

CRYOLIFE INC  
Form DEF 14A  
April 08, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

**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 under § 240.14a-12

**CRYOLIFE, INC.**

(Name of Registrant as Specified In Its Charter)

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

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No fee required.

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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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 21, 2014 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, by non-binding vote, the compensation paid to CryoLife's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and narrative discussion.
3. To approve the CryoLife, Inc. Second Amended and Restated 2009 Stock Incentive Plan.
4. To ratify the selection of Ernst & Young LLP as the independent registered public accounting firm for the company for the fiscal year ending December 31, 2014.
5. 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 19, 2014, 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 or internet 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 Stockholder Meeting to be held on May 21, 2014.** 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 2013 Annual Report to Stockholders are available on our corporate website and may be accessed at [www.cryolife.com](http://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 8, 2014

A copy of CryoLife's 2013 Annual Report to Stockholders, which includes CryoLife's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, 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 21, 2014, 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 19, 2014 will be eligible to vote at the meeting. CryoLife s stock transfer books will not be closed. At the close of business on March 19, 2014, CryoLife had outstanding a total of 28,071,815 shares of common stock, excluding a total of 495,394 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 8, 2014. 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 compensation paid to CryoLife s named executive officers, approval of the CryoLife, Inc. Second Amended and Restated 2009 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 compensation paid to CryoLife s named executive officers, for approval of the CryoLife, Inc. Second Amended and Restated 2009 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 Corporate 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 Corporate 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. Broker non-votes will be disregarded with respect to all proposals. 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.

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 advisory votes cast for the approval of the compensation paid to CryoLife's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and narrative discussion, must exceed the votes cast against the approval of such compensation in order for it to be approved. Accordingly, abstentions and broker non-votes will 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 CryoLife, Inc. Second Amended and Restated 2009 Stock Incentive Plan, in order to comply with the requirements of both Florida law, the company's Bylaws, and the New York Stock Exchange ( NYSE ) rules. Accordingly, abstentions will have the effect of a vote against the proposal to approve the CryoLife, Inc. Second Amended and Restated 2009 Stock Incentive Plan, and broker non-votes will be disregarded.

The votes cast for the ratification of the appointment of Ernst & Young LLP as CryoLife'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 ratification of the appointment of Ernst & Young LLP will have discretionary voting authority with respect to this matter; however, such brokers who do not receive voting instructions with respect to the election of Directors, the approval of the compensation paid to CryoLife's named executive officers, and the approval of the CryoLife, Inc. Second Amended and Restated 2009 Stock Incentive Plan may not vote the beneficial owner's shares with respect to these matters.

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 of record in your name) and plan to attend the meeting, please detach your Admission Ticket from the top 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 compensation paid to CryoLife's named executive officers, FOR approval of the CryoLife, Inc. Second Amended and Restated 2009 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 21, 2014, will hold office until the next Annual Meeting or until their successors are elected and have been qualified.

Each of the 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.

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, either 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 19, 2014, according to information received by CryoLife. None of the shares of stock noted below are subject to a pledge or similar arrangement.

Name of Nominee	Service as Director	Age	Shares of	Percentage of
			CryoLife Stock	Outstanding
			Beneficially Owned <sup>(1)</sup>	Shares
			(#)	(%)
Steven G. Anderson	Since 1984	75	1,958,089 <sup>(2)</sup>	6.86
Thomas F. Ackerman	Since 2003	59	65,000 <sup>(3)</sup>	*
James S. Benson	Since 2005	74	70,000 <sup>(3)</sup>	*
Daniel J. Bevevino	Since 2003	54	65,000 <sup>(3)</sup>	*
Ronald C. Elkins, M.D.	Since 1994	77	86,000 <sup>(3)</sup>	*
Ronald D. McCall, Esq.	Since 1984	77	153,162 <sup>(4)</sup>	*
Harvey Morgan	Since 2008	72	56,250 <sup>(5)</sup>	*
Jon W. Salvesson	Since 2012	49	45,000 <sup>(3)</sup>	*

\* 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, 471,083 shares subject to options that are either presently exercisable or will become exercisable within 60 days after March 19, 2014, and 125,001 shares of unvested restricted stock subject to forfeiture that Mr. Anderson holds as of March 19, 2014. This amount does not include 37,251 shares earned under 2012 and 2013 performance stock unit awards that had not vested as of March 19, 2014, and that will not vest within 60 days thereafter, or performance stock units granted in February 2014 (41,667 shares at target performance).
- (3) This amount includes 10,000 shares of unvested restricted stock.
- (4) This amount includes 16,000 shares of common stock owned of record by Ms. Marilyn B. McCall, Mr. McCall's spouse, and 10,000 shares of unvested restricted stock.
- (5) This amount includes 23,000 shares held by Ms. Suzanne B. Morgan, Mr. Morgan's spouse, and 10,000 shares of unvested restricted stock.

**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 implantable 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 Corp.), a manufacturer and distributor of pacemakers and other medical devices. Mr. Anderson is a graduate of the University of Minnesota.

The Board has determined that Mr. Anderson, a founder of the company, should serve as Director of CryoLife because of his business acumen and vast experience in the life sciences industry and personal knowledge of the company and its history. Further, the Board believes that it is appropriate and useful to have the Chief Executive Officer of CryoLife serve as a member of the Board.

**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 early-stage drug discovery and development process, with a focus on *in vivo* biology, including research models and services required to enable *in vivo* drug discovery and development. 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).

The Board has determined that Mr. Ackerman should serve as a Director of CryoLife because of his expertise in accounting and financial reporting, particularly in the biotechnology industry.

**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. 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. Mr. Benson received a B.S. in Civil Engineering from the University of Maryland in 1962 and an M.S. in Nuclear Engineering from the Georgia Institute of Technology in 1969.

The Board has determined that Mr. Benson should serve as a Director of CryoLife because of his past business experience in the biotechnology industry and his distinguished tenure with the FDA, as well as the particular knowledge and expertise he acquired in these positions with respect to regulatory issues in the healthcare field.

**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, where he was employed since 1988. 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. From March 2008 to December 31, 2009, Mr. Bevevino was employed by Philips as the Head of Post-Merger Integration Respironics, as well as in various operating capacities, to help facilitate the integration of the combined companies. He is currently an independent consultant providing interim chief financial officer services in the life sciences industry, and he currently serves as a director of one of those companies for which he provides services. 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.

The Board has determined that Mr. Bevevino should serve as a Director of CryoLife because of his expertise in accounting and financial reporting, particularly in the medical device industry.

**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.

The Board has determined that Dr. Elkins should serve as a Director of CryoLife because of his education and experience in the medical field, particularly with respect to cardiovascular surgery.

**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.

The Board has determined that Mr. McCall should serve as a Director of CryoLife because of his legal training and experience. Also, the Board believes that his long-standing involvement with CryoLife provides him with a unique perspective on current issues facing the company.

**Harvey Morgan** has served as a Director of CryoLife since May 2008. Mr. Morgan has more than 40 years of investment banking experience, with significant expertise in strategic advisory services, mergers and acquisitions, private placements, and underwritings. He served as a Managing Director of the investment banking firm Bentley Associates, L.P. from 2004 to December 31, 2012, 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 Board of Family Dollar Stores, Inc. (NYSE: FDO) and previously served on the Board of Cybex International, Inc. (Nasdaq: CYBI). Mr. Morgan received his undergraduate degree from The University of North Carolina at Chapel Hill and an M.B.A. from The Harvard Business School.

The Board has determined that Mr. Morgan should serve as a Director of CryoLife because of his past business experience, particularly with respect to investment banking and capital markets.

**Jon W. Salveson** has served as a Director of CryoLife since May 2012. Mr. Salveson is the Vice Chairman, Investment Banking and Chairman of the Healthcare Investment Banking Group at Piper Jaffray Companies (NYSE: PJC). He joined Piper Jaffray in 1993 as an associate, was elected Managing Director in 1999, and was named the Group Head of Piper Jaffray's international healthcare investment banking group in 2001. Mr. Salveson was appointed Global Head of Investment Banking and a member of the Executive Committee of Piper Jaffray in 2004, and has served in his present position as Vice Chairman, Investment Banking since July 2010. Mr. Salveson also serves on the Board of Sunshine Heart, Inc. (NASDAQ: SSH). Mr. Salveson received his undergraduate degree from St. Olaf College and an M.M.M. in finance from the Kellogg Graduate School of Management at Northwestern University.

The Board has determined that Mr. Salveson should serve as a Director of CryoLife because of his considerable experience in investment banking in the healthcare industry. Mr. Salveson has advised CryoLife in particular with respect to numerous transactions.

## 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 auditors or independent registered public accounting firm

An immediate family member of the Director was a partner at our present or former internal auditors or independent registered public accounting firm or, as an employee of our present or former internal auditors or independent registered public accounting firm, 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

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

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

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. Any 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, and based on the information available to it, the Board determined that none of Messrs. Ackerman, Benson, Bevevino, McCall, and Morgan and Dr. Elkins has a material relationship with CryoLife, and that they each therefore 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 has any relationships with us or our management other than his position on our Board of Directors.

Mr. Ackerman is the Executive Vice President and Chief Financial Officer of Charles River Laboratories. CryoLife has made purchases from Charles River Laboratories relating to supplies for certain of its clinical trials in each of the last several years and anticipates doing so in the current year. The amount of these purchases falls within the categorical standards for commercial relationships described above that are not considered to be material relationships that would impair a Director's independence. The Board determined that Mr. Ackerman's relationship with Charles River Laboratories is not a material relationship that could impair his independence as it relates to his Director relationship with CryoLife. Purchases from Charles River Laboratories were made on an arm's length basis. It is 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. In 2013, 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 Baptist Medical Center, along with the Integris SW Medical Center, paid CryoLife for tissue preservation services and BioGlue in 2013, 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.

#### Right to Retain Advisors

The Board has authorized the independent members of the Board, as a group, to retain their own advisors to the extent they deem it appropriate, subject to the approval of the Presiding Director.



Board Leadership Structure

The Chief Executive Officer of CryoLife serves as the Chairman of the Board. We believe this structure provides for an appropriate level of continuity and fluid communication between the Board and management. Also, given Mr. Anderson's longstanding role with CryoLife as founder and CEO and his extensive knowledge of our company, we believe he is well-suited to fill both roles and that the Board benefits from his leadership.

In order to foster Board independence from management, the Board's leadership structure also includes a Presiding Director, a position held by an independent 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, 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 non-employee and independent Directors

Determining appropriate schedules for Board meetings

Encouraging the non-employee and independent Directors to 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 non-employee and 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 Audit and Regulatory Affairs and Quality Assurance Policy Committees' 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 non-employee and 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

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

#### Risk Oversight

The Board believes that risk is a necessary component of a healthy company; however, one of the primary oversight functions of the Board is to ensure that CryoLife maintains an appropriate level of risk, commensurate with both the short and long-term goals of the company, and that we do not incentivize excessive or inappropriate risk taking in any area of our company. In order to effectively fulfill this role, the Board relies on various individuals and committees within management and among our Directors. Management is primarily responsible for risk management, and management reports directly to the Audit Committee and the Board with respect to risk management.

Because some hazards are more likely to be initially perceived by employees involved in the day-to-day aspects of our company, we have established within our Code of Business Conduct and Ethics a process by which employees can report violations of the Code or the law to our General Counsel, or if the violation involves the General Counsel, to the Chairman of the Board. Employees may also report violations or raise any questions or concerns to their supervisors, through the mail or online (including anonymously), or via a hotline. Other problematic issues may first be recognized by senior level management. In such instances, the

Presiding Director may be contacted directly by any concerned party, and he or she can act as a liaison with the non-management Directors.

While some problems will necessarily be reported up from employees and management, the Board also believes that its committees should function to eliminate inappropriate levels of risk within their respective areas of delegated authority. The Compensation Committee is responsible for ensuring that our executive compensation policies and practices do not incentivize excessive or inappropriate risk-taking by employees or Directors. The Audit Committee is primarily responsible for coordination with our independent registered public accounting firm, establishment and maintenance of our internal controls, the operation of our internal audit, and various regulatory and compliance functions. The Nominating and Corporate Governance Committee monitors risk by ensuring that proper corporate governance standards are maintained and that the Board is comprised of qualified Directors. The Regulatory Affairs and Quality Assurance Policy Committee assists the Audit Committee with its regulatory and compliance function. The Presiding Director coordinates the flow of information from each respective committee to the non-employee and independent Directors and participates in the preparation of the agenda for each Board and Committee meeting.

As part of the Board's risk oversight function, the Compensation Committee has ongoing responsibilities with respect to our executive compensation policies and programs, and the Compensation Committee and management have reviewed our compensation policies and practices as they relate to all CryoLife employees, with particular focus on the incentives they may create and any mitigating factors that may reduce the likelihood of excessive risk taking. The purpose of our review and assessment was to determine whether any of our compensation policies or practices presents a material risk to our company. This assessment included an assessment of risks that we face, regardless of whether such risks are reasonably likely to have a material adverse effect on us, and how these risks may be affected by our compensation policies and practices. Although we reviewed base compensation paid to employees and how that compensation affected risk taking, the primary focus of the reviews was on incentive compensation paid to employees. Our goal was to determine whether the incentive plans and programs might encourage inappropriate behavior by employees, and if so, evaluate how that behavior related to our identified risks. We followed these reviews with an analysis of whether and to what extent the specific incentive compensation policies and procedures that we reviewed were subject to controls that monitored and/or mitigated any risk created. In addition, we reviewed other policies, procedures, and programs that we have in place to monitor and mitigate the identified risks, including training programs, internal controls, and other controls. Based on this review, management, in consultation with the Compensation Committee, has determined that CryoLife's compensation policies and practices are not reasonably likely to have a material adverse impact on our company.

#### Board and Committee Meetings

During 2013, each Director attended, either in person or by telephone, all of the meetings of the Board of Directors and the committees of the Board on which he served. In general, members of the Board of Directors are appointed to committees at the meeting of Directors immediately following the Annual Meeting of Stockholders.

During 2013, 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 2013 annual meeting attended the meeting.

#### **Director Compensation**

See *Fiscal 2013 Director Compensation* at page 64 for a discussion of compensation received by Directors during 2013.

#### **Standing Committees of the Board of Directors**

During 2013, 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 2013, the Audit Committee met seven times, the Compensation Committee met six 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, and the following table lists the members of each of the standing committees as of the date of this proxy statement:

### Standing Committees

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Regulatory Affairs and Quality Assurance Policy Committee
Steven G. Anderson, Chairman of the Board	X			
Thomas F. Ackerman	X			
James S. Benson			X	Chair
Daniel J. Bevevino	Chair	X		
Ronald C. Elkins, M.D.		Chair		X
Ronald D. McCall, Presiding Director		X	Chair	X
Harvey Morgan	X		X	
Jon W. Salveson				X

**Audit Committee** CryoLife's Audit Committee currently consists of three non-employee Directors: Mr. Bevevino, Chairman, Mr. Ackerman, and Mr. Morgan, each of whom served on the Audit Committee for all of 2013. 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 risk management and 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 Transactions with Related Parties* at page 12; see the *Report of the Audit Committee* at page 14.

**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. Bevevino, and Mr. McCall, each of whom served on the Compensation Committee for all of 2013. Each member of the Compensation Committee meets the independence requirements of Sections 303A.02(a)(i) and (ii) 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:

Reviews and approves 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

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

Approves or recommends severance arrangements for the CEO and other senior officers

Reviews and approves all provisions for clawback of incentive compensation awarded to officers and Directors

Reviews and approves CryoLife's peer companies and data sources used in evaluating executive and Director compensation competitiveness

Oversees CryoLife's submissions to stockholders and engagement with proxy advisory firms on matters of executive compensation

Oversees management's review and risk assessment of CryoLife's compensation program and policies

Pursuant to its charter, the Compensation Committee has the authority to delegate any of its decisions to a subcommittee of the Compensation Committee, provided that a full report of any action taken is promptly made to the full Compensation Committee. Except as prohibited by applicable law or rules of the New York Stock Exchange, the Compensation Committee may delegate to a senior executive officer of CryoLife the authority to grant equity awards under CryoLife's stock and incentive plans, provided that such awards are not made to officers or Directors of CryoLife. The Compensation Committee has delegated authority to the CEO to allow him to grant restricted stock units to non-officer employees, subject to specified limitations regarding the size and terms of the grants, the duration of the delegated authority, and the manner in which the authority may be exercised.

The committee consults with Mr. Anderson, the President and CEO of CryoLife, with respect to compensation for all officers. The CEO negotiates with candidates for employment as officers, and the negotiated compensation is reflected in each candidate's employment arrangements, 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 for review and approval.

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. The committee engaged Pearl Meyer & Partners (PM&P), a compensation consultant, for evaluation of the compensation decisions made in 2013 for the named executive officers. In addition, PM&P prepared an executive compensation study in January 2014, which the committee evaluated in connection with decisions regarding executive compensation it made in February 2014. With respect to the work performed by PM&P as described in this paragraph, CryoLife has conducted a conflicts of interest assessment and has determined that no conflict of interest exists.

***Nominating and Corporate Governance Committee*** CryoLife's Nominating and Corporate Governance Committee operates under a written charter that sets out the committee's functions and responsibilities. The Nominating and Corporate Governance Committee currently consists of three non-employee Directors: Mr. McCall, Chairman,



Mr. Benson, and Mr. Morgan, each of whom served on the committee for all of 2013. Each of these individuals meets the requirements of independence of Section 303A.02 of the current NYSE Listing Standards. The committee recommends potential candidates for the Board and 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 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 four non-employee Directors: Mr. Benson, Chairman, Dr. Elkins, Mr. McCall, and Mr. Salveson, each of whom served on the Regulatory Affairs and Quality Assurance Policy Committee for all of 2013. Each of these individuals except Mr. Salveson meets the requirements of independence of Section 303A.02 of the current NYSE Listing Standards. The charter of the Regulatory Affairs and Quality Assurance Policy Committee requires that a majority of its members be independent. Among other things, the Regulatory Affairs and Quality Assurance Policy Committee assists the Audit Committee in its oversight of CryoLife's regulatory affairs and quality assurance relating to its tissue processing, biologicals, and devices, both new and existing. Pursuant to its charter, the committee is directed to:

Meet with CryoLife's internal regulatory compliance auditors and regulatory affairs and tissue processing quality assurance administrators on a quarterly basis and receive updates concerning:

- i CryoLife's development and implementation of improved safety processes and procedures for tissue processing, biologicals, and devices
- i CryoLife's adherence to FDA and other regulatory bodies' rules, regulations, and guidelines that are applicable to CryoLife

Become familiar with CryoLife's internal policies concerning the development and implementation of improved safety processes and procedures for tissue processing, biologicals, and devices, and make recommendations of appropriateness to the Audit Committee regarding such processes and procedures

Keep adequate and proper records and/or minutes of all such discussions, meetings, and recommendations and make the same available to all Board members

**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

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 2015 annual meeting of stockholders is set forth below, but you should not rely on this summary as complete and are urged to read Article XIV in its entirety:

We must receive all required information no later than February 20, 2015, but no earlier than January 21, 2015, in order for it to be considered timely see *Stockholder Proposals* at page 82 of this proxy statement

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

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

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

Provide several references

The Board may from time to time identify nominees on its own and/or 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.

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 Board and the Nominating and Corporate Governance Committee have no formal policy with respect to the consideration of diversity in Board membership; however, in addition to the specific criteria the Board and the Committee consider with respect to individual nominees and Directors, the Board also seeks to maintain an overall mix of Board members with diverse talents and backgrounds in order to maximize the Directors' aggregate contribution to the effective oversight of CryoLife. In considering nominees for election and reelection, the Board may consider one or more potential members of the Board who possess a background in the biotechnology or healthcare fields. Along with attracting and retaining Directors who are well-acquainted with our industry, the Board may also consider individuals with more general backgrounds in business, legal, and/or regulatory affairs. Also, because of the importance of evaluating our financial performance, capital needs, and potential acquisitions, the Board may also consider individuals with experience in accounting and financial reporting, investment banking, and corporate finance. The Board also considers the need to maintain the appropriate level of experienced membership on each of its committees as it fosters diversity within its ranks. The Board evaluates itself as a whole, however, and does not generally choose Directors in order to fill designated slots or positions.

The Nominating and Corporate Governance Committee has not received any recommended Director nominees for election at the 2014 Annual Meeting from any CryoLife security holder or group of security holders beneficially owning in excess of 5% of CryoLife's outstanding common stock.

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 14.

### **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 CryoLife 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 <http://phx.corporate-ir.net/phoenix.zhtml?c=80253&p=irol-govConduct>

**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 Audit Committee has approved it, the CEO or the Corporate Secretary shall submit the transaction to the Audit Committee for ratification as soon as he or she becomes aware of it. If the Audit 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 Audit Committee at its next regularly scheduled meeting.

When reviewing a related party transaction, the Audit 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

Whether the terms are 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

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 Audit Committee, who possesses delegated authority to act between Audit Committee meetings. The Chairman shall report any action he or she has taken under this delegated authority to the Audit Committee at its next regularly scheduled meeting.

The Audit Committee, or the Chairman, 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 Audit Committee's first meeting of each fiscal year, the Audit 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 whether it is in, or not inconsistent with, the best interests of CryoLife and its stockholders to continue, modify, or terminate the related party transaction. See *Certain Transactions* on page 65 for a description of certain related party transactions.

### **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 Chairmen, 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 <http://phx.corporate-ir.net/phoenix.zhtml?c=80253&p=irol-govHighlights>

*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 three 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 Board and the Audit Committee have adopted a written Audit Committee charter. Pursuant to that charter, 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 2013 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. 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 2013, 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 Ernst & Young 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 2013, as well as Ernst & Young LLP's Reports of Independent Registered Public Accounting Firm included in CryoLife's Annual Report on Form 10-K for fiscal 2013 related to its audit of (i) CryoLife's consolidated financial statements for fiscal 2013 and (ii) the effectiveness of CryoLife'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 2014.

The Audit Committee reviewed with Ernst & Young LLP, which is 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. Ernst & Young LLP also provided to the Audit Committee the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding Ernst & Young LLP's communications with the Audit Committee concerning independence. The Audit Committee discussed with Ernst & Young LLP that firm's independence from management and CryoLife.

The Audit Committee discussed with Ernst & Young LLP the overall scope and plans for its audit. The Audit Committee met with Ernst & Young LLP, with and without management present, to discuss the results of its examination, its evaluation of CryoLife's internal controls, and the overall quality of CryoLife's financial reporting.

Aggregate audit fees paid to Ernst & Young LLP for the year ended December 31, 2013, including audit-related fees paid in 2013 were \$555,000. See *Ratification of the Independent Registered Public Accounting Firm* at page 80 for further details. The Audit Committee determined that the payments made to Ernst & Young LLP for non-audit services for 2013 were consistent with maintaining Ernst & Young 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 material misstatement in the audited financial statements and recommended to the Board of Directors that the audited financial statements for fiscal 2013 be included in CryoLife's Annual Report on Form 10-K for the year ended December 31, 2013 for filing with the Securities and Exchange Commission. The Audit Committee has selected Ernst & Young LLP as CryoLife's independent registered public accounting firm for fiscal 2014.

**Audit Committee**

DANIEL J. BEVEVINO, CHAIRMAN  
THOMAS F. ACKERMAN  
HARVEY MORGAN

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**PROXY ITEM #2**

**ADVISORY VOTE ON EXECUTIVE COMPENSATION (SAY ON PAY)**

CryoLife seeks a non-binding vote from its stockholders to approve the compensation paid to our named executive officers, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion. This vote is commonly referred to as a "Say on Pay" vote because it gives stockholders a direct opportunity to express their approval or disapproval to the company regarding its pay practices.

As discussed in detail in the Compensation Discussion and Analysis that follows, our executive compensation programs are designed to attract, retain, and motivate highly talented individuals who are committed to CryoLife's vision and strategy. We strive to link executives' pay to their performance and their advancement of CryoLife's overall performance and business strategies, while also aligning the executives' interests with those of stockholders and encouraging high-performing executives to remain with CryoLife over the course of their careers. We believe that the amount of compensation for our current named executive officers reflects extensive management experience, continued high performance, and exceptional service to CryoLife and our stockholders.

We invite you to consider the details of our executive compensation as disclosed more fully throughout this proxy statement. Regardless of the outcome of this "Say on Pay" vote, CryoLife welcomes input from its stockholders regarding executive compensation and other matters related to the company's success generally. We believe in a corporate governance structure that is responsive to stockholder concerns, and we view this vote as a meaningful opportunity to gauge stockholder approval of our executive compensation policies. Given the information provided in this proxy statement, the Board of Directors asks you to approve the following advisory resolution:

**Resolved, that CryoLife's stockholders approve, on an advisory basis, the compensation paid to CryoLife's named executive officers, as disclosed in this proxy statement.**

**Required Vote** - The votes cast for this proposal must exceed the votes cast against it in order for it to be approved. Accordingly, abstentions and broker non-votes will not be relevant to the outcome. As previously disclosed and approved by the stockholders, the Board intends to submit a say on pay proposal annually until the next required vote on the frequency of say on pay votes, currently expected to take place at the 2017 Annual Meeting.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE  
COMPENSATION PAID TO CRYOLIFE'S NAMED EXECUTIVE OFFICERS**

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## COMPENSATION DISCUSSION AND ANALYSIS

### EXECUTIVE SUMMARY

This Compensation Discussion and Analysis ( CD&A ) describes the principles, objectives, and features of our executive compensation program, which is generally applicable to each of our corporate officers. However, the CD&A focuses primarily on the compensation program as applied to our CEO and the other executive officers included in the Summary Compensation Table of this proxy statement (our named executive officers ). For 2013, our named executive officers were:

Steven G. Anderson, Chairman of the Board, President, and Chief Executive Officer  
D. Ashley Lee, Executive Vice President, Chief Operating Officer, and Chief Financial Officer  
Jeffrey W. Burris, Vice President and General Counsel  
David M. Fronk, Vice President, Regulatory Affairs and Quality Assurance  
Scott B. Capps, Vice President, Clinical Research

The Compensation Committee, referred to herein as the committee, generally considers and approves executive compensation at its February meeting. These compensation decisions take into account a variety of information and analyses, including prior-year company and individual executive performance, current-year performance expectations, any changes in roles and responsibilities, competitive market data provided by the committee's independent consultant and by management, and tally sheets highlighting historical total compensation levels for each executive.

#### *2013 Say on Pay Vote and Program Changes*

At CryoLife's annual meeting of stockholders on May 15, 2013, over 97% of the stockholders' votes cast were voted in favor of our named executive officers' 2013 compensation. This advisory vote indicated strong support for the executive compensation program, as modified by comprehensive changes in 2012 to address the negative say on pay vote received at the company's 2012 annual meeting and to orient the program more toward pay for performance.

The committee considered these 2013 advisory vote results, together with the individual executives' 2012 performance, 2013 company and individual performance expectations, competitive market data provided by the committee's independent compensation consultant and by management, and tally sheets highlighting historical total compensation levels for each executive. Based on these considerations, and after also considering recommendations from its consultant and management, the committee decided to not make significant changes to the executive compensation program for 2013.

Officers generally received minimal 2013 base salary merit increases of 1%, with certain officers receiving adjusted increases based on promotions and market positioning considerations

- i This followed no salary increases in 2012 for the named executive officers, other than the CEO, who was provided a 3% salary increase per the terms of his prior employment contract

Officers' 2013 target short-term incentive opportunities generally remained the same as for 2012, with certain officers receiving adjusted target opportunities based on internal equity and market positioning considerations

- i The committee retained for 2013 maximum payout levels with respect to the company performance components (adjusted revenue and adjusted net income) of the annual bonus program, as well as the discretion to reduce payouts to target levels (regardless of whether or not the bonus formulas would have otherwise resulted in above-target payouts) if positive total stockholder return was not achieved

Officers 2013 long-term incentive award levels, based on number of shares subject to awards granted, generally remained the same as for 2012, with certain officers receiving awards at adjusted levels based on promotions and market positioning considerations

- i The committee retained for 2013 the use of performance stock units as part of a more performance-based, long-term incentive mix (comprised of 1/3 stock options, 1/3 restricted stock, and, using target levels, 1/3 performance stock units)

- i The committee retained for 2013 the use of adjusted EBITDA over a one-year performance period as the metric for determining the number of shares to be awarded under the performance stock units

***Pay-for-Performance Alignment***

With the changes it made to the executive compensation program in 2012 and 2013, the committee has developed a compensation program which ensures that the interests of the company's executives are aligned with those of stockholders by rewarding corporate and individual performance at levels necessary to attain established business and individual goals. The key pay-for-performance aspects of the executive compensation program are described below:

Approximately 50% or more of each named executive officer's target compensation is in the form of variable pay opportunities tied to individual and/or company performance and/or to stockholder value creation

Targets for short-term incentive opportunities are set at challenging levels that are designed to encourage business growth

Short-term incentive opportunities are tied significantly to adjusted revenue and adjusted net income performance, as defined below, both of which emphasize factors over which management is expected to have control and which are intended to incentivize management to achieve company performance that will further our strategic business plan and ultimately deliver value to our stockholders

Long-term incentive opportunities are equity-based and include stock options, which only provide value to executives if the stock price increases beyond the grant date price, and performance stock units, which are only earned if specified results for adjusted EBITDA, as defined below, are attained

Named executive officers are subject to minimum stock ownership requirements to ensure a strong alignment between executives and stockholders and to encourage a long-term view of performance

As described in detail in this proxy statement, in 2013, the executive compensation program effectively delivered pay-for-performance, as follows:

Our 2013 adjusted revenue and adjusted net income results were 98.0% and 94.1%, respectively, of target performance, which resulted in annual bonus payouts of 84.4% and 84.2%, respectively, of target award levels under those components of the bonus program

Our 2013 adjusted EBITDA was 108.2% of target performance, which resulted in shares earned under our performance stock units of 116.2% of the target award level

Throughout this proxy statement, we refer to adjusted revenue, adjusted net income, and adjusted EBITDA. These are non-GAAP financial measures that reflect adjustments to similar measures reported under U.S. GAAP. Appendix A to this proxy statement provides a reconciliation of these non-GAAP measures to our audited U.S. GAAP financial statement measures for 2013, as presented in our 2013 Form 10-K filed on February 21, 2014.

**ROLES AND RESPONSIBILITIES**

***Compensation Committee***

The committee determines and approves the compensation of CryoLife's executive officers, including the named executive officers. The committee is supported by the CEO, executive management, an independent compensation consultant, and outside legal counsel. The committee regularly meets in executive session without the CEO or any members of management present.

***Chief Executive Officer***

The CEO regularly attends committee meetings and makes specific recommendations to the committee with respect to the compensation arrangements for executives, including the named executive officers, but excluding himself. The CEO is not present during executive sessions of the committee.

***Executive Management***

The Chief Financial Officer, General Counsel, Chief Accounting Officer, and Corporate Secretary often provide data and information to the committee in advance of committee meetings. The General Counsel regularly attends committee meetings but is not present during executive sessions of the committee.

***Independent Compensation Consultant***

The committee has the authority to engage an independent compensation consultant to assist the committee with its responsibilities. The committee has engaged Pearl Meyer & Partners ( PM&P ) as its independent advisor. PM&P reports directly to the committee, is directed by the committee, and provides no other services to CryoLife. PM&P generally performs an annual review of executive and non-employee Director compensation, analyzes the relationship between executive pay and company performance, informs the committee of emerging practices and trends, assists with special projects at the request of the committee, and regularly attends committee meetings. Except as otherwise noted, all committee actions during 2013 and to date in 2014 were taken upon the recommendation of CryoLife senior management and following consultation with PM&P and committee deliberation and consideration, as appropriate.

**PHILOSOPHY AND OBJECTIVES**

The compensation philosophy of the committee 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 without incentivizing excessive or inappropriate risk taking. Each primary component of compensation is intended to accomplish a specific objective, as summarized in the following chart:

**Compensation**

<b>Component</b>	<b>Primary Purpose</b>	<b>Form</b>	<b>Performance Linkage</b>
Base Salary	Provide sufficiently competitive pay to attract and retain experienced and successful executives	Cash	Salary adjustments are partially based on individual executive performance and partially based on other factors such as competitive market positioning and internal pay equity; in addition, company performance may impact the decision of whether or not any salary adjustments should be made
Short-Term Incentive	Encourage and reward individual contributions and aggregate company results with respect to meeting and exceeding our short-term financial and operating goals, and incentivize executives to meet or exceed	Cash	Short-term incentive payouts are 100% performance-based, with 40% tied to adjusted revenue, 40% tied to adjusted net income, and 20% tied to individual executive performance



individual performance standards

Long-Term Incentive	Encourage and reward long-term stockholder value creation, create and sustain a retention incentive, and facilitate long-term stock ownership among our executive team to further align executive and stockholder interests	Performance Stock Units  Stock Options  Restricted  Stock	Performance stock units are not earned unless specific company performance is achieved during the relevant performance period; stock options deliver <i>realizable value</i> to executives only if the stock price increases beyond the grant date stock price; restricted stock awards are less performance-based, but their <i>realizable value</i> does change based on changes in CryoLife's stock price after the grant date
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**COMPENSATION MIX**

The committee approves the primary components of the executive compensation program and generally intends for it to provide more variable pay opportunities than fixed pay opportunities and to provide more long-term incentive opportunities than short-term incentive opportunities. These objectives result in a pay program that should and does provide alignment between pay and performance. The following chart summarizes the target pay mix for the named executive officers for fiscal 2013:

**Target Total Direct Compensation****Mix Summary**

<b>Compensation Component</b>	<b>Anderson</b>	<b>Lee</b>	<b>Burris</b>	<b>Fronk</b>	<b>Capps</b>
Salary (\$)	664,000	365,000	293,000	275,000	270,000
Short-Term Incentive (Target) (\$)	398,400	219,000	117,200	110,000	108,000
Long-Term Incentive (Grant Date Fair Value) <sup>(3)</sup> (\$)	606,669	242,669	169,869	169,869	145,600
Target Total Direct Compensation (\$)	1,669,069	826,669	580,069	554,869	523,600
% Fixed <sup>(1)</sup>	40	44	51	50	52
% Variable <sup>(1)</sup>	60	56	49	50	48
% Short-Term Incentive <sup>(2)</sup>	40	47	41	39	43
% Long-Term Incentive <sup>(2)</sup>	60	53	59	61	57

(1) Percent of Target Total Direct Compensation.

(2) Percent of Total Variable Pay Opportunity (Total Short-Term and Long-Term Incentive).

(3) Long-term Incentive (Grant Date Fair Value) is based on a grant date closing share price of \$6.01 for both restricted stock and performance stock units, with performance stock units included at target levels, and a Black-Scholes option value of \$2.54.

**COMPENSATION BENCHMARKING**

As part of its decision-making process, the committee requests and reviews relevant and credible benchmark data regarding executive compensation levels, company performance, and the relative relationship between executive pay and company performance. However, the committee views this data as one of many inputs in its decision-making process, which also includes other assessments of the company's performance, assessments of each executive's performance, significant changes in roles and responsibilities, internal pay equity among executives, and retention

considerations.

Each year, the committee reviews and considers an executive compensation study prepared by its independent compensation consultant, additional compensation survey data provided by management, internal equity information, and tally sheets of all compensation paid to the company's officers. The executive compensation study is generally completed in the fourth quarter of the year and is used to inform the committee's decisions regarding the subsequent year's compensation. Accordingly, the relevant study and market information reviewed by the committee with regard to 2013 executive compensation was prepared in October 2012 and presented to the committee in the fourth quarter of 2012. We refer to this study, as updated in January 2013, as the 2012 Study. As in prior years, the 2012 Study assessed both the competitiveness of pay levels and the alignment of pay with company performance.

The company's 2013 compensation peer group, which is more particularly described below, had median revenues, based on the latest figures available at the time the 2012 Study was prepared, of \$122 million and median market capitalization of \$236 million. Survey data in the 2012 Study was drawn from five compensation surveys of U.S. biotech and healthcare companies with targeted revenues of \$150 million, in order to approximate the company's annual revenue. With respect to all named executive officers, the data in the 2012 Study was an even blend of the 2013 peer group and the survey information. In each case, PM&P trended the compensation data forward to January 1, 2013 by a factor of 3.1%. We refer to the blended 2013 peer group and survey compensation data for all named executive officers as the 2013 Peer Group Information.

The following peer companies were used for the 2012 Study:

Peer Company	FYE Revenue <sup>(1)</sup> (\$)	
<b>Merit Medical Systems, Inc.</b>	359	<i>CryoLife's annual revenue is positioned near the median of the peer group's annual revenue, and the peer group includes an equal number of companies that are larger and smaller than CryoLife based on annual revenues.</i>
<b>Angiodynamics, Inc.</b>	222	
<b>Exactech, Inc.</b>	205	
<b>Alphatec Holdings, Inc.</b>	198	
<b>RTI Biologics, Inc.</b>	169	
<b>Spectranetics Corp</b>	127	
<b>Abiomed, Inc.</b>	126	
<b>Atrion Corp</b>	118	
<b>Vascular Solutions, Inc.</b>	87	
<b>Theragenics Corp</b>	83	
<b>Cardiovascular Systems, Inc.</b>	82	<i>The committee believes that the pay practices of these companies provide a useful reference point for pay and performance comparisons at CryoLife.</i>
<b>Anika Therapeutics, Inc.</b>	65	
<b>Atricure, Inc.</b>	64	
<b>Stereotaxis, Inc.</b>	42	
<i>Median</i>	122	
<b>CryoLife, Inc.</b>	120	

<sup>(1)</sup> Latest FYE Revenue, in millions, at the time the peer group was developed; companies in bold were included in the 2011 study peer group

The following survey sources were used in the 2012 Study:

Mercer U.S. Executive Compensation Database

Towers Watson Report on Top Management Compensation

Radford Global Life Sciences Survey (July 2012 edition)

Confidential Executive Compensation Survey

Confidential Long-Term Incentive Survey

Both the peer companies and survey sources were recommended by the independent compensation consultant and approved by the compensation committee. In approving the peer group, the compensation committee considered the fact that each company operates in a similar industry, with significant research and development requirements, and is highly regulated. The committee also considered and reviewed the revenue size of each company and the overall median for the group, and concluded that it was within a reasonable range of CryoLife's historical, current, and projected revenues. Nonetheless, the compensation committee reviews and considers changes to the peer group and survey sources in connection with each year's study. This is done to ensure that the peer group and survey sources continue to reflect the most appropriate reference point for CryoLife.

**2013 COMPENSATION COMPONENTS**

The primary components of CryoLife's executive compensation program are base salary, short-term incentives, and long-term incentives. CryoLife also provides executives with tax-deferred savings opportunities, participation in company-wide benefits programs, and limited perquisites. The CEO is also provided with a retirement benefit.

When reviewing and approving any changes to executive compensation levels, the committee generally requests, reviews, and considers the following primary information:

The performance of CryoLife, absolute and relative to industry peers

The performance of each individual executive

Each executive's recent compensation history with CryoLife, as provided on a three-year tally sheet

Internal equity among the executive team members

Changes in the roles and responsibilities of the executives, including promotions

Each executive's stock ownership level relative to the existing stock ownership guideline

The positioning of each executive's compensation relative to benchmark data provided by the committee's independent consultant and management

The extent of existing performance and retention incentives provided by outstanding equity awards

Any contractual guarantees or limitations

**2013 Base Salary**

The committee generally reviews base salary levels each February as part of its overall review and approval of the executive compensation program. Based on its review in late 2012 and early 2013, the committee approved the following with respect to named executive officer base salaries for 2013:

**Comparison of 2013 and 2012 Base Salaries**

	2013	2012	% Increase
Executive	(\$)	(\$)	(%)
Anderson	664,000	656,940	1
Lee	365,000	361,424	1
Burris	293,000	290,000	1
Fronk	275,000	269,400	2
Capps	270,000	265,000	2

*Analysis*

In arriving at its decision to approve salary increases for the named executive officers, the committee primarily relied on the recommendations of management and its independent compensation consultant, as well as its review of the 2012 Study, which indicated that the aggregate pay positioning against market benchmarks for the named executive officers was within a competitive range of the 50<sup>th</sup> percentile for each named executive officer, except Mr. Anderson, as set forth below:

**Comparison of 2013 Base Salaries  
to Peer Median**

<b>Executive</b>	<b>2013 Base Salary</b>	<b>Peer Median<sup>(1)</sup></b>	<b>CRY vs. Median</b>	<b>Primary Rationale</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(%)</b>	
Anderson	664,000	505,000	131	Company founder with 40 years experience <sup>2</sup>
Lee	365,000	340,000	107	Within a competitive range of the 50 <sup>th</sup> percentile <sup>3</sup>
Burris	293,000	315,000	93	Within a competitive range of the 50 <sup>th</sup> percentile <sup>3</sup>
Fronk	275,000	310,000	89	Near a competitive range of the 50 <sup>th</sup> percentile <sup>3</sup>
Capps	270,000	300,000	90	Within a competitive range of the 50 <sup>th</sup> percentile <sup>3</sup>

(1) Based on the 2013 Peer Group Information.

(2) Discussion regarding the composition of Mr. Anderson's pay, his cash-to-equity ratio, and the setting of his and the other officers' target total cash compensation, is presented below under *2013 Short-Term Incentives*.

(3) Competitive range recommended by PM&P and agreed to by the committee as 90-110% of the peer group 50<sup>th</sup> percentile.

#### ***2013 Short-Term Incentives***

The committee generally establishes the short-term incentive program design, performance measures, and performance goals in the first quarter of each year as part of its overall review and approval of CryoLife's executive compensation program. For the

2013 short-term incentive program, the compensation committee approved the following measures, weights, and performance goals (dollars in thousands):

### 2013 Performance Goals

	Weight	Threshold	Target	Maximum
Performance Measure	(%)	(\$)	(\$)	(\$)
Adjusted Revenue	40	136,318	143,493	150,668
Adjusted Net Income	40	20,581	24,213	27,845
Individual Goals	20	-----Performance Rating = Meets or Exceeds -----		

See Appendix A to this proxy statement for further details regarding the adjusted revenue and adjusted net income performance measures and the reconciliation of those measures to revenue and net income as reported for purposes of U.S. GAAP.

For 2013, the performance measures and weights for the short-term incentive program remained the same as in 2012, with the following primary features:

Adjusted revenues:

- i Threshold - 95% of target performance (60% payout)
- i Maximum - 105% of target performance (140% payout)

Adjusted net income:

- i Threshold - 85% of target performance (60% payout)
- i Maximum - 115% of target performance (140% payout)

If total stockholder return for 2013 had been negative, the committee had discretion to reduce the actual payouts to target levels even if the adjusted revenue and/or adjusted net income formulas would otherwise have resulted in above-target payouts

Individual performance component that comprises 20% of the total award opportunity; earned for performance at meets or exceeds level of performance

The following tables show the award opportunities for the named executive officers as approved by the compensation committee for the 2013 short-term incentive program:



**2013 Short-Term Incentive Opportunity Summary**

<b>Executive</b>	<b>2013 Award Opportunity<sup>(1)</sup></b>			<b>2013 Award Opportunity</b>		
	<b>(% of Salary)</b>			<b>(\$ Value)</b>		
	<b>Threshold</b>	<b>Target</b>	<b>Maximum</b>	<b>Threshold</b>	<b>Target</b>	<b>Maximum</b>
Anderson	41	60	79	270,912	398,400	525,888
Lee	41	60	79	148,920	219,000	289,080
Burris	27	40	53	79,696	117,200	154,704
Fronk	27	40	53	74,800	110,000	145,200
Capps	27	40	53	73,440	108,000	142,560

<sup>(1)</sup> The threshold, target, and maximum award opportunities as a percent of base salary were unchanged from 2012.  
*Analysis Program Design*

In arriving at its decision to approve the 2013 short-term incentive program design, measures, and goals, the committee took into consideration the following factors and analyses:

A general satisfaction with the core plan design and its pay-for-performance orientation

A belief that adjusted revenue and adjusted net income are key to incentivizing management to achieve company performance that will further our strategic business plan and ultimately deliver value to our stockholders, without encouraging excessive risk taking

The plan's similarity to the short-term incentive plan designs of peer companies

CryoLife's 2012 performance, and whether any performance improvements were required to achieve the 2013 goals

Recent historical payout levels that the committee believed indicated that performance goals over the last few years had been set at reasonably challenging, but attainable, levels

The resulting market competitiveness of target total cash compensation (i.e., base salary plus target short-term incentive opportunity), as set forth below:

**Target Total Cash Compensation  
as Compared to Peer Median**

**2013 Target Total  
Cash  
Compensation    Peer Median<sup>(1)</sup>    CRY vs. Median**

<b>Executive</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(%)</b>	<b>Primary Rationale</b>
Anderson	1,062,400	850,000	125	Company founder with 40 years' experience <sup>(2)</sup>
Lee	584,000	510,000	115	Dual role/contribution as COO and CFO <sup>(3)</sup>
Burris	410,200	455,000	90	Within a competitive range of the 50 <sup>th</sup> percentile <sup>(4)</sup>
Fronk	385,000	435,000	89	Near a competitive range of the 50 <sup>th</sup> percentile <sup>(4)</sup>

Capps	378,000	440,000	86	Near a competitive range of the 50 <sup>th</sup> percentile <sup>(4)</sup>
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- (1) Based on data provided by the committee's independent compensation consultant (2012 Study).
- (2) See the analysis below for additional discussion of the committee's rationale in allocating Mr. Anderson's cash and equity compensation.
- (3) See the analysis below for additional discussion of the committee's rationale in determining Mr. Lee's target total cash compensation.
- (4) Competitive range recommended by PM&P and agreed to by the committee as 90-110% of the peer group 50<sup>th</sup> percentile.

The committee sets short-term incentive opportunities, in conjunction with a review of base salaries, as part of executives' overall target total cash compensation. Following consideration of the short-term incentive program, the committee decided to carry forward for 2013 the design of the 2012 short-term incentive program, as it believed that the performance measures of adjusted revenue and adjusted net income used in the 2012 program would continue to motivate management to achieve increases in 2013 revenues and net income (as adjusted). The committee also believed that these goals would drive the personal performance of the named executive officers and provide appropriate incentives to satisfy employee retention goals.

As it did for 2012, in defining adjusted revenue, the committee chose to include the revenue sources that most closely related to CryoLife's ongoing operations. With respect to adjusted net income, the committee chose to include only those items over which it believed that management had control, while excluding items over which it believed that management had limited or no control, which might provide improper incentives, or which were volatile or difficult to predict. The use of these non-GAAP adjusted performance measures in the short-term incentive program was intended to focus management on factors that the committee and management believe would generate improvements in CryoLife's core business revenues and its operating profits and cash flow. (See Appendix A to this proxy statement for further details regarding the adjusted revenue and adjusted net income performance measures and the reconciliation of those measures to revenue and net income as reported for purposes of U.S. GAAP.) In addition, the committee determined that the short-term incentive program did not require an equity component, as the long-term incentive component of the executive pay program provides for sufficient and appropriate focus on the company's stock price.

The committee discussed management's recommended 2013 performance targets and payout opportunities with its independent compensation consultant and with management and determined that the recommended program design, targets, and payout opportunities were consistent with its desire to ensure that no short-term incentives would be paid unless challenging performance was achieved and then only at levels commensurate with such performance. Management proposed increasing the performance target levels from 2012 short-term incentive program levels based on CryoLife's projections provided to the public, but also proposed that the individual target incentive percentages and the criteria for receiving the personal performance component be carried forward from the 2012 short-term incentive program. Following review and deliberation regarding these proposals, the committee approved them for the 2013 short-term incentive program. The committee believed that the 2013 short-term incentive



program target percentages provided each executive with an appropriate incentive potential given his position with and importance to CryoLife, and that they were appropriately sized based on the 2013 Peer Group Information and the internal pay equity information reviewed by the committee.

The short-term incentive program design provides for payout ranges of 60% to 140% of target for performance levels of 95% to 105% of target adjusted revenues and 85% to 115% of target adjusted net income; no payment for performance below the thresholds; and no additional payment for performance in excess of the maximums. The performance ranges are narrow, relative to the payout ranges, in order to focus executives on achieving business performance goals in a manner consistent with business plans and communicated guidance. The payout ranges are wide, relative to the performance ranges, in order to reinforce the pay-for-performance nature of the program (for both above-target and below-target performance) and to translate potentially slight differences in performance into meaningful incentives.

The program also permitted the committee to reduce payouts to target levels if 2013 total stockholder return had been negative. For 2013, the plan defined total stockholder return as the quotient of (i) the closing price of CryoLife common stock on December 31, 2013 minus the closing price of CryoLife common stock on December 31, 2012, plus cash dividends per share paid in 2013, divided by (ii) the closing price of CryoLife common stock on December 31, 2012.

The 2013 Peer Group Information indicated that target total cash compensation for 2013 was above the 75<sup>th</sup> percentile for Mr. Anderson, near the 75<sup>th</sup> percentile for Mr. Lee, and near or within a competitive range of the 50<sup>th</sup> percentile for the other named executive officers. The committee approved Mr. Lee's target cash compensation near the 75<sup>th</sup> percentile because his responsibilities significantly exceed those of the positions utilized for comparison purposes, and his target total direct compensation (including the value of equity awards) remained within a competitive range of the 50<sup>th</sup> percentile. The committee approved Mr. Anderson's target total cash compensation because the desired pay mix for Mr. Anderson intentionally emphasizes cash over equity compensation given his significant stock ownership, and his target total direct compensation (including the value of equity awards) remained within a competitive range of the 50<sup>th</sup> percentile.

As described above, individual short-term incentive program target payout percentages and the criteria required to earn the incentive were carried forward from 2012. The committee continued to use a meets or exceeds standard, as it believes that this system simplifies the determination and minimizes the impact of subtle differences in performance. The committee also believes that the 2013 short-term incentive program target payout percentages provided each executive with an appropriate incentive opportunity given his position with and importance to CryoLife, and that the incentive opportunities were appropriately sized based on the 2013 Peer Group Information and the internal pay equity information reviewed and considered by the committee.

#### *Analysis Plan Payout*

In arriving at its decision to approve the 2013 short-term incentive payouts in early 2014, the committee took into consideration the following:

The actual performance results of CryoLife relative to the pre-determined performance goals

In connection with the individual performance bonus for each named executive officer other than the CEO, the actual performance of each such officer, as assessed by the CEO

In addition to general subjective considerations, the committee members approved Mr. Anderson's individual performance bonus, as part of the committee's joint review conducted with the Nominating and Corporate Governance Committee, based on his performance with respect to certain pre-established performance goals, including the following:

Complete corporate development initiatives

Implement plan for surgeon training regarding the HeRO® Graft

Meet or exceed revenue and profit objectives

Determine the feasibility of an Asia-Pacific distribution and sales center

The committee determined that Mr. Anderson's performance with respect to achieving and taking positive steps to achieve the criteria described above resulted in his overall performance meeting or exceeding the committee's expectations.

The following tables show the performance results for 2013 and the actual amount of short-term incentive paid to each named executive officer:

### Annual Incentive Program

#### Actual vs. Target Performance

Performance Measure	Weight (%)	Actual	Target	Performance	Payout
		Performance (\$)	Performance (\$)	% of Target (%)	% of Target (%)
Adjusted Revenue	40	140,692,000	143,493,000	98.0	84.4
Adjusted Net Income	40	22,782,000	24,213,000	94.1	84.2
Individual Goals	20	Meets/Exceeds	Executive-specific	100	100
<b>Weighted Avg Payout % of Target</b>					<b>87.4%</b>

### Annual Incentive Program

#### Actual vs. Target Payout

Executive	Actual	Target	Payout
	Payout (\$)	Payout (\$)	% of Target (%)
Anderson	348,399	398,400	87.4
Lee	191,514	219,000	87.4
Burris	102,491	117,200	87.4
Fronk	96,194	110,000	87.4

Capps	94,445	108,000	87.4
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These tables demonstrate how the short-term incentive program design effectively aligned performance and compensation, as the company's slightly below-target performance with respect to the adjusted revenue and adjusted net income performance measures yielded payouts at only 87.4% of the target payout.

### ***2013 Long-Term Incentives***

The committee generally determines the size, form, and provisions of any equity-based long-term incentive awards each February as part of its overall review and approval of CryoLife's executive compensation program. As it did for 2012, the committee granted equity awards to officers for 2013 in the forms of stock options, restricted stock, and performance stock units, based on a fixed number of shares, with approximately one-third of the total shares granted allocated to each form. The committee allocated shares to performance stock units at their target numbers. See *Plan-Based Awards* beginning on page 44 of this proxy statement for a description of the terms of the performance stock units; and see Appendix A for a description of the underlying performance measure of adjusted EBITDA.

In determining the size of grants, the committee generally considers the number of shares outstanding and the percentage of the outstanding shares to be granted to employees. The committee continues to evaluate this model in light of changes in the company's stock price, and it will continue to review the estimated value of all awards granted.



The following table sets forth the 2013 equity awards approved by the compensation committee, and how these award levels compare to the 2012 equity award levels:

### Comparison of 2012 and 2013 Equity Grant Levels

	2012 Grant Level				2013 Grant Level			
	Perf. Stock	Stock	Restricted	Total	Perf. Stock	Stock	Restricted	Total
	Units <sup>(1)</sup>	Options <sup>(2)</sup>	Stock <sup>(3)</sup>		Units <sup>(1)</sup>	Options <sup>(2)</sup>	Stock <sup>(3)</sup>	
Executive	(#)	(#)	(#)	(#)	(#)	(#)	(#)	(#)
Anderson	41,667	41,666	41,667	125,000	41,667	41,666	41,667	125,000
Lee	16,667	16,666	16,667	50,000	16,667	16,666	16,667	50,000
Burris	11,667	11,666	11,667	35,000	11,667	11,666	11,667	35,000
Fronk	11,667	11,666	11,667	35,000	11,667	11,666	11,667	35,000
Capps	8,333	8,332	8,333	24,998	10,000	10,000	10,000	30,000

(1) Reflects the target performance stock unit award level. The actual number of shares earned under the performance stock units was based on adjusted EBITDA performance for the applicable year. Earned shares vested/will vest 50% on the first anniversary of the award date, 25% on the second anniversary, and the remaining 25% will vest on the third anniversary. The actual number of shares that could have been earned ranged from zero to 150% of target. We valued the 2012 and 2013 performance stock units using grant date closing prices of \$5.24 and \$6.01, respectively. Based on 2012 and 2013 adjusted EBITDA performance, the named executive officers earned 2012 and 2013 performance stock units at approximately 125.2% and 116.2%, respectively, of the target award levels.

(2) Stock options vest 1/3 per year following the grant date. Stock options were valued using a Black-Scholes Option Pricing Model with values for the 2012 and 2013 awards of \$2.67 and \$2.54, respectively.

(3) Restricted stock cliff vests three years following the grant date. We valued restricted stock using grant date closing stock prices for the 2012 and 2013 awards of \$5.67 and \$6.01, respectively.

#### *Analysis Plan Design*

In approving the 2013 equity award levels, the committee considered the following primary factors:

The desire to have an even mix between stock options, restricted stock, and performance stock units

The objective of achieving performance and retention incentives through the use of annual equity grants, especially given CryoLife's stock price volatility

The availability of shares under CryoLife's various stockholder-approved equity plans

The resulting positioning of target total direct compensation (i.e., salary plus target short-term incentive value plus long-term incentive value) against market benchmarks, as follows:

### 2013 Target Total Direct Compensation

#### Compared to Peer Median

Executive	2013 Target Total Direct Compensation Opportunity <sup>(1)</sup> (\$)	Peer Median <sup>(2)</sup> (\$)	CRY vs. Median (%)	Primary Rationale
Anderson	1,669,069	1,630,000	102	Within a competitive range of the 50 <sup>th</sup> percentile <sup>(3)</sup>
Lee	826,669	795,000	104	Within a competitive range of the 50 <sup>th</sup> percentile <sup>(3)</sup>
Burris	580,069	680,000	85	Within a competitive range of the 50 <sup>th</sup> percentile <sup>(3)</sup>
Fronk	554,869	680,000	82	Below a competitive range of the 50 <sup>th</sup> percentile <sup>(3)</sup>
Capps	523,600	710,000	74	Below a competitive range of the 50 <sup>th</sup> percentile <sup>(3)</sup>

<sup>(1)</sup> Equity grant value based on a grant date closing stock price of \$6.01 for restricted stock and performance stock units, and a Black-Scholes Option Value of \$2.54. Performance units are included at target award levels/values.

<sup>(2)</sup> Based on data provided by PM&P (the 2012 Study).

<sup>(3)</sup> Competitive range recommended by PM&P and agreed to by the committee as 85-115% of the peer group 50th percentile.



The committee believes that the blend of stock options, restricted stock, and performance stock units appropriately balances the performance, stockholder alignment, and retention objectives of CryoLife's long-term incentive program. The use of multiple award types is a prevalent practice among industry peers, and the use of performance stock units is an emerging practice that creates even stronger alignment between pay and performance. In addition, the annual grant frequency results in more continuous performance and retention strength by reflecting changes in the stock price year over year.

The committee believes that determining the size of grants based on an analysis of the number of shares and the percentage of the outstanding shares to be granted avoids the issues involved in valuing equity awards, focuses on an annual grant rate and number (which the committee believes is increasingly important to stockholders and proxy advisors), and allows the remaining share reserve to be estimated more precisely. The committee does, however, continue to evaluate the appropriateness of using numbers of shares, as opposed to a fixed value, in light of movements in the price of the company's stock. For 2013, the committee generally retained long-term incentive opportunities for officers of the company at 2012 levels; however, it increased certain of the officers' (including Mr. Capps's) award levels for 2013 to bring their long-term incentive opportunities closer to the 50<sup>th</sup> percentile of their respective peer group comparators.

The committee determined vesting schedules in consultation with PM&P and believes that they provide the appropriate long-term incentive for continued employment. The committee determined the terms of the performance stock unit grant based on input from management and in consultation with PM&P and believes that they provide similarly appropriate incentives. The committee believes that adjusted EBITDA is a reasonable proxy for CryoLife's earnings performance, and it also effectively measures areas of performance that drive the future growth of the company while allowing for adjustments to eliminate items that might provide improper incentives and items over which management has little or no control. The committee also believed that the adjusted EBITDA threshold and target performance levels were challenging, but expected the threshold and target levels to be achieved. Based on management's expectations, the 2013 adjusted EBITDA target performance level was consistent with the range of 2013 earnings per share guidance publicly announced by CryoLife. The committee believed that the stretch levels of adjusted EBITDA performance were sufficiently challenging.

The performance stock units' design provides for shares to be earned in the range of 50% to 150% of target for performance levels of 85% to 115% of target adjusted EBITDA; no shares are earned for performance below the threshold; and no additional shares are earned for performance in excess of maximum performance. Shares are earned in tiers as set forth in the following table:

<b>EBITDA Performance Tier</b>	<b>Payout</b>
<b>(% of Target)</b>	<b>(% of Target)</b>
< 85.0	0
85.0 - 89.9	50
90.0 - 94.9	75

95.0 - 106.9                      100

107.0 - 115.0                      110-150 (ratable)

The committee adopted this tiered/ratable approach to address the variability and volatility inherent in some of the adjusted EBITDA inputs. The performance range is narrow, relative to the shares-earned range, in order to focus executives on achieving business performance goals in a manner consistent with business plans and communicated guidance. The shares-earned range is wide, relative to the performance range, in order to reinforce the pay-for-performance nature of the program (for both above-target and below-target performance) and to translate potentially slight differences in performance into meaningful incentives.

*Analysis    PSUs Earned*

In arriving at its decision in February 2014 to certify the company's adjusted EBITDA performance with respect to the 2013 performance stock units, the committee took into consideration the company's actual adjusted EBITDA performance results relative to the pre-determined adjusted EBITDA performance goal. The following table presents the target, threshold, and maximum adjusted EBITDA performance levels associated with target, threshold, and maximum award opportunities under the 2013 performance stock unit grants. The table also provides the actual adjusted EBITDA performance level for 2013, as certified by the committee, together with the associated levels of shares that were earned. Pursuant to the terms of the performance stock unit grants, 50% of the shares earned vested in February 2014, 25% of the shares will vest on February 12, 2015, and the remaining 25% of the shares will vest on February 12, 2016, assuming the executive continues to be employed by the company on those dates. See Appendix A for further details regarding the adjusted EBITA performance measure and the reconciliation of that measure to net income as reported for purposes of U.S. GAAP.

**Performance Stock Units****Actual vs. Target/Threshold/Maximum Performance**

<b>Performance Measure</b>	<b>Target Performance (\$)</b>	<b>Threshold Performance (\$)</b>	<b>Maximum Performance (\$)</b>	<b>Actual Performance (\$)</b>	<b>Performance % of Target (%)</b>
Adjusted EBITDA	26,025,000	22,125,000	29,929,000	28,171,000	108.2

**Performance Stock Units****Actual vs. Target/Threshold/Maximum Payout**

<b>Executive</b>	<b>Target Payout (#)</b>	<b>Threshold Payout (#)</b>	<b>Maximum Payout (#)</b>	<b>Actual Payout (#)</b>	<b>Payout % of Target (%)</b>
Anderson	41,667	20,834	62,500	48,427	116.226
Lee	16,667	8,334	25,000	19,371	116.226
Burris	11,667	5,834	17,500	13,559	116.226
Fronk	11,667	5,834	17,500	13,559	116.226
Capps	10,000	5,000	15,000	11,621	116.226

***Amendment to Amended and Restated 2009 Stock Incentive Plan***

In March 2014, the committee approved the CryoLife, Inc. Second Amended and Restated 2009 Stock Incentive Plan, contingent on stockholder approval, based on management's recommendation and in consultation with PM&P regarding plan design, burn rate, and approval considerations.

***2013 Deferred Compensation***

The CryoLife, Inc. Executive Deferred Compensation Plan allows certain key employees of CryoLife, including the named executive officers, to defer receipt of some or all of his or her salary and/or the cash portion of any bonus awarded pursuant to the short-term executive incentive plan or in lieu thereof. The plan's administrative committee, subject to ratification and approval of the compensation committee, establishes the maximum and minimum percentages of bonus awards that plan participants may defer in each plan year. These percentages were from zero to 75% for base salary and from zero to 100% for the annual cash bonus for 2013. Plan participants establish their respective deferral amounts for their base compensation prior to the beginning of each plan year, which is the calendar year, and prior to July for their short-term incentive compensation for that year, which is paid and calculated after the completion of the plan year.

The plan provides for tax-deferred growth of deferred compensation and, pursuant to the terms of the plan, CryoLife agrees to distribute to participants the deferred amounts, credited/debited with hypothetical gains and/or losses linked to the performance of investment options selected by participants from among the non-proprietary investment options available under the plan. The plan does not have investment options that provide for above-market or preferential earnings. Distribution of all deferred compensation, including any gains or losses, occurs upon death, disability, retirement, or termination. Also, a plan participant may elect to receive distributions while still employed by CryoLife if at least two years have elapsed from the plan year in which the deferred amounts would have otherwise been paid to the plan participant if not for the deferral. Distributions made while the plan participant is still employed by CryoLife and distributions made pursuant to termination will be paid in a lump sum to the plan participant. Plan participants may elect to receive the distribution in lump sum, quarterly, in annual installments for a specified period, or via a combination thereof upon death, disability, or retirement. Hardship withdrawals during any plan year may be made upon the occurrence of an unforeseeable emergency for a particular plan participant or if a plan participant receives a hardship distribution under CryoLife's 401(k) plan. All deferred amounts and deemed earnings thereon are fully vested at all times. CryoLife has no current plans to match any contributions of any executive officer.

### *2013 Perquisites*

It is CryoLife's policy not to provide perquisites to its officers without prior approval of the committee. 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 of such personal benefit. Other than these incidental personal benefits, none of our executives receive any perquisites that are not also provided on a non-discriminatory basis to all full-time

employees, except for Mr. Anderson, whose compensation is discussed at *Employment and Change of Control Agreements Employment Agreement with Mr. Anderson* below, and except for supplemental disability insurance and airline club memberships provided to certain of the named executive officers. In keeping with CryoLife's practice with respect to all full-time employees, executive officers are also eligible to receive certain one-time benefits upon achieving employment milestones, including receiving \$5,000 towards a vacation and two weeks additional vacation upon reaching 15 years of service with CryoLife, \$10,000 towards a vacation and two weeks additional vacation upon reaching 20 years of service with CryoLife, and two weeks additional vacation upon reaching 25 years of service with CryoLife.

CryoLife's supplemental disability insurance is designed, in conjunction with CryoLife's group disability benefits for most employees, to provide each of CryoLife's officers, except Mr. Anderson, with approximately 67% income replacement, calculated based on the most currently available salary and bonus information at the time of the annual policy renewal. Mr. Anderson's income replacement level is approximately 28%. The supplemental insurance provides for a maximum monthly benefit of \$5,000 per officer other than for Mr. Lee, whose maximum monthly benefit is approximately \$12,000, in addition to amounts paid by the generally available disability policy. The supplemental insurance also provides for a benefit payment period of up to two years for disabilities that occur between the ages of 65 and 75 and a benefit payment period of up to one year for disabilities that occur after age 75. The committee approved this supplemental insurance upon the recommendation of management and based on the committee's belief that this insurance was appropriate, cost effective, and consistent with the benefits provided by CryoLife's peers.

## **EMPLOYMENT AND CHANGE OF CONTROL AGREEMENTS**

Mr. Anderson is party to an employment agreement with CryoLife that became effective January 1, 2013, and expires on December 31, 2015. The company has begun negotiations with Mr. Anderson to extend the term of his employment agreement for an additional year. Each of the other executive officers is currently party to a change of control agreement with CryoLife. For a description of Mr. Anderson's employment agreement and the terms of the change of control agreements, see *Grants of Plan Based Awards Employment Agreement with Steven G. Anderson; Change of Control Agreements with Other Executive Officers* at pages 42 and 44, and for details regarding the potential payments that could result under various employment termination scenarios, see *Potential Payments upon Termination or Change of Control Employment and Change of Control Agreements* beginning at page 55.

### ***Employment Agreement with Mr. Anderson***

In 2012, the committee began a formal review of Mr. Anderson's employment agreement, which was scheduled to expire in December 2012 (the *Prior Agreement*). The committee and the Board approved a new agreement (the *2013 Agreement*), which was executed in October 2012 and became effective on January 1, 2013, following expiration of the *Prior Agreement* by its terms. The *2013 Agreement* has a three-year term (through December 31, 2015), retains the same quantitative level of base salary and retirement and change of control benefits as the *Prior Agreement*, and differs from the *Prior Agreement* in the following material respects:

The *2013 Agreement* contains no tax gross-ups

The *2013 Agreement*'s change of control payment is a double trigger, such that Mr. Anderson is only entitled to the change of control payment if his employment is terminated following, or for specified reasons within twelve months prior to, a change of control of CryoLife

The *2013 Agreement* does not provide for automatic annual salary increases

Mr. Anderson's estate will receive his termination benefit in the event of his death during the term of the *2013 Agreement*



Mr. Anderson's termination benefit will be paid in a lump sum, subject to compliance with Section 409A of the Internal Revenue Code

Mr. Anderson received approximately \$15,200 in 2012 as reimbursement for his legal expenses in negotiating the agreement

Mr. Anderson received a one-time cash payment of \$100,000 in 2013 that was only payable in the event he remained employed by the company on January 1, 2013

In addition, the 2013 Agreement provides that Mr. Anderson will receive certain compensation upon termination of his employment. The potential payments that could result under each scenario are described at *Potential Payments Upon Termination or Change of Control* Employment and Change of Control Agreements Employment Agreement with Steven G. Anderson beginning on page 55.

### *Analysis*

In developing the 2013 Agreement for Mr. Anderson, the committee consulted with its independent compensation consultant, which prepared an analysis of potential terms and changes, as well as legal counsel and the consulting arm of Institutional Shareholder Services. Based on these consultations, as well as the committee's analysis of, and development of an appropriate response to, the 2012 say on pay vote, the committee's primary goals with respect to the 2013 Agreement were to continue to provide for fair compensation, retirement, and change of control benefits to Mr. Anderson while at the same time removing all tax gross-ups, single-trigger change of control provisions, and automatic salary increases based on increases in the cost of living.

Based on arms-length negotiations with Mr. Anderson and his counsel, and following the consultation and review described above, the committee determined that continuation of the base salary, retirement, and change of control benefit levels contained in the prior agreement, together with the changes described above, were reasonable and appropriate in order to achieve the committee's goals, as well as the Board's goal of retaining Mr. Anderson for an additional three-year term. In light of the consultation described above, the committee believes that the material terms of Mr. Anderson's employment agreement are customary, based on a review of CryoLife's peers and taking into consideration Mr. Anderson's position as the founder of CryoLife with approximately forty years of experience and thirty years of service to the company. The committee believes that the retirement and death benefits are appropriate in light of the fact that CryoLife does not provide any pension or similar retirement plan for Mr. Anderson. In approving the change of control benefit, the committee's goal was for Mr. Anderson to have certainty regarding his treatment following a change of control so that he would be able to address a potential takeover attempt without concern as to whether it might negatively impact him personally. In addition, given his unique ability to influence whether or not a potential change of control is pursued, the committee wished to provide him with an appropriate incentive to further a change of control that might be in the best interests of the stockholders.

### ***Change of Control Agreements with Other Named Executive Officers***

#### *Description and Analysis*

As also noted in our 2013 proxy, CryoLife has entered into change of control agreements with each of the named executive officers other than Mr. Anderson. The material terms of those agreements are described in *Potential Payments upon Termination or Change of Control – Change of Control Agreements with Other Named Executive Officers* at page 57.

It is the committee's intent that provisions in the change of control agreements regarding an executive's termination in conjunction with 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 of control of CryoLife. In addition, these provisions align executive and stockholder interests by allowing 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 of control. Finally, the provisions protect stockholder interests in the event of a change of 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 and enhance stockholder value.

In connection with the committee's analysis of the 2012 say on pay vote, the committee determined, based on its consultations with the committee's independent compensation consultant and legal counsel, that it was desirable to remove all tax gross-ups from the change of control agreements. Because the outstanding agreements were scheduled to expire in September 2014, and could not be unilaterally amended by CryoLife, the committee authorized CryoLife to offer estate planning services valued at up to \$2,500 or a \$50 cash payment to all officers party to the agreements.

CryoLife entered into new change of control agreements with its named executive officers in December 2012; as a result, CryoLife is no longer party to any employment or change of control agreement containing a tax gross-up provision.

The change of control agreements are double-trigger agreements, as they require both a change of control and termination of employment to have occurred before CryoLife is required to make payments pursuant to the agreements. The committee approved a larger termination payment under the agreement for Mr. Lee than for Messrs. Burris, Fronk, and Capps based upon his senior officer status and his relatively greater ability to influence decisions regarding whether or not a change of control transaction should be pursued.

## ADDITIONAL POLICIES AND PRACTICES

### *Clawback Policy*

The 2007 Executive Incentive Plan includes a clawback provision. This clawback allows CryoLife to recover bonus awards under the plan that were paid in the 12-month period prior to a significant financial statement restatement. The amounts may be recovered at the discretion of the committee and subject to applicable laws if the award was made on the basis of CryoLife having met or exceeded specific performance targets for performance periods affected by the restatement. In such an event, the committee may require participants to repay to CryoLife the difference between the bonus actually received by the participant and the amount of the recalculated bonus, using the restated financial results. In addition, Mr. Anderson's employment agreement provides that in the event that CryoLife obtains a final, non-appealable judgment of a competent court declaring Mr. Anderson to have breached one or more of the non-compete or non-solicitation covenants contained in the agreement, Mr. Anderson must repay such portions of his change of control and termination payment as the court shall order.

To the extent not addressed by the provisions above, the committee continues to consider the appropriate structure for additional clawback provisions. These additional clawback provisions would, in specified instances, require executive officers to return to CryoLife incentive compensation paid if such compensation is based upon financial results that turn out to have been materially inaccurate when published. The committee intends to adopt and disclose such a policy in compliance with and to the extent required by the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010.

### *Stock Ownership Policy*

CryoLife maintains a stock ownership policy for executives that has been recommended and approved by the committee along with the Nominating and Corporate Governance Committee, and approved by the Board of Directors. The stock ownership policy adopted in 2012 requires the following stock ownership levels for the named executive officers:

<b>Stock Ownership Policy Summary</b>					
	<b>Required</b>	<b>Required</b>		<b>Value of</b>	
	<b>Shares<sup>(1)</sup></b>	<b>Value<sup>(1)</sup></b>	<b>Owne</b>	<b>Owned Shares</b>	
			<b>Shares<sup>(2)</sup></b>	<b>at</b>	
				<b>Assumed</b>	
				<b>Share</b>	
				<b>Price<sup>(3)</sup></b>	<b>Compliance</b>
<b>Executive</b>	<b>(#)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>Test</b>
Anderson	420,000	2,100,000	1,524,257	14,831,021	Yes
Lee	100,000	500,000	235,109	2,287,611	Yes
Burris	58,000	290,000	93,576	910,494	Yes
Fronk	54,000	270,000	110,480	1,074,970	Yes
Capps	53,000	265,000	81,970	797,568	Yes

(1) Policy requires the lesser of the Required Shares or the Required Value.

(2) Owned Shares calculated per the policy and as of March 19, 2014. Ownership includes owned shares, restricted stock grants, and performance stock units (at actual, earned levels) with respect to which performance criteria have been satisfied.

(3) Actual Value of Owned Shares at Assumed Share Price calculated based on an assumed share price of \$9.73, the closing share price of CryoLife stock on March 19, 2014.

These guidelines will become effective for all currently employed named executive officers on February 18, 2015. Until February 18, 2015, the guidelines currently in effect require the ownership of 300,000 shares for Mr. Anderson, 100,000 shares for Mr. Lee, 30,000 shares for Mr. Burris (effective May 20, 2013), 20,000 shares for Mr. Fronk, and 20,000 shares for Mr. Capps.

The shares to be counted towards ownership under the revised guidelines will include shares owned directly or indirectly through the CryoLife, Inc. Employees Stock Purchase Plan or by a person's spouse, as well as any other shares related to or underlying vested or unvested restricted stock or restricted stock units held by such person but do not include shares held through any other form of indirect beneficial ownership or shares underlying unexercised options. The committee requires that the named executive officers hold 50% of the net after-tax shares received from option exercises and stock vesting until the executive is in compliance with the required minimum stock ownership level.

While the revised guidelines are not yet effective, as of March 19, 2014, all of the named executive officers were in compliance with the ownership levels set forth in the current guidelines and would also already be in compliance with the guidelines that will become effective in 2015.

### ***Anti-Hedging Policy***

CryoLife executive officers are prohibited from trading in publicly traded options, puts, calls, straddles, or similar derivative securities of CryoLife at any time, whether or not issued directly by CryoLife or by any exchange, and may not engage in put or call transactions involving CryoLife's stock or purchase financial instruments designed to hedge or offset any decrease in the market value of CryoLife securities except for standard collars or prepaid forward transactions that have been pre-approved at least 90 days in advance by the independent directors of the Board or a committee consisting solely of independent directors and that are disclosed to stockholders on a Form 4 or by other means acceptable to the SEC. Furthermore, executive officers are prohibited from effecting short sales of the company's securities at any time. The committee and the Board intend to adopt and disclose a policy on hedging by employees and Directors with respect to CryoLife securities in compliance with and to the extent required by the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010.

### ***Equity Grants/Inside Information***

The committee generally adheres to a policy of not granting equity-based compensation awards at times when insiders are in possession of material, non-public information. One notable exception to this policy is with respect to equity grants to new hires, which can be made as of the hire date, provided that management discloses to the committee at the time of grant any material, non-public information. In all other instances, if 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.

## **2014 EXECUTIVE COMPENSATION ACTIONS**

### ***2013 Executive Compensation Study***

During 2013, as in prior years, the committee directed its independent consultant to conduct a review and assessment of the executive compensation program at CryoLife. The 2013 executive compensation study was prepared in October 2013, updated in February 2014, and used as input for the committee's considerations and decisions regarding 2014 compensation adjustments and plan design changes. The 2013 Study assessed both the competitiveness of pay levels and the alignment of pay with company performance. The 2014 peer group, which is more particularly described below, had median revenues, based on the latest figures available at the time the 2013 Study was prepared, of \$130 million and median market capitalization as of August 31, 2013 of \$290 million. Survey data in the 2013 Study was drawn from five compensation surveys of biotech and healthcare companies with targeted revenues of \$150 million in order to approximate the company's annual revenue. With respect to all named executive officers, the data in the 2013 Study was an even blend of the 2014 peer group and the survey information. In each case, PM&P trended the compensation data forward to January 1, 2014 by a factor of 3.1%. We refer to the blended 2014 peer group and survey compensation data for all named executive officers as the 2014 Peer Group Information.

The following peer companies were used for the 2013 Study:

<b>Peer Company</b>	<b>FYE Revenue<sup>(1)</sup></b>
<b>Peer Company</b>	<b>(\$)</b>
Merit Medical Systems, Inc.	394
Angiodynamics, Inc.	342
Exactech, Inc.	224
Alphatec Holdings, Inc.	196
RTI Biologics, Inc.	178
Abiomed, Inc.	158
Spectranetics Corp.	140
Atrion Corp.	119
Cardiovascular Systems, Inc.	104
Vascular Solutions, Inc.	98
Theragenics Corp.	83
Anika Therapeutics, Inc.	71
Atricure, Inc.	70
Stereotaxis, Inc.	47
<i>Median</i>	<i>130</i>
<b>CryoLife</b>	<b>132</b>

*The same companies were used for the 2013 Study peer group and the 2012 Study peer group. CryoLife's annual revenue is positioned near the median of the peer group's annual revenue, and the peer group includes an equal number of companies that are larger and smaller than CryoLife based on annual revenues.*

*The committee believes that the pay practices of these companies provide a useful reference point for pay and performance comparisons at CryoLife.*

<sup>(1)</sup> Latest FYE revenue, in millions, at the time the peer group was developed.  
The following survey sources were used in the 2013 Study:

Mercer U.S. Executive Compensation Database

Towers Watson Report on Top Management Compensation

Radford Global Life Sciences Survey (July 2013 edition)

Confidential Executive Compensation Survey

Confidential Long-Term Incentive Survey

**2014 Base Salary**

The committee approved an approximate 3% increase for all currently employed named executive officers, except Mr. Capps, whose salary was increased by approximately 5%.

*Analysis*

Based on input from management and in consultation with PM&P, the committee approved the approximate 3% increase based on cost of living considerations and strong overall company performance in 2013. A portion of Mr. Capps' s base salary increase also represented a market-based adjustment.

***2014 Short-Term Incentives***

The committee approved the 2014 short-term incentive program in February 2014. The 2014 program provides for the same performance measures (adjusted for projected changes in adjusted revenue and adjusted net income) and same target incentive opportunity as the 2013 program.

*Analysis*

Upon review and consideration, the committee continues to believe that the performance measures of adjusted revenue and adjusted net income used in the 2013 short-term incentive program will motivate management to achieve increases in 2014 revenues and net income and operating cash flow goals, as well as to drive personal performance and provide appropriate incentives to satisfy



employee retention goals. As a result, the committee approved again the adjusted revenue and adjusted net income measures (as adjusted for 2014 forecast results) that it used with respect to 2013 for use in the 2014 short-term incentive program.

The committee believes that adjusted revenue threshold and target performance levels are challenging, but expects them to be achieved. The 2014 adjusted revenue target is within the range of 2014 product and service revenue guidance previously publicly announced by CryoLife. The committee believes that levels of adjusted revenue performance significantly above target are challenging, but achievable. Based on the range of 2014 product and service revenue guidance previously publicly announced by CryoLife, however, the committee does not expect these levels to be achieved unless CryoLife outperforms the lower end of this guidance. The named executive officers earned the 2013 adjusted revenue incentive at approximately 84% of target.

The committee believes that adjusted net income threshold and target performance levels are challenging, but expects them to be achieved. The 2014 adjusted net income target performance level is consistent with the range of 2014 earnings per share guidance previously publicly announced by CryoLife. The committee believes that levels of adjusted net income performance significantly above target are challenging, but achievable. Based on the range of 2014 earnings per share guidance previously publicly announced by CryoLife, however, the committee does not expect these levels to be achieved unless CryoLife outperforms the lower end of this guidance. The named executive officers earned the 2013 adjusted net income incentive at approximately 84% of target.

#### **2014 Long-Term Incentives**

Based on input from management and in consultation with PM&P, the committee considered the long-term incentive program and determined to maintain for 2014 the same mix of equity awards as for 2013 – an equal split among stock options, restricted stock, and performance stock units, based on number, with approximately one-third of the shares granted allocated to each. The committee allocates performance stock units at their target numbers. See *Plan-Based Awards* beginning on page 44 of this proxy statement for a description of the terms of the performance stock units; see Appendix A for further details regarding the adjusted EBITA performance measure and the reconciliation of that measure to net income as reported for purposes of U.S. GAAP.

The following table provides the 2013 and 2014 equity awards to the named executive officers, as approved by the compensation committee:

#### **Comparison of 2013 and 2014 Equity Grant Levels**

<b>Executive</b>	<b>2013 Grant Level</b>				<b>2014 Grant Level</b>			
	<b>Perf. Stock</b>	<b>Stock</b>	<b>Restricted</b>	<b>Total</b>	<b>Perf. Stock</b>	<b>Stock</b>	<b>Restricted</b>	<b>Total</b>
	<b>Units<sup>(1)</sup></b>	<b>Options<sup>(2)</sup></b>	<b>Stock<sup>(3)</sup></b>		<b>Units<sup>(1)</sup></b>	<b>Options<sup>(2)</sup></b>	<b>Stock<sup>(3)</sup></b>	
<b>(#)</b>	<b>(#)</b>	<b>(#)</b>	<b>(#)</b>	<b>(#)</b>	<b>(#)</b>	<b>(#)</b>	<b>(#)</b>	
Anderson	41,667	41,666	41,667	125,000	41,667	41,667	41,667	125,001
Lee	16,667	16,666	16,667	50,000	16,667	16,666	16,667	50,000
Burris	11,667	11,666	11,667	35,000	11,667	11,666	11,667	35,000
Fronk	11,667	11,666	11,667	35,000	11,667	11,666	11,667	35,000
Capps	10,000	10,000	10,000	30,000	10,000	10,000	10,000	30,000

- (1) Reflects the target performance stock unit award level. The actual number of shares earned under the performance stock units was/will be based on adjusted EBITDA performance for the applicable year. Earned shares vested/will vest 50% on the first anniversary of the award date, 25% on the second anniversary, and the remaining 25% will vest on the third anniversary. The actual number of shares that could have been earned ranged from zero to 150% of target. We valued the 2013 and 2014 performance stock units using grant date closing prices of \$6.01 and \$9.97, respectively.
- (2) Stock options vest 1/3 per year following the grant date. Stock options were valued using a Black-Scholes Option Pricing Model with values for the 2013 and 2014 awards of \$2.54 and \$4.08, respectively.
- (3) Restricted stock cliff vests three years following the grant date. We valued restricted stock using grant date closing stock prices for the 2013 and 2014 awards of \$6.01 and \$9.97, respectively.

*Analysis*

In approving the 2014 equity award levels, the committee considered the following primary factors:

The fact that the intention in 2014 was to continue the 2013 award levels, based on number of shares at target levels

The desire to have an even mix among stock options, restricted stock, and performance stock units

The objective of achieving performance and retention incentives through the use of annual equity grants, especially given CryoLife's stock price volatility

The availability of shares under CryoLife's various stockholder-approved equity plans

The company's share price and its effect on the value of equity awards granted based on a number of shares, as opposed to a predetermined value

The resulting positioning of target total direct compensation against market benchmarks, as follows:

**2014 Target Total Direct Compensation**

**Compared to Peer Median**

<b>Executive</b>	<b>Target Total Direct Compensation<sup>(1)</sup></b>	<b>Peer Median<sup>(2)</sup></b>	<b>CRY vs. Median</b>	<b>Primary Rationale</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(%)</b>	
Anderson	2,093,641	1,690,000	124	Above a competitive range of the 50th percentile <sup>(3)</sup>
Lee	1,001,937	860,000	117	Above a competitive range of the 50th percentile <sup>(3)</sup>
Burriss	703,037	695,000	101	Within a competitive range of the 50th percentile <sup>(3)</sup>
Fronk	676,437	650,000	104	Within a competitive range of the 50th percentile <sup>(3)</sup>
Capps	636,400	640,000	99	Within a competitive range of the 50th percentile <sup>(3)</sup>

(1) Includes 2014 salary and target bonus based on percentage of salary. Equity grant value based on an grant date stock price of \$9.97 for performance stock units and restricted stock and a Black-Scholes Option Value of \$4.08 for stock options. Performance units are included at target award levels/values.

(2) Based on data provided by the committee's independent consultant (the 2013 Study).

(3)

Competitive range recommended by PM&P and agreed to by the committee as 90-110% of the peer group 50th percentile.

Although the committee made only minor adjustments to the executive compensation program for 2014, the target total direct compensation for Messrs. Anderson and Lee exceeded the upper bounds of the competitive range for the 50<sup>th</sup> percentile of peer group target total direct compensation. This shift in positioning relative to the peer group is primarily due to the increase in the company's share price and the committee's decision to make 2014 equity grants at the same levels (based on numbers of shares at target) as for 2013. As noted above, following deliberation and consultation with PM&P, the committee determined that it was appropriate to grant equity at the same levels for 2014 as for 2013 (notwithstanding an increased share price) in order to maintain continuity in its long-term incentive strategy and to reinforce the pay-for-performance, long-term characteristics of stock-based compensation. As also noted above, the committee will continue to evaluate its strategy of granting equity based on numbers of shares (as opposed to value) in light of changes in the company's share price, and it will make adjustments in the strategy as appropriate.

The committee determined vesting schedules in consultation with PM&P and believes that they provide the appropriate long-term incentive for continued employment. The committee determined the terms of the performance stock unit grant based on input from management and in consultation with PM&P and believes that those terms provide similarly appropriate incentives. The committee believes that adjusted EBITDA is a reasonable proxy for CryoLife's performance, but allows for adjustments to eliminate items that might provide improper incentives and items over which management has little or no control. The committee also believes that the adjusted EBITDA threshold and target performance levels are challenging, but expects them to be achieved. The 2014 adjusted EBITDA calculation methodology is the same as that used in 2013, and based on management's expectations, the target performance level is consistent with the range of 2014 earnings per share guidance previously publicly announced by CryoLife. The committee believes that the stretch levels of adjusted EBITDA performance are very challenging, but achievable. Based on the range of 2014 earnings per share guidance previously publicly announced by CryoLife; however, the committee does not expect these levels to be achieved unless CryoLife outperforms the lower end of this guidance. Based on 2013 adjusted EBITDA performance, the named executive officers earned performance stock units at approximately 116.2% of target. See Appendix A for further details regarding the adjusted EBITA performance measure and the reconciliation of that measure to net income as reported for purposes of U.S. GAAP.

The committee approved the CryoLife, Inc. Second Amended and Restated 2009 Stock Incentive Plan based on management's recommendation and following consultation with PM&P regarding plan design, burn rate, and approval considerations.

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## **TAX IMPACT OF COMPENSATION DECISIONS**

### ***Section 162(m)***

Section 162(m) of the Internal Revenue Code generally limits to \$1 million the amount of compensation, other than certain performance-based compensation, 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 the Chief Financial Officer. CryoLife has structured its stock option and performance stock unit grants to exempt them from the \$1 million aggregate compensation calculation, and the committee currently intends to continue this practice. After careful consideration, 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 2014 or 2015, and that the tax benefit that would be associated with such excess, if any, is not expected to be material to CryoLife. Accordingly, the committee has determined not to attempt to qualify compensation under the 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 2013 or 2014 to date.

### ***Section 409A***

Since Section 409A of the Internal Revenue Code, which deals with deferred compensation arrangements, was enacted, the committee's policy has been to structure all executive compensation arrangements to comply, to the extent feasible, 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 and/or change of control agreements in order to bring them into compliance with Section 409A.

## **FORWARD-LOOKING STATEMENTS**

Statements made in this proxy statement that look forward in time or that express management's beliefs, expectations or hopes are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements reflect the views of management at the time such statements are made and are subject to a number of risks, uncertainties, estimates, and assumptions that may cause actual results to differ materially from current expectations. These statements include those regarding future plans and intentions of the committee and/or Board related to compensation decisions, and expectations that certain performance targets for management will be attained. These future events may not occur as and when expected, if at all, and, together with the company's business, are subject to various risks and uncertainties. These risks and uncertainties include that the success of any of our products or services is subject to, among other things, market acceptance and regulatory approval and compliance. Competitors may develop or market products that are more effective or better received by the marketplace, and our recent strategic actions may not provide the expected benefits in a timely fashion, if at all. Actions taken by the FDA or other regulatory agencies could significantly delay anticipated revenues, increase the costs with respect to new and existing services and products, and otherwise cause expectations regarding future revenues and profits to be revised materially downward. Along with risks specific to our business, management's ability to attain certain performance targets is subject to risks affecting the economy generally and other factors that are beyond our control. For additional risks impacting the company's business, see the Risk Factors section of the company's Annual Report on Form 10-K for the year ended December 31, 2013. The company does not undertake to update its forward-looking statements.



## **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, 2013, and CryoLife's 2014 proxy statement on Schedule 14A, for filing with the Securities and Exchange Commission.

### **Compensation Committee**

RONALD C. ELKINS, M.D., CHAIRMAN

DANIEL J. BEVEVINO

RONALD D. MCCALL

### SUMMARY COMPENSATION TABLE

The following table sets forth information with respect to each of the named executive officers — our Chief Executive Officer, our Chief Financial Officer, and the three most highly compensated of the other executive officers of CryoLife employed at the end of fiscal 2013.

Name and Principal Position (a)	Year (b)	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
		(\$) (c)	(\$) (d)	(\$) (e)	(\$) (f)	(\$) (g)	(\$) (h)	(\$) (i)	(\$) (j)
Ken G. Person	2013	664,000	79,680 <sup>(1)</sup>	500,837 <sup>(2)</sup>	105,832 <sup>(3)</sup>	268,719 <sup>(4)</sup>	(5)	129,384 <sup>(6)</sup>	1,748,4
Chairman of Board, President, and Chief Executive Officer	2012	656,940	78,833 <sup>(7)</sup>	454,587 <sup>(8)</sup>	111,248 <sup>(9)</sup>	354,333 <sup>(10)</sup>	6,558 <sup>(11)</sup>	43,751 <sup>(12)</sup>	1,706,2
	2011	637,806	76,537 <sup>(13)</sup>	402,775 <sup>(14)</sup>	399,626 <sup>(15)</sup>	252,618 <sup>(16)</sup>	25,406 <sup>(17)</sup>	33,612 <sup>(18)</sup>	1,828,3
Shashley Lee	2013	365,000	43,800 <sup>(1)</sup>	200,337 <sup>(2)</sup>	42,332 <sup>(3)</sup>	147,714 <sup>(4)</sup>		18,224 <sup>(19)</sup>	817,4
Chief Executive Officer, President, and Managing Director	2012	361,424	43,371 <sup>(7)</sup>	181,837 <sup>(8)</sup>	44,498 <sup>(9)</sup>	194,941 <sup>(10)</sup>		20,208 <sup>(20)</sup>	846,2
	2011	361,424	43,371 <sup>(13)</sup>	162,135 <sup>(14)</sup>	160,866 <sup>(15)</sup>	143,151 <sup>(16)</sup>		13,974 <sup>(21)</sup>	884,9
Chief Financial Officer	2013	293,000	23,440 <sup>(1)</sup>	140,237 <sup>(2)</sup>	29,632 <sup>(3)</sup>	79,051 <sup>(4)</sup>		5,100 <sup>(22)</sup>	570,4
	2012	290,000	23,200 <sup>(7)</sup>	127,287 <sup>(8)</sup>	31,148 <sup>(9)</sup>	104,278 <sup>(10)</sup>		11,189 <sup>(20)</sup>	587,1
President and General Counsel	2011	290,000	23,200 <sup>(13)</sup>	112,640 <sup>(14)</sup>	111,760 <sup>(15)</sup>	76,574 <sup>(16)</sup>		2,450 <sup>(22)</sup>	616,6



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2013	275,000	22,000 <sup>(1)</sup>	140,237 <sup>(2)</sup>	29,632 <sup>(3)</sup>	74,194 <sup>(4)</sup>	5,100 <sup>(22)</sup>	546,1
2012	269,400	21,552 <sup>(7)</sup>	127,287 <sup>(8)</sup>	31,148 <sup>(9)</sup>	96,871 <sup>(10)</sup>	5,000 <sup>(22)</sup>	551,2

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2013	270,000	21,600 <sup>(1)</sup>	120,200 <sup>(2)</sup>	25,400 <sup>(3)</sup>	72,845 <sup>(4)</sup>	5,021 <sup>(22)</sup>	515,0
2012	265,000	21,200 <sup>(7)</sup>	90,913 <sup>(8)</sup>	22,246 <sup>(9)</sup>	95,289 <sup>(10)</sup>	4,858 <sup>(22)</sup>	499,5

(1) These amounts represent the personal performance component of the award that we made pursuant to the 2013 bonus program under the 2007 Executive Incentive Plan, which we paid 100% in cash in February 2014.

(2) These amounts include the aggregate grant date fair value of the restricted stock awards granted in 2013, as calculated in accordance with FASB ASC Topic 718. We issued the awards on February 12, 2013, and we valued the awards at \$6.01 per share, the fair market value on that date. See Notes 1 and 15 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2013 for assumptions we used in valuing restricted stock awards. For the number of shares of restricted stock granted to each named executive officer, see *Grants of Plan-Based Awards* at page 42.

These amounts also include the grant date fair value of the target number of performance stock unit awards granted in 2013, as calculated in accordance with FASB ASC Topic 718. We granted these awards on February 12, 2013, and we valued the awards at \$6.01 per share, the fair market value on that date, based on the target number of shares. See Notes 1 and 15 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2013 for assumptions we used in valuing performance stock units. At the time of the grant, we believed that the probable outcome was the target level of performance. The number of shares of restricted stock that could be earned based on CryoLife's adjusted EBITDA performance for fiscal 2013 ranged from 0% to 150% of the target number of shares. Actual 2013 adjusted EBITDA performance resulted in the performance stock units being

earned at approximately 116.2% of target. For information on the target and maximum performance stock units awarded to each named executive officer, and the number of shares actually earned, see the *Grants of Plan-Based Awards* table and related footnotes and the discussion and tables within *Terms of Amended and Restated 2009 Stock Incentive Plan Awards*. The following table shows the grant date fair value of each performance stock unit award based on probable outcome, or target level (which is reflected in column (e) above), and the value of the award at grant date assuming that the maximum level of performance conditions were achieved.

#### Grant Date Fair Value of 2013 Performance Stock Units

Executive	Grant Date Fair Value at Target Level	Grant Date Fair Value at Maximum Level
Anderson	\$250,419	\$375,625
Lee	\$100,169	\$150,250
Burris	\$70,119	\$105,175
Fronk	\$70,119	\$105,175
Capps	\$60,100	\$90,150

- (3) These amounts represent the aggregate grant date fair value of the stock option awards granted in 2013, as calculated in accordance with FASB ASC Topic 718. We issued the awards on February 15, 2013. See Note 15 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2013 for assumptions we used in valuing the stock option awards.
- (4) These amounts represent the adjusted revenue and adjusted net income performance components of the awards earned pursuant to the 2013 short-term incentive program under the 2007 Executive Incentive Plan, which we paid 100% in cash in February 2014.
- (5) For the period of December 31, 2012, to December 31, 2013, the sum of (a) 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 54, and (b) 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* on page 54, was negative. Accordingly, per applicable SEC regulations, no amount is provided.
- (6) This amount includes a one-time payment of \$100,000 in January 2013 associated with the termination of Mr. Anderson's prior employment agreement and the entry into a new employment agreement effective January 1, 2013. This payment and Mr. Anderson's prior and 2013 employment agreements are discussed further at *Grants of*

*Plan Based Awards* *Employment Agreement with Steven G. Anderson* beginning on page 42. This amount also includes the company matching contribution of \$5,100 to Mr. Anderson's account under the CryoLife 401(k) plan, as well as reimbursement of dues at certain private clubs, payment of premiums for a supplemental disability policy, and auto and gas expense reimbursement.

- (7) These amounts represent the personal performance component of the award that we made pursuant to the 2012 bonus program under the 2007 Executive Incentive Plan, which we paid 100% in cash in February 2013.
- (8) These amounts include the aggregate grant date fair value of the restricted stock awards granted in 2012, as calculated in accordance with FASB ASC Topic 718. We issued the awards on February 18, 2012, and we valued the awards at \$5.67 per share, the fair market value on that date. See Notes 1 and 16 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2012 for assumptions we used in valuing restricted stock awards.

These amounts also include the grant date fair value of the target number of restricted performance stock unit awards granted in 2012, as calculated in accordance with FASB ASC Topic 718. We issued these awards on March 7, 2012, and we valued the awards at \$5.24 per share, the fair market value on that date, based on the target number of shares. See Notes 1 and 16 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2012 for assumptions we used in valuing performance stock units. At the time of the grant we believed that the probable outcome was the target level of performance. The number of shares of restricted stock that could be earned based on CryoLife's adjusted EBITDA performance for fiscal 2012 ranged from 0% to 150% of the target number of shares. The actual 2012 adjusted EBITDA performance resulted in the performance stock units being earned at approximately 125.2% of target.

- (9) These amounts represent the aggregate grant date fair value of the stock option awards granted in 2012, as calculated in accordance with FASB ASC Topic 718. We issued the awards on February 18, 2012. See Note 16 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2012 for assumptions we used in valuing the option awards.
- (10) These amounts represent the adjusted revenue and adjusted net income performance components of the awards earned pursuant to the 2012 bonus program under the 2007 Executive Incentive Plan, which we paid 100% in cash in February 2013.
- (11) The amount shown represents the sum of the change in the actuarial present value from December 31, 2011, to December 31, 2012, 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 54 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* on page 54.
- (12) This amount includes the company matching contribution of \$5,000 to the CryoLife 401(k) plan. Also includes reimbursement of dues at certain private clubs, payment of premiums for a supplemental disability policy, auto and gas expense reimbursement, and legal expenses incurred in negotiating Mr. Anderson's new employment agreement.

<sup>(13)</sup> These amounts represent the personal performance component of the award that we made pursuant to the 2011 bonus program under the 2007 Executive Incentive Plan, which we paid 100% in cash in February 2012.

- (14) These amounts represent the aggregate grant date fair value of the restricted stock awards granted in 2011, as calculated in accordance with FASB ASC Topic 718. The awards were issued on February 23, 2011, and were valued at \$5.12 per share, the fair market value on that date. See Note 13 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2011 for assumptions we used in valuing the restricted stock awards.
- (15) These amounts represent the aggregate grant date fair value of the stock option awards granted in 2011, as calculated in accordance with FASB ASC Topic 718. The awards were issued on February 23, 2011. See Note 13 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2011 for assumptions we used in valuing the option awards.
- (16) These amounts represent the adjusted revenue and adjusted net income performance components of the awards earned pursuant to the 2011 bonus program under the 2007 Executive Incentive Plan, which we paid 100% in cash in February 2012.
- (17) The amount shown represents the sum of the change in the actuarial present value from December 31, 2010, to December 31, 2011, 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 54 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* on page 54.
- (18) This amount includes our matching contribution of \$2,450 to the CryoLife 401(k) plan. Also includes reimbursement of dues and business expenses at certain private clubs, payment of premiums for a supplemental disability policy, and auto and gas expense reimbursement.
- (19) This amount includes our matching contribution of \$5,100 to the CryoLife 401(k) plan. Also includes reimbursement of dues at certain private clubs and an airline club and payment of premiums for a supplemental disability policy.
- (20) This amount includes our matching contribution of \$5,000 to the CryoLife 401(k) plan, as well as reimbursement of dues at certain private clubs and an airline club, reimbursement of expenses related to estate planning services, and payment of premiums for a supplemental disability policy.
- (21) This amount includes our matching contribution of \$2,450 to the CryoLife 401(k) plan, as well as reimbursement of dues at certain private clubs and payment of premiums for a supplemental disability policy.
- (22) These amounts represent our matching contributions to the CryoLife 401(k) plan. Perquisites and other personal benefits were less than \$10,000 in the aggregate for each of these individuals and are not included.
- (23) Messrs. Fronk and Capps were not named executive officers for fiscal year 2011. Accordingly, this table only includes compensation with respect to the 2012 and 2013 fiscal years.



GRANTS OF PLAN-BASED AWARDS<sup>(1)</sup>

Committee	Grant	Action	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Possible Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock 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 (\$/Sh)
			Threshold	Target	Maximum	Threshold	Target	Maximum				
	Date	Date	(\$)	(\$)	(\$)	(#)	(#)	(#)	(#)	(#)	(\$/Sh)	(\$/Sh)
	(b)		(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	
G.	2/12/13 <sup>(2)</sup>	2/12/13	191,232	318,720	446,208	n/a	n/a	n/a				
	2/12/13 <sup>(3)</sup>	2/11/13				n/a	n/a	n/a	41,667			
	2/15/13 <sup>(4)</sup>	2/11/13				n/a	n/a	n/a				
	2/12/13 <sup>(5)</sup>	2/11/13				20,834	41,667	62,500		41,666	6.12	5.99
	2/12/13 <sup>(2)</sup>	2/12/13	105,120	175,200	245,280	n/a	n/a	n/a				
H.	2/12/13 <sup>(3)</sup>	2/11/13				n/a	n/a	n/a	16,667			
	2/15/13 <sup>(4)</sup>	2/11/13				n/a	n/a	n/a				
	2/12/13 <sup>(5)</sup>	2/11/13				8,334	16,667	25,000		16,666	6.12	5.99
	2/12/13 <sup>(2)</sup>	2/12/13	56,256	93,760	131,264	n/a	n/a	n/a				
	2/12/13 <sup>(3)</sup>	2/11/13				n/a	n/a	n/a	11,667			
I.	2/15/13 <sup>(4)</sup>	2/11/13				n/a	n/a	n/a				
	2/12/13 <sup>(5)</sup>	2/11/13				5,834	11,667	17,500		11,666	6.12	5.99
	2/12/13 <sup>(2)</sup>	2/12/13	52,800	88,000	123,200	n/a	n/a	n/a				
	2/12/13 <sup>(3)</sup>	2/11/13				n/a	n/a	n/a	11,667			
	2/15/13 <sup>(4)</sup>	2/11/13				n/a	n/a	n/a				
J.	2/12/13 <sup>(5)</sup>	2/11/13				5,834	11,667	17,500		11,666	6.12	5.99
	2/12/13 <sup>(2)</sup>	2/12/13	51,840	86,400	120,960	n/a	n/a	n/a				
	2/12/13 <sup>(3)</sup>	2/11/13				n/a	n/a	n/a	10,000			
	2/15/13 <sup>(4)</sup>	2/11/13				n/a	n/a	n/a				
	2/12/13 <sup>(5)</sup>	2/11/13				5,000	10,000	15,000		10,000	6.12	5.99

(1) This table provides detail regarding stock options and other equity awards that we granted during fiscal 2013, as well as bonus plan awards that we made for fiscal 2013. The table does not include the stock option grants, restricted stock grants, and restricted performance stock unit grants that we made in February 2014, as more particularly discussed with respect to each named executive officer at *Compensation Discussion & Analysis* beginning on page 33.

- (2) We granted this award pursuant to the 2013 bonus program under the 2007 Executive Incentive Plan adopted by the Board on February 12, 2013. 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 2013 Bonus Program* beginning on page 48 for a discussion of 2013 bonus awards under the 2007 Executive Incentive Plan.
- (3) We issued these restricted shares pursuant to our 2004 Employee Stock Incentive Plan for each of the named executive officers except Mr. Capps, whose restricted shares were issued pursuant to our Amended and Restated 2009 Stock Incentive Plan. All shares vest on the third anniversary of the grant date, assuming continued employment with the company on each relevant vesting date.
- (4) We issued these stock options pursuant to our Amended and Restated 2009 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 \$6.12 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 15, 2013. These options have a seven-year term.
- (5) We issued these performance stock units pursuant to our Amended and Restated 2009 Stock Incentive Plan. Each performance stock unit represents the right to receive one share of the company's common stock, subject to adjustment up or down from the target level based upon the company's adjusted EBITDA performance for fiscal 2013. In regard to the restricted shares of common stock earned pursuant to this grant, 50% vested on the first anniversary of grant date, 25% will vest on the second anniversary of the grant date, and the remaining 25% will vest on the third anniversary of the grant date, assuming continued employment with the company on each relevant vesting date.

#### **Employment Agreement with Steven G. Anderson**

##### Compensation and Basic Terms of Employment

On October 23, 2012, CryoLife entered into a new employment agreement with our chairman of the board, president, and chief executive officer, Steven G. Anderson (the "2013 Agreement"). Mr. Anderson's prior employment agreement (the "Prior Agreement") expired on December 31, 2012. The 2013 Agreement has a three-year term that became effective January 1, 2013, and runs through December 31, 2015. The 2013 Agreement provides for the following compensation:



An initial annual base salary of \$656,900. During the first quarter of each year, the Compensation Committee will review Mr. Anderson's salary and authorize adjustments, if any; provided, however, that Mr. Anderson's base salary may not be reduced below its then-current level, other than pursuant to a general wage reduction applicable to all of CryoLife's officers, in which case, Mr. Anderson's base salary may only be reduced to the extent and up to the same percentage amount that the base salaries of all of CryoLife's executive officers are reduced. Mr. Anderson's base salary is not subject to an automatic annual increase

Bonus compensation on terms and in amounts no less favorable to him than those contained in CryoLife's 2007 Executive Incentive Plan and the 2012 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 all or a portion of 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 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 401(k) plan, which in 2013 includes a CryoLife matching contribution of 40% of Mr. Anderson's contribution with respect to up to 5% of his base salary, subject to the annual maximum allowed by the Internal Revenue Code

Life insurance coverage benefit, as with other employees, with a maximum benefit of \$227,500 for 2013 (this maximum was reduced to \$175,175 upon Mr. Anderson attaining age 75)

30 vacation days each year; provided, however, that vacations not taken during 2013 and thereafter will not be carried over to a subsequent year

A one-time lump sum cash payment of \$100,000 that CryoLife paid to Mr. Anderson on January 7, 2013. In accordance with the terms of the 2013 Agreement, payment was contingent on Mr. Anderson's continued employment with CryoLife until January 1, 2013. This payment is included in the "All Other Compensation" column of the Summary Compensation Table above for Mr. Anderson

Pursuant to the 2013 Agreement, Mr. Anderson will receive certain compensation upon termination of his employment, other than termination for cause. CryoLife will pay Mr. Anderson \$1,985,000 if Mr. Anderson's employment is terminated by expiration of the term of the agreement or if his employment is terminated during the term of the 2013 Agreement for any of the following reasons:

By CryoLife, other than for cause

Mr. Anderson's death

By Mr. Anderson, for good reason or retirement

In the event of a change of control of CryoLife and Mr. Anderson's termination of employment, he will receive a change of control payment equal to the sum of his annual salary and bonus compensation for the year in which the termination occurs. The 2013 Agreement also provides for reimbursement to Mr. Anderson up to \$20,000 with respect to legal fees incurred in negotiating the agreement, although only \$15,206 was incurred by Mr. Anderson and reimbursed with respect to such fees.

The 2013 Agreement also provides for a reduction of payments that would otherwise be made to Mr. Anderson pursuant to the terms of the 2013 Agreement, if and to the extent that doing so would result in greater net after-tax payments than if such payments were made and resulted in the application of the excise tax under Section 4999 of the Internal Revenue Code.

Non-Compete Commitment

During the term of his employment and for two years after any termination of his employment, Mr. Anderson has agreed 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; heart valve replacement business; or biological glue, hemostat, or protein hydrogel product business, or transmyocardial revascularization business within the U.S., the European Union, or Japan (with respect to the biological glue business only). Mr. Anderson must continue to comply with this non-compete commitment

as a condition of receiving any severance or change of control termination payments. If Mr. Anderson is found by a governing court to have breached this commitment, he must repay any such portion of the payments he received that will be so ordered by the court.

#### 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. Mr. Anderson must continue to comply with this non-solicitation agreement as a condition of receiving any severance or change of control termination payments. If Mr. Anderson is found by a governing court to have breached this non-solicitation agreement, he must repay any such portion of the payments he received that will be so ordered by the court.

#### 409A Compliance

The 2013 Agreement is intended to comply with Section 409A of the Internal Revenue Code.

#### **Change of Control Agreements with Other Named Executive Officers**

CryoLife is not party to agreements with Messrs. Lee, Burris, Fronk, or Capps that provide any guarantee of employment other than as at-will employees; however, CryoLife has entered into change of control agreements with each of them that provide that the company will pay him a severance payment if he is terminated by the company without cause or terminates his own employment for good reason during a period extending from six months before to two years after a change of control of CryoLife. This is a double-trigger provision that requires not only a change of control of CryoLife but also a termination of employment. See *Potential Payments upon Termination or Change of Control* beginning at page 55 for further details regarding these agreements.

#### **Plan-Based Awards**

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

The Amended and Restated 2009 Stock Incentive Plan

The 2004 Employee Stock Incentive Plan

The 2007 Executive Incentive Plan and the 2013 bonus program

The material terms of these plans and CryoLife's 2002 Stock Incentive Plan, under which awards previously granted to certain of the named executive officers remain outstanding, are as follows:

Amended and Restated 2009 Stock Incentive Plan. In February 2009, the Board adopted the 2009 Employee Stock Incentive Plan, which the stockholders approved in May 2009. In February 2012, the Board adopted the Amended and Restated 2009 Stock Incentive Plan, which the stockholders approved in May 2012. This plan authorizes us to grant the following type of equity awards to CryoLife's employees, officers, and Directors:

Stock options

Stock appreciation rights

Restricted stock unit awards

Stock unit awards

Restricted stock awards

Performance stock units

Other stock-based awards

We currently may award a maximum of 4.1 million shares of common stock under the Amended and Restated 2009 Stock Incentive Plan, subject to certain adjustments. Of these 4.1 million shares, approximately 1,548,154 shares were available for grant as

of March 19, 2014 after reserving the maximum number of shares that may be issued for performance stock units granted in 2014. In addition, the Amended and Restated 2009 Stock Incentive Plan currently provides that:

We may issue a maximum of 4.1 million shares subject to options and stock appreciation rights, except as provided below

We may issue up to 500,000 as awards other than options and stock appreciation rights, including restricted stock and performance stock units; provided, however, that more than 500,000 shares may be issued pursuant to such other awards, but only to the extent that each share so issued above 500,000 reduces the total shares available under the Amended and Restated 2009 Stock Incentive Plan by 1.5 shares

We may issue no more than 400,000 shares relating to options and stock appreciation rights to any one individual in any given fiscal year

We may issue no more than 250,000 shares relating to awards other than options and stock appreciation rights to any one individual in any given fiscal year

The Amended and Restated 2009 Stock Incentive Plan currently terminates in May 2019, unless the Board terminates it before that date. If the Board terminates the Amended and Restated 2009 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.

The Board has adopted amendments to the Amended and Restated 2009 Stock Incentive Plan, subject to stockholder approval at the 2014 Annual Meeting, in the form of the CryoLife, Inc. Second Amended and Restated Stock Incentive Plan. See Approval of the CryoLife, Inc. Second Amended and Restated 2009 Stock Incentive Plan at page 68 for further details.

*Terms of Amended and Restated 2009 Stock Incentive Plan Awards*

We issued the stock options and PSUs that we granted to the named executive officers in 2013 pursuant to the Amended and Restated 2009 Stock Incentive Plan. In addition, we issued a portion of the restricted stock awards that we granted to the named executive officers in 2014 pursuant to the Amended and Restated 2009 Stock Incentive Plan.

The terms of the stock options granted to named executive officers pursuant to this plan are as follows:

All options vest over a three-year period at 33 1/3% 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

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

The restricted stock awards granted to named executive officers pursuant to this plan 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

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

Each performance stock unit granted pursuant to this plan is based upon company performance in the year of grant, and is further subject to time-based vesting if the performance criteria are met. Performance stock units represent the right to receive one share of CryoLife common stock, subject to adjustment up or down from the target level based upon CryoLife's adjusted EBITDA performance for the fiscal year during which the grant was made. (See Appendix A for further details regarding the adjusted EBITA performance measure and the reconciliation of that measure to net income as reported for purposes of U.S. GAAP.) Adjusted EBITDA is calculated as net income before interest, taxes, depreciation and amortization, as further adjusted by removing the impact of the following: stock-based compensation; research and development expenses (excluding salaries and related expense); grant revenue; litigation expense or revenue; acquisition, license, and other business development expense; integration costs (including any

litigation costs or revenue related to assumed litigation); and other income or expense, and by including the impact of the change in balances of deferred preservation costs, inventory, and trade receivables on the company's balance sheet.

The performance stock units will vest based on a combination of the company attaining specified levels of adjusted EBITDA for the fiscal year in which the grant was made and the passage of time. Depending upon the adjusted EBITDA achieved for the relevant year, CryoLife will issue to the named executive officers from 0% to 150% of the target number of shares. Adjusted EBITDA performance at or above 107% of the target EBITDA level is required in order for more than 100% of the target number of shares to be issued. If the minimum adjusted EBITDA is attained, 50% of the shares earned will be issued on the first anniversary of the grant date of the performance stock units, 25% will be issued on the second anniversary of the grant date, and the remaining 25% will be issued on the third anniversary of the grant date.

The grant agreement for the performance stock units issued for fiscal 2013 and fiscal 2014 provides that even if CryoLife's adjusted EBITDA for the relevant fiscal year exceeds target, the Compensation Committee has the discretion to reduce the payout for each named executive officer to 100% of the target number of shares if CryoLife's total stockholder return for the relevant fiscal year is negative. The named executive officer must be an employee of CryoLife on each applicable vesting date to be entitled to vesting, and the vesting of the performance stock units may be accelerated upon a change of control of CryoLife, pursuant to the terms of the grant agreement and the plan.

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:

Stock options

Stock appreciation rights

Restricted stock unit awards

Stock unit awards

Restricted stock awards

Performance stock units

Other stock-based awards

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 25,114 shares were available for grant as of March 19, 2014. 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

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

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 Section 162(m) of the Internal Revenue Code

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 under the plan, 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.

*Terms of 2004 Employee Stock Incentive Plan Awards*

We issued restricted stock awards that we granted to certain of the named executive officers in 2013 and 2014 pursuant to 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

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

The performance stock units granted pursuant to this plan contain the same terms as those described above under *Terms of Amended and Restated 2009 Stock Incentive Plan Awards*.

We did not make any stock option grants to named executive officers under this plan in 2013 or 2014. The terms of the outstanding options granted to named executive officers pursuant to this plan, are as follows:

Options vest over a three-year period at 33 1/3% per year, beginning on the first anniversary of the grant date

All options have terms of seven years

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

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, contingent upon stockholder approval, which was obtained in May 2002. The 2002 Stock Incentive Plan terminated in May 2012, and we may not make any additional grants under it. Although no further awards may be made under the 2002 Stock Incentive Plan, 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.

The 2002 Stock Incentive Plan allowed for grants to employees, officers or Directors of CryoLife, and consultants and advisers to CryoLife and its subsidiaries. CryoLife's 2002 Stock Incentive Plan allowed grants of:

Options

Stock appreciation rights

Restricted stock unit awards

Stock units awards

Restricted stock awards

Performance stock units

Other stock-based awards

The terms of the outstanding stock options granted to named executive officers pursuant to this plan are as follows:

All options vest over a three-year period at 33 1/3% 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

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

Annual Performance-Based Bonus Plans*2013 Bonus Program*

The 2013 bonus program under the 2007 Executive Incentive Plan provided for bonuses based on a percentage of participants' 2013 base salaries, varying among participants, based on three areas:

Adjusted revenues

Adjusted net income

Personal performance rating

All bonus criteria related to company and individual performance for the full 2013 fiscal year. We paid all bonuses in cash in February 2014. See the tables below 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 2013 base salary based on CryoLife achieving 2013 adjusted revenues of at least \$136,318,000. The adjusted revenues target for this plan was \$143,493,000, and the maximum performance level for the adjusted revenues component was \$150,668,000. Actual 2013 adjusted revenues were \$140,692,000. No bonus was payable for this category if the specified minimum adjusted revenues goal was not met. See Appendix A to this proxy statement for further details regarding the adjusted revenue performance measure and a reconciliation of that measure to revenue as reported for purposes of U.S. GAAP.

**2013 Bonus Opportunity as Percentage of Base Salary**

Name	Adjusted Revenues of \$136,318,000	Adjusted Revenues of \$143,493,000	Adjusted Revenues of \$150,668,000
	(Minimum)	(Target)	(Maximum)
	(%)	(%)	(%)
Steven G. Anderson	14.4	24	33.6
D. Ashley Lee	14.4	24	33.6
Jeffrey W. Burris	9.6	16	22.4
David M. Fronk	9.6	16	22.4

Scott B. Capps	9.6	16	22.4
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**2013 Bonus Earned Based on**

**Company Adjusted Revenues of \$140,692,000**

**Bonus Earned as Percentage**

	<b>Bonus Earned</b>	<b>of Base Salary</b>
<b>Name</b>	<b>(\$)</b>	<b>(%)</b>
Steven G. Anderson	134,474	20.3
D. Ashley Lee	73,920	20.3
Jeffrey W. Burris	39,559	13.5
David M. Fronk	37,128	13.5
Scott B. Capps	36,453	13.5

*Adjusted Net Income*

Each named executive officer could earn a bonus of up to a specified percentage of his 2013 base salary based on the company achieving 2013 adjusted net income of at least \$20,581,000. The adjusted net income target for this plan was \$24,213,000, and the maximum performance level for the adjusted net income component was \$27,845,000. Actual 2013 adjusted net income was \$22,782,000. No bonus was payable for this category if the specified minimum adjusted net income goal was not met. See Appendix A to this proxy statement for further details regarding the adjusted net income performance measure and a reconciliation of that measure to net income as reported for purposes of U.S. GAAP.

**2013 Bonus Opportunity****as Percentage of Base Salary**

Name	Adjusted Net Income	Adjusted Net Income	Adjusted Net Income
	of \$20,581,000 (Minimum)	of \$24,213,000 (Target)	of \$27,845,000 (Maximum)
	(%)	(%)	(%)
Steven G. Anderson	14.4	24	33.6
D. Ashley Lee	14.4	24	33.6
Jeffrey W. Burris	9.6	16	22.4
David M. Fronk	9.6	16	22.4
Scott B. Capps	9.6	16	22.4

**2013 Bonus Earned Based on Company****Adjusted Net Income of \$22,782,000**

Name	Bonus Earned	Bonus Earned as Percentage of Base Salary
	(\$)	(%)
Steven G. Anderson	134,245	20.2
D. Ashley Lee	73,794	20.2
Jeffrey W. Burris	39,492	13.5
David M. Fronk	37,066	13.5
Scott B. Capps	36,392	13.5

*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 determined whether the individual did not meet or met and/or exceeded the personal performance expectations of the committee. Mr. Anderson provides performance reviews of the named executive officers, other than himself, to the committee to aid the committee in determining performance ratings. If the individual had not met the personal performance expectation, no bonus would have been payable to the named

executive officer for this category. If the individual met and/or exceeded the personal performance expectation, the named executive officer would have received a specified bonus, as shown below:

**2013 Bonus Opportunity as Percentage of Base Salary**

<b>Name</b>	<b>Does Not Meet Personal Performance Expectations</b>	<b>Meets or Exceeds Personal Performance Expectations (%)</b>
Steven G. Anderson	--	12
D. Ashley Lee	--	12
Jeffrey W. Burris	--	8
David M. Fronk	--	8
Scott B. Capps	--	8

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**2013 Bonus Earned Based on Actual Performance Rating**

<b>Name</b>	<b>Performance Rating</b>	<b>Bonus Earned (\$)</b>	<b>Bonus Earned as Percentage of Base Salary (%)</b>
Steven G. Anderson	Meets or Exceeds Expectations	79,680	12
D. Ashley Lee	Meets or Exceeds Expectations	43,800	12
Jeffrey W. Burris	Meets or Exceeds Expectations	23,440	8
David M. Fronk	Meets or Exceeds Expectations	22,000	8
Scott B. Capps	Meets or Exceeds Expectations	21,600	8

*2014 Bonus Program*

The 2014 bonus program under the 2007 Executive Incentive Plan provides for bonuses based on a percentage of participants' 2014 base salaries, varying among participants, based on same three areas as described directly above for the 2013 Bonus Program. Each of the named executive officers will receive the same percentage of his respective salary based upon the company's attainment of specified minimum and target levels of adjusted revenues and adjusted net income. They will also receive the same percentage of their respective salaries if they meet or exceed their respective personal performance evaluations.

All bonus criteria relate to company and individual performance for the full 2014 fiscal year. We anticipate paying all bonuses in cash in February 2015.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2013<sup>(\*)</sup>

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable	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 awards: number of units or shares, or other rights that have not vested	Equity incentive awards: market or payout value of unearned shares, or other rights that have not vested
(a)	(b)	(c)	(e)	(f)	(g)	(h)	(i)	(j)
Steven G. Anderson	63,750	--	9.730	2/25/2015				
	125,000	--	4.830	2/23/2016				
	83,333	--	7.010	2/22/2017				
	104,889	52,444 <sup>(1)</sup>	5.120	2/23/2018				
	13,889	27,777 <sup>(2)</sup>	5.670	2/18/2019				
		41,666 <sup>(3)</sup>	6.120	2/15/2020				
						78,667 <sup>(4)</sup>	872,417 <sup>(4)</sup>	
					41,667 <sup>(5)</sup>	462,087 <sup>(5)</sup>		
					41,667 <sup>(6)</sup>	462,087 <sup>(6)</sup>		
					26,077 <sup>(7)</sup>	289,194 <sup>(7)</sup>		
							62,500 <sup>(8)</sup>	693,125 <sup>(8)</sup>
D. Ashley Lee	37,500	--	9.730	2/25/2015				
	37,500	--	4.830	2/23/2016				
	33,333	--	7.010	2/22/2017				
	42,222	21,111 <sup>(1)</sup>	5.120	2/23/2018				
	5,556	11,110 <sup>(2)</sup>	5.670	2/18/2019				
		16,666 <sup>(3)</sup>	6.120	2/15/2020				
					31,667 <sup>(4)</sup>	351,187 <sup>(4)</sup>		
					16,667 <sup>(5)</sup>	184,837 <sup>(5)</sup>		
					16,667 <sup>(6)</sup>	184,837 <sup>(6)</sup>		
					10,432 <sup>(7)</sup>	115,691 <sup>(7)</sup>		
							25,000 <sup>(8)</sup>	277,250 <sup>(8)</sup>
Jeffrey W. Burris	10,000	--	7.000	2/4/2015				



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	7,500	--	4.830	2/23/2016				
	23,333	--	7.010	2/22/2017				
	29,334	14,666 <sup>(1)</sup>	5.120	2/23/2018				
	3,889	7,777 <sup>(2)</sup>	5.670	2/18/2019				
		11,666 <sup>(3)</sup>	6.120	2/15/2020				
					22,000 <sup>(4)</sup>	243,980 <sup>(4)</sup>		
					11,667 <sup>(5)</sup>	129,387 <sup>(5)</sup>		
					11,667 <sup>(6)</sup>	129,387 <sup>(6)</sup>		
					7,302 <sup>(7)</sup>	80,979 <sup>(7)</sup>		
							17,500 <sup>(8)</sup>	194,075 <sup>(8)</sup>
David M. Fronk	15,000	--	9.730	2/25/2015				
	15,000	--	4.830	2/23/2016				
	23,333	--	7.010	2/22/2017				
	29,334	14,666 <sup>(1)</sup>	5.120	2/23/2018				
	3,889	7,777 <sup>(2)</sup>	5.670	2/18/2019				
		11,666 <sup>(3)</sup>	6.120	2/15/2020				
					22,000 <sup>(4)</sup>	243,980 <sup>(4)</sup>		
					11,667 <sup>(5)</sup>	129,387 <sup>(5)</sup>		
					11,667 <sup>(6)</sup>	129,387 <sup>(6)</sup>		
					7,302 <sup>(7)</sup>	80,979 <sup>(7)</sup>		
							17,500 <sup>(8)</sup>	194,075 <sup>(8)</sup>
Scott B. Capps	15,000	--	4.830	2/23/2016				
	16,667	--	7.010	2/22/2017				
	20,889	10,444 <sup>(1)</sup>	5.120	2/23/2018				
	2,778	5,554 <sup>(2)</sup>	5.670	2/18/2019				
		10,000 <sup>(3)</sup>	6.120	2/15/2020				
					15,667 <sup>(4)</sup>	173,747 <sup>(4)</sup>		
					8,333 <sup>(5)</sup>	92,413 <sup>(5)</sup>		
					10,000 <sup>(6)</sup>	110,900 <sup>(6)</sup>		
					5,214 <sup>(7)</sup>	57,823 <sup>(7)</sup>		
							15,000 <sup>(8)</sup>	166,350 <sup>(8)</sup>

\* This table does not include the performance stock units, restricted stock and stock options granted in February 2014. See *Compensation Discussion and Analysis* beginning on page 33 for further discussion of these grants. All values in this table are based on the closing price of the company's common stock on the NYSE on December 31, 2013 of \$11.09.

	<b>Type of Grant</b>	<b>Grant Date</b>	<b>Vesting Rate</b>	<b>Vesting Dates</b>	<b>Conditions</b>
(1)	Service-based stock options	2/23/2011	33 <sup>1/3</sup> % per year	2/23/2012 2/23/2013 2/23/2014	Continued employment through vesting date required
(2)	Service-based stock options	2/18/2012	33 <sup>1/3</sup> % per year	2/18/2013 2/18/2014 2/18/2015	Continued employment through vesting date required
(3)	Service-based stock options	2/15/2013	33 <sup>1/3</sup> % per year	2/15/2014 2/15/2015 2/15/2016	Continued employment through vesting date required
(4)	Service-based restricted stock	2/23/2011	100% cliff vesting	2/23/2014	Continued employment through vesting date required
(5)	Service-based restricted stock	2/18/2012	100% cliff vesting	2/18/2015	Continued employment through vesting date required
(6)	Service-based restricted stock	2/12/2013	100% cliff vesting	2/12/2016	Continued employment through vesting date required
(7)	Performance stock units	3/7/2012	50% on first anniversary of grant date  25% on second anniversary of grant date  25% on third anniversary of grant date	3/7/2013 3/7/2014 3/7/2015	Number of shares earned based on adjusted EBITDA performance for fiscal 2012, which the compensation committee determined in February 2013 to be 125.2% of the target award. Number of shares shown reflects the number of shares remaining after the first vesting tranche on 3/7/2013.  Continued employment through vesting date required

- (8) Performance stock units 2/12/2013 50% on first anniversary of grant date 2/12/2014 2/12/2015 2/12/2016 Number of shares that would have been earned upon attainment of the maximum level of adjusted EBITDA performance for fiscal 2013 (reported at maximum, as the company's adjusted EBITDA results exceeded target levels for fiscal 2012). The actual number of shares awarded to each named executive officer for fiscal 2013 based on adjusted EBITDA performance (116.2% of target award) and the value such units would have had as of December 31, 2013, are represented in the table below:

**Value at  
PSUs Earned 2/31/2013**

Name	(#)	(\$)
Anderson	48,427	537,055
Lee	19,371	214,824
Burris	13,559	150,369
Fronk	13,559	150,369
Capps	11,621	128,877

**OPTION EXERCISES AND STOCK VESTED<sup>(1)</sup>**

Name	Option Awards		Stock Awards	
	Number of Shares	Value Realized	Number of Shares	Value Realized
	Acquired on Exercise	on Exercise <sup>(2)</sup>	Acquired on Vesting	on Vesting <sup>(3)</sup>
(a)	(#)	(\$)	(#)	(\$)
	(b)	(c)	(d)	(e)
Steven G. Anderson	63,750	142,800	67,746	413,562
D. Ashley Lee	37,500	19,326	27,097	165,416
Jeffrey W. Burris	27,500	72,322	18,968	115,792
David M. Fronk	15,000	18,223	18,968	115,792
Scott B. Capps	25,000	37,849	13,549	82,711

(1) This table provides information regarding stock option exercises and vesting of restricted stock and performance stock units during 2013.

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

**STOCK OPTION EXERCISE DETAIL**

Name	Option Shares Exercised	Exercise Price	Exercise Date	Share Price on the NYSE at the Time of Exercise
	(#)	(\$)		(\$)
Steven G. Anderson	63,750	8.700	12/30/2013	10.940
D. Ashley Lee	25,000	8.700	10/29/2013	9.000

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	591	8.700	11/04/2013	9.500
	11,909	8.700	11/04/2013	9.653
Jeffrey W. Burris	7,500	4.830	7/12/2013	7.280
	5,000	7.000	10/29/2013	8.940
	5,000	7.000	11/04/2013	9.470
	5,000	7.000	11/11/2013	9.940
	5,000	7.000	11/26/2013	10.440
David M. Fronk	4,868	8.700	11/08/2013	9.900
	690	8.700	11/12/2013	10.000
	9,442	8.700	11/12/2013	9.916
Scott B. Capps	25,000	9.060	11/27/2013	10.574

- (3) Value Realized on Vesting is equal to the number of shares acquired as a result of the vesting (a) on March 7, 2013, of the first 50% of shares earned under the 2012 performance stock unit awards, and (b) on February 22, 2013 of shares of restricted stock awarded on February 22, 2010, multiplied by the market value of CryoLife common stock on the NYSE as of the applicable vesting date (\$6.08 for the performance stock units, and \$6.12 for the restricted stock awards), as detailed in the following table.

**STOCK AWARD VESTING DETAIL**

	<b>2012 PSU Award</b>	<b>2012 PSU Value</b>	<b>2010 Restricted Stock Award</b>	<b>2010 Restricted Stock Value</b>	<b>Aggregate Value</b>
<b>Name</b>	<b>(#)</b>	<b>(\$)</b>	<b>(#)</b>	<b>(\$)</b>	<b>(\$)</b>
Steven G. Anderson	26,079	158,560	41,667	255,002	413,562
D. Ashley Lee	10,430	63,414	16,667	102,002	165,416
Jeffrey W. Burris	7,301	44,390	11,667	71,402	115,792
David M. Fronk	7,301	44,390	11,667	71,402	115,792
Scott B. Capps	5,216	31,713	8,333	50,998	82,711

**PENSION BENEFITS AT DECEMBER 31, 2013<sup>(1)</sup>**

All calculations in the following table are as of December 31, 2013, the last business day of CryoLife's 2013 fiscal year.

Name	Plan Name	Number of Years	Present Value of	Payments During
		Credited Service	Accumulated Benefit	Last Fiscal Year
		(#)	(\$)	(\$)
(a)	(b)	(c)	(d)	(e)
Steven G. Anderson	Post-Employment Medical Plan	N/A	114,610 <sup>(2)</sup>	--
	Retirement Severance Benefit	N/A	1,943,337 <sup>(3)</sup>	--

- (1) CryoLife does not maintain any plans providing for payments or other benefits at, following, or in connection with retirement for any named executive officer other than Mr. Anderson.
- (2) The amount shown represents the actuarial present value of Mr. Anderson's accumulated benefit under the Post-Employment Medical Plan included in the 2013 Agreement, computed as of December 31, 2013, which is the measurement date used for financial statement reporting purposes with respect to the company's audited financial statements for 2013. See *Post-Employment Medical Plan for Steven G. Anderson* below for the assumptions applied in quantifying the present value of the current accrued benefit. See *Grants of Plan-Based Awards Employment Agreement with Steven G. Anderson* at page 42 for a description of the 2013 Agreement.
- (3) The amount shown represents the actuarial present value of Mr. Anderson's accumulated benefit under the Retirement Severance Benefit included in the 2013 Agreement (a lump-sum payment of \$1,985,000), computed as of December 31, 2013, which is the measurement date used for financial statement reporting purposes with respect to company's audited financial statements for 2013. The amount shown assumes a lump-sum distribution as of July 1, 2014, to account for the six-month distribution delay that would have been required by Section 409A of the Internal Revenue Code had Mr. Anderson separated from service with CryoLife as of December 31, 2013. Consistent with the methodology customarily applied to present value calculations for accounting, we discounted Mr. Anderson's lump-sum payment based on our incremental borrowing rate of 4.25% at December 31, 2013. See *Grants of Plan-Based Awards Employment Agreement with Steven G. Anderson* at page 42 for a description of the 2013 Agreement.

**Post-Employment Medical Plan for Steven G. Anderson**

The 2013 Agreement provides that upon certain kinds of employment termination events, 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 Mr. Anderson, CryoLife used a measurement date of December 31, 2013. To calculate mortality, CryoLife used the Uninsured Pension 1994 Table with mortality improvements projected using Scale AA. The applicable discount rate was 4.06%. CryoLife assumed that Mr. Anderson would retire at the expiration of the 2013 Agreement, December 31, 2015. 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. The starting claims cost for a 75 year old participant is approximately \$13,667 before taking Medicare into account.

See *Potential Payments upon Termination or Change of Control – Employment Agreement with Steven G. Anderson* at page 55 for further discussion of the material terms and conditions of payments and benefits payable under this plan.

#### Retirement Severance Benefit

Pursuant to the 2013 Agreement, Mr. Anderson may voluntarily terminate his employment at any time for reason of retirement. The 2013 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 of Control – Employment Agreement with Steven G. Anderson* at page 55 for further discussion of the material terms and conditions of payments and benefits payable under this retirement severance benefit.

## NONQUALIFIED DEFERRED COMPENSATION

The following table presents components of nonqualified deferred compensation under the Executive Deferred Compensation Plan for each named executive officer other than Mr. Anderson, who does not participate in the plan. For a description of the terms of the Executive Deferred Compensation Plan, see *2013 Deferred Compensation* beginning at page 29.

Name	Company Executive Contributions		Aggregate Withdrawals and Aggregate Distributions Balance		
	Contributions in Fiscal 2013 <sup>(1)</sup>	in Fiscal 2013	Aggregate Earnings in Fiscal 2013 <sup>(2)</sup>	in Fiscal 2013	at December 31, 2013 <sup>(3)</sup>
(a)	(\$) (b)	(\$) (c)	(\$) (d)	(\$) (e)	(\$) (f)
Steven G. Anderson	-	-	-	-	-
D. Ashley Lee	118,312	-	35,602	-	324,752
Jeffrey W. Burris	62,230	-	43,431	-	224,462
David M. Fronk	13,500	-	10,952	-	54,558
Scott B. Capps	10,800	-	8,581	-	45,032

- (1) Contributions to the deferred compensation plan that relate to an executive's deferrals from salary and/or annual short-term incentives are included in the amounts reflected in the Salary, Bonus, and/or Non-Equity Incentive Plan Compensation columns, as applicable, of the Summary Compensation Table for fiscal 2013 on page 39.
- (2) A participant's account under the Executive Deferred Compensation Plan is deemed to be invested in hypothetical investment options selected by the participant from among a menu of non-proprietary mutual funds. The account is credited/debited with gains and/or losses linked to the performance of those hypothetical investment options. The plan does not have investment options that provide for above-market or preferential earnings; accordingly, the amounts provided in this column are not included in column (h) of the Summary Compensation Table for fiscal 2013 on page 39.
- (3) Amounts shown include the executive's contributions and associated hypothetical gains/losses during 2013, as well as deferrals of salary and annual incentives (together with associated hypothetical earnings) from prior years participation in the plan. The amounts shown in this column, with the exception of aggregate earnings, have been reported in the Salary, Bonus, and/or Non-Equity Incentive Plan Compensation columns, as applicable, of the Summary Compensation Table of prior company proxy statements as noted in the table below:

Name	Amount Previously Reported (\$)
------	--



Steven G. Anderson	-
D. Ashley Lee	160,521
Jeffrey W. Burris	110,974
David M. Fronk	28,269
Scott B. Capps	23,850

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF 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 of control of CryoLife.

**Employment and Change of Control Agreements**

*Employment Agreement with Steven G. Anderson*

As described in *Grants of Plan Based Awards – Employment Agreement with Steven G. Anderson* beginning at page 42, pursuant to the 2013 Agreement, Mr. Anderson will receive certain compensation upon termination of his employment, other than termination for cause.

Termination of Employment by Mr. Anderson for Good Reason or Retirement or by CryoLife for any Reason Other than Cause

The 2013 Agreement provides that Mr. Anderson may 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

CryoLife fails to require any successor to all or substantially all of the business of CryoLife to honor the 2013 Agreement

CryoLife requires Mr. Anderson's employment to be based anywhere other than within 25 miles of the company's current principal business location

If Mr. Anderson terminates his employment for good reason or retirement (i.e., cessation by Mr. Anderson of full-time employment of any kind), or if we terminate his employment for any reason other than for cause, we will be required to pay him (or his estate in the event of his death) 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 \$32,153.90 per year, as increased by the Consumer Price Index using August 2012 as the base date.

The 2013 Agreement provides that generally, we would pay any severance payment due in a lump sum in cash within 30 days following Mr. Anderson's termination of employment. However, we would delay payment of the severance payment until six months after Mr. Anderson's termination of employment if necessary to prevent Mr. Anderson from having to pay additional tax under Section 409A of the Internal Revenue Code. The 2013 Agreement also provides that we will subject any severance payment to normal payroll tax withholding.

Upon termination of Mr. Anderson's employment, we would also pay him at a rate per day equal to his annual base salary then in effect divided by 260 for all accumulated vacation days that he had not taken.

#### Change of Control

In the event of a change of control of CryoLife and the (i) subsequent termination at any time of Mr. Anderson's employment by the company for any reason or by Mr. Anderson for good reason, or (ii) termination of Mr. Anderson's employment, within the twelve months prior to the change of control event, by the company for any reason other than for cause or by Mr. Anderson for good reason, he will receive a change of control payment equal to the sum of his annual salary and bonus compensation for the year in which the termination occurs (or if the termination of employment occurs before bonuses are awarded for the year in which the termination occurs, such bonus payment will be based on the immediately preceding year's bonus).

The following events would constitute a change of control requiring a termination 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 (or 50% or more of the total fair market value) 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 considered a change of 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

The 2013 Agreement would terminate automatically upon Mr. Anderson's death. However, the 2013 Agreement provides that upon Mr. Anderson's death, we would pay the Severance Payment to his estate and continue to provide major medical benefits to Mr. Anderson's wife, Ann B. Anderson, for the duration of her life, provided that our cost is limited to \$32,153.90 per year, as increased by the Consumer Price Index using August 2012 as the base date. We would not be required to make any other payments except for payments we owe under any obligations which accrued through the date of death.

### Disability

The 2013 Agreement provides that incapacity due to physical or mental illness is not a basis for termination of Mr. Anderson's employment by the company for cause. Termination of Mr. Anderson's employment due to disability would be treated as a termination not for cause, if initiated by the company, or a retirement, if initiated by Mr. Anderson or his legal representatives, and the provisions of the 2013 Agreement with respect to such termination events would apply accordingly.

### Termination for Cause

If we determined that Mr. Anderson had willfully and continually failed to substantially perform his duties, other than due to disability as discussed above, the 2013 Agreement provides that we may terminate his employment for cause after first delivering a written demand for substantial performance. The written demand would specifically identify why we believe Mr. Anderson had not substantially performed his duties. We could also terminate Mr. Anderson's employment for cause if he willfully engaged in illegal conduct or gross misconduct that we can demonstrate materially injured CryoLife. If we terminate Mr. Anderson for cause, we would not have to make any other payments except for payments we owed under any obligations which accrued through the date of his termination of employment.

### *Change of Control Agreements with Other Named Executive Officers*

Messrs. Lee, Burris, Fronk, and Capps do not have agreements that provide any guarantee of employment other than as at-will employees; however, CryoLife has entered into change of control agreements with each of them that provide that the company will pay severance payments if they are terminated by the company without cause or terminate their employment for good reason during a period extending from six months before to two years after a change of control of CryoLife. This is a double trigger provision that requires not only a change of control of CryoLife but also a termination of employment.

### Terms of the Change of Control Agreements

The initial term of each agreement ends September 1, 2014, but will renew on September 1, 2014 for an additional three-year term. Each agreement will continue to renew every three years thereafter, for an additional three-year term, unless CryoLife provides notice at least thirty days prior to the end of the then-current term that the agreement will not be extended.

The severance payment is an amount equal to a multiple of the sum of the executive's base salary as of the date of termination and his 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 multiple for Mr. Lee is two times salary and bonus, and the multiple for Messrs. Burris, Fronk, and Capps is one times base salary and bonus.

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. Specifically, any of the following types of events would constitute a change of control under the agreements:

- i Any person, including a syndicate or group, acquires ownership of CryoLife stock that, taken together with CryoLife stock held by such person or group, constitutes more than 50% of the total voting power of the stock of CryoLife
  
- i Any person, including a syndicate or group, acquires ownership of stock of CryoLife possessing 30% or more of the total voting power of CryoLife stock
  
- i A majority of the members of CryoLife's Board are replaced during any 12-month period by individuals whose appointment or election is not endorsed by a majority of the Board prior to the date of appointment or election
  
- i Any person, including a syndicate or group, acquires assets from CryoLife that have a total gross fair market value equal to more than 40% of the total gross fair market value of all CryoLife assets immediately prior to such acquisition

The agreements are not employment agreements, and each respective officer's employment is at will. We will not be required to make a severance payment in connection with the change of control agreements if an executive is terminated by us for cause, which means:

An intentional act of fraud, embezzlement, theft, or any other material violation of law that occurs during or in the course of the executive's employment with CryoLife

Intentional damage by the executive to CryoLife assets

Intentional disclosure by the executive of CryoLife's confidential information contrary to CryoLife policies

Material breach of the executive's obligations under the agreement

Intentional engagement by the executive in any activity that would constitute a breach of his duty of loyalty or of his assigned duties

Intentional breach by the executive of any of CryoLife's policies and procedures

The willful and continued failure by the executive to perform his assigned duties, other than as a result of incapacity due to physical or mental illness

Willful conduct by the executive that is demonstrably and materially injurious to CryoLife, monetarily or otherwise

An executive may terminate his employment for good reason in connection with a change of control without forfeiting his severance pay if any of the following events occur during the term of the agreement:

The assignment to the executive, without his consent, of any duties materially inconsistent with his position, authority, duties, or responsibilities, including changes in status, offices, or titles and any change in the executive's reporting requirements that would cause him to report to an officer who is junior in seniority to the officer to whom he previously reported

Any other action by CryoLife that results in a material diminution in his position, authority, duties, responsibilities, or aggregate compensation, excluding for this purpose an isolated, insubstantial, and inadvertent action taken in good faith and which is remedied by CryoLife within thirty (30) days after receipt of notice from the executive

The change of control agreements provide that we will pay any severance payment due in a lump sum not later than 30 days following the date of termination, or 30 days following a change of control in the event of an anticipatory termination. We will delay payment of the severance payment until six months after the executive's termination if necessary to prevent him from having to pay additional tax under Section 409A of the Internal Revenue Code. We will also subject any severance payment to normal payroll tax withholding.

Agreement Not to Solicit

Messrs. Lee, Burris, Fronk, and Capps 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 the officer is required to repay any portion of the severance payment already received if he solicits customers or employees of CryoLife during the term of the agreement and for a period of one year following the termination of the agreement.

Tables by Named Executive Officer

The amount of compensation we would be required to pay to each named executive officer in each specified situation is listed in the tables provided 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 the actual payment amounts include the timing during the year of any such event, the amount of future bonuses, the future stock price of CryoLife, and with respect to Mr. Anderson, his and his spouse's ages and life expectancies. All of the tables provided in this section assume that the relevant termination or change of control event occurred on December 31, 2013, the last business day of CryoLife's 2013 fiscal year.

Steven G. Anderson, Chairman of the Board, President, and Chief Executive Officer<sup>(1)</sup>

## Executive Benefits and Payments Upon Termination (\$)

	Voluntary Retirement	Good Reason or Involuntary Termination for Cause	Not For Cause Termination	Death	Disability	Change of Control Without Regard to Termination	Certain Termination Events Following/ Preceding a Change of Control <sup>(10)</sup>
<b>Cash Compensation</b>	1,985,000 <sup>(2)</sup>	1,985,000 <sup>(2)</sup>	--	1,985,000 <sup>(2)</sup>	1,985,000 <sup>(2)</sup>	--	3,082,166 <sup>(3)</sup>
<b>Accelerated Stock Option Exercisability</b>	--	--	--	--	--	670,722 <sup>(4)</sup>	670,722 <sup>(4)</sup>
<b>Accrued Vacation Pay</b>	11,492 <sup>(5)</sup>	11,492 <sup>(5)</sup>	11,492 <sup>(5)</sup>	11,492 <sup>(5)</sup>	11,492 <sup>(5)</sup>	--	11,492 <sup>(5)</sup>
<b>Medical Benefits</b>	179,274 <sup>(6)</sup>	179,274 <sup>(6)</sup>	--	99,580 <sup>(7)</sup>	179,274 <sup>(6)</sup>	--	179,274 <sup>(6)</sup>
<b>Accelerated Vesting of Stock Options</b>	1,910,664 <sup>(8)</sup>	1,910,664 <sup>(8)</sup>	1,910,664 <sup>(8)</sup>	1,910,664 <sup>(8)</sup>	1,910,664 <sup>(8)</sup>	1,910,664 <sup>(8)</sup>	1,910,664 <sup>(8)</sup>
<b>Accelerated Vesting of Restricted Stock and Performance Stock Units</b>	--	--	--	--	--	2,547,872 <sup>(9)</sup>	2,547,872 <sup>(9)</sup>
<b>Total</b>	<b>4,086,430</b>	<b>4,086,430</b>	<b>1,922,156</b>	<b>4,006,736</b>	<b>4,086,430</b>	<b>5,129,258</b>	<b>8,402,190</b>

<sup>(1)</sup> This table assumes that all termination and change of control events occurred as of December 31, 2013. See *Employment and Change of Control Agreements* above for a description of Mr. Anderson's employment



agreement, which became effective on January 1, 2013 (the 2013 Agreement ).

- (2) The 2013 Agreement provides for a severance payment equal to \$1,985,000 upon termination of Mr. Anderson's employment by the company without cause or upon his voluntary retirement or termination of employment for good reason, to be paid in a lump sum within 30 days following the employment termination date (subject to any delay in payment necessary to comply with Section 409A of the Internal Revenue Code). Mr. Anderson's estate would receive this severance payment upon his death.
- (3) The amount shown is the sum of (i) the lump-sum severance payment of \$1,985,000 and (ii) the sum of Mr. Anderson's 2013 salary and 2012 bonus, which was paid in cash in February 2013. This amount assumes that following the change of control, Mr. Anderson retired or terminated his employment for good reason, or we terminated his employment 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 of control.
- (4) The 2002 Stock Incentive Plan, the 2004 Employee Stock Incentive Plan, and the Amended and Restated 2009 Stock Incentive Plan provide that the exercisability of outstanding options accelerates upon a change of control. The accelerated options had value as of December 31, 2013 because the exercise prices of the options were lower than the closing price of our common stock on the NYSE as of December 31, 2013 of \$11.09. The value for each option is calculated as the difference between the exercise price of the option and the closing price of our common stock at the end of the fiscal year (\$11.09).
- (5) The amount shown represents payment of \$319.23 per hour of 2013 vacation pay that Mr. Anderson had not taken as of December 31, 2013. Mr. Anderson had 36 accumulated hours of vacation as of December 31, 2013 for which the company was obligated to make payment as of that date.
- (6) Under the terms of the 2013 Agreement, if Mr. Anderson voluntarily retires, terminates his employment for good reason, or we terminate his employment without cause, we would continue to provide major medical insurance benefits to him and his wife, Ann B. Anderson, for the duration of their lives, not to exceed \$32,153.90 per year, increased by the Consumer Price Index using August 2012 as the base date. We used the assumptions discussed at *Post-Employment Medical Plan for Steven G. Anderson* under *Pension Benefits* on page 54 when valuing this benefit, except that we did not apply a discount rate.
- (7) Under the terms of the 2013 Agreement, in the event of his death, CryoLife would continue to provide major medical insurance benefits to his wife, Ann B. Anderson, for the duration of her life, not to exceed \$32,153.90 per year, increased by the Consumer Price Index using August 2012 as the base date. We used the assumptions discussed at *Post-Employment Medical Plan for Steven G. Anderson* under *Pension Benefits* on page 54 when valuing this benefit, except that we did not apply a discount rate.
- (8) The value for each stock option is calculated as the difference between the exercise price of the option and the closing price of our common stock at the end of the fiscal year (\$11.09).
- (9) As of December 31, 2013, we had issued all outstanding shares of restricted stock and all performance stock units under the 2004 Employee Stock Incentive Plan and the Amended and Restated 2009 Stock Incentive Plan. Both

plans provide that all unvested shares of restricted stock and performance stock units become fully vested upon a change of control. The accelerated restricted stock and performance stock units are valued at the closing price of our common stock on the NYSE on December 31, 2013 (\$11.09), and the 2013 performance stock units are assumed to have been earned at target level.

<sup>(10)</sup> Under the terms of the 2013 Agreement, amounts shown that are otherwise payable to Mr. Anderson would be reduced if and to the extent that doing so would cause payments that are contingent on a change of control to not be subject to the excise tax under Section 4999 of the Internal Revenue Code and thereby produce a greater net after-tax amount to him.

**D. Ashley Lee, Executive Vice President, Chief Operating Officer, and Chief Financial Officer<sup>(1)</sup>**

**Executive Benefits and Payments Upon Termination (\$)**

	Good Reason or Involuntary Not for Cause			For Cause	Death	Disability	Change of Control Without Regard to Termination	Certain Termination Events Following/ Preceding a Change of Control
	Voluntary Termination	Termination	Termination	Termination				
<b>Cash Compensation</b>	--	--	--	--	--	--	--	1,206,624 <sup>(2)</sup>
<b>Accelerated Stock Option Exercisability</b>	--	--	--	--	--	--	269,079 <sup>(3)</sup>	269,079 <sup>(3)</sup>
<b>Accrued Vacation Pay</b>	-- <sup>(4)</sup>	-- <sup>(4)</sup>	-- <sup>(4)</sup>	-- <sup>(4)</sup>	-- <sup>(4)</sup>	-- <sup>(4)</sup>	--	-- <sup>(4)</sup>
<b>Accelerated Vesting of Stock Options</b>	703,928 <sup>(5)</sup>	703,928 <sup>(5)</sup>	703,928 <sup>(5)</sup>	703,928 <sup>(5)</sup>	703,928 <sup>(5)</sup>	703,928 <sup>(5)</sup>	703,928 <sup>(5)</sup>	703,928 <sup>(5)</sup>
<b>Accelerated Vesting of Restricted Stock and Performance Stock Units</b>	--	--	--	--	--	--	1,021,389 <sup>(6)</sup>	1,021,389 <sup>(6)</sup>
<b>Total</b>	<b>703,928</b>	<b>703,928</b>	<b>703,928</b>	<b>703,928</b>	<b>703,928</b>	<b>703,928</b>	<b>1,994,396</b>	<b>3,201,020</b>

<sup>(1)</sup> This table assumes that all termination and change of control events occurred as of December 31, 2013.

- (2) The amount shown is equal to two times the sum of Mr. Lee's 2013 salary and his bonus for 2012 that was paid in cash in February 2013. This amount assumes that following a change of control Mr. Lee terminated his employment for good reason, or we terminated his employment without cause. Mr. Lee would also receive the amount shown if we terminated his employment without cause at any time within the six months prior to the change of control.
- (3) The 2002 Stock Incentive Plan, the 2004 Employee Stock Incentive Plan, and the Amended and Restated 2009 Stock Incentive Plan provide that the exercisability of outstanding options accelerates upon a change of control. The accelerated options had value as of December 31, 2013 because the exercise prices of the options were lower than the closing price of our common stock on the NYSE as of December 31, 2013 of \$11.09. The value for each option is calculated as the difference between the exercise price of the option and the closing price of our common stock at the end of the fiscal year (\$11.09).
- (4) Mr. Lee had no accumulated hours of vacation as of December 31, 2013 for which the company was obligated to make payment as of that date.
- (5) The value for each stock option is calculated as the difference between the exercise price of the option and the closing price of our common stock at the end of the fiscal year (\$11.09).
- (6) As of December 31, 2013, we had issued all outstanding shares of restricted stock and all performance stock units under the 2004 Employee Stock Incentive Plan and the Amended and Restated 2009 Stock Incentive Plan. Both plans provide that all unvested shares of restricted stock and performance stock units become fully vested upon a change of control. The accelerated restricted stock and performance stock units are valued at the closing price of our common stock on the NYSE on December 31, 2013 (\$11.09), and the 2013 performance stock units are assumed to have been earned at target level.

Jeffrey W. Burris, Vice President and General Counsel<sup>(1)</sup>

## Executive Benefits and Payments Upon Termination (\$)

	Voluntary Termination	Good Reason or Involuntary Not for Cause Termination	For Cause Termination	Death	Disability	Change of Control Without Regard to Termination	Certain Termination Events Following/ a Change of Control Preceding
Cash Compensation	--	--	--	--	--	--	420,478 <sup>(2)</sup>
Accelerated Stock Option Exercisability	--	--	--	--	--	187,687 <sup>(3)</sup>	187,687 <sup>(3)</sup>
Accrued Vacation Pay	563 <sup>(4)</sup>	563 <sup>(4)</sup>	563 <sup>(4)</sup>	563 <sup>(4)</sup>	563 <sup>(4)</sup>	--	563 <sup>(4)</sup>
Accelerated Vesting of Stock Options	379,251 <sup>(5)</sup>	379,251 <sup>(5)</sup>	379,251 <sup>(5)</sup>	379,251 <sup>(5)</sup>	379,251 <sup>(5)</sup>	379,251 <sup>(5)</sup>	379,251 <sup>(5)</sup>
Accelerated Vesting of Restricted Stock and Performance Stock Units	--	--	--	--	--	713,120 <sup>(6)</sup>	713,120 <sup>(6)</sup>
<b>Total</b>	<b>379,814</b>	<b>379,814</b>	<b>379,814</b>	<b>379,814</b>	<b>379,814</b>	<b>1,280,058</b>	<b>1,701,099</b>

(1) This table assumes that all termination events occurred as of December 31, 2013.

(2)

The amount shown is equal to one times the sum of Mr. Burris's 2013 salary and his bonus for 2012 that was paid in February 2013. This amount assumes that following a change of control Mr. Burris terminated his employment for good reason, or we terminated his employment without cause. Mr. Burris would also receive the amount shown if we terminated his employment without cause at any time within the six months prior to the change of control.

- (3) The 2004 Employee Stock Incentive Plan and the Amended and Restated 2009 Stock Incentive Plan provide that the exercisability of outstanding options accelerates upon a change of control. The accelerated options had value as of December 31, 2013 because the exercise prices of the options were lower than the closing price of our common stock on the NYSE as of December 31, 2013 of \$11.09. The value for each option is calculated as the difference between the exercise price of the option and the closing price of our common stock at the end of the fiscal year (\$11.09).
- (4) The amount shown represents payment of \$140.87 per hour of 2013 vacation pay that Mr. Burris had not taken as of December 31, 2013. Mr. Burris had 4 accumulated hours of vacation as of December 31, 2013 for which the company was obligated to make payment as of that date.
- (5) The value for each stock option is calculated as the difference between the exercise price of the option and the closing price of our common stock at the end of the fiscal year (\$11.09).
- (6) As of December 31, 2013, we had issued all outstanding shares of restricted stock and all performance stock units under the 2004 Employee Stock Incentive Plan and the Amended and Restated 2009 Stock Incentive Plan. Both plans provide that all unvested shares of restricted stock and performance stock units become fully vested upon a change of control. The accelerated restricted stock and performance stock units are valued at the closing price of our common stock on the NYSE on December 31, 2013 (\$11.09), and the 2013 performance stock units are assumed to have been earned at target level.

David M. Fronk, Vice President, Regulatory Affairs and Quality Assurance<sup>(1)</sup>**Executive Benefits and Payments Upon Termination (\$)**

	Voluntary Termination	Good Reason or Involuntary Not for Cause Termination	For Cause Termination	Death	Disability	Change of Control Without Regard to Termination	Certain Termination Events Following/ a Change of Control Preceding
<b>Cash Compensation</b>	--	--	--	--	--	--	393,423 <sup>(2)</sup>
<b>Accelerated Stock Option Exercisability</b>	--	--	--	--	--	187,687 <sup>(3)</sup>	187,687 <sup>(3)</sup>
<b>Accrued Vacation Pay</b>	5,288 <sup>(4)</sup>	5,288 <sup>(4)</sup>	5,288 <sup>(4)</sup>	5,288 <sup>(4)</sup>	5,288 <sup>(4)</sup>	--	5,288 <sup>(4)</sup>
<b>Accelerated Vesting of Stock Options</b>	405,701 <sup>(5)</sup>	405,701 <sup>(5)</sup>	405,701 <sup>(5)</sup>	405,701 <sup>(5)</sup>	405,701 <sup>(5)</sup>	405,701 <sup>(5)</sup>	405,701 <sup>(5)</sup>
<b>Accelerated Vesting of Restricted Stock and Performance Stock Units</b>	--	--	--	--	--	713,120 <sup>(6)</sup>	713,120 <sup>(6)</sup>
<b>Total</b>	<b>410,989</b>	<b>410,989</b>	<b>410,989</b>	<b>410,989</b>	<b>410,989</b>	<b>1,306,508</b>	<b>1,705,219</b>

(1) This table assumes that all termination events occurred as of December 31, 2013.

(2) The amount shown is equal to one times the sum of Mr. Fronk's 2013 salary and his bonus for 2012 that was paid in February 2013. This amount assumes that following a change of control Mr. Fronk terminated his employment for good reason, or we terminated his employment without cause. Mr. Fronk would also receive the amount shown

if we terminated his employment without cause at any time within the six months prior to the change of control.

- (3) The 2004 Employee Stock Incentive Plan and the Amended and Restated 2009 Stock Incentive Plan provide that the exercisability of outstanding options accelerates upon a change of control. The accelerated options had value as of December 31, 2013 because the exercise prices of the options were lower than the closing price of our common stock on the NYSE as of December 31, 2013 of \$11.09. The value for each option is calculated as the difference between the exercise price of the option and the closing price of our common stock at the end of the fiscal year (\$11.09).
- (4) The amount shown represents payment of \$132.21 per hour of 2013 vacation pay that Mr. Fronk had not taken as of December 31, 2013. Mr. Fronk had 40 accumulated hours of vacation as of December 31, 2013 for which the company was obligated to make payment as of that date.
- (5) The value for each stock option is calculated as the difference between the exercise price of the option and the closing price of our common stock at the end of the fiscal year (\$11.09).
- (6) As of December 31, 2013, we had issued all outstanding shares of restricted stock and all performance stock units under the 2004 Employee Stock Incentive Plan and the Amended and Restated 2009 Stock Incentive Plan. Both plans provide that all unvested shares of restricted stock and performance stock units become fully vested upon a change of control. The accelerated restricted stock and performance stock units are valued at the closing price of our common stock on the NYSE on December 31, 2013 (\$11.09), and the 2013 performance stock units are assumed to have been earned at target level.



Scott B. Capps, Vice President, Clinical Research<sup>(1)</sup>

**Executive Benefits and Payments Upon Termination (\$)**

	Voluntary Termination	Good Reason or Involuntary Not for Cause Termination	For Cause Termination	Death	Disability	Change of Control Without Regard to Termination	Certain Termination Events Following/ Change of Control Preceding a Change of Control
<b>Cash Compensation</b>	--	--	--	--	--	--	386,489 <sup>(2)</sup>
<b>Accelerated Stock Option Exercisability</b>	--	--	--	--	--	520,422 <sup>(3)</sup>	520,422 <sup>(3)</sup>
<b>Accrued Vacation Pay</b>	-- <sup>(4)</sup>	-- <sup>(4)</sup>	-- <sup>(4)</sup>	-- <sup>(4)</sup>	-- <sup>(4)</sup>	--	-- <sup>(4)</sup>
<b>Accelerated Vesting of Stock Options</b>	301,665 <sup>(5)</sup>	301,665 <sup>(5)</sup>	301,665 <sup>(5)</sup>	301,665 <sup>(5)</sup>	301,665 <sup>(5)</sup>	301,665 <sup>(5)</sup>	301,665 <sup>(5)</sup>
<b>Accelerated Vesting of Restricted Stock and Performance Stock Units</b>	--	--	--	--	--	545,783 <sup>(6)</sup>	545,783 <sup>(6)</sup>
<b>Total</b>	<b>301,665</b>	<b>301,665</b>	<b>301,665</b>	<b>301,665</b>	<b>301,665</b>	<b>1,367,870</b>	<b>1,754,359</b>

<sup>(1)</sup> This table assumes that all termination events occurred as of December 31, 2013.

<sup>(2)</sup> The amount shown is equal to one times the sum of Mr. Capps' 2013 salary and his bonus for 2012 that was paid in February 2013. This amount assumes that following a change of control Mr. Capps terminated his employment for good reason, or we terminated his employment without cause. Mr. Capps would also receive the amount shown

if we terminated his employment without cause at any time within the six months prior to the change of control.

- (3) The 2004 Employee Stock Incentive Plan and the Amended and Restated 2009 Stock Incentive Plan provide that the exercisability of outstanding options accelerates upon a change of control. The accelerated options had value as of December 31, 2013 because the exercise prices of the options were lower than the closing price of our common stock on the NYSE as of December 31, 2013 of \$11.09. The value for each option is calculated as the difference between the exercise price of the option and the closing price of our common stock at the end of the fiscal year (\$11.09).
- (4) Mr. Capps had no accumulated hours of vacation as of December 31, 2013 for which the company was obligated to make payment as of that date.
- (5) The value for each stock option is calculated as the difference between the exercise price of the option and the closing price of our common stock at the end of the fiscal year (\$11.09).
- (6) As of December 31, 2013, we had issued all outstanding shares of restricted stock and all performance stock units under the 2004 Employee Stock Incentive Plan and the Amended and Restated 2009 Stock Incentive Plan. Both plans provide that all unvested shares of restricted stock and performance stock units become fully vested upon a change of control. The accelerated restricted stock and performance stock units are valued at the closing price of our common stock on the NYSE on December 31, 2013 (\$11.09), and the 2013 performance stock units are assumed to have been earned at target level.

**FISCAL 2013****DIRECTOR COMPENSATION**

The following table provides compensation information for the one-year period ended December 31, 2013, for each person who was a member of our Board of Directors in 2013, other than Steven G. Anderson:

Name	Fees Earned or Paid		Total
	in Cash <sup>(1)</sup>	Stock Awards <sup>(2)</sup>	
(a)	(\$) (b)	(\$) (c)	(\$) (h)
Thomas F. Ackerman	44,375	63,100	107,475
James S. Benson	49,688	63,100	112,788
Daniel J. Bevevino	57,917	63,100	121,017
Ronald C. Elkins, M.D.	52,188	63,100	115,288
Ronald D. McCall, Esq.	65,000	63,100	128,100
Harvey Morgan	46,562	63,100	109,662
Jon W. Salveson	42,187	63,100	105,287

(1) Amounts shown include annual retainer, committee chair and committee member retainers, and, for Mr. McCall, a Presiding Director retainer, earned by our Directors during 2013. As described in the section that follows below, committee retainers were implemented effective June 1, 2013; accordingly, these amounts include only seven months of committee retainers.

(2) The amount shown represents the aggregate grant date fair value of the 10,000 restricted shares granted to each of the non-employee Directors, as calculated in accordance with FASB ASC Topic 718. We issued the awards on May 16, 2013, and we valued them at \$6.31 per share, the fair market value on that date. See Notes 1 and 15 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2013 for assumptions we used in valuing restricted stock awards. The restricted stock represented here vests 12 months after the date of issuance; accordingly, these shares remained subject to vesting restrictions as of December 31, 2013.

Steven G. Anderson, Chairman of the Board, President, and CEO, received no compensation other than his executive officer compensation detailed in the *Summary Compensation Table* at page 39.

**Elements of Non-Employee Director Compensation****Annual Retainer and Committee Chair Fees**

Each of the non-employee Directors of the Board of Directors of CryoLife receives an annual cash retainer of \$40,000. The Audit Committee Chairman receives an additional \$15,000 chairman's fee, the Compensation Committee Chairman receives an additional \$10,000 chairman's fee, and the Chairmen of the Nominating and Corporate Governance Committee and Regulatory Affairs and Quality Assurance Policy Committee each receive an additional \$7,500 chairman's fee. The Presiding Director also receives an additional \$25,000 retainer paid in cash. CryoLife pays

all cash retainers on a monthly basis. Currently, the Presiding Director is also the Chairman of the Nominating and Corporate Governance Committee, and he does not receive any additional compensation for his position as Chairman of that committee.

Effective June 1, 2013, each committee member, other than the individual committee chairs and the Presiding Director, receives a committee membership fee, in addition to the annual cash retainer. Members of the Audit Committee receive an additional annual fee of \$7,500; members of the Compensation Committee receive an additional annual fee of \$5,000, and members of the Nominating and Corporate Governance Committee and Regulatory Affairs and Quality Assurance Policy Committee receive an additional annual fee of \$3,750.

#### Restricted Stock Grants

A portion of the non-employee Directors' annual compensation is issued as restricted stock. The shares of restricted stock are issued each year following the annual meeting of stockholders, and all shares vest on the first anniversary of issuance. The Director will forfeit any unvested portion of the award if he or she ceases to serve as a Director for certain reasons described within each respective stock plan. Following the annual meeting in May 2013, the Compensation Committee granted 10,000 shares of

restricted stock to each of the non-employee Directors. The size and terms of the grants are subject to annual reevaluation by the Compensation Committee. All equity grants to Non-Employee Directors in 2013 were made pursuant to the Amended and Restated 2009 Stock Incentive Plan.

### **Compensation Committee Interlocks and Insider Participation**

Dr. Elkins, Chairman, Messrs. Bevevino and McCall served on the Compensation Committee of CryoLife's Board of Directors for all of fiscal 2013. No member of our Board's Compensation Committee during fiscal 2013 or currently has served as one of our officers or employees at any time, other than Mr. McCall, who served as our non-executive corporate secretary from 1984 to 2002. Mr. McCall has not served as an employee of CryoLife at any time. None of our executive officers currently serve, or served during fiscal 2013, as a member of the Compensation Committee of any other company that has or had an executive officer serving as a member of our Board of Directors. None of our executive officers currently serve, or served during fiscal 2013, as a member of the board of directors of any other company that has or had an executive officer serving as a member of our Board's Compensation Committee.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires that CryoLife's executive officers, Directors, and persons who beneficially own more than 10% of CryoLife's stock file initial reports of ownership and reports of changes in ownership with the SEC. Executive officers, Directors, and greater than 10% beneficial owners are required by SEC regulations to furnish CryoLife with copies of all Section 16(a) forms they file.

Based solely on its review of copies of forms received by it pursuant to Section 16(a) of the Securities Exchange Act of 1934 or written representations from reporting persons, CryoLife believes that with respect to 2013, all Section 16(a) filing requirements applicable to its executive officers, Directors, and greater than 10% beneficial owners were complied with, with the exception of the late filing of one Form 4 filed on behalf of our Director Dr. Ronald Elkins on August 14, 2013, with respect to one transaction.

### **Stock Ownership Requirements**

In February 2012, the Nominating and Corporate Governance Committee approved an increase in the non-employee Director stock ownership requirements from 24,000 to 30,000 shares. This increase was effective immediately for all non-employee Directors other than Mr. Salvesson, and will be effective for him on the fifth anniversary of the day he joined the Board. All of the Directors currently already satisfy this standard. The Compensation Committee intends to reevaluate this requirement on an annual basis.

### **Certain Transactions**

CryoLife employs Mr. Anderson's son, Bruce G. Anderson, age 47, as Vice President, U.S. Sales and Marketing, a position to which he was promoted on July 29, 2008. Effective December 10, 2012, he assumed additional responsibilities with respect to the U.S. He has held various positions within CryoLife since 1994. His cash compensation during 2013, including his 2013 bonus, was approximately \$358,000. In fiscal 2013, he also received grants of stock options, restricted stock, and performance stock units, valued at target levels and as of the grant date at \$25,400, \$60,100, and \$60,100, respectively. His performance stock units were earned at 116.2% of target, or \$128,877, based on the company's closing share price on December 31, 2013 of \$11.09.

For 2014, Bruce G. Anderson's base salary is \$273,000. He participates in the annual bonus program under the 2007 Executive Incentive Plan and the Executive Deferred Compensation Plan, with his 2014 bonus target at 40% of his base salary. In fiscal 2014, he also received grants of stock options, restricted stock, and performance stock units, valued at target levels and as of the grant date at \$40,800, \$99,700, and \$99,700, respectively. He also is eligible to

participate in CryoLife's employee benefit plans on the same basis as all other employees, including CryoLife's stock purchase plans and the CryoLife 401(k) Plan. All compensation paid to Bruce G. Anderson is approved by the Compensation Committee.

During 2013, CryoLife paid fees of approximately \$2,162 to Piper Jaffray & Co., where our Director Jon W. Salveson is the Vice Chairman, Investment Banking and Chairman of the Healthcare Investment Banking Group, in connection with the company's stock buy-back program. Payments by the company to Piper Jaffray & Co., including the commissions and the price of the repurchased shares, during 2013 totaled approximately \$321,000.

### CERTAIN BENEFICIAL OWNERSHIP

The name and address of each person or entity who owned beneficially 5% or more of the outstanding shares of common stock of CryoLife on March 19, 2014, based on information available to us, together with the number of shares owned and the percentage of outstanding shares that ownership represents, is set forth in the following table. The table also shows information concerning beneficial ownership by the named executive officers and by all current Directors and executive officers as a group. The number of shares beneficially owned is determined under the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under those rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares that the individual has the right to acquire within 60 days after March 19, 2014 through the exercise of any stock option or other right. Unless otherwise indicated, each person has sole investment and voting powers, or shares such powers with his or her spouse, with respect to the shares set forth in the following table. To CryoLife's knowledge, none of the shares shown in the table below is subject to a pledge or similar arrangement.

Beneficial Owner	Number of Shares of CryoLife Common Stock Beneficially Owned (#)	Percentage of Outstanding Shares of CryoLife Common Stock (%)
Steven G. Anderson	1,958,089 <sup>(1)</sup>	6.86
D. Ashley Lee	408,540 <sup>(2)</sup>	1.45
Jeffrey W. Burris	179,645 <sup>(3)</sup>	*
David M. Fronk	209,049 <sup>(4)</sup>	*
Scott B. Capps	145,442 <sup>(5)</sup>	*
BlackRock, Inc.	2,636,143 <sup>(6)</sup>	9.39
Dimensional Fund Advisors LP	1,560,259 <sup>(7)</sup>	5.56
All current Directors and Executive Officers as a group (15 persons)	3,778,778 <sup>(8)</sup>	12.97

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

- (1) This amount includes 107,924 shares of record held by Ann B. Anderson, Mr. Anderson's spouse. This amount also includes 471,083 shares subject to options that are either presently exercisable or will become exercisable within 60 days after March 19, 2014. This amount also includes 125,001 shares of unvested restricted stock subject to forfeiture that Mr. Anderson holds as of March 19, 2014. This amount does not include 37,251 shares earned under 2012 and 2013 performance stock unit awards that had not vested as of March 19, 2014, and that will not vest within 60 days thereafter, or performance stock units granted in February 2014 (41,667 shares at target performance). The business address for Mr. Anderson is: c/o CryoLife, Inc., 1655 Roberts Boulevard, NW, Kennesaw, Georgia 30144.
- (2) This amount includes 188,333 shares subject to options that are either presently exercisable or will become exercisable within 60 days after March 19, 2014. This amount also includes 5,000 shares held by Mr. Lee's spouse and 1,500 shares held in trust for Mr. Lee's children. This amount also includes 50,001 shares of unvested restricted stock subject to forfeiture which Mr. Lee holds as of March 19, 2014. This amount does not include 14,902 shares earned under 2012 and 2013 performance stock unit awards that had not vested as of March 19, 2014, and that will not vest within 60 days thereafter, or performance stock units granted in February 2014 (16,667 shares at target performance). The business address for Mr. Lee is: c/o CryoLife, Inc., 1655 Roberts Boulevard, NW, Kennesaw, Georgia 30144.
- (3) This amount includes 96,500 shares subject to options that are either presently exercisable or will become exercisable within 60 days after March 19, 2014. This amount also includes 35,001 shares of unvested restricted stock subject to forfeiture that Mr. Burris holds as of March 19, 2014. This amount does not include 10,431 shares earned under 2012 and 2013 performance stock unit awards that had not vested as of March 19, 2014, and that will not vest within 60 days thereafter, or performance stock units granted in February 2014 (11,667 shares at target performance).
- (4) This amount includes 109,000 shares subject to options that are either presently exercisable or will become exercisable within 60 days after March 19, 2014. This amount also includes 35,001 shares of unvested restricted stock subject to forfeiture that Mr. Fronk holds as of March 19, 2014. This amount does not include 10,431 shares earned under 2012 and 2013 performance stock unit awards that had not vested as of March 19, 2014, and that will not vest within 60 days thereafter, or performance stock units granted in February 2014 (11,667 shares at target performance).
- (5) This amount includes 71,889 shares subject to options that are either presently exercisable or will become exercisable within 60 days after March 19, 2014. This amount also includes 28,333 shares of unvested restricted stock subject to forfeiture that Mr. Capps holds as of March 19, 2014. This amount does not include 8,417 shares earned under 2012 and 2013 performance stock unit awards that had not vested as of March 19, 2014, and that will not vest within 60 days thereafter, or performance stock units granted in February 2014 (10,000 shares at target performance).
- (6) This information is based on Schedule 13G/A filed on January 17, 2014 by BlackRock, Inc. ( BlackRock ). Per this schedule, BlackRock has the sole power to vote, or to direct the vote of, and sole power to dispose, or to direct the disposition of, these shares of CryoLife common stock. The address for BlackRock is BlackRock, Inc., 40 East 52<sup>nd</sup> Street, New York, NY, 10022.





(7) This information is based on Schedule 13G/A filed on February 10, 2014 by Dimensional Fund Advisors LP ( Dimensional ). Per this schedule, Dimensional has the sole power to vote, or to direct the vote of, and sole power to dispose, or to direct the disposition of, these shares of CryoLife common stock. The address for Dimensional is Dimensional Fund Advisors LP, Palisades West, Building One, 6300 Bee Cave Road, Austin, Texas, 78746.

(8) This amount includes:

1,072,028 shares subject to options that are presently exercisable or will become exercisable within 60 days after March 19, 2014

61,990 shares held as a beneficial owner of a trust by an executive officer

151,924 shares held of record by the spouses of executive officers and Directors

1,500 shares held of record by the children of an executive officer

426,671 shares of unvested restricted common stock subject to forfeiture that all current Directors and Executive Officers as a group hold as of March 19, 2014.

This amount does not include performance stock units granted in February 2014 or 106,163 shares earned under 2012 and 2013 performance stock unit awards that had not vested as of March 19, 2014, and that will not vest within 60 days thereafter.

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## PROXY ITEM #3

### APPROVAL OF THE CRYOLIFE, INC. SECOND AMENDED AND RESTATED 2009 STOCK INCENTIVE PLAN

Effective March 25, 2014, upon recommendation of the Compensation Committee (the Committee), the Board of Directors adopted the CryoLife, Inc. Second Amended and Restated 2009 Stock Incentive Plan (the Amended Plan), subject to stockholder approval. If approved by the stockholders at the Annual Meeting, the Amended Plan will become effective on May 22, 2014. The Amended Plan is attached hereto as Appendix B, and we urge stockholders to review the Amended Plan carefully.

Under applicable New York Stock Exchange (NYSE) rules, the company is required to obtain stockholder approval of the Amended Plan. In addition, stockholder approval of the Amended Plan is necessary to allow the company to grant incentive stock options (ISOs) to employees under Section 422 of the Internal Revenue Code of 1986, as amended (the Code), and to ensure that certain compensation paid under the Amended Plan can be eligible for an exemption from the limits on tax deductibility imposed by Section 162(m) of the Code, which limits the deductibility of certain compensation paid to individuals, referred to herein as 162(m) Officers, who are, at the end of the tax year in which the company would otherwise claim its tax deduction, the company's chief executive officer and its other three highest-paid executive officers other than the chief financial officer.

On March 19, 2014, the closing price of CryoLife's common stock as reported by the NYSE was \$9.73. We are currently authorized to issue 4.1 million shares pursuant to the Amended and Restated 2009 Stock Incentive Plan (the Current Plan) and 2 million shares pursuant to the 2004 Employee Stock Incentive Plan. As of March 19, 2014, approximately 1,548,154 shares and 25,114 shares, respectively, remained available for grant under these existing plans. The number of shares available for grant under these existing plans has been calculated based on the assumption that all performance shares granted in 2014 will be earned at the maximum value. If the performance shares pay out at target level instead, 1,669,650 shares and 19,539 shares would become available for grant under the Current Plan and the 2004 Employee Stock Incentive Plan, respectively, subject to the share counting restrictions discussed below. As of March 19, 2014, approximately 249,539 shares remained subject to outstanding awards under the 2002 Stock Incentive Plan, and 25,000 shares remained subject to outstanding awards under the 1998 Long-Term Incentive Plan. No additional grants may be made under these plans.

#### *Material Differences Between the Current Plan and the Amended Plan*

The Amended Plan is materially different from the Current Plan in the following ways:

An additional 3.0 million shares will be eligible for grant under the Amended Plan, increasing the maximum number of shares that may be delivered under the Amended Plan, including the 2,233,329 that have already been issued or are subject to outstanding awards (which includes performance shares reserved for a maximum value payout), to 7.1 million

The Current Plan contains a provision that allows for the issuance of up to 500,000 shares pursuant to awards other than options and SARs (e.g., restricted stock awards or performance shares) that reduce available shares on a one-for-one basis, but also allows for the issuance of shares in excess of 500,000 shares pursuant to awards other than options and SARs, provided that each share so issued above 500,000 reduces the total shares available under the Current Plan by 1.5 shares. The Amended Plan retains this provision but does not increase or reset this 500,000 share limit or otherwise change this provision. As of March 19, 2014,

more than 500,000 shares had been issued pursuant to awards other than options and SARs under the Current Plan; therefore, all shares (including any of the 3.0 million shares added in by the Amended Plan) that are issued pursuant to awards other than options and SARS (other than forfeited shares issued on a one-for-one basis that are returned to the Amended Plan) will reduce the total shares available under the Amended Plan by 1.5 shares

The Amended Plan extends the duration of the plan from May 16, 2019 to May 22, 2021  
In all other material respects, the Amended Plan does not differ from the Current Plan.

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**Key Terms of the Amended Plan**

<i>Plan Term</i>	7 years
<i>Eligible Participants</i>	All employees and Directors selected by the Committee
<i>Shares Authorized</i>	An additional 3,000,000 (bringing the aggregate authorized number of shares to 7,100,000, including 2,598,322 shares of the currently authorized 4,100,000 that have previously been issued or are subject to outstanding awards as of March 19, 2014; assuming no additional issuances or forfeitures prior to the Annual Meeting, a total of 4,548,154 million shares would be available for issuance following stockholder approval of the Amended Plan); all available shares may be issued pursuant to options or SARs on a one-for-one basis; each share issued pursuant to other types of awards reduces the total shares available under the Plan by 1.5 shares (except for any forfeitures of shares that were issued on a one-for-one basis that may be re-issued)
<i>Maximum Additional Shares Authorized as a Percent of Outstanding Shares (as of March 19, 2014)</i>	Approximately 10.7%
<i>Award Types</i>	Stock Options (Incentive and Non-Qualified) ( Options ), Stock Appreciation Rights ( SARs ), Restricted Stock, Restricted Stock Units, Stock Units, and Performance Shares (all types, collectively, Awards )
<i>Individual Share Limits</i>	Options and/or SARs relating to no more than 400,000 shares may be granted to any individual in any given fiscal year, and all awards other than Options and SARs granted to any individual in any given fiscal year are limited to no more than 250,000 shares
<i>Vesting Period</i>	Determined by the Committee, but generally, no more than one-third of the shares subject to each grant may vest per year for the first three years, except for awards conditioned on the attainment of performance measures and awards granted to Directors
<i>Stock Option Exercise Period</i>	Determined by the Committee, but not more than seven years from the date of grant
<i>Stock Option Exercise Price</i>	Not less than fair market value on date of grant, defined as the closing price on the NYSE on the day of the grant
<i>Prohibited</i>	Repricings without stockholder approval Reload options Acceleration of payment or vesting of any award other than for death, disability, retirement, or a change in control



### ***Purpose of the Amended Plan***

The purpose of the Amended Plan is to (i) attract and retain executive officers and other employees of the company and its defined subsidiaries, (ii) motivate employee participants, by means of appropriate incentives, to achieve long-range goals, (iii) provide equity compensation to Directors of the company, (iv) provide incentive compensation opportunities to employee participants that are competitive with other similar companies, and (v) further identify the interests of participants with those of our stockholders through compensation that is based on the company's common stock, and thereby promote the long-term financial interests of the company, including the growth in value of the company's equity and enhancement of long-term stockholder returns.

We believe strongly that our equity compensation programs and emphasis on employee stock ownership have been integral to our past success and will be important to our ability to achieve consistently superior performance in the years ahead. Therefore, the approval of the proposed Amended Plan is vital to our ability to achieve our future growth goals and create even greater stockholder value.

### ***Administration of the Amended Plan***

Unless otherwise determined by the Board, the Committee will administer the Amended Plan. The Committee is composed solely of non-employee directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act), outside directors within the meaning of Section 162(m) of the Code, and independent directors within the meaning of NYSE listing standards.

The Committee will have the power, in its discretion, to grant Awards under the Amended Plan, to select the individuals to whom Awards are granted, to determine the terms of the grants, to interpret the provisions of the Amended Plan, and to otherwise administer the Amended Plan. Except as prohibited by applicable law or stock exchange rules, the Committee may delegate all or any of its responsibilities and powers under the Amended Plan to one or more of its members, including, without limitation, the power to designate participants and determine the amount, timing, and term of awards under the Amended Plan. In no event, however, shall the Committee have the power to accelerate the payment or vesting of any Award, other than in the event of death, disability, retirement, or a change in control of the company.

The Amended Plan provides that members of the Committee shall be indemnified and held harmless by the company from any loss, cost, liability, or expense resulting from claims or litigation arising from actions related to the Amended Plan.

### ***Shares Subject to the Amended Plan***

Subject to the adjustments described below, the maximum number of shares of CryoLife common stock that may be delivered pursuant to the Amended Plan during its term shall be 7.1 million, including the 2,598,322 shares that have already been issued or are subject to outstanding awards as of March 19, 2014 (which includes performance shares reserved for a maximum value payout). The following additional limits are imposed under the Amended Plan: (i) the maximum number of shares of common stock that may be issued pursuant to Options and SARs is 7.1 million, including the 2,598,322 shares that have already been issued or are subject to outstanding awards as of March 19, 2014; (ii) with respect to Awards other than Options and SARs, every share in excess of 500,000 awarded with respect to such other Awards, shall reduce the aggregate number of shares available for issuance under the Amended Plan by 1.5 shares; (iii) the maximum number of shares that may be covered by all Options and/or SARs granted to any individual during any fiscal year is 400,000; and (iv) the maximum number of shares that may be covered by all Awards other than Options and SARs granted to any individual during any fiscal year is 250,000. Based on the awards outstanding under the Current Plan as of March 19, 2014, and assuming no issuances or forfeitures prior to the Annual Meeting and that all performance shares granted in 2014 will pay out at maximum value, a total of 4,548,154 shares

would be available for issuance following stockholder approval of the Amended Plan (4,629,154 shares would be available if the 2014 performance shares pay out at target values). All such available shares would be available for issuance pursuant to options or SARs, which would reduce available shares on a one-for-one basis. More than 500,000 shares have already been issued under the Current Plan pursuant to awards other than options and SARs; all such shares that are issued in the future shall reduce the aggregate number of shares available for issuance under the Amended Plan by 1.5 shares.

If any shares of common stock subject to an Award are forfeited or cancelled, or if an Award terminates or expires without a distribution of shares to the grantee, the shares of common stock with respect to such Award shall, to the extent of any such forfeiture or cancellation, again be available for awards under the Amended Plan; provided, however, that with respect to SARs that are settled in common stock, the aggregate number of shares of common stock subject to the SAR grant shall be counted against the shares available for issuance under the Amended Plan as one share for every share subject thereto, regardless of the number of shares used to



settle the SAR upon exercise. To the extent that shares of common stock subject to Awards other than Options and SARs, and the issuance of which reduced the aggregate number of shares authorized for issuance under the Amended Plan by 1.5 shares, are forfeited or cancelled, or if such an Award terminates or expires without a distribution of shares to the grantee, the number of shares of common stock remaining for Award grants under the Amended Plan shall be increased by 1.5 for each such share, subject to the same limitations discussed above.

If the company undergoes a recapitalization, reclassification, stock split, stock dividend, combination, subdivision or another similar transaction affecting the common stock, or if the company makes an extraordinary dividend or distribution (including, without limitation, to implement a spinoff), then, subject to any required action by stockholders, the number and kind of shares available under the Amended Plan, and the various Award grant limitations contained in the Amended Plan, will be automatically adjusted accordingly. In addition, subject to any required stockholder action, the number and kind of shares covered by outstanding Awards and the price per share of outstanding Awards, shall be automatically proportionately adjusted to reflect such an event.

If the company merges or consolidates with another corporation, or is liquidated or disposes of all or substantially all of its assets, then the Committee may deal with outstanding Awards under the Amended Plan in any of the following ways. First, it may provide for each holder of an Option or other Award to receive, upon exercise of such Option or Award, the same securities or other property that the company's stockholders receive in the transaction. Second, it may provide for each holder of an Option or other Award to receive, upon exercise of such Option or Award, stock of the surviving corporation in the transaction, having a value equal, on a per share basis, to the per share consideration received by the company's stockholders in the transaction. Third, it may cause Options or other Awards to vest and become exercisable in full (if they have not otherwise vested under the change-in-control provisions of the Amended Plan). Fourth, it may cancel Options or SARs if the company is not the surviving company, provided that the cancellation shall be contingent upon payment to the participant of an amount equal to the difference between the value of the underlying shares (based on the transaction consideration) and the exercise or base price, in the case of in-the-money Options, or the value of each Option or SAR as determined by the Committee in its sole discretion, in the case of out-of-the-money Options.

### ***Eligibility and Participation***

Eligibility to participate in the Amended Plan is limited to employees of the company and such of its subsidiaries as may be designated from time to time by the Committee and Directors of the company. All employees (currently approximately 514 employees) are within the class eligible for selection to participate in the Amended Plan, although in fiscal 2013, approximately 138 employees received awards under the company's various stock incentive plans. The company currently has seven non-employee Directors.

### ***Awards***

The Committee may grant Awards to eligible employees and Directors. The Committee will have complete discretion, subject to the terms of the Amended Plan, to determine the persons to whom Awards will be awarded, the time or times of grant, and the other terms and conditions of the grant. The Awards may be granted with value and payment contingent upon certain Performance Measures, as discussed below.

### ***Performance Measures***

Under the Amended Plan, performance measures are one or more of the following criteria applied to one or more of the company, its divisions, and such of its subsidiaries as may be designated from time to time by the Committee (if applicable, such criteria shall not be required to be calculated in accordance with GAAP and adjusted measures may be used): (1) revenues or increase in revenues of the company and/or one or more divisions and/or subsidiaries; (2) cash flow or increase in cash flow, including without limitation cash flow from operations and free cash flow, of

the company and/or one or more divisions and/or subsidiaries; (3) earnings before interest, taxes, depreciation, and amortization ( EBITDA ) or increase in EBITDA of the company and/or one or more divisions and/or subsidiaries; (4) return on capital or increase in pretax earnings; (5) return on stockholders' equity; (6) increase in earnings per share; (7) sales of one or more of products or service offerings; (8) pretax earnings; (9) net earnings; (10) control of operating or non-operating expenses; (11) margins; and (12) market price of CryoLife's common stock. Solely with respect to Awards not intended to constitute performance-based compensation under Section 162(m) of the Code, performance measures shall also include such other factors related to the performance of the company, its divisions, or subsidiaries as shall be established by the Committee. For Awards intended to be performance-based compensation the grant of Awards and the establishment of performance measures shall be made during the period required under Section 162(m) of the Code. **Approval of the Amended Plan by our**

**stockholders shall also constitute approval of the performance measures in accordance with Section 162(m) of the Code, in order that Awards made to 162(m) Officers that are contingent upon or otherwise based on the achievement of performance measures, and that are otherwise made in compliance with the requirements of Section 162(m), shall be excluded from the \$1 million deductibility limitations of Section 162(m).**

#### *Option Exercise Price and Vesting of Awards*

The Committee will determine the exercise price with respect to each Option at the time of grant. The Option exercise price per share of common stock shall not be less than 100% of the fair market value per share of the common stock underlying the Option on the date of grant, and no Option may be repriced in violation of the repricing limitations discussed in Amendment and Termination below. For purposes of determining the Option exercise price, fair market value is defined as the closing price on the NYSE on the date of grant. The Committee may determine at the time of grant the terms under which Awards shall vest and become exercisable. However, no Award can have a term in excess of 7 years and, with certain exceptions as described in this paragraph, all awards will be subject to a minimum three-year vesting schedule, with no more than one-third of the shares subject to the Award vesting each year. The Committee may choose in its discretion to accelerate the vesting of Awards granted under the Amended Plan upon death, disability, retirement, or a change in control; provided, however, that at the time of the grant of an Award, the Committee may place restrictions on the exercisability or vesting of the Award that shall lapse, in whole or in part, only upon the attainment of Performance Measures; provided that such Performance Measures shall relate to periods of performance of at least one fiscal year, and if the Award is granted to a 162(m) Officer, the grant of the Award and the establishment of the Performance Measures shall be made during the period required under Code Section 162(m).

#### *Special Limitations on ISOs*

If the total fair market value of shares of common stock subject to ISOs that are exercisable for the first time by an employee in a given calendar year exceeds \$100,000, valued as of the grant date of the ISO, the Options for shares of common stock in excess of \$100,000 for that year will be treated as non-qualified stock options (NQOs).

#### *Stock Appreciation Rights (SARs)*

An SAR is the right to receive stock, cash, or other property equal in value to the difference between the exercise price of the SAR and the market price of the company's stock on the exercise date. SARs may be granted independently or in tandem with an Option at the time of grant of the related Option. An SAR shall confer on the grantee a right to receive an amount with respect to each share of common stock subject thereto, upon exercise thereof, equal to the excess of (i) the fair market value of one share of common stock on the date of exercise over (ii) the exercise price of the SAR (which shall be equal to 100% of the fair market value of the company's stock on the date of grant, unless a higher price is established by the Committee at the time of grant).

#### *Exercise of Options and SARs*

Options and SARs shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Committee, before or after grant. For Options, notice of exercise must be accompanied by a payment equal to the applicable Option exercise price plus all withholding taxes due, such amount to be paid in cash or by tendering shares of common stock that are acceptable to the Committee, such shares to be valued at fair market value as of the day the shares are tendered, or paid in any combination of cash and shares, as determined by the Committee.

To the extent permitted by applicable law, a participant may elect to pay the exercise price through the contemporaneous sale by a third-party broker of shares of common stock acquired upon exercise yielding net sales proceeds equal to the exercise price and any withholding tax due and the remission of those sale proceeds to the

company.

***Termination of Options and SARs***

Options and SARs shall be exercisable during such periods as may be established by the Committee. However, no Option or SAR may be exercised more than 7 years from the date of grant. To the extent not exercised by the applicable deadline, the Option or SAR will terminate.

***Restricted Stock, Restricted Stock Units, Stock Units, and Performance Shares***

Restricted Stock is common stock that the company grants subject to transfer restrictions and vesting criteria. A Restricted Stock Unit is a right to receive stock at the end of a specified period that the company grants subject to transfer restrictions and vesting criteria. A Stock Unit is a right to receive shares of stock in the future. A Performance Share is a right to receive shares of stock or stock units, which is contingent on the achievement of performance or other objectives during a specified period. The grant of these Awards under the Amended Plan will be subject to such terms, conditions, and restrictions as the Committee determines consistent with the terms of the Amended Plan.

***Transferability of Awards***

Except as otherwise provided by the Committee, Awards may not be transferred except by will or applicable laws of descent and distribution.

***Dividend and Dividend Equivalent Rights***

Subject to the requirements of Section 409A of the Code, an Award may provide the grantee with the right to receive dividend payments or dividend equivalent payments with respect to stock subject to the Award (both before and after the stock subject to the award is earned, vested, or acquired), which payments may be either made currently or credited to an account for the grantee, and may be settled in cash or stock, as determined by the Committee. Any such settlements and any such crediting of dividends or dividend equivalents may, at the time of grant, be made subject to the transfer restrictions, forfeiture risks, vesting, and conditions of the Award and subject to such other conditions, restrictions, and contingencies as the Committee shall establish at the time of grant, including the reinvestment of such credited amounts in stock equivalents, provided that all such conditions, restrictions, and contingencies shall comply with the requirements of Section 409A of the Code. In the event an Award is conditioned on the achievement of one or more Performance Measures, any dividend payments or dividend equivalent payments will only be earned, vested, or acquired to the extent the underlying stock subject to the Award is earned, vested, or acquired.

***Awards to Employees Subject to Taxation Outside of the United States***

Without amending the Plan, Awards may be granted to grantees who are foreign nationals or who are employed outside the United States or both, on such terms and conditions different from those specified in the Amended Plan as may, in the judgment of the Committee, be necessary or desirable to further the purpose of the Amended Plan. Such different terms and conditions may be reflected in addenda to the Amended Plan or in the applicable Award agreement. However, no such different terms or conditions shall be employed if such terms or conditions constitute, or in effect result in, an increase in the aggregate number of shares that may be issued under the Amended Plan or a change in the group of eligible grantees.

***Change in Control***

In the event of a specified Change in Control of the company, all outstanding Awards shall vest and become exercisable and all restrictions pertaining to such Awards shall lapse and have no further effect. Change in Control, as defined in the Amended Plan, includes certain acquisitions that, taken together with the common stock held by the acquiring person or group, constitute 50% or more of the company's total voting power of the stock of the company, certain changes in the identity of a majority of the members of the Board of Directors, certain acquisitions in which the acquiring person or group acquires ownership of CryoLife stock possessing 30% or more of the total voting power of the company, and certain acquisitions of company assets that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the company prior to the acquisition. In the event that the employment of a participant who is an employee of the company or any of its defined subsidiaries is terminated by the company during the six-month period following a Change in Control all of such participant's

outstanding Options and SARs may thereafter be exercised by the participant, to the extent that such Options and SARs were exercisable as of the date of such termination of employment, for (i) a period of six months from such date of termination or (ii) until expiration of the stated term of such Option or SAR, whichever period is shorter.

### ***Tax Withholding***

Issuance of shares under the Amended Plan is subject to withholding of all applicable taxes, and the Committee may condition the delivery of any shares or other benefits under the Amended Plan on satisfaction of the applicable withholding obligations, subject to such requirements as the Committee may impose prior to the occurrence of such withholding and only to the extent of the minimum amount required to be withheld under applicable law. The Committee, in its discretion, may permit such withholding obligations to be satisfied through cash payment by the participant, through the surrender of shares of common stock which the participant already owns, or through the surrender of shares of common stock to which the participant is otherwise entitled under the Plan. Upon the vesting of shares of restricted stock, participants may currently choose to surrender a portion of their shares of restricted stock to the company in order to satisfy their tax withholding obligations.

### ***Term of the Amended Plan***

Unless earlier terminated by the Board of Directors, the Amended Plan will terminate on May 22, 2021. No Awards may be granted under the Amended Plan subsequent to that date, but Awards granted prior to the Amended Plan's termination shall continue to be exercisable and vest in accordance with their terms.

### ***Amendment and Termination***

The Board may, at any time, amend or terminate the Amended Plan, except that the following actions may not be taken without stockholder approval: (i) any increase in the number of shares that may be issued under the Amended Plan (except by certain adjustments provided for under the Amended Plan); (ii) any change in the class of persons eligible to receive Awards under the Amended Plan; (iii) any change in the requirements of the Amended Plan regarding the exercise price of Options or SARs; (iv) any repricing or cancellation and regrant of any Option or, if applicable, other Award at a lower exercise, base or purchase price, whether in the form of an amendment, cancellation, or replacement grant, or a cash-out of underwater Options or any action that provides for Awards that contain a so-called "reload" feature under which additional Options or other Awards are granted automatically to the grantee upon exercise of the original Option or Award; or (v) any other amendment to the Amended Plan that would require approval of the company's stockholders under applicable law, regulation, rule, or stock exchange listing requirement.

### ***Federal Income Tax Consequences***

The following discussion addresses certain anticipated United States federal income tax and certain employment tax consequences to the company and to recipients of awards made under the Amended Plan who are citizens or residents of the United States for federal income tax purposes. It is based on the Code and interpretations thereof as in effect on the date of this proxy statement. This summary is not intended to be exhaustive and, among other things, does not describe state, local, or foreign tax consequences. Moreover, it is not intended as tax advice to any individual.

### ***IRS Circular 230 Notice***

To ensure compliance with requirements imposed by the Internal Revenue Service, you are hereby notified that any discussion of tax matters set forth in this prospectus was written in connection with the promotion or marketing (within the meaning of IRS Circular 230) of awards made under the Amended Plan, and was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding any tax-related penalties under federal law. Each recipient of an award under the Amended Plan should seek advice based on his or her particular circumstances from an independent tax advisor.

### ***Summary of Current Federal Income Tax Rates for Individuals***

Ordinary income of individuals, such as compensation income, is currently taxed at a top marginal rate of 39.6%. In addition, for capital assets sold the maximum long-term capital gains rate for individuals is currently 20%. The maximum federal income tax rate for qualifying dividends received by individuals is currently 20%.



### *Options*

Grant of Options. There will be no federal income tax consequences to the grantee of an Option or the company upon the grant of either an ISO or an NQO under the Amended Plan.

Exercise of NQOs. Upon the exercise of an NQO, the grantee generally will recognize ordinary compensation income, subject to withholding and employment taxes, in an amount equal to: (a) the fair market value, on the date of exercise, of the acquired shares of common stock, less (b) the exercise price paid for those shares. In general, as long as the company satisfies the applicable reporting requirements, the company will be entitled to a tax deduction equal to the compensation income recognized by the grantee. Gains or losses recognized by the grantee upon a subsequent disposition of the shares will be treated as long-term capital gain or loss if the shares are held for more than a year from the date of exercise. Such gains or losses will be short-term gains or losses if the shares are held for one year or less. For purposes of computing gain or loss, the grantee's basis in the shares received will be the exercise price paid for the shares plus the amount of compensation income, if any, recognized upon exercise of the Option.

Exercise of ISOs. Upon the exercise of an ISO, the grantee will recognize no immediate taxable income for regular income tax purposes, provided the grantee was continuously employed by the company or a subsidiary from the date of grant through the date which is three months prior to the date of exercise (or through the date which is one year prior to the exercise date in the case of termination of employment as a result of total disability). If an Option originally designated as an ISO is exercised after the relevant employment period described above, the exercise of the Option will be treated as the exercise of an NQO for income tax purposes, and compensation income will be recognized by the optionee and the company will be entitled to a deduction in accordance with the rules discussed above concerning NQOs.

The exercise of an ISO will, however, result in an adjustment for alternative minimum tax purposes in an amount equal to the excess of the fair market value of the shares at exercise over the exercise price. That adjustment may result in alternative minimum tax liability to the grantee upon the exercise of the ISO. Subject to certain limitations, alternative minimum tax paid in one year may be carried forward and credited against regular federal income tax liability for subsequent years.

If the grantee retains the shares acquired upon the exercise of the ISO for more than two years from the date of grant and one year from the date of exercise, any gain or loss on a later sale of the shares will be treated as a long-term capital gain or loss, and the company will not be entitled to any tax deduction with respect to the ISO.

If the grantee disposes of the shares of common stock received upon the exercise of an ISO before the expiration of the two-year and one-year holding periods discussed above, a Disqualifying Disposition occurs. In that event, the grantee will have ordinary compensation income, subject to employment taxes, and the company will be entitled to a corresponding deduction at the time of the Disqualifying Disposition. The amount of ordinary income and deduction generally will be equal to the lesser of: (a) the fair market value of the shares of common stock on the date of exercise minus the exercise price; or (b) the amount realized upon disposition of the common stock minus the exercise price. If the amount realized in the Disqualifying Disposition exceeds the value of the shares on the date of exercise, that additional amount will be taxable as either a long-term or short-term capital gain depending on how long the shares were held by the grantee following exercise of the Option. To be entitled to a deduction as a result of a Disqualifying Disposition, the company must satisfy applicable reporting requirements.

### *Stock Appreciation Rights*

Grant of SARs. There will be no federal income tax consequences to either the grantee or the company upon the grant of an SAR.

Exercise of SARs. The grantee generally will recognize ordinary compensation income upon the exercise of an SAR in an amount equal to the aggregate amount of cash and the fair market value of any shares of common stock received upon exercise. Subject to the company satisfying applicable reporting requirements with respect to shares issued upon exercise, the company will be entitled to a deduction equal to the amount includible in the grantee's income as compensation income as a result of the exercise of the SAR. Any shares of common stock received by the grantee upon the exercise of an SAR will have a tax basis equal to the fair market value of the common stock on the date of exercise. Upon a subsequent sale of those shares, any gain or loss realized by the grantee will be long-term or short-term capital gain or loss, depending upon whether the shares were held for more than one year from the date of exercise.

*Restricted Stock, Restricted Stock Units and Performance Shares*

**Restricted Stock.** A recipient of Restricted Stock generally does not recognize income and the company generally is not entitled to a deduction at the time of grant. Instead, the recipient recognizes compensation income and the company is generally entitled to a deduction on the date on which vesting occurs ( Vesting Date ). The amount of income recognized and the amount of the company's deduction will equal the fair market value of the vested stock on the Vesting Date. However, the recipient may make an election under Section 83(b) of the Code (a Section 83(b) Election ) to include in income the fair market value of Restricted Stock at the time of grant. If a Section 83(b) Election is made, the company's deduction will equal the fair market value of the Restricted Stock at the time of grant. If the grantee makes a Section 83(b) Election and later forfeits the shares the grantee will not be entitled to a deduction for the amount of compensation previously included in income; however, the grantee may recognize a capital loss as a result of the forfeiture.

**Restricted Stock Units.** A recipient of a Restricted Stock Unit generally does not recognize income and the company is not entitled to a deduction at the time of grant. Instead, the recipient recognizes compensation income at the time payment for the Restricted Stock Units is received by the recipient. The amount of compensation income recognized by the recipient will equal the fair market value of any shares of company common stock received at the time payment for the Restricted Stock Units is received by the recipient. Subject to the company satisfying applicable reporting requirements, the company generally will be entitled to a deduction equal to the amount included in the recipient's income at the time payment for the Restricted Stock Units is received by the recipient. The grantee is not entitled to make a Section 83(b) Election with respect to Restricted Stock Units.

**Performance Shares.** A recipient of Performance Shares generally does not recognize income and the company is not entitled to a deduction at the time of grant. Instead, the recipient recognizes compensation income on the date on which vesting occurs. The amount of income recognized and the amount of the company's deduction will equal the fair market value of the vested Performance Shares on the Vesting Date. The grantee is not entitled to make a Section 83(b) Election with respect to Performance Shares.

**Dividends or Dividend Equivalent Amounts.** Any dividends on Restricted Stock, or dividend equivalent amounts with respect to Restricted Stock Units, paid to the recipient prior to the Vesting Date for Restricted Stock or the time of payment for Restricted Stock Units will be includible in the recipient's income as compensation income and deductible as such by the company. If the recipient makes a Section 83(b) Election with respect to restricted stock any dividends received by the recipient will be taxed as a dividend to the recipient and the company will not be entitled to a deduction.

*Section 162(m) Limitation*

In general, Section 162(m) of the Code limits to \$1 million the federal income tax deduction that may be claimed in any tax year of the company with respect to certain compensation payable to any employee who is the chief executive officer or one of the other three highest paid executive officers of the company, other than the chief financial officer, on the last day of that tax year. This limit does not apply to performance-based compensation paid under a plan that meets the requirements of Section 162(m) of the Code and the regulations promulgated thereunder. The company believes that the Options to be granted under the Plan will qualify for the performance-based compensation exception to the Section 162(m) limitations under current law because Options will be issued only if stockholder approval is obtained, and any taxable compensation will be based solely on an increase in value of the stock after the date of grant of the Option since the Option exercise price will be no less than the fair market value of the company common stock on the date of grant. Compensation from Restricted Stock, Restricted Stock Units, Other Cash-Based Awards and other Stock-Based Awards generally will be performance-based compensation only if the vesting conditions as established by the Committee are based upon the Performance Measures.

*Golden Parachute Tax and Section 280G of the Internal Revenue Code*

The Plan provides for immediate vesting of all then outstanding unvested Awards upon a Change in Control. If the vesting of the Award is accelerated as the result of a Change in Control, all or a portion of the value of the Award at that time might be a parachute payment under Section 280G of the Code for certain employees of the company. Section 280G generally provides that if compensation received by the grantee that is contingent on a Change in Control equals or exceeds three times the grantee's average annual compensation for the five taxable years preceding the Change in Control (a parachute payment), the company will not be entitled to a deduction, and the recipient will be subject to a 20% excise tax with respect to that portion of the parachute payment in excess of the grantee's average annual compensation. Section 280G of the Code generally applies to employees or other individuals who perform services for the company if, within the 12-month period preceding the Change in Control, the individual is an officer of

the company, a stockholder owning more than 1% of the stock of the company, or a member of the group consisting of the lesser of the highest paid 1% of the employees of the company or the highest paid 250 employees of the company.

#### *Deferred Compensation*

Awards made under the Amended Plan, including Awards granted under the Amended Plan that are considered to be deferred compensation for purposes of Section 409A of the Code, must satisfy the requirements of Code Section 409A to avoid adverse tax consequences to recipients, which could include the inclusion of amounts not payable currently in income and interest and an additional tax on any amount included in income. The company intends to structure any Awards under the Plan such that the requirements under Section 409A of the Code are either satisfied or are not applicable to such Awards.

The discussion set forth above is intended only as a summary and does not purport to be a complete enumeration or analysis of all potential tax effects relevant to recipients of awards under the Amended Plan. We have not undertaken to discuss the tax treatment of Awards under the Amended Plan in connection with a merger, consolidation, or similar transaction. Such treatment will depend on the terms of the transaction and the method of dealing with the Awards in connection therewith.

#### *Certain Interests of Directors*

In considering the recommendation of the Board of Directors with respect to the Amended Plan, stockholders should be aware that members of the Board of Directors may from time to time have interests that present them with conflicts of interest in connection with the proposal to approve the Amended Plan. Specifically, the Amended Plan allows for grants to Directors, including members of the Compensation Committee. The Board of Directors believes that approval of the Amended Plan will advance the interests of the company and its stockholders by encouraging employees and Directors to make significant contributions to the long-term success of the company.

#### *New Plan Benefits*

As of March 19, 2014, 2,598,322 shares had been issued or are subject to outstanding awards under the Current Plan. Because of the discretionary nature of any future awards under the Amended Plan, the amount of such Awards is not determinable at this time with respect to the company's Directors, executive officers, including the named executive officers, and the company's other employees. Information regarding options and restricted stock granted in fiscal 2013 to certain executive officers of the company under the company's existing plans is set forth in the table captioned *Grants of Plan-Based Awards*, and information regarding outstanding options and restricted stock under those plans is set forth in the table captioned *Outstanding Equity Awards at December 31, 2013*. Information regarding restricted stock granted in fiscal 2013 to the company's non-employee Directors pursuant to the Current Plan is set forth under *Fiscal 2013 Director Compensation*. It is anticipated that 2014 awards of restricted stock will be issued to non-employee Directors from the Current Plan, as well.

The following table provides the number of stock options that have been granted pursuant to the Current Plan to each of the persons or categories of persons noted:

<b>Grantee</b>	<b>Number of Options, Warrants, or Rights Under Amended Plan (#)</b>
Steven G. Anderson	208,332
Chairman of the Board, President, and Chief Executive Officer	
D. Ashley Lee	96,558
Executive Vice President, Chief Operating Officer, and Chief Financial Officer	
Jeffrey W. Burris	102,331
Vice President and General Counsel	
David M. Fronk	102,331
Vice President, Regulatory Affairs and Quality Assurance	
Scott B. Capps	76,332
Vice President, Clinical Research	
All current executive officers, as a group	710,882

All current non-executive officer Directors, as a group	N/A
Nominees for election as Director	N/A
Associates of Directors, executive officers, or nominees for Director:	65,332
Bruce Anderson, Vice President, U.S. Sales and Marketing	
Recipients of at least 5% of options, warrants, or rights under the plan	N/A
All employees who are not executive officers, as a group	549,259

**Securities Authorized for Issuance Under Equity Compensation Plans**

The following table provides information as of December 31, 2013, with respect to shares of CryoLife common stock that may be issued under existing equity compensation plans:

Plan category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights <sup>(1)</sup>		Weighted Average Exercise Price of Outstanding Warrants, Options, and Rights <sup>(2)</sup>	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)	(c)
Equity compensation plans approved by stockholders	2,239,200	\$ 6.86	2,863,114	
Equity compensation plans not approved by stockholders				
Total	2,239,200	\$ 6.86	2,863,114	

<sup>(1)</sup> Amounts in column (a) include (i) 2012 performance stock units and 2011-2013 restricted stock units that, as of December 31, 2013, had not vested; and (ii) 2013 performance stock units that, as of December 31, 2013, had not

yet been earned. 2013 performance stock units are included at maximum payout levels.

(2) Amounts in column (b) do not take into account the awards described in footnote (1).



*Required Vote*

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 is required to approve this proposal. Accordingly, abstentions will have the effect of a vote against this proposal and broker non-votes will have no effect.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE CRYOLIFE, INC. SECOND AMENDED AND RESTATED 2009 STOCK INCENTIVE PLAN.**

**PROXY ITEM #4****RATIFICATION OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****General Information**

The Audit Committee of the Board of Directors has appointed Ernst & Young LLP ( Ernst & Young ) as independent registered public accounting firm for the fiscal year ending December 31, 2014, pending ratification by the company's stockholders. Representatives of Ernst & Young are expected to attend the 2014 Annual Meeting, and representatives of the firm will have the opportunity to make a statement at the meeting if they desire to do so and will be available to respond to appropriate questions.

The submission of the appointment of Ernst & Young for ratification by stockholders is not legally required; however, the Board of Directors believes that such submission is consistent with best practices in corporate governance and is an opportunity for stockholders to provide direct feedback to the Board of Directors on an important issue of corporate governance. If the stockholders do not ratify the appointment of Ernst & Young, the selection of such firm as the independent registered public accounting firm for the company will be reconsidered by the Audit Committee, provided that the committee retains sole authority with respect to all decisions regarding the engagement of the company's independent registered public accounting firm, including the decision as to whether or not the 2014 appointment will stand, regardless of whether the stockholders vote to ratify the appointment.

In February 2013, in connection with its appointment of Ernst & Young, the Audit Committee dismissed Deloitte & Touche LLP ( Deloitte & Touche ) as its principal independent registered public accounting firm. Deloitte & Touche served as the company's independent registered public accounting firm for the audit of our financial statements for fiscal year 2012. The company initially engaged Deloitte & Touche as its independent registered public accounting firm in 2002.

The reports on CryoLife's financial statements by Deloitte & Touche for fiscal year 2012 and any subsequent interim period did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles. Also, there were no disagreements with Deloitte & Touche on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure during this time that, if not resolved to the satisfaction of Deloitte & Touche, would have caused Deloitte & Touche to make a reference to the subject matter of any such disagreement in connection with its report on CryoLife's financial statements.

**Fees Paid To the Independent Registered Public Accounting Firms for Fiscal 2012 and Fiscal 2013**

The following table presents fees for professional audit services rendered by Deloitte & Touche for the audit of the company's annual financial statements for the fiscal year ending December 31, 2012, and by Ernst & Young for the fiscal year ending 2013, and fees, if any, for other services rendered by Deloitte & Touche and Ernst & Young during those periods.

	<b>2013</b>	<b>2012</b>
Audit fees <sup>(1)</sup>	\$ 529,000	\$ 696,000
Audit-related fees <sup>(2)</sup>	\$ 25,000	--
Tax fees	--	--
All other fees	\$ 26,000	--
Total	\$ 580,000	\$ 696,000

- (1) Audit fees include work performed for the audit of our annual consolidated financial statements, the review of financial statements included in our quarterly Form 10-Q reports, the audit of internal control over financial reporting, and the services that an independent auditor would customarily provide in connection with statutory requirements, regulatory filings, and similar engagements for the fiscal year, such as comfort letters, attest services, consents, and assistance with review of documents filed with the SEC.
  
- (2) Audit-related fees reflect work performed by Deloitte & Touche that was related to the change in independent registered public accounting firm.

The company's Audit Committee approved all of the services described above. The Audit Committee has determined that the payments made to Deloitte & Touche and Ernst & Young for these services are compatible with maintaining such firms' independence.

**Audit Committee's Pre-approval Policies and Procedures**

The Audit Committee has the sole authority to appoint or replace, compensate, and oversee the work of any independent registered public accounting firm, who must be, when required, a registered firm as defined by law whose purpose is the preparation or issuance of an audit report or related work. The independent registered public accounting firm's reports and other communications are to be delivered directly to the Audit Committee, and the Audit Committee is responsible for the resolution of disagreements between management and the independent registered public accounting firm regarding financial reporting.

The Audit Committee pre-approves all audit and non-audit services performed by the independent registered public accounting firm and all engagement fees and terms in connection therewith, except as otherwise permitted by federal law and regulations. To date, no services have been approved by the audit committee pursuant to 17 CFR 210.2-01(c)(7)(i)(C), which provides a limited exception to the requirement that services be approved in advance by the Audit Committee if certain conditions are met.

**Required Vote**

The votes cast for this proposal must exceed the votes cast against it in order for it to be approved. Accordingly, abstentions and broker non-votes will not be relevant to the outcome.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

## HOUSEHOLDING

Stockholders who share the same last name and address may receive only one copy of our annual report and proxy statement, unless we receive contrary instructions from any stockholder at that address. This is referred to as householding. If you prefer to receive multiple copies of the annual report and proxy statement at the same address, additional copies will be provided to you promptly upon written or oral request, and if you are receiving multiple copies of the annual report and proxy statement, you may request that you receive only one copy. All communications should be directed to Suzanne K. Gabbert, Corporate Secretary, CryoLife, Inc., 1655 Roberts Boulevard, NW, Kennesaw, Georgia 30144, (770) 419-3355.

If you are a beneficial owner, you can request additional copies of the annual report and proxy statement or you can request householding by notifying your broker, bank, or nominee.

## TRANSACTION OF OTHER BUSINESS

As of the date of this proxy statement, the Board is not aware of any matters other than those set forth herein and in the Notice of Annual Meeting of Stockholders that will come before the meeting. Should any other matters arise requiring the vote of stockholders, it is intended that proxies will be voted in respect thereto in accordance with the best judgment of the person or persons voting the proxies.

## STOCKHOLDER PROPOSALS

Appropriate proposals of stockholders intended to be presented at CryoLife's 2015 Annual Meeting of Stockholders pursuant to Rule 14a-8 promulgated under the Securities Exchange Act of 1934 must be received by CryoLife by December 9, 2014, for inclusion in its proxy statement and form of proxy relating to that meeting. In addition, all stockholder proposals submitted outside of the stockholder proposal rules promulgated pursuant to Rule 14a-8 under the Exchange Act, including nominations of Director candidates, must be received by CryoLife by no later than February 20, 2015 but no earlier than January 21, 2015, in order to be considered timely. If such stockholder proposals are not timely received, proxy holders will have discretionary voting authority with regard to any such stockholder proposals that may come before the 2015 Annual Meeting of Stockholders. If the month and day of the next annual meeting is advanced or delayed by more than 30 calendar days from the month and day of the annual meeting to which this proxy statement relates, CryoLife shall, in a timely manner, inform its stockholders of the change, and the date by which proposals of stockholders must be received.

**Upon the written request of any record or beneficial owner of common stock of CryoLife whose proxy was solicited in connection with the 2014 Annual Meeting of Stockholders, CryoLife will furnish such owner, without charge, a copy of its Annual Report on Form 10-K without exhibits for its fiscal year ended December 31, 2013. Requests for a copy of such Annual Report on Form 10-K should be addressed to Suzanne K. Gabbert, Corporate Secretary, CryoLife, Inc., 1655 Roberts Boulevard, NW, Kennesaw, Georgia 30144.**

**It is important that proxies be returned promptly. Stockholders who do not expect to attend the meeting in person are urged to sign, complete, date, and return the proxy card in the enclosed envelope, to which no postage need be affixed, or vote by telephone or internet as directed on the enclosed proxy card.**

By Order of the Board of Directors:

STEVEN G. ANDERSON

Chairman of the Board, President, and

Chief Executive Officer

Date: April 8, 2014

## APPENDIX A

### NON-GAAP FINANCIAL MEASURE INFORMATION

Set forth below in this Appendix A is important information about the following non-GAAP financial measures discussed in this proxy statement:

Adjusted revenues

Adjusted net income

Adjusted EBITDA

Although the company believes that these measures are useful tools, no single financial measure provides all of the information that is necessary to gain a complete understanding of the company's performance, condition, and liquidity. Therefore these numbers are intended to be, and should be, evaluated in the context of the full information provided in the company's annual reports on Form 10-K, including the financial statements presented in accordance with GAAP, the footnotes thereto, and the accompanying management's discussion and analysis, as well as the company's other filings with the SEC. The company's annual report for fiscal 2013, which includes the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, accompanies this proxy statement.

#### **Adjusted Revenues and Adjusted Net Income**

As discussed in this proxy statement, annual bonuses paid to executives under the company's short-term incentive plan are partially conditioned upon the achievement of pre-determined levels of adjusted revenues and adjusted net income. The use of these non-GAAP, adjusted performance measures in the short-term incentive plan was intended to create a stronger performance incentive by focusing on controllable variables within the core business and to minimize unintended consequences by excluding items that were highly variable or difficult to predict during the goal-setting process. The company has disclosed in this proxy statement the actual 2013 performance results using these non-GAAP measures so that investors may see the extent to which the goals were achieved. The company believes disclosing this information is useful because it helps explain how challenging the company's annual bonus targets are over time.

Adjusted revenues for 2013 were calculated as revenues from:

Cardiac and vascular allograft tissue processing

BioGlue, BioFoam<sup>®</sup>, and related product sales

PerClot<sup>®</sup> sales

Revascularization technologies revenues

HeRO Graft sales

In defining adjusted revenues, the committee considers its potential revenue sources and includes those most closely related to CryoLife's ongoing operations and excludes those that are expected to be discontinued or deemphasized. For 2013, this analysis resulted in the addition of sales of HeRO Graft products.

Adjusted net income for 2013 was calculated as net income exclusive of:

Interest expense and income

Stock compensation expense, other than stock compensation expense related to the bonus plan

Research and development expense, excluding salaries and related expenses

Other income and expense

Income taxes

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Grant revenue

Charges related to acquisitions, licenses, business development, integration costs, and litigation costs  
With respect to adjusted net income, the committee considers and generally excludes items over which management has little or no control or which are volatile or difficult to predict. For 2013, this analysis resulted in no changes from the items excluded for 2012.

The tables below provide reconciliations of 2013 adjusted revenues and adjusted net income to 2013 revenues and net income under GAAP:

*2013 Adjusted Revenues Reconciliation (In Thousands)*

<b>2013 Adjusted Revenues</b>	<b>\$140,692</b>
Grant revenue	71
<b>2013 GAAP Revenues</b>	<b>\$140,763</b>

*2013 Adjusted Net Income (in Thousands)*

<b>2013 Adjusted Net Income</b>	<b>\$22,782</b>
Interest income	4
Interest expense	(71)
Other than temporary investment impairment	(3,229)
Stock compensation expense, excluding stock compensation expense related to the bonus program itself	(3,240)
Research and development expense, excluding that portion pertaining to salaries and related expenses	(4,168)
Other income, net	26
Income tax expense, net	(7,120)
Grant revenues	71
Charges related to acquisitions, licenses, business development or integration and litigation costs	(1,625)
Gain on sale of Medafor investment	12,742
<b>2013 GAAP Net Income</b>	<b>\$16,172</b>

**Adjusted EBITDA**

As discussed in this proxy statement, annual grants of performance stock units to executives are conditioned upon the company's achievement of pre-determined levels of adjusted EBITDA. The use of this non GAAP adjusted performance measure was intended to create a stronger performance incentive by focusing on controllable variables within the core business and to minimize unintended consequences by excluding items that were highly variable or difficult to predict during the goal-setting process.

Adjusted EBITDA is calculated as net income before interest, taxes, depreciation and amortization, as further adjusted by:

removing the impact of the following:

- i stock-based compensation
- i research and development expenses (excluding salaries and related expense)
- i grant revenue
- i litigation expense or income
- i acquisition, license, and other business development expense
- i integration costs (including any litigation costs or income related to assumed litigation)
- i other income or expense

including the impact of the change in balances of deferred preservation costs, inventory, and trade receivables on the company's balance sheets

The table below provides a reconciliation of 2013 adjusted EBITDA to 2013 net income under GAAP:

*2013 Adjusted EBITDA Reconciliation (In Thousands)*

<b>2013 Adjusted EBITDA</b>	<b>\$28,171</b>
Change in deferred preservation costs	(657)
Change in inventory	(786)
Change in trade receivables	1,897
Amortization expense	(2,006)
Depreciation expense	(3,837)
Other than temporary investment impairment	(3,229)
Other income, net	26
Interest income	4
Interest expense	(71)
Income tax expense, net	(7,120)
Charges related to acquisitions, licenses, business development or integration and litigation costs	(1,625)
Grant revenues	71
Research and development expense, excluding that portion pertaining to salaries and related expenses	(4,168)
	(3,240)

Stock compensation expense, excluding stock compensation expense related to the bonus program itself	12,742
Gain on sale of Medafor investment	
<b>2013 GAAP Net Income</b>	<b>\$16,172</b>

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## APPENDIX B

### CRYOLIFE, INC.

#### SECOND AMENDED AND RESTATED 2009 STOCK INCENTIVE PLAN

##### SECTION 1

###### GENERAL

1.1 Purpose. The CryoLife, Inc. Second Amended and Restated 2009 Stock Incentive Plan (the Plan) has been established by CryoLife, Inc. (the Company) to (i) attract and retain persons eligible to participate in the Plan; (ii) motivate Participants (as defined in Section 1.2 below), by means of appropriate incentives, to achieve long-range goals; (iii) provide equity compensation to Directors of the Company; (iv) provide incentive compensation opportunities to employee Participants that are competitive with those of other similar companies; and (v) further identify Participants' interests with those of the Company's stockholders through compensation that is based on the Company's common stock; and thereby promote the long-term financial interests of the Company and its Subsidiaries, as defined in Section 9(g), including the growth in value of the Company's equity and enhancement of long-term stockholder return. Pursuant to the Plan, Participants may receive Options, SARs, or Other Stock Awards, each as defined herein (collectively referred to as Awards). The Plan is designed so that Awards granted hereunder intended to comply with the requirements for performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), may comply with such requirements, and the Plan and such Awards shall be interpreted in a manner consistent with such requirements.

1.2 Participation. Subject to the terms and conditions of the Plan, the Committee (as defined in Section 6) shall determine and designate, from time to time, from among the Eligible Grantees, as defined in Section 9(e), those persons who will be granted one or more Awards under the Plan, and thereby become Participants in the Plan. In the discretion of the Committee, a Participant may be granted any Award permitted under the provisions of the Plan, and more than one Award may be granted to a Participant. Subject to the provisions of Section 6.2(e), Awards may be granted as alternatives to or replacement of awards outstanding under the Plan, or any other plan or arrangement of the Company or a Subsidiary (including a plan or arrangement of a business or entity, all or a portion of which is acquired by the Company or a Subsidiary).

1.3 Operation, Administration, and Definitions. The operation and administration of the Plan, including the Awards made under the Plan, shall be subject to the provisions of Section 5 (relating to operation and administration). Capitalized terms in the Plan shall be defined as set forth in the Plan (including the definition provisions of Section 9 of the Plan).

##### SECTION 2

###### OPTIONS AND SARs

###### 2.1 Definitions.

(a) The grant of an Option entitles the Participant to purchase shares of Stock at an Exercise Price established by the Committee. Options granted under this Section 2 may either be Incentive Stock Options (ISOs) or Non-Qualified Options (NQOs), as determined in the discretion of the Committee. An ISO is an Option that is intended to satisfy the requirements applicable to an incentive stock option described in Section 422(b) of the Code. An NQO is an Option that is not intended to be an incentive stock option as that term is described in Section 422(b) of the Code.

(b) A stock appreciation right (a SAR ) entitles the Participant to receive, in cash or Stock (as determined in accordance with Subsection 2.5), value equal to (or otherwise based on) the excess of: (a) the Fair Market Value (as defined in Section 9) of a specified number of shares of Stock at the time of exercise; over (b) an Exercise Price established by the Committee.

2.2 Exercise Price. The Exercise Price of each Option and SAR granted under this Section 2 shall be not less than 100% of the Fair Market Value of a share of Stock on the date of grant of the Award. Unless a higher price is established by the Committee or determined by a method established by the Committee at the time the Option or SAR is granted, the Exercise Price for each Option and SAR shall be equal to 100% of the Fair Market Value on the date of grant of the Award.

2.3 Exercise. An Option and an SAR shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Committee, before or after grant.

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2.4 Payment of Option Exercise Price. The payment of the Exercise Price of an Option granted under this Section 2 shall be subject to the following:

- (a) Subject to the following provisions of this Subsection 2.4, the full Exercise Price for shares of Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in paragraph 2.4(c), payment may be made as soon as practicable after the exercise).
- (b) The Exercise Price shall be payable in cash or by tendering (by actual delivery of shares) unrestricted shares of Stock that are acceptable to the Committee, valued at Fair Market Value as of the day the shares are tendered, or in any combination of cash or shares, as determined by the Committee.
- (c) To the extent permitted by applicable law, a Participant may elect to pay the Exercise Price upon the exercise of an Option by irrevocably authorizing a third party to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise.

2.5 Settlement of Award. Shares of Stock delivered pursuant to the exercise of an Option or an SAR shall be subject to such conditions, restrictions and contingencies as the Committee may establish in the applicable Award Agreement. Settlement of SARs may be made in shares of Stock (valued at their Fair Market Value at the time of exercise), in cash, or in a combination thereof, as determined in the discretion of the Committee. The Committee, in its discretion, may impose such conditions, restrictions and contingencies with respect to shares of Stock acquired pursuant to the exercise of an Option or an SAR as the Committee determines to be desirable.

2.6 Restrictions on Options and SAR Awards. Each Option and SAR shall be subject to the following:

- (a) The term of any Option or SAR granted under the Plan shall not exceed seven years from the date of grant.
- (b) Any such Award shall be subject to such conditions, restrictions and contingencies as the Committee shall determine.
- (c) The Committee may designate whether any such Awards being granted to any Participant are intended to be performance-based compensation as that term is used in Section 162(m) of the Code. Any such Awards designated as intended to be performance-based compensation shall be conditioned on the achievement of one or more Performance Measures. The Performance Measures that may be used by the Committee for such Awards shall be based on any one or more of the following, which shall not be required to be calculated in accordance with GAAP and which may be adjusted measures, as selected by the Committee: revenues or increase in revenues of the Company and/or one or more divisions and/or subsidiaries, cash flow or increase in cash flow, including without limitation cash flow from operations and free cash flow, of the Company and/or one or more divisions and/or subsidiaries, earnings before interest, taxes, depreciation and amortization ( EBITDA ) or increase in EBITDA of the Company and/or one or more divisions and/or subsidiaries, return on capital or increase in pretax earnings of the Company and/or one or more divisions and/or subsidiaries, return on stockholders' equity of the Company, increase in earnings per share of the Company, sales of the Company and/or one or more products or service offerings, divisions and/or subsidiaries, pretax earnings of the Company and/or one or more divisions and/or subsidiaries, net earnings of the Company and/or one or more divisions and/or subsidiaries, control of operating and/or non-operating expenses of the Company and/or one or more divisions and/or subsidiaries, margins of the Company and/or one or more divisions and/or subsidiaries, market price of the Company's securities, and, solely for an Award not intended to constitute performance-based compensation under Section 162(m) of the Code, other factors directly tied to the performance of the Company and/or one or more divisions and/or subsidiaries or other performance criteria. For Awards intended to be performance-based compensation, the grant of the Awards and the establishment of the Performance Measures shall be made during the

period required under Code Section 162(m).

SECTION 3

OTHER STOCK AWARDS

3.1 Definitions. The term Other Stock Awards means any of the following:

- (a) A Stock Unit Award is the grant of a right to receive shares of Stock in the future.

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(b) A Performance Share Award is a grant of a right to receive shares of Stock or Stock Units, which is contingent on the achievement of performance or other objectives during a specified period.

(c) A Restricted Stock Award is a grant of shares of Stock, and a Restricted Stock Unit Award is the grant of a right to receive shares of Stock in the future, with such shares of Stock or right to future delivery of such shares of Stock subject to a risk of forfeiture or other restrictions that will lapse upon the achievement of one or more goals relating to completion of service by the Participant, or achievement of performance or other objectives, as determined by the Committee.

3.2 Restrictions on Other Stock Awards. Each Stock Unit Award, Restricted Stock Award, Restricted Stock Unit Award and Performance Share Award shall be subject to the following:

(a) Any such Award shall be subject to such conditions, restrictions and contingencies as the Committee shall determine.

(b) The Committee may designate whether any such Awards being granted to any Participant are intended to be performance-based compensation as that term is used in Section 162(m) of the Code. Any such Awards designated as intended to be performance-based compensation shall be conditioned on the achievement of one or more Performance Measures.

## SECTION 4

### STOCK SUBJECT TO THE PLAN

4.1 Awards Subject to Plan. Awards granted under the Plan shall be subject to the following:

(a) Subject to the following provisions of this Subsection 4.1, the maximum number of shares of Stock that may be delivered to Participants and their beneficiaries under the Plan shall be 7.1 million shares of Stock. This amount includes 2 million shares that were authorized in May 2009, an additional 2.1 million shares that were authorized in May 2012, and an additional 3 million shares authorized in May 2014. Shares of Stock issuable hereunder may, in whole or in part, be authorized but unissued shares or shares of Stock that shall have been or may be reacquired by the Company in the open market, in private transactions or otherwise. Notwithstanding the foregoing, with respect to SARs that are settled in Stock, the aggregate number of shares of Stock subject to the SAR grant shall be counted against the shares available for issuance under the Plan as one share for every share subject thereto, regardless of the number of shares used to settle the SAR upon exercise.

(b) Subject to adjustment in accordance with Subsections 4.2 and 4.3, the following additional maximums are imposed under the Plan:

(i) Subject to the proviso contained in this paragraph, the maximum number of shares of Stock that may be issued in conjunction with Other Stock Awards granted pursuant to Section 3 shall be up to 500,000 shares; provided, however, that for every share of Stock in excess of 500,000 awarded hereunder in respect of Other Stock Awards, the maximum number of shares reserved for grant hereunder shall be reduced by 1.5 shares.

(ii) The maximum number of shares of Stock that may be covered by Awards granted to any one individual pursuant to Section 2 (relating to Options and SARs) shall be 400,000 during any fiscal year and the maximum number of shares of Stock that may be covered by Other Stock Awards granted to any one individual pursuant to Section 3 shall be 250,000 during any fiscal year; and



(c) To the extent any shares of Stock covered by an Award are not delivered to a Participant or beneficiary because the Award is forfeited or canceled, or the shares of Stock are not delivered because the Award is settled in cash, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan. To the extent that shares of Stock subject to Other Stock Awards, and the issuance of which reduced the maximum number of shares authorized for issuance under the Plan by 1.5 shares, are forfeited or cancelled, or if such an Award terminates or expires without a distribution of shares to the Participant, the number of shares of Stock remaining for Award grants hereunder shall be increased by 1.5 for each share forfeited, cancelled or otherwise not delivered. Shares of Stock shall not again be available if such shares are surrendered or withheld as payment of either the exercise price of an Award and/ or withholding taxes in respect of an Award. Awards that are settled solely in cash shall not reduce the number of shares of Stock available for Awards. Upon the exercise of any Award granted in tandem with any other Award, such related Awards shall be cancelled to the extent of the number of shares of Stock as to which the Award is exercised and, notwithstanding the foregoing, such number of shares shall no longer be available for

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Awards under the Plan. The maximum number of shares of Stock available for delivery under the Plan shall not be reduced for shares subject to plans assumed by the Company in an acquisition of an interest in another company.

**4.2 Adjustments for Changes in Capitalization.** If the outstanding shares of Stock are changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of any recapitalization, reclassification, stock split, stock dividend, combination, subdivision or similar transaction, or if the Company makes an extraordinary dividend or distribution to its stockholders (including without limitation to implement a spinoff) (each, a Corporate Transaction ) then, subject to any required action by the stockholders of the Company, the number and kind of shares of Company stock available under the Plan or subject to any limit or maximum hereunder shall automatically be proportionately adjusted, with no action required on the part of the Committee or otherwise. Subject to any required action by the stockholders, the number and kind of shares covered by each outstanding Award, and the price per share in each such Award, shall also be automatically proportionately adjusted for any increase or decrease in the number of issued shares of the Company resulting from a Corporate Transaction or any other increase or decrease in the number of such shares, or any decrease in the value of such shares, effected without receipt of consideration by the Company. Notwithstanding the foregoing, no fractional shares shall be issued or made subject to an Option, SAR or Other Stock Award in making the foregoing adjustments. All adjustments made pursuant to this Section shall be final, conclusive and binding upon the holders of Options, SARs and Other Stock Awards.

**4.3 Certain Mergers and Other Extraordinary Events.** If the Company merges or consolidates with another corporation, or if the Company is liquidated or sells or otherwise disposes of substantially all of its assets while unexercised Options or other Awards remain outstanding under this Plan, (A) subject to the provisions of clause (C) below, after the effective date of the merger, consolidation, liquidation, sale or other disposition, as the case may be, whether or not the Company is the surviving corporation, each holder of an outstanding Option or other Award shall be entitled, upon exercise of that Option or Award or in place of it, as the case may be, to receive, at the option of the Committee and in lieu of shares of Stock, (i) the number and class or classes of shares of Stock or other securities or property to which the holder would have been entitled if, immediately prior to the merger, consolidation, liquidation, sale or other disposition, the holder had been the holder of record of a number of shares of Stock equal to the number of shares of Stock as to which that Option may be exercised or are subject to the Award or (ii) shares of stock of the company that is the surviving corporation in such merger, consolidation, liquidation, sale or other disposition having a value, as of the date of payment under Subsection 4.3(i) as determined by the Committee in its sole discretion, equal to the value of the shares of Stock or other securities or property otherwise payable under Subsection 4.3(i); (B) whether or not the Company is the surviving corporation, if Options or other Awards have not already become exercisable, the Board of Directors may waive any limitations set forth in or imposed pursuant to this Plan so that all Options or other Awards, from and after a date prior to the effective date of that merger, consolidation, liquidation, sale or other disposition, as the case may be, specified by the Board of Directors, shall be exercisable in full; and (C) all outstanding Options or SARs may be cancelled by the Board of Directors as of the effective date of any merger, consolidation, liquidation, sale or other disposition, provided that with respect to a merger or consolidation the Company is not the surviving company, and provided further that any optionee or SAR holder shall have the right immediately prior to such event to exercise his or her Option or SAR to the extent such optionee or holder is otherwise able to do so in accordance with this Plan or his or her individual Option or SAR agreement; provided, further, that any such cancellation pursuant to this Section 4.3 shall be contingent upon the payment to the affected Participants of an amount equal to (i) in the case of any out-of-the-money Option or SAR, cash, property or a combination thereof having an aggregate value equal to the value of such Option or SAR, as determined by the Committee or the Board of Directors, as applicable, in its sole discretion, and (ii) in the case of an in-the-money Option or SAR, cash, property or a combination thereof having an aggregate value equal to the excess of the value of the per-share amount of consideration paid pursuant to the merger, consolidation, liquidation, sale or other disposition, as the case may be, giving rise to such cancellation, over the exercise price of such Option or SAR multiplied by the number of shares of Stock subject to the Option or SAR.

Any adjustments pursuant to this Subsection 4.3 shall be made by the Board or Committee, as the case may be, whose determination in that respect shall be final, binding and conclusive, regardless of whether or not any such adjustment shall have the result of causing an ISO to cease to qualify as an ISO.

4.4 Changes in Par Value. In the event of a change in the shares of the Company as presently constituted, which is limited to a change of all of its authorized shares with par value into the same number of shares with a different par value or without par value, the shares resulting from any such change shall be deemed to be the shares within the meaning of this Plan.

4.5 Limitation on Grantees Rights. Except as hereinbefore expressly provided in this Section 4, a Participant shall have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, merger, or consolidation or spin-off of assets or stock of another corporation, and any issue by the Company of shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Stock subject to an Award, unless the Committee shall otherwise determine.

4.6 Company Right and Power. The grant of any Award pursuant to this Plan shall not adversely affect in any way the right or power of the Company (A) to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, (B) to merge or consolidate, (C) to dissolve, liquidate or sell, or transfer all or any part of its business or assets or (D) to issue any bonds, debentures, preferred or other preference stock ahead of or affecting the Stock.

4.7 Fractional Shares. If any action described in this Section 4 results in a fractional share for any Participant under any Award hereunder, such fraction shall be completely disregarded and the Participant shall be entitled only to the whole number of shares resulting from such adjustment.

## SECTION 5

### OPERATION AND ADMINISTRATION

5.1 Effective Date; Duration. The Plan was originally effective as of the date of its initial approval by the stockholders of the Company, May 19, 2009. The Plan was then amended and restated by the Board in February 2012, and such amended and restated Plan became effective upon the approval of the stockholders of the Company on May 16, 2012. Upon approval of the Plan at the annual stockholders meeting in 2014 (the Amended Effective Date), the Plan shall have a duration of seven years from the Amended Effective Date; provided that in the event of Plan termination, the Plan shall remain in effect as long as any Awards under it are outstanding; provided further, however, that no Award may be granted under the Plan on a date that is more than seven years from the Amended Effective Date.

5.2 Vesting. Except as set forth below and in Section 4.3, and other than Options, SARs, Restricted Stock, Restricted Stock Units or Other Stock Awards conditioned upon the attainment of Performance Goals that relate to performance periods of at least one fiscal year, and except to the extent accelerated by the Committee upon death, disability, retirement or Change in Control, no Award granted hereunder to any Eligible Grantee other than a non-employee Director of the Company may vest in excess of 1/3 of the number of shares subject to the Award per year for the first three years after the grant date and no Award granted hereunder to any Eligible Grantee that is a non-employee Director of the Company may vest earlier than twelve months after the grant date. Unless the Committee determines otherwise, the date on which the Committee adopts a resolution expressly granting an Award shall be considered the day on which such Award is granted. The term of any Award granted under the Plan will not exceed seven years from the date of grant.

5.3 Uncertificated Stock. To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of shares of Stock, the issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

5.4 Tax Withholding. All distributions under the Plan are subject to withholding of all applicable taxes, and the Committee may condition the delivery of any shares or other benefits under the Plan on satisfaction of the applicable withholding obligations. The Committee, in its discretion, and subject to such requirements as the Committee may impose prior to the occurrence of such withholding, may permit such withholding obligations to be satisfied through cash payment by the Participant, through the surrender of shares of Stock which the Participant already owns, or through the surrender of unrestricted shares of Stock to which the Participant is otherwise entitled under the Plan, but only to the extent of the minimum amount required to be withheld under applicable law.

5.5 Use of Shares. Subject to the overall limitation on the number of shares of Stock that may be delivered under the Plan, the Committee may use available shares of Stock as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company or a Subsidiary, including the plans and arrangements of the Company or a Subsidiary assumed in business combinations.

5.6 Dividends and Dividend Equivalents. An Award (including without limitation an Option or SAR Award) may provide the Participant with the right to receive dividend payments or dividend equivalent payments with respect to Stock subject to the Award (both before and after the Stock subject to the Award is earned, vested, or acquired), which payments may be either made currently or credited to an account for the Participant, and may be settled in cash or Stock as determined by the Committee. Any such settlements, and any such crediting of dividends or dividend equivalents or reinvestment in shares of Stock, may be subject to such conditions, restrictions and contingencies as the Committee shall establish, including the reinvestment of such credited amounts in Stock equivalents. In the event an Award is conditioned on the achievement of one or more Performance Measures, any dividend payments or dividend equivalent payments will only be earned, vested or acquired to the extent the underlying Stock subject to the Award is earned, vested or acquired.

5.7 Payments. Awards may be settled through cash payments, the delivery of shares of Stock, the granting of replacement Awards, or any combination thereof as the Committee shall determine. Any Award settlement, including payment deferrals, may be

subject to such conditions, restrictions and contingencies as the Committee shall determine. The Committee may permit or require the deferral of any Award payment, subject to such rules and procedures as it may establish.

5.8 Transferability. Except as otherwise provided by the Committee, Awards under the Plan are not transferable except as designated by the Participant by will or by the laws of descent and distribution.

5.9 Form and Time of Elections. Unless otherwise specified herein, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification, or revocation thereof, shall be in writing filed with the Committee at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require.

5.10 Agreement With Company. An Award under the Plan shall be subject to such terms and conditions, not inconsistent with the Plan, as the Committee shall, in its sole discretion, prescribe. The terms and conditions of any Award to any Participant shall be reflected in such form of written document as is determined by the Committee. A copy of such document shall be provided to the Participant, and the Committee may, but need not, require that the Participant sign a copy of such document. Such document is referred to in the Plan as an Award Agreement regardless of whether any Participant signature is required.

5.11 Action by Company or Subsidiary. Any action required or permitted to be taken by the Company or any Subsidiary shall be by resolution of its Board of Directors, or by action of one or more members of the Board (including a committee of the Board) who are duly authorized to act for the Board, or (except to the extent prohibited by applicable law or applicable rules of any stock exchange) by a duly authorized officer of such company.

5.12 Gender and Number. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

5.13 Limitation of Implied Rights.

(a) Neither a Participant nor any other person shall, by reason of participation in the Plan, acquire any right in or title to any assets, funds or property of the Company or any Subsidiary whatsoever, including, without limitation, any specific funds, assets, or other property which the Company or any Subsidiary, in its sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the Stock or amounts, if any, payable under the Plan, unsecured by any assets of the Company or any Subsidiary, and nothing contained in the Plan shall constitute a guarantee that the assets of the Company or any Subsidiary shall be sufficient to pay any benefits to any person.

(b) The Plan does not constitute a contract of employment, and selection as a Participant will not give any participating employee the right to be retained in the employ of the Company or any Subsidiary, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. Except as otherwise provided in the Plan, no Award under the Plan shall confer upon the holder thereof any rights as a stockholder of the Company prior to the date on which the individual fulfills all conditions for receipt of such rights.

5.14 Evidence. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and shall be signed, made or presented by the proper party or parties.

5.15 Termination of Employment Following Change In Control. In the event that the employment of a Participant who is an employee of the Company or a Subsidiary is terminated by the Company during the six-month period following a Change in Control, all of such Participant's outstanding Options and SARs may thereafter be exercised by the Participant, to the extent that such Options and SARs were exercisable as of the date of such termination of

employment (x) for a period of six months from such date of termination or (y) until expiration of the stated term of such Option or SAR, whichever period is the shorter.

5.16 Section 409A. It is intended that all Options and SARs granted under the Plan shall be exempt from the provisions of Section 409A of the Code and that all Other Stock Awards under the Plan, to the extent that they constitute non-qualified deferred compensation within the meaning of Section 409A of the Code, will comply with Section 409A of the Code (and any regulations and guidelines issued thereunder). The Plan and any Award Agreements issued hereunder may be amended in any respect deemed by the Board or the Committee to be necessary in order to preserve compliance with Section 409A of the Code.

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5.17 Regulations and Other Approvals.

(a) The obligation of the Company to sell or deliver Stock with respect to any Award granted under the Plan or make any other distribution of benefits under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws (including, without limitation, the requirements of the Securities Act of 1933) and all applicable requirements of any securities exchange or similar entity, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.

(b) Each Award is subject to the requirement that, if at any time the Committee determines, in its absolute discretion, that the listing, registration or qualification of Stock issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Award or the issuance of Stock, no such Award shall be granted or payment made or Stock issued, in whole or in part, unless listing, registration, qualification, consent or approval, as applicable, has been effected or obtained free of any conditions not acceptable to the Committee.

(c) In the event that the disposition of Stock acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act of 1933 and is not otherwise exempt from such registration, such Stock shall be restricted against transfer to the extent required by the Securities Act of 1933, as amended, or regulations thereunder, and applicable state securities laws, and the Committee may require a Participant receiving Stock pursuant to the Plan, as a condition precedent to receipt of such Stock, to represent to the Company in writing that the Stock acquired by such Participant is acquired for investment only and not with a view to distribution.

(d) With respect to persons subject to section 16 of the Securities and Exchange Act of 1934, as amended, it is the intent of the Company that the Plan and all transactions under the Plan comply with all applicable provisions of Rule 16b-3.

5.18 Awards to Employees Subject to Taxation Outside of the United States. Without amending the Plan, Awards may be granted to Participants who are foreign nationals or who are employed outside the United States or both, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to further the purposes of the Plan. Such different terms and conditions may be reflected in Addenda to the Plan or in the applicable Award Agreement. However, no such different terms or conditions shall be employed if such terms or conditions constitute, or in effect result in, an increase in the aggregate number of shares which may be issued under the Plan or a change in the definition of Eligible Grantee.

SECTION 6

COMMITTEE

6.1 Administration. The authority to control and manage the operation and administration of the Plan shall be vested in a committee (the Committee) in accordance with this Section 6. The Committee shall be selected by the Board, and shall consist solely of two or more members of the Board who are non-employee Directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and are outside Directors within the meaning of Code Section 162(m). If the Committee does not exist, or for any other reason determined by the Board, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee. Unless otherwise determined by the Board, CryoLife's Compensation Committee shall be designated as the Committee hereunder.

6.2 Powers of Committee. The Committee's administration of the Plan shall be subject to the following:



(a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select from among the Eligible Grantees those persons who shall receive Awards, to determine the time or times of receipt, to determine the types of Awards and the number of shares covered by the Awards, to establish the terms, conditions, performance criteria, restrictions, and other provisions of such Awards, and (subject to the restrictions imposed by Section 7) to cancel or suspend Awards, and to waive or otherwise modify any vesting or other restrictions contained in awards. The Committee may also, without obtaining stockholder approval, amend any outstanding award to provide the holder thereof with additional rights or benefits of the type otherwise permitted

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by the Plan, including without limitation, extending the term thereof; provided, however, that in no event may the term of any Option or SAR exceed seven years.

(b) The Committee will have the authority and discretion to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any Award Agreement made pursuant to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan.

(c) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.

(d) In controlling and managing the operation and administration of the Plan, the Committee shall take action in a manner that conforms to the certificate of incorporation and by-laws of the Company, and applicable state corporate law.

(e) Subject to Section 4.2 hereof, neither the Board, the Committee nor their respective delegates shall have the authority to (i) reprice (or cancel and regrant) any Option, SAR or, if applicable, other Award at a lower exercise, base or purchase price, (ii) take any other action (whether in the form of an amendment, cancellation or replacement grant, or a cash-out of underwater options) that has the effect of repricing an Option, SAR or other Award, or (iii) grant any Option, SAR or other Award that contains a so-called reload feature under which additional Options, SARs or other Awards are granted automatically to the Grantee upon exercise of the original Option, SAR or Award, without in each instance first obtaining the approval of the Company's stockholders.

(f) Anything in the Plan to the contrary notwithstanding, neither the Board nor the Committee may accelerate the payment or vesting of any Option, SAR or other Award except in the event of death, disability, retirement or a Change in Control.

6.3 Delegation by Committee. Except to the extent prohibited by applicable law or the applicable rules of a stock exchange, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers hereunder, including without limitation, the power to designate Participants hereunder and determine the amount, timing and terms of Awards hereunder, to any person or persons selected by it, including without limitation, any executive officer of the Company. Any such allocation or delegation may be revoked by the Committee at any time.

6.4 Information to be Furnished to Committee. The Company and Subsidiaries shall furnish the Committee with such data and information as it determines may be required for it to discharge its duties. The records of the Company and Subsidiaries as to an employee's or Participant's employment, termination of employment, leave of absence, reemployment and compensation shall be conclusive unless the Committee determines such records to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

6.5 Indemnification. Each person who is or shall have been a member of the Committee, or the Board, shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall be in addition to any other rights of indemnification or elimination of liability to which such

persons may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

SECTION 7

AMENDMENT AND TERMINATION

- (a) The Plan may be terminated or amended by the Board of Directors at any time, except that the following actions may not be taken without stockholder approval:
- (i) any increase in the number of shares that may be issued under the Plan (except by certain adjustments provided for under the Plan);
  - (ii) any change in the class of persons eligible to receive Awards under the Plan;

- (iii) any change in the requirements of Section 2.2 hereof regarding the Exercise Price of Options and SARs;
- (iv) any repricing or cancellation and regrant of any Option or, if applicable, other Award at a lower exercise, base or purchase price, whether in the form of an amendment, cancellation or replacement grant, or a cash-out of underwater options or any action that provides for Awards that contain a so-called reload feature under which additional Options or other Awards are granted automatically to the Grantee upon exercise of the original Option or Award; or
- (v) any other amendment to the Plan that would require approval of the Company's stockholders under applicable law, regulation or rule.

Notwithstanding any of the foregoing, adjustments pursuant to paragraph 4.2 shall not be subject to the foregoing limitations of this Section 7.

- (b) Options, SARs and other Awards may not be granted under the Plan after the date of termination of the Plan, but Options and SARs granted prior to that date shall continue to be exercisable according to their terms and other Awards shall continue to vest in accordance with their terms.

## SECTION 8

### CHANGE IN CONTROL

Subject to the provisions of paragraph 4.2 (relating to the adjustment of shares), and except as otherwise provided in the Plan or the Award Agreement reflecting the applicable Award, upon the occurrence of a Change in Control as defined in Section 9:

- (a) All outstanding Options (regardless of whether in tandem with SARs) shall become fully exercisable.
- (b) All outstanding SARs (regardless of whether in tandem with Options) shall become fully exercisable.
- (c) All Stock Units, Restricted Stock, Restricted Stock Units, Performance Shares and other Awards shall become fully vested.

## SECTION 9

### DEFINED TERMS

In addition to the other definitions contained herein, the following definitions shall apply:

- (a) Award. The term Award shall mean any award or benefit granted under the Plan, including, without limitation, the grant of Options, SARs, Stock Unit Awards, Restricted Stock Awards, Restricted Stock Unit Awards and Performance Share Awards.
- (b) Board. The term Board shall mean the Board of Directors of the Company.
- (c) Change in Control. Change of Control means a change in the ownership or effective control of, or in the ownership of a substantial portion of the assets of, the Company, as described in paragraphs (i) through (iii) below.
  - (i) Change in Ownership of the Company. A change in the ownership of the Company shall occur on the date that any one person, or more than one person acting as a group (within the meaning of paragraph (iv)), acquires ownership

of the Company stock that, together with the Company stock held by such person or group, constitutes more than 50% of the total voting power of the stock of the Company.

(A) If any one person or more than one person acting as a group (within the meaning of paragraph (iv) below), is considered to own more than 50% of the total voting power of the stock of the Company, the acquisition of additional the Company stock by such person or persons shall not be considered to cause a change in the ownership of the Company or to cause a change in the effective control of the Company (within the meaning of paragraph (ii) below).

(B) An increase in the percentage of the Company stock owned by any one person, or persons acting as a group (within the meaning of paragraph (iv) below), as a result of a transaction in which the Company acquires its stock in exchange for property, shall be treated as an acquisition of stock for purposes of this paragraph (i).

(C) Except as provided in (B) above, the provisions of this paragraph (i) shall apply only to the transfer or issuance of the Company stock if such stock remains outstanding after such transfer or issuance.

(ii) Change in Effective Control of the Company.

(A) A change in the effective control of the Company shall occur on the date that either of (1) or (2) below occurs:

(1) Any one person, or more than one person acting as a group (within the meaning of paragraph (iv) below), acquires (or has acquired during the 12 month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of the Company; or

(2) A majority of the members of the Board are replaced during any 12 month period by Directors whose appointment or election is not endorsed by a majority of the Board prior to the date of the appointment or election.

(B) A change in effective control of the Company also may occur with respect to any transaction in which either of the Company or the other entity involved in a transaction experiences a Change of Control event described in paragraphs (i) or (iii).

(C) If any one person, or more than one person acting as a group (within the meaning of paragraph (iv) below), is considered to effectively control the Company (within the meaning of this paragraph (ii)), the acquisition of additional control of the Company by the same person or persons shall not be considered to cause a change in the effective control of the Company (or to cause a change in the ownership of the Company within the meaning of paragraph (i) above).

(iii) Change in Ownership of a Substantial Portion of the Company's Assets. A change in the ownership of a substantial portion of the Company's assets shall occur on the date that any one person, or more than one person acting as a group (within the meaning of paragraph (iv) below), acquires (or has acquired during the 12 month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value (within the meaning of paragraph (iii)(B)) equal to or more than 40% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions.

(A) A transfer of the Company's assets shall not be treated as a change in the ownership of such assets if the assets are transferred to one or more of the following:

(1) A shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company stock;

(2) An entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company;

(3) A person, or more than one person acting as a group (within the meaning of paragraph (iv) below) that owns, directly or indirectly, 50% or more of the total value or voting power of all of the outstanding stock of the Company; or

(4) An entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a person described in paragraph (iii)(A)(3).

For purposes of this paragraph (iii)(A), and except as otherwise provided, a person's status is determined immediately after the transfer of assets.

(B) For purposes of this paragraph (iii), gross fair market value means the value of all the Company assets, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

(iv) For purposes of this Section 9(c), persons shall be considered to be acting as a group if they are owners of an entity that enters into a merger, consolidation, purchase, or acquisition of assets, or similar business transaction with the Company. If a person, including an entity shareholder, owns stock in the Company and another entity with which the Company enters into a merger, consolidation, purchase, or acquisition of stock, or similar business transaction, such shareholder shall be considered to be acting as a group with the other shareholders in a corporation only to the extent of the ownership in that corporation prior to the

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transaction giving rise to the change and not with respect to the ownership interest in the other corporation. Persons shall not be considered to be acting as a group solely because they purchase or own stock of the Company at the same time, or as a result of the same public offering of the Company's stock.

(d) Code. The term Code means the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall include reference to any successor provision of the Code.

(e) Eligible Grantee. The term Eligible Grantee shall mean any director, executive officer or employee of the Company or a Subsidiary, as determined by the Committee in its sole discretion. An Award may be granted to an employee or director, in connection with hiring, retention or otherwise, prior to the date the employee or director first performs services for the Company or the Subsidiaries, provided that such Award shall not become vested prior to the date the employee first performs such services or the director assumes his position.

(f) Fair Market Value. For purposes of determining the Fair Market Value of a share of Stock as of any date, then the Fair Market Value as of that date shall be the closing sale price of the Stock on that date on the New York Stock Exchange.

(g) Subsidiaries. The term Subsidiary means any present or future subsidiary corporation of the Company within the meaning of Section 424(f) of the Code, and any present or future business venture designated by the Committee in which the Company has a significant interest, as determined in the discretion of the Committee.

(h) Stock. The term Stock shall mean shares of common stock of the Company.

## SECTION 10

### GOVERNING LAW

This Plan shall be governed by, and construed in accordance with, the laws of the State of Georgia, except to the extent that the Florida Business Corporation Act shall be applicable.



**ANNEX**

**ADMISSION TICKET**

2014 CryoLife, Inc. Annual Meeting of Stockholders

NON-TRANSFERABLE                      May 21, 2014                      NON-TRANSFERABLE

10:00 a.m.

CryoLife, Inc.

1655 Roberts Boulevard, NW

Kennesaw, Georgia 30144

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 beneficial owner (your shares are held in the name of a bank, broker, or other holder of record) and 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, (770) 419-3355. Please be sure to enclose proof of ownership such as a bank or brokerage account statement.

Stockholders who do not obtain tickets in advance may obtain them upon verification of ownership at the reception desk on the day of the meeting.

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**CRYOLIFE, INC.**

**PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

**FOR USE AT THE ANNUAL MEETING ON MAY 21, 2014**

The undersigned stockholder hereby appoints STEVEN G. ANDERSON and SUZANNE K. GABBERT, or any of them, with full power of substitution, to act as proxy for, and to vote the stock of, the undersigned at the Annual Meeting of Stockholders of CRYOLIFE, INC. to be held on May 21, 2014, and any adjournments thereof.

The undersigned acknowledges receipt of Notice of the Annual Meeting and Proxy Statement, each dated April 8, 2014, and grants authority to said proxies, or their substitutes, and ratifies and confirms all that said proxies may lawfully do in the undersigned's name, place, and stead. The undersigned instructs said proxies to vote as indicated below and in their discretion on any other matter that may properly come before the meeting or any adjournment of the meeting.

**(Continued and to be signed on the reverse side)**

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**ANNUAL MEETING OF STOCKHOLDERS OF**

**May 21, 2014**

**PROXY VOTING INSTRUCTIONS**

**INTERNET** - Access **www.voteproxy.com** and follow the on-screen instructions or scan the QR code with your smartphone. Have your proxy card available when you access the web page.

**TELEPHONE** - Call toll-free **1-800-PROXIES** (1-800-776-9437) in the United States or **1-718-921-8500** from foreign countries from any touch-tone telephone and follow the instructions. Have your proxy card available when you call.

Vote online/phone until 11:59 PM EST the day before the meeting.

**MAIL** - Sign, date and mail your proxy card in the envelope provided as soon as possible.

**IN PERSON** - You may vote your shares in person by attending the Annual Meeting.

**GO GREEN** - e-Consent makes it easy to go paperless. With e-Consent, you can quickly access your proxy material, statements and other eligible documents online, while reducing costs, clutter and paper waste. Enroll today via [www.amstock.com](http://www.amstock.com) to enjoy online access.

**COMPANY NUMBER**

**ACCOUNT NUMBER**



i Please detach along perforated line and mail in the envelope provided **IF** you are not voting via telephone or the Internet. i

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE DIRECTOR NOMINEES NAMED BELOW, FOR APPROVAL OF THE COMPENSATION PAID TO CRYOLIFE S NAMED EXECUTIVE OFFICERS, FOR APPROVAL OF THE CRYOLIFE, INC. SECOND AMENDED AND

RESTATED 2009 STOCK INCENTIVE PLAN, AND FOR RATIFICATION OF ERNST & YOUNG LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE COMPANY FOR THE FISCAL YEAR ENDING DECEMBER 31, 2014.

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.**

**PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE** x

FOR AGAINST ABSTAIN

1. ELECTION OF DIRECTORS

.. **NOMINEES:**

**FOR ALL NOMINEES** ; Steven G. Anderson

..

**WITHHOLD AUTHORITY FOR ALL NOMINEES** ; Thomas F. Ackerman

..

**FOR ALL EXCEPT** ; James S. Benson

(See instructions below)

..

.. ; Daniel J. Bevevino

.. ; Ronald C. Elkins, M.D.

.. ; Ronald D. McCall, Esq.

2. To approve, by non-binding vote, the compensation paid to CryoLife s named executive officers, as disclosed pursuant to I t e m 4 0 2 of Regulation S-K, including the Compensation Discussion and A n a l y s i s , compensation tables, and narrative discussion.

3. To approve the CryoLife, Inc. Second A m e n d e d and Restated 2009 Stock Incentive Plan.

; Harvey  
Morgan

; Jon W.  
Salveson

4. To ratify the selection of Ernst & Young LLP as the independent registered public accounting firm for the company for the fiscal year ending December 31, 2014.

**INSTRUCTIONS:** To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: 1

5. In their discretion, upon such other matters as may properly come before the meeting.

**THE PROXIES SHALL VOTE AS SPECIFIED ABOVE, OR IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR EACH OF THE LISTED NOMINEES, FOR APPROVAL OF THE COMPENSATION PAID TO CRYOLIFE S NAMED EXECUTIVE OFFICERS, FOR APPROVAL OF THE CRYOLIFE, INC. SECOND AMENDED AND RESTATED 2009 STOCK INCENTIVE PLAN, AND IN FAVOR OF THE RATIFICATION OF ERNST & YOUNG LLP. SHOULD A NOMINEE BE UNABLE TO SERVE, THIS PROXY MAY BE VOTED FOR A SUBSTITUTE SELECTED BY THE BOARD OF DIRECTORS.**

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Stockholder

Date:

Signature of Stockholder

Date:

**Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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**ANNUAL MEETING OF STOCKHOLDERS OF**

**May 21, 2014**

**GO GREEN**

e-Consent makes it easy to go paperless. With e-Consent, you can quickly access your proxy material, statements and other eligible documents online, while reducing costs, clutter and paper waste. Enroll today via [www.amstock.com](http://www.amstock.com) to enjoy online access.

Please sign, date and mail  
your proxy card in the  
envelope provided as soon  
as possible.

i Please detach along perforated line and mail in the envelope provided. i

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE DIRECTOR NOMINEES NAMED BELOW, FOR APPROVAL OF THE COMPENSATION PAID TO CRYOLIFE S NAMED EXECUTIVE OFFICERS, FOR APPROVAL OF THE CRYOLIFE, INC. SECOND AMENDED AND

RESTATED 2009 STOCK INCENTIVE PLAN, AND FOR RATIFICATION OF ERNST & YOUNG LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE COMPANY FOR THE FISCAL YEAR ENDING DECEMBER 31, 2014.

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x**

<p>1. ELECTION OF DIRECTORS</p> <p>..</p> <p><b>FOR ALL NOMINEES</b></p>	<p style="text-align: right;">FOR AGAINST ABSTAIN</p> <p>2. To approve, by " " "</p> <p>non-binding vote, the compensation paid to CryoLife s named executive officers, as</p>
<p><b>NOMINEES:</b></p> <p>j Steven G. Anderson</p>	

..  <b>WITHHOLD AUTHORITY FOR ALL NOMINEES</b>  ..  <b>FOR ALL EXCEPT</b>  (See instructions below)	; Thomas F. Ackerman  ; James S. Benson  ; Daniel J. Bevevino  ; Ronald C. Elkins, M.D.  ; Ronald D. McCall, Esq.  ; Harvey Morgan  ; Jon W. Salveson	disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and narrative discussion.  3. To approve the .. .. .. CryoLife, Inc. Second Amended and Restated 2009 Stock Incentive Plan.  4. To ratify the selection .. .. .. of Ernst & Young LLP as the independent registered public accounting firm for the company for the fiscal year ending December 31, 2014.
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**INSTRUCTIONS:** To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: 1

5. In their discretion, upon such other matters as may properly come before the meeting.

**THE PROXIES SHALL VOTE AS SPECIFIED ABOVE, OR IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR EACH OF THE LISTED NOMINEES, FOR APPROVAL OF THE COMPENSATION PAID TO CRYOLIFE S NAMED EXECUTIVE OFFICERS, FOR APPROVAL OF THE CRYOLIFE, INC. SECOND AMENDED AND RESTATED 2009 STOCK INCENTIVE PLAN, AND IN FAVOR OF THE RATIFICATION OF ERNST & YOUNG LLP. SHOULD A NOMINEE BE UNABLE TO SERVE, THIS PROXY MAY BE VOTED FOR A SUBSTITUTE SELECTED BY THE BOARD OF DIRECTORS.**

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Stockholder

Date:

Signature of Stockholder

Date:

**Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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