008 Bonus Actually Earned by Named Executive Officer Based on Company Actual

Adjusted Net Income* of \$15,608,000

	Bonus Earned	Bonus Earned as Percentage of Base Salary
Steven G. Anderson	\$ 214,901	34.7%
D. Ashley Lee	\$ 121,777	34.7%
Gerald B. Seery	\$ 41,754	15.2%
Albert E. Heacox	\$ 57,006	20.2%

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David M. Fronk	\$ 44,144	17.4%
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Additionally, each named executive officer could earn from 10% to 20% of his base salary if the company achieved additional adjusted net income goals. There was no adjusted net income target for this additional bonus. No additional bonus was payable if the specified minimum adjusted net income level was not met.

2008 Additional Adjusted Net Income Bonus Named Executive Officer Could Earn as**Percentage of Base Salary**

	Adjusted Net Income* of \$8,500,000 (Minimum)	Target	Adjusted Net Income* of \$9,500,000 (Maximum)
Steven G. Anderson	10%		20%
D. Ashley Lee	10%		20%
Gerald B. Seery	10%		20%
Albert E. Heacox	10%		20%
David M. Fronk	10%		20%

Because the minimum additional adjusted net income minimum for 2008 was not met, the named executive officers did not earn an additional adjusted net income bonus for 2008.

Personal Performance

Each named executive officer could earn a bonus based on his personal performance rating. With respect to each named executive officer, the committee determines the personal performance rating of 1-5, with a rating of 1 resulting in the highest bonus payable. Mr. Anderson provides performance reviews of the named executive officers, other than himself, to the committee to aid the committee in determining performance ratings.

2008 Personal Performance Bonus Named Executive Officer Could Earn as Percentage of His Base Salary

	Rating of 4 or 5	Rating of 3 (Minimum)	Rating of 2	Rating of 1 (Maximum)
Steven G. Anderson	0%	12%	13.5%	15%
D. Ashley Lee	0%	12%	13.5%	15%
Gerald B. Seery	0%	7%	7.9%	8.8%
Albert E. Heacox	0%	7%	7.9%	8.8%
David M. Fronk	0%	6%	6.8%	7.5%

2008 Additional Bonus Actually Earned by Named Executive Officer Based on Named Executive**Officer's Performance Rating**

	Performance Rating	Bonus Earned*	Bonus Earned as Percentage of Base Salary
Steven G. Anderson	1.5	\$ 88,240	14.25%
D. Ashley Lee	3	\$ 42,108	12%
Gerald B. Seery	2	\$ 21,656	7.9%
Albert E. Heacox	2	\$ 22,175	7.9%
David M. Fronk	2	\$ 17,172	6.8%

2009 Bonus Program

The 2009 bonus program under the 2007 Executive Incentive Plan provides for bonuses of a percentage of participants' weighted average 2009 base salaries, varying among participants, based on the same three performance categories as the 2008 bonus program. However, with respect to the 2009 bonus program, adjusted revenues are defined as:

Revenues from cardiac and vascular allograft tissue processing,

BioGlue and related product sales, and

Hemostase sales.

Adjusted net income under the 2009 bonus program is defined as GAAP net income for 2009, exclusive of:

Interest expense,

Interest income,

Stock compensation expense, other than any stock compensation expense related to the bonus program itself,

Research and development expense, other than that portion of research and development expense pertaining to salaries and related expenses,

Other income and expense, and

Income taxes.

Unlike the adjusted net income component of the 2008 bonus program, the adjusted net income component of the 2009 bonus program does not have a maximum performance level and the amount of the adjusted net income portion of the bonus is not capped.

As with the 2008 bonus program, all bonus criteria relate to company and individual performance for the full fiscal year. All bonuses will be paid 100% in cash, subject to the discretion of the committee to pay a portion of the bonus in stock.

Adjusted Revenues

Each named executive officer can earn a bonus of up to a specified percentage of his base salary based on CryoLife achieving 2009 adjusted revenues in the range of \$106,200,000 to \$132,774,000. No bonus is payable if the specified minimum adjusted revenues goal is not met.

Potential Adjusted Revenue Bonus Payouts Under 2009 program

Adjusted Revenues of \$106,200,000 (Minimum)	Adjusted Revenues (Target)	Adjusted Revenues of \$132,774,000 (Maximum)
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Steven G. Anderson	14.4%	24%	36%
D. Ashley Lee	14.4%	24%	36%
Gerald B. Seery	9.6%	16%	24%
Albert E. Heacox	9.6%	16%	24%
David M. Fronk	9.6%	16%	24%

Adjusted Net Income

Each named executive officer can earn a bonus equal to a specified percentage of his base salary based on the company achieving specified adjusted net income levels. No bonus is payable if the specified minimum adjusted net income goal is not met, and there is no cap on the bonus. Additional levels of performance above the target pay additional proportionate bonus amounts.

Potential Adjusted Net Income Bonus Payouts Under 2009 Program

	Minimum	Target
Steven G. Anderson	12%	24%
D. Ashley Lee	12%	24%
Gerald B. Seery	8%	16%
Albert E. Heacox	8%	16%
David M. Fronk	8%	16%

Unlike the 2008 bonus program, the 2009 bonus program does not contain an additional adjusted net income bonus component; however, as noted above, the 2009 bonus program does not contain a cap on the amount of the adjusted net income bonus component.

Personal Performance

As with respect to 2008, each named executive officer can earn a bonus based on his personal performance review. The potential percentage bonuses payable, and the standards for the performance ratings, remain the same for the 2009 program as under the 2008 program, subject to the increases approved for Dr. Heacox and Mr. Fronk. See *Compensation Discussion & Analysis 2009 Bonus Program* at page 19.

2004 Employee Stock Incentive Plan. On February 24, 2004, the Board adopted the 2004 Employee Stock Incentive Plan, which the stockholders approved in June 2004. This Plan authorizes us to grant the following to CryoLife's employees and officers:

Options;

Stock appreciation rights;

Restricted stock unit awards;

Restricted and unrestricted stock awards; and

Stock units.

We may award a maximum of 2 million shares of common stock under the 2004 Employee Stock Incentive Plan, subject to certain adjustments. Of these 2 million shares, approximately 114,000 shares were available for grant as of March 23, 2009. In addition, the 2004 Employee Stock Incentive Plan provides that:

We may issue a maximum of 2 million shares subject to options that we intend to be incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended;

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We may issue a maximum of 400,000 shares as options and stock appreciation rights to any one individual during any consecutive twelve-month period;

We may issue a maximum of 2 million shares in the aggregate as stock awards; and

We may issue no more than 2 million shares to any one individual during any one fiscal year pursuant to awards that we intend to be performance-based compensation as that term is used for purposes of Internal Revenue Code Section 162(m).

The 2004 Employee Stock Incentive Plan terminates in June 2014, unless the Board terminates it before that date. If the Board terminates the 2004 Employee Stock Incentive Plan, although no further awards may be made, the Plan will remain in effect as long as any options, stock appreciation rights, or other stock awards that we granted under the Plan are outstanding. Unless the committee establishes a higher price or establishes a method which determines a higher price at the time the award is granted, the exercise price for each option and stock appreciation right will be equal to 100% of the fair market value of our common stock on the date of grant of the award, determined as the closing price of our common stock on the NYSE on the date of grant.

Terms of 2004 Employee Stock Incentive Plan Awards

All of the restricted stock awards that we granted to named executive officers in 2008 were issued under the 2004 Employee Stock Incentive Plan. These awards have the following terms:

The restricted stock awards vest on the third anniversary of the grant date if the employee remains continuously employed by CryoLife; and

If an employee who was granted a restricted stock award ceases to be employed by CryoLife for any reason, he or she will automatically forfeit any portion of the award that has not vested at the time his or her employment was terminated.

All the stock options that we granted to named executive officers in 2008 we issued pursuant to the 2004 Employee Stock Incentive Plan. The terms of the options granted pursuant to this plan, are as follows:

All options vest over a three-year period at 33¹/₃% per year, beginning on the first anniversary of the grant date;

All options have a seven year term;

All options have an exercise price equal to the closing price of the common stock on the NYSE on the grant date; and

All options expire upon termination of employment, except in the event of disability, death, or normal or early retirement, in which case the term of the option may continue for some time thereafter, but in any event not beyond the original term of the option.

2002 Stock Incentive Plan. In March 2002, the Board of Directors adopted the 2002 Stock Incentive Plan, which the stockholders subsequently approved in May 2002. We may grant awards under the 2002 Stock Incentive Plan to employees, officers or directors of CryoLife and consultants and advisers to CryoLife and its subsidiaries. The 2002 Stock Incentive Plan terminates in March 2012, unless the Board terminates it prior to that date. CryoLife's 2002 Stock Incentive Plan allows grants of:

Options;

Stock appreciation rights;

Stock units;

Performance shares; and

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Restricted stock awards.

We may grant awards under the 2002 Stock Incentive Plan with respect to up to a maximum of 974,000 shares of common stock. Of these 974,000 shares, approximately 206,000 shares were available for grant as of March 23, 2009. In addition, the 2002 Stock Incentive Plan imposes the following limitations:

We may issue a maximum of 974,000 shares pursuant to options that we intend to be incentive stock options under Section 422 of the Internal Revenue Code;

We may issue a maximum of 100,000 shares as options and stock appreciation rights to any one individual during any consecutive twelve-month period;

We may issue a maximum of 100,000 shares in the aggregate as stock awards; and

We may pay a maximum of \$400,000 as an award to any one individual for any performance goals established for any performance period (including the fair market value of stock subject to awards denominated in shares).

We did not make any grants to executives under this plan in 2008.

1998 Long-Term Incentive Plan. In December 1997, the Board of Directors adopted the CryoLife 1998 Long-Term Incentive Plan, which the stockholders subsequently approved in May 1998. The 1998 Long-Term Incentive Plan was amended in 2000 and allowed us to grant options, stock appreciation rights, and other awards with respect to up to a maximum of 900,000 shares of common stock, subject to certain adjustments. This Plan terminated in 2008, and we may not make any additional grants under it.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2008 ⁽¹⁾

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of shares or units of stock that have not vested	Market Value of shares or units of stock that have not vested	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested
(a)	(b)	(c)	(e)	(f)	(g)	(h)	(i)	(j)
Steven G. Anderson	22,400	41,100(2)	\$ 4.2500	8/21/2011				
	10,000		\$ 5.0300	5/4/2011				
	8,000	2,000(3)	\$ 5.3600	12/29/2009				
	10,000		\$ 7.6300	6/3/2010				
	15,000		\$ 11.6300	5/26/2010				
	3,584		\$ 27.9000	5/29/2012				
	15,000		\$ 29.1500	12/7/2010				
	3,240		\$ 30.8560	5/17/2011				
	21,250	42,500(4)	\$ 8.7000	2/23/2014				
		63,750(5)	\$ 9.7300	2/25/2015				
					10,625(9)	\$ 103,169(9)		
					10,625(10)	\$ 103,169(10)		
D. Ashley Lee	17,200	25,800(2)	\$ 4.2500	8/21/2011				
	6,000	3,000(3)	\$ 5.3600	12/29/2009				
	12,500	25,000(4)	\$ 8.7000	2/23/2014				
		37,500(5)	\$ 9.7300	2/25/2015				
	80,000	150,000(6)	\$ 5.0300	11/4/2011				
					6,250(9)	\$ 60,688(9)		
					6,250(10)	\$ 60,688(10)		
Gerald B. Seery	8,600	12,900(2)	\$ 4.2500	8/21/2011				
	7,500	15,000(4)	\$ 8.7000	2/23/2014				
		22,500(5)	\$ 9.7300	2/25/2015				
	40,000	60,000(7)	\$ 5.7950	2/7/2012				
					3,750(9)	\$ 36,413(9)		
					3,750(10)	\$ 36,413(10)		
Albert E. Heacox, Ph.D.		15,450(2)	\$ 4.2500	8/21/2011				
	3,000	3,000(3)	\$ 5.3600	12/29/2009				
	7,031	15,000(4)	\$ 8.7000	2/23/2014				
		22,500(5)	\$ 9.7300	2/25/2015				
	1,183	30,000(7)	\$ 5.7950	2/7/2012				
					3,750(9)	\$ 36,413(9)		
					3,750(10)	\$ 36,413(10)		
David M. Fronk	3,440	10,320(2)	\$ 4.2500	8/21/2011				
	4,000	2,000(3)	\$ 5.3600	12/29/2009				
	5,000	10,000(4)	\$ 8.7000	2/23/2014				
		15,000(5)	\$ 9.7300	2/25/2015				
	18,897	30,000(7)	\$ 5.7950	2/7/2012				
	1,000	2,000(8)	\$ 6.1600	11/2/2010				
					2,500(9)	\$ 24,275(9)		
					2,500(10)	\$ 24,275(10)		

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- (1) This table does not include the restricted stock granted on February 16, 2009 and stock option grants made on February 23, 2009. See Compensation Discussion & Analysis starting on page 14 for further discussion of these grants.
- (2) One-third of the options vest on each of February 21, 2009, February 21, 2010, and February 21, 2011, assuming continuous employment.
- (3) The options vest on June 29, 2009, assuming continuous employment.
- (4) One-half of the options vest on each of February 23, 2009 and February 23, 2010, assuming continuous employment.

- (5) One-third of the options vest on each of February 25, 2009, February 25, 2010 and February 25, 2011, assuming continuous employment.
- (6) One-third of the options vest on each of May 4 2009, 2010, and 2011, assuming continued employment.
- (7) One-third of the options vest on each of August 7, 2009, August 7, 2010, and August 7, 2011, assuming continuous employment.
- (8) One-half of the options vest on each of May 2, 2009 and May 2, 2010, assuming continuous employment.
- (9) The restricted stock will vest on February 14, 2010, assuming continuous employment. Market value is based on the closing price of the company's common stock on the NYSE on December 31, 2008 of \$9.71.
- (10) The restricted stock will vest on February 14, 2011, assuming continuous employment. Market value is based on the closing price of the company's common stock on the NYSE on December 31, 2008 of \$9.71.

OPTION EXERCISES AND STOCK VESTED ⁽¹⁾

Name (a)	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting	Value Realized on Vesting (\$)
	(#) (b)	(2) (c)	(#) (d)	(5) (e)
Steven G. Anderson	69,164	\$ 455,489		
D. Ashley Lee	26,000	\$ 200,860		
Gerald B. Seery	33,000	\$ 193,985		
Albert E. Heacox, Ph.D.	43,556	\$ 268,558		
David M. Fronk	13,799	\$ 90,567		

(1) This table provides information regarding stock option exercises and vesting of restricted stock during 2008.

(2) Value Realized on Exercise is equal to the number of shares acquired multiplied by the difference between the exercise price and the closing price on the NYSE on the date of exercise, as detailed in the table below, without regard to any proceeds that may have been received upon any sale of the underlying shares:

Stock Option Exercise Detail

Name	Shares Subject to Option	Exercise Price	Exercise Date	Closing Price on the NYSE on Date of Exercise
Steven G. Anderson	1,350	\$ 8.0000	8/19/2008	\$ 15.1100
	11,400	\$ 8.0000	8/19/2008	\$ 15.1100
	11,414	\$ 2.2000	2/26/2008	\$ 9.6058
	9,496	\$ 4.7750	5/28/2008	\$ 11.4000
	29,014	\$ 4.7750	5/27/2008	\$ 10.8000
	6,490	\$ 4.7750	5/22/2008	\$ 10.9000
D. Ashley Lee	6,000	\$ 5.3600	10/8/2008	\$ 9.3700
	10,000	\$ 5.0300	8/11/2008	\$ 14.0100
	10,000	\$ 5.0300	8/7/2008	\$ 13.7300
Gerald B. Seery	5,500	\$ 6.2100	9/15/2008	\$ 13.8100
	5,500	\$ 6.2100	8/15/2008	\$ 14.5200
	5,500	\$ 6.2100	7/15/2008	\$ 10.9900
	5,500	\$ 6.2100	6/16/2008	\$ 11.1600
	5,500	\$ 6.2100	5/15/2008	\$ 11.4200
	5,500	\$ 6.2100	4/15/2008	\$ 10.6300
Albert E. Heacox, Ph.D.	4,970	\$ 2.2000	2/4/2008	\$ 7.0000
	9,000	\$ 5.3600	12/19/2008	\$ 8.8300
	10,300	\$ 4.2500	10/8/2008	\$ 9.3700
	18,817	\$ 5.7950	9/18/2008	\$ 14.2000
	469	\$ 8.7000	9/18/2008	\$ 14.2000

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David M. Fronk	7,700	\$ 2,2000	1/29/2008	\$	7.3000
	4,000	\$ 5.3600	8/6/2008	\$	13.9800
	996	\$ 6.1600	8/6/2008	\$	13.9800
	1,103	\$ 5.7950	8/6/2008	\$	13.9800

PENSION BENEFITS ⁽¹⁾

Name (a)	Plan Name (b)	Number of Years Credited Service (#) (c)	Present	
			Value of Accumulated Benefit (\$) (d)	Payments During Last Fiscal Year (\$) (e)
Steven G. Anderson	Post- Employment Medical Plan for Steven G. Anderson	N/A	\$ 93,992(2)	
	Retirement Severance Benefit	N/A	\$ 1,875,657(3)	

- (1) CryoLife does not maintain any plans providing for payments or other benefits at, following, or in connection with retirement for Mr. Lee, Mr. Seery, Dr. Heacox, or Mr. Fronk.
- (2) The amount shown represents the actuarial present value of Mr. Anderson's accumulated benefit under the Post-Employment Medical Plan included in his employment agreement, computed as of December 31, 2008, which is the measurement date used for financial statement reporting purposes with respect to CryoLife's audited financial statements for 2008. See Post-Employment Medical Plan for Steven G. Anderson below for the assumptions applied in quantifying the present value of the current accrued benefit.
- (3) The amount shown represents the actuarial present value of Mr. Anderson's accumulated benefit under the Retirement Severance Benefit included in his employment agreement, computed as of December 31, 2008, which is the measurement date used for financial statement reporting purposes with respect to CryoLife's audited financial statements for 2008. Consistent with the methodology customarily applied to present value calculations for accounting, we discounted Mr. Anderson's 24 month payment stream based on our incremental borrowing rate of 5.5% at December 31, 2008.

Post-Employment Medical Plan for Steven G. Anderson

Mr. Anderson's employment agreement provides that upon certain terminations of Mr. Anderson's employment, including retirement, CryoLife will continue to provide medical benefits to Mr. Anderson and his wife, Ann B. Anderson, for the remainder of their lives. In quantifying the present value of the current accumulated benefit for the Post-Employment Medical Plan for Steven G. Anderson, CryoLife used a measurement date of December 31, 2008. To calculate mortality, CryoLife used the 1994 Group Annuity Mortality Table with Projection Scale AA (post retirement only). The applicable discount rate was 8.54%. CryoLife assumed that Mr. Anderson would retire two years from the measurement date. CryoLife assumed no possibility of termination prior to that time. Salary increase was irrelevant since the benefits are not salary related. CryoLife developed the starting claims cost using the Reden & Anders Commercial Comprehensive Pricing Model, factoring in the plan provisions currently in effect. The starting claims cost for a 70 year old participant is approximately \$13,000 before taking Medicare into account.

See Potential Payments Upon Termination or Change in Control starting on page 45 for further discussion of the material terms and conditions of payments and benefits payable under this plan.

Retirement Severance Benefit

Pursuant to his employment agreement, Mr. Anderson may voluntarily terminate his employment at any time for reason of retirement. The agreement defines retirement as cessation by Mr. Anderson of full-time employment of any kind. Upon retirement, CryoLife will pay Mr. Anderson a severance payment equal to \$1,985,000. See Potential Payments Upon Termination or Change in Control below for further discussion of the material terms and conditions of payments and benefits payable under this retirement severance benefit.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

We have entered into certain agreements and maintain certain plans that will require us to provide compensation to the named executive officers in the event of specified terminations of their employment or upon a change in control of CryoLife. The amount of compensation we would be required to pay to each named executive officer in each situation is listed in the tables below. Amounts we have included in the tables are estimates and are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed below, any actual amounts paid or distributed may differ materially. Factors that could affect these amounts include the timing during the year of any such event, the amount of future bonuses, and with respect to Mr. Anderson, his and his spouse's ages and life expectancies. All of the tables listed in this section assume that the relevant termination or change in control event occurred on December 31, 2008, the last business day of CryoLife's 2008 fiscal year.

Steven G. Anderson, Chairman of the Board of Directors, President and Chief Executive Officer ⁽¹⁾

Executive Benefits and Payments Upon Termination

	Voluntary Retirement	Good Reason or Involuntary Not for Cause Termination	For Cause Termination	Death	Disability	Change in Control Without Regard to Termination	Certain Termination Events Following a Change in Control
Cash Compensation	\$ 1,985,000(2)	\$ 1,985,000(2)			\$ 1,985,000(2)	\$ 1,201,487(3)	\$ 3,186,487(4)
Accelerated Stock Options						\$ 276,031(5)	\$ 276,031(5)
Accrued Vacation Pay	\$ 41,679(6)	\$ 41,679(6)	\$ 41,679(6)	\$ 41,679(6)	\$ 41,679(6)		\$ 41,679(6)
Medical Benefits	\$ 267,809(7)	\$ 267,809(7)		\$ 148,664(8)	\$ 267,809(7)		\$ 267,809(7)
Vested Stock Options	\$ 246,167(9)	\$ 246,167(9)	\$ 246,167(9)	\$ 246,167(9)	\$ 246,167(9)	\$ 246,167(9)	\$ 246,167(9)
Accelerated Restricted Stock						\$ 206,338(10)	\$ 206,338(10)
280G Tax Gross-up							\$ 887,832(11)
Total:	\$ 2,540,655	\$ 2,540,655	\$ 287,846	\$ 436,510	\$ 2,540,655	\$ 1,930,023	\$ 5,112,343

- (1) This table assumes all termination and change in control events occurred as of December 31, 2008.
- (2) Mr. Anderson's employment agreement provides for a severance payment equal to \$1,985,000 upon termination of his employment due to expiration of the employment agreement, voluntary retirement, or disability, or upon his termination of the agreement for good reason, to be paid in 24 equal monthly installments over the two year period following the termination date.
- (3) The amount shown is equal to one times the sum of Mr. Anderson's 2008 salary and 2007 bonus, which was paid in February 2008, including both the cash and stock portions of the bonus. If the change in control had occurred on or after February 17, 2009, the date on which the Compensation Committee approved payment of bonuses for 2008, the amount shown would have been \$1,042,187, which is equal to one times the sum of Mr. Anderson's 2009 base salary and his 2008 bonus.
- (4) The amount shown is the sum of \$1,985,000 and one times the sum of Mr. Anderson's 2008 salary and 2007 bonus, which was paid in February 2008, including both the cash and stock portions of the bonus. This amount assumes that following a change in control Mr. Anderson retired or terminated his employment for good reason, or we terminated him because of disability or without cause. Mr. Anderson would also receive the amount shown if we terminated his employment without cause at any time within the 12 months prior to the change in control. If the change in control had occurred on or after February 17, 2009, the date on which the Compensation Committee approved payment of bonuses for 2008, the amount to be paid to him would have been \$3,027,187, which is equal to \$1,985,000 plus Mr. Anderson's 2009 base salary and his 2008 bonus; however, his employment agreement and CryoLife's bylaws provide that total severance, separation, and similar payments are limited to an amount equal to his annual salary over the three years ended prior to the termination or other determinative event, including bonuses and guaranteed benefits. Application of this provision would reduce this payment.

- (5) The 2002 Stock Incentive Plan and the 2004 Employee Stock Incentive Plan provide that the exercisability of outstanding options accelerates upon a change in control. The 1998 Long-Term Incentive Plan provides that the exercisability of outstanding options accelerates upon a change in control if the Compensation Committee does not determine otherwise. The value of the accelerated options is calculated as the difference between the exercise price of the options and the closing price of our common stock on the NYSE as of December 31, 2008 of \$9.71.
- (6) The amount shown represents payment of \$297.71 per accumulated hour that Mr. Anderson had not taken as of December 31, 2008. Mr. Anderson had 140 accumulated hours as of December 31, 2008.
- (7) Under the terms of Mr. Anderson's employment agreement, if Mr. Anderson voluntarily retires, terminates his employment for good reason or we terminate him without cause or because of disability, we will continue to provide major medical insurance benefits to Mr. Anderson and his wife, Ann B. Anderson, for the duration of their lives, not to exceed \$25,000 per year, increased by the Consumer Price Index using September 1, 2005 as the base date. We used the assumptions discussed at Post-Employment Medical Plan for Steven G. Anderson under Pension Benefits on page 44 when valuing this benefit, except that we did not utilize a discount rate.
- (8) Under the terms of Mr. Anderson's employment agreement, in the event of Mr. Anderson's death, CryoLife will continue to provide major medical insurance benefits to Mr. Anderson's wife, Ann B. Anderson, for the duration of her life, not to exceed \$25,000 per year, increased by the Consumer Price Index using September 1, 2005 as the base date. We used the assumptions discussed at Post-Employment Medical Plan for Steven G. Anderson under Pension Benefits on page 44 when valuing this benefit, except that we did not utilize a discount rate.
- (9) The value of the stock options that were already vested prior to the termination event is calculated as the difference between the exercise price of the options and the closing price of our common stock on the NYSE on December 31, 2008 of \$9.71.
- (10) We have issued all outstanding shares of restricted stock under the 2004 Employee Stock Incentive Plan. The 2004 Employee Stock Incentive Plan provides that all unvested shares of restricted stock become fully vested upon a change in control. The accelerated restricted stock is valued at the closing price of our common stock on the NYSE on December 31, 2008 of \$9.71.
- (11) The amount shown represents the estimated amount to be paid to reimburse Mr. Anderson for excise taxes arising as a result of the payments disclosed in this table. The actual 280G tax gross-up amount is \$1,279,241, which has been reduced to \$887,832 because of the limitation on total severance, separation and similar payments discussed at footnote 4 above.

Change in Control

Mr. Anderson's employment agreement dictates the payments Mr. Anderson will receive if a change in control occurs. Upon the occurrence of a change in control, we will pay Mr. Anderson a retention payment equal to his salary and bonus for the year in which the change in control occurs, provided that he either remains employed by us at that time, or if he is not so employed, that we terminated him without cause within 12 months before the change in control. If a change in control occurs before we award the bonus for that year, then we will base the bonus component on the previous year's bonus. The bonus for these purposes includes any cash bonus payments and the present value of non-cash bonuses such as options or restricted stock. We will pay the retention payment in addition to any termination payments that may be due to Mr. Anderson following termination of employment.

The following events would constitute a change in control requiring a retention payment:

Any person or group, other than a group of which Mr. Anderson is a member, acquires, over a period of 12 months or less, 35% or more of the total voting power of CryoLife stock;

A majority of the members of CryoLife's Board are replaced during any 12 month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of such appointment or election; or

Any person or group, but excluding any group of which Mr. Anderson is a member, acquires, over a period of 12 months or less, assets from CryoLife having a value equal to at least 40% of the total gross fair market value of all of CryoLife's assets immediately prior to such acquisition; however, it will not be a change in control if the assets are transferred to a CryoLife stockholder in return for CryoLife stock, or if the assets are transferred to an entity which is at least 50% owned by CryoLife or to a person or group that owns at least 50% of the total voting power of our stock.

Death

Mr. Anderson's employment agreement terminates automatically upon Mr. Anderson's death. We will continue to provide major medical benefits to his wife, Ann B. Anderson, for the duration of her life, provided that our cost is limited to \$25,000 per year, as increased by the Consumer Price Index using September 1, 2005 as the base date. We will not be required to make any other payments except for payments we owe under any obligations which accrued through the date of death.

Disability

Mr. Anderson's employment agreement defines disability as absence from duties for 180 consecutive days as a result of incapacity due to mental or physical illness. If such a disability occurs, we may notify Mr. Anderson in writing that we intend to terminate his employment. The termination will become effective 30 days after Mr. Anderson receives the notice unless he returns to full-time work. If we terminate Mr. Anderson's employment because of disability, we will pay a severance payment equal to \$1,985,000. We will continue to provide major medical benefits to Mr. Anderson and his wife, Ann B. Anderson, for the duration of their lives, provided that our cost is limited to \$25,000 per year, as increased by the Consumer Price Index using September 1, 2005 as the base date.

Termination for Cause

If we determine that Mr. Anderson has willfully and continually failed to substantially perform his duties, other than due to disability as discussed above, we may terminate his employment for cause after first delivering a written demand for substantial performance. The written demand will specifically identify why we believe Mr. Anderson has not substantially performed his duties. We may also terminate Mr. Anderson's employment for cause if he willfully engages in illegal conduct or gross misconduct that we can demonstrate materially injured CryoLife. If we terminate Mr. Anderson for cause, we will not have to make any other payments except for payments we owe under any obligations which accrued through the date of his termination.

Termination by Mr. Anderson for Good Reason or by CryoLife for any Reason other than Cause, Death or Disability

Mr. Anderson can terminate his employment for good reason if any of the following events occur during the term of the agreement:

He is assigned duties inconsistent with his current position or duties;

CryoLife takes any other action resulting in diminution of his position or duties, unless the action was inadvertent and was promptly remedied;

CryoLife fails to pay the base salary, bonus, or all reasonable expenses under the agreement;

CryoLife threatens to terminate Mr. Anderson for reasons other than for cause, death, or disability; or

CryoLife fails to require any successor to all or substantially all of the business of CryoLife to honor the agreement.

If Mr. Anderson terminates his employment for good reason or if we terminate him for any reason other than for cause, death, or disability, we will pay Mr. Anderson a severance payment equal to \$1,985,000. We will also continue to provide major medical benefits to Mr. Anderson and his wife, Ann B. Anderson, for the duration of their lives, provided that our cost is limited to \$25,000 per year, as increased by the Consumer Price Index using September 1, 2005 as the base date.

Retirement

Mr. Anderson may voluntarily terminate his employment at any time for reason of retirement. The agreement defines retirement as cessation by Mr. Anderson of full-time employment of any kind. Upon retirement, we will pay Mr. Anderson a severance payment equal to \$1,985,000. We will also continue to provide major medical benefits to Mr. Anderson and his wife, Ann B. Anderson, for the duration of their lives, provided that our cost is limited to \$25,000 per year, as increased by the Consumer Price Index using September 1, 2005 as the base date.

Expiration of Employment Agreement

Mr. Anderson's employment agreement will expire on December 31, 2010, unless both parties agree to extend the term. Upon expiration of the employment agreement, Mr. Anderson will receive the same payments and benefits as he would upon retirement, as described in the preceding paragraph.

Severance Payment Procedure

The employment agreement provides that generally we will pay any severance payment due in cash in 24 equal monthly installments starting 30 days after Mr. Anderson is terminated. The employment agreement discusses circumstances that would lead us to pay a severance payment on a different schedule:

We will delay payment of the severance payment until six months after Mr. Anderson's termination if necessary to prevent Mr. Anderson from having to pay additional tax under Section 409A of the Internal Revenue Code; provided that when payments begin, the first payment will be equal to the total amount of those payments that have been delayed.

We will pay the severance payment in an immediate lump sum if the termination takes place on the date of or after a change in control or within six months before the change in control if Section 409A allows us to make such a payment without Mr. Anderson having to pay additional tax.

We will subject any severance payment to normal payroll tax withholding. Upon employment termination, we will also pay Mr. Anderson at a rate per day equal to Mr. Anderson's base salary then in effect divided by 260 for all accumulated vacation days that he has not taken.

Tax Gross-Up Payment

We will pay a tax gross-up payment if an excise tax arises under Sections 280G and 4999 of the Internal Revenue Code as a result of any benefit, payment, or distribution that we make to Mr. Anderson or for his benefit. This payment will equal the amount needed to cause the amount of the total after-tax compensation and benefits received by Mr. Anderson to equal the aggregate after-tax compensation and benefits he would have received if these Code sections had not been enacted.

Limitation on Termination Payments

Notwithstanding the foregoing, the agreement limits all severance, separation, and similar payments to Mr. Anderson to a maximum of three years of salary, including bonuses and guaranteed benefits. If necessary, we will reduce any gross-up payment to comply with this limit; however, Mr. Anderson's agreement provides that as soon as practicable following November 3, 2009, CryoLife agrees to amend Mr. Anderson's agreement as well as CryoLife's Bylaws to remove the three times salary and bonus cap on severance, separation, and/or similar payments. CryoLife does not deem a retention payment made in connection with a change in control to be a severance, separation, and/or similar payment for purposes of this limitation.

Mr. Anderson's non-compete and non-solicitation agreements are described at Employment and Change of Control Agreements starting on page 30, above.

D. Ashley Lee, Executive Vice President, Chief Operating Officer, and Chief Financial Officer ⁽¹⁾