

CRYOLIFE INC  
Form DEF 14A  
April 21, 2016

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 Pursuant to §240.14a-12

**CRYOLIFE, INC.**

**(Name of Registrant as Specified In Its Charter)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(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**

**AND**

**PROXY STATEMENT**

April 21, 2016

To Our Stockholders:

On behalf of the Board of Directors, we invite you to attend the Annual Meeting of Stockholders of CryoLife, Inc. to be held at CryoLife, Inc.'s Corporate Headquarters, 1655 Roberts Boulevard, NW, Kennesaw, Georgia 30144, on May 18, 2016 at 10:00 a.m., EDT.

The attached Notice of Annual Meeting and Proxy Statement describe the formal business to be transacted and procedures for voting at the Annual Meeting.

It is important that your shares be represented at the Annual Meeting. Whether or not you plan to attend, we request that you complete, date, sign and return the enclosed proxy card (if you received our proxy materials by mail), or vote by telephone or over the Internet as directed in the instructions provided. Of course, returning your proxy does not prevent you from attending the Annual Meeting and voting your shares in person. If you choose to attend the Annual Meeting in person, you may revoke your proxy and cast your votes at the Annual Meeting.

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If you plan to attend the Annual Meeting, are a stockholder of record and received our proxy materials by mail, please mark your proxy card in the space provided for that purpose. An admission ticket is included with the proxy card for each stockholder of record. If your shares are not registered in your own name but rather held in street name and you would like to attend the Annual Meeting, please ask the broker, trust, bank or other nominee that holds the shares to provide you with evidence of your share ownership. Please be sure to bring the admission ticket or evidence of your share ownership to the Annual Meeting.

Sincerely,

J. PATRICK MACKIN  
Chairman, President and Chief Executive Officer

CRYOLIFE, INC. | 2016 Proxy Statement

**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 18, 2016 at 10:00 a.m., EDT, 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 ratify the preliminary approval of Ernst & Young LLP as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2016.
4. To transact such other business as may be properly brought before the Annual Meeting or any adjournments thereof.

Only record holders of CryoLife’s common stock at the close of business on April 12, 2016, will be eligible to vote at the Annual 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 Annual 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 Annual Meeting, you may revoke your proxy and vote in person.

**Important notice regarding the availability of proxy materials for the Annual Meeting of Stockholders to be held on May 18, 2016.** 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 2016 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,” 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:

JEAN F. HOLLOWAY  
Corporate Secretary

Date: April 21, 2016

A copy of CryoLife’s 2016 Annual Report to Stockholders, which includes CryoLife’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015, containing financial statements, is enclosed.

**TABLE OF CONTENTS**

	<b>Page</b>
<u>QUESTIONS AND ANSWERS REGARDING THIS SOLICITATION AND VOTING AT THE ANNUAL MEETING</u>	1
<u>PROPOSAL ONE – ELECTION OF DIRECTORS</u>	7
<u>CORPORATE GOVERNANCE AND BOARD OF DIRECTORS MATTERS</u>	10
<u>Policies and Procedures for Stockholders Who Wish to Submit Nominations or Recommendations for the Board of directors</u>	13
<u>Code of Conduct</u>	14
<u>Policies and Procedures for Review, Approval or Ratification of Transactions with Related Parties</u>	14
<u>Compensation Committee Interlocks and Insider Participation</u>	15
<u>COmmunication with the Board of Directors and its Committees</u>	15
<u>Availability of Corporate Governance Documents</u>	15
<u>Director Compensation</u>	16
<u>REPORT OF THE AUDIT COMMITTEE</u>	18
<u>PROPOSAL TWO – ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	20
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	21
<u>REPORT OF THE COMPENSATION COMMITTEE</u>	36
<u>Executive Compensation</u>	37
<u>CERTAIN BENEFICIAL OWNERSHIP</u>	55
<u>PROPOSAL THREE – RATIFICATION OF THE PRELIMINARY APPROVAL OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	57
<u>HOUSEHOLDING</u>	59
<u>Transaction of Other Business</u>	59



WHERE YOU CAN FIND ADDITIONAL INFORMATION

CRYOLIFE, INC. | 2016 Proxy Statement

**1655 ROBERTS BOULEVARD, NW**

**KENNESAW, GEORGIA 30144**

## **PROXY STATEMENT**

### **FOR ANNUAL MEETING OF STOCKHOLDERS**

This Proxy Statement is furnished to our stockholders as of the close of business on April 12, 2016, the record date, for the solicitation of proxies by the Board of Directors of CryoLife, Inc. (“CryoLife,” the “Company,” “we,” “our” or “us”) for CryoLife’s Annual Meeting of Stockholders to be held on May 18, 2016, at 10:00 a.m., EDT. The Annual Meeting will be held in the auditorium at the 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 Annual 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 Jean F. Holloway, General Counsel and Corporate Secretary, CryoLife, Inc., 1655 Roberts Boulevard, NW, Kennesaw, Georgia 30144, (770) 419-3355.

### **QUESTIONS AND ANSWERS REGARDING THIS SOLICITATION AND VOTING AT THE ANNUAL MEETING**

***Why am I receiving this Proxy Statement?***

You are receiving this Proxy Statement from us because you were a stockholder of record at the close of business on the record date of April 12, 2016. As a stockholder of record, you are invited to attend our Annual Meeting and are entitled to vote on the items of business described in this Proxy Statement. This Proxy Statement contains important information about the Annual Meeting and the items of business to be transacted at such Annual Meeting. You are strongly encouraged to read this Proxy Statement, which includes information that you may find useful in determining how to vote.

At the close of business on the record date, CryoLife had outstanding a total of 33,936,174 shares of common stock, excluding a total of 1,355,946 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 Annual Meeting.

***Who is entitled to attend and vote at the Annual Meeting?*** Only holders of record of shares of our common stock at the close of business on April 12, 2016 are entitled to notice of, to attend and to vote at the Annual Meeting and any adjournments or postponements of such Annual Meeting.

***How many shares must be present or represented to conduct business at the Annual Meeting (that is, what constitutes a quorum)?*** The presence at the Annual Meeting, in person or represented by proxy, of at least a majority of the shares entitled to vote at the Annual Meeting, will constitute a quorum for the transaction of business. 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. Abstentions from voting and broker non-votes, as defined below, will be counted for the purpose of determining the presence or absence of a quorum for the transaction of business. The Secretary or Assistant Secretary of CryoLife, in consultation with the inspector of election, who will be an employee of CryoLife's transfer agent, shall determine the eligibility of persons present at the Annual Meeting to vote and whether the name signed on each proxy card

corresponds to the name of a stockholder of CryoLife. The Secretary or Assistant Secretary, based on such consultation, shall also determine whether or not a quorum exists at the Annual Meeting.

The items of business to be voted on at the Annual Meeting are as follows:

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.

***What items of business will be voted on at the Annual Meeting?***

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 ratify the preliminary approval of Ernst & Young LLP as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2016.

4. To transact such other business as may be properly brought before the Annual Meeting or any adjournments thereof.

***What happens if additional matters are presented at the Annual Meeting?***

Other than the matters set forth herein, management is not aware of any other matters that may come before the Annual Meeting. If any other matter or matters are properly brought before the Annual Meeting, the person(s) named as your proxyholder(s) on the enclosed proxy card will have discretionary authority to vote the shares represented by the effective proxies as they deem advisable.

***How does the Board of Directors recommend that I vote?***

Our Board of Directors recommends that you vote your shares "**FOR**" the election of each of the director nominees identified in this Proxy Statement, "**FOR**" the approval, on an advisory basis, of the compensation of our named executive officers and "**FOR**" the preliminary approval of Ernst & Young LLP as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2016.

***What shares can I vote at the Annual Meeting?***

You may vote all of the shares you owned as of April 12, 2016, the record date, including shares held directly in your name as the *stockholder of record* and all shares held for you as the *beneficial owner* through a broker, trustee or other nominee such as a bank.

***What is the difference between holding shares as a stockholder of***

Most of our stockholders hold their shares through a broker or other nominee rather than directly in their own name. As summarized below, there are some distinctions between common stock held of record and those owned beneficially.

***record and as a  
beneficial owner?***

*Stockholders of Record.* If your shares are registered directly in your name with our transfer agent, you are considered, with respect to those shares, the *stockholder of record*, and these proxy materials are being sent directly to you by us. As the *stockholder of record*, you have the right to vote in person at the Annual Meeting or direct the proxyholder how to vote your shares on your behalf at the Annual Meeting by fully completing, signing and dating the enclosed proxy card and returning it to us in the enclosed postage-paid return envelope.

2

CRYOLIFE, INC. | 2016 Proxy Statement

*Beneficial Owner.* If your shares are held in a brokerage account or by another nominee, you are considered the *beneficial owner* of shares held in *street name*, and these proxy materials are being forwarded to you together with a voting instruction card. As the beneficial owner, you have the right to direct your broker, trustee or nominee to vote your shares as you instruct in the voting instruction card. The broker, trustee or other nominee may either vote in person at the Annual Meeting or grant a proxy and direct the proxyholder to vote your shares at the Annual Meeting as you instruct in the voting instruction card. If you hold shares through a broker, trustee or nominee you may also vote in person at the Annual Meeting, but only after you obtain a "legal proxy" from the broker, trustee or nominee that holds your shares, giving you the right to vote your shares at the Annual Meeting. Your broker, trustee or nominee has enclosed or provided a voting instruction card for you to use in directing the broker, trustee or nominee how to vote your shares.

***How can I vote my shares without attending the Annual Meeting?***

Whether you hold shares directly as the stockholder of record or as a beneficial owner, you may direct how your shares are voted without attending the Annual Meeting by completing and returning the enclosed proxy card or voting instruction card as described below. If you provide specific instructions with regard to items of business to be voted on at the Annual Meeting, your shares will be voted as you instruct on those items. Proxies properly signed, dated and submitted to us that do not contain voting instructions and are not revoked prior to the Annual Meeting will be voted **"FOR"** the election of each of the director nominees identified in this Proxy Statement, **"FOR"** the approval, on an advisory basis, of the compensation of our named executive officers and **"FOR"** the preliminary approval of Ernst & Young LLP as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2016.

*Voting by Telephone or over the Internet.* You may also vote by telephone or over the Internet by following the instructions included on the enclosed proxy card or voting instruction card. You may vote by telephone or over the Internet until 11:59 p.m. EDT the day before the Annual Meeting.

***How can I vote my shares in person at the Annual Meeting?***

After providing proof of identification, shares held in your name as the stockholder of record may be voted in person at the Annual Meeting. Shares held beneficially in street name may be voted in person only if you obtain a legal proxy from the broker, trustee or nominee that holds your shares giving you the right to vote the shares at the Annual Meeting. You should be prepared to present photo identification for admittance. Please also note that if you are not a stockholder of record but hold shares through a broker, trustee or nominee you will need to provide proof of beneficial ownership as of the record date, such as your most recent brokerage account statement, a copy of the voting instruction card provided by your broker, trustee or nominee or other similar evidence of ownership. Check-in will begin at 9:00 a.m., EDT. The Annual Meeting will begin promptly at 10:00 a.m., EDT. ***Even if you plan to attend the Annual Meeting, we recommend that you also complete, sign and date the enclosed proxy card or voting instruction card and return it promptly in the accompanying postage-paid return envelope in order to ensure that your vote will be counted if you decide later not to attend the Annual Meeting.***

***Can I change my vote or revoke my proxy?***

You may change your vote or revoke your proxy at any time prior to the vote at the Annual Meeting. If you are the stockholder of record, you may change your vote by granting a new proxy bearing a later date, which automatically revokes the earlier proxy, by providing a written notice of revocation to our Corporate Secretary prior to your shares being voted or by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically so request. If you are a beneficial owner, you may change your vote by submitting a new voting instruction card to your broker, trustee or nominee, or, if you have obtained a legal proxy from your broker, trustee or nominee giving you the right to vote your shares, by attending the Annual Meeting and voting in person.

***What do I need to attend the Annual Meeting?***

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 stockholder of record and plan to attend the Annual Meeting, please detach your Admission Ticket from the top portion of the proxy card and bring it with you to the Annual Meeting. If you are a beneficial owner and you plan to attend the Annual Meeting, you can obtain an Admission Ticket in advance by writing to Jean F. Holloway, General Counsel and 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 Annual Meeting. Tickets may be issued to others at the discretion of CryoLife.

***Is my vote confidential?***

Proxy cards, voting instructions, ballots and voting tabulations that identify individual stockholders are not secret; however, all such materials will be handled in a manner intended to reasonably protect your voting privacy. Your vote will not be disclosed, except as required by law and except as required to our transfer agent to allow for the tabulation of votes and certification of the vote and to facilitate a successful proxy solicitation.

***How are votes counted and what vote is required to approve each item?***

Each outstanding common stock entitles the holder thereof to one vote on each matter considered at the Annual Meeting. Stockholders are not entitled to cumulate their votes in the election of directors or with respect to any other matter submitted to a vote of the stockholders pursuant to this Proxy Statement.

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. 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.

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 votes cast for the ratification of the preliminary approval 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. Please note that brokers holding shares for a beneficial owner that have not received voting instructions with respect to the ratification of the preliminary approval of the appointment of Ernst & Young LLP will have discretionary voting authority with respect to this matter.

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

***What happens if the Annual Meeting is adjourned?***

Assuming the presence of a quorum, if our Annual Meeting is adjourned to another time and place, no additional notice will be given of the adjourned meeting if the time and place of the adjourned meeting is announced at the Annual Meeting, unless the adjournment is for more than 120 days, in which case a new record date must be fixed and notice distributed of the adjourned meeting. At the adjourned meeting, we may transact any items of business that might have been transacted at the Annual Meeting.

***What should I do in the event that I receive more than one set of proxy materials?***

You may receive more than one set of these proxy solicitation materials, including multiple copies of this Proxy Statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. In addition, if you are a stockholder of record and your shares are registered in more than one name, you may receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive to ensure that all your shares are voted.

***Who is soliciting my vote and who will bear the costs of this solicitation?***

The enclosed Proxy Statement is being solicited on behalf of our Board of Directors. We will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this Proxy Statement. In addition to solicitation by mail, our Directors, officers, employees and agents may also solicit proxies in person, by telephone, by electronic mail or by other means of communication. We will not pay any additional compensation to our Directors, officers or other employees for soliciting proxies.

***Where can I find the voting results of the Annual Meeting?***

We intend to announce preliminary voting results at the Annual Meeting and publish the final voting results in a Current Report on Form 8-K filed within four business days after the Annual Meeting.

Appropriate proposals of stockholders intended to be presented at CryoLife's 2017 Annual Meeting of Stockholders pursuant to Rule 14a-8 promulgated under the Securities Exchange Act of 1934 (the "Exchange Act") must be received by CryoLife by December 22, 2016, for inclusion in its proxy statement and form of proxy relating to that meeting. Stockholder proposals must comply with the requirements of Rule 14a-8 of the Exchange Act and any other applicable rules established by the Securities and Exchange Commission. Proposals of stockholders intended to be presented at the Annual Meeting of Stockholders to be held in 2017 without inclusion of such proposals in our proxy statement relating to such annual meeting must be received not later than 60 days and not more than 120 days prior to such annual meeting.

***What is the deadline for submitting proposals for consideration at next year's Annual Meeting of Stockholders or to nominate individuals to serve as directors?***

In addition, all stockholder proposals submitted outside of the stockholder proposal rules promulgated pursuant to Rule 14a-8 under the Exchange Act, including nominations for individuals to serve as directors, must be received by CryoLife by no later than March 19, 2017, but no earlier than January 18, 2017, 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 2017 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.

## PROPOSAL ONE – ELECTION OF DIRECTORS

Directors of CryoLife elected at the Annual Meeting to be held on May 18, 2016, will hold office until the next annual meeting, until their successors are elected and have been qualified or until their death, resignation or removal.

**Director Nominees**

Each of the nominees is currently a Director of CryoLife. 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 Statement, to vote for the election of such other person as the Board of Directors 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 of CryoLife, 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 April 12, 2016, according to information received by CryoLife. None of the shares of stock noted below are subject to a pledge or similar arrangement. Except for J. Patrick Mackin, our President, Chief Executive Officer and Chairman of the Board, none of the nominees holds any other position or office with CryoLife.

Name of Nominee	Director Since	Age	Shares of CryoLife Stock Beneficially Owned <sup>(1)</sup> (#)	Percentage of Outstanding Shares of CryoLife Stock (%)
Thomas F. Ackerman	2003	61	85,352	(2) *
James S. Benson	2005	76	70,352	(2) *
Daniel J. Bevevino	2003	56	85,352	(2) *
Ronald C. Elkins, M.D.	1994	79	97,852	(2) *
Ronald D. McCall	1984	79	173,514	(3) *
J. Patrick Mackin	2014	49	510,290	(4) 1.56
Harvey Morgan	2008	74	76,602	(5) *
Jon W. Salvesson	2012	51	65,352	(2) *

\* 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) Includes 10,352 shares of unvested restricted stock.
- (3) Includes 16,000 shares of common stock owned of record by Ms. Marilyn B. McCall, Mr. McCall's spouse, and 10,352 shares of unvested restricted stock.  
Amount includes 161,703 shares subject to options that are either presently exercisable or will become exercisable within 60 days after April 12, 2016. This amount also includes 73,316 shares of unvested restricted stock subject to
- (4) forfeiture which Mr. Mackin holds as of April 12, 2016. This amount does not include 19,946 shares earned under 2015 performance stock unit awards that had not vested as of April 12, 2016, and that will not vest within 60 days thereafter, or performance stock units granted in February 2016 (42,484 shares at target performance).
- (5) Includes 33,000 shares held by Ms. Suzanne B. Morgan, Mr. Morgan's spouse, and 10,352 shares of unvested restricted stock.

### Director Nominee Qualifications and Biographical Information

**Thomas F. Ackerman** has served as a Director of CryoLife since December 2003. Until early 2016, Mr. Ackerman served as a Senior Financial Advisor of Charles River Laboratories International, Inc. (NYSE: CRL), a position he has held since August 2015. 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 2005-2015, he served as Executive Vice President and Chief Financial Officer, 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 of Directors 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 CDRH from 1978 to 1982. He served as a director and presiding director of Cytomedix from 2004 through 2013. 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 of Directors has determined that Mr. Benson should serve as a Director of CryoLife because of his past business experience in the biotechnology and medical device industries, from both an FDA and industry perspective; 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; and his experience as a director and committee chair.

**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 Respiroics, 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, Respiroics 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 – Respiroics, 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 the companies for which he provides services. He began his career as a certified public accountant with Ernst & Young LLP (his license is currently inactive). Mr. Bevevino received a B.S. in Business Administration from Duquesne University and an MBA from the University of Notre Dame.

The Board of Directors 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 earned his undergraduate and medical degrees at the University of Oklahoma and completed his residency at the Johns Hopkins Hospital.

The Board of Directors 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.

**J. Patrick Mackin** assumed the position of President and Chief Executive Officer of CryoLife in September 2014, he was appointed to the CryoLife Board of Directors in October 2014 and he was appointed Chairman of the Board of Directors in April 2015. Mr. Mackin has more than 20 years of experience in the medical device industry. Prior to joining CryoLife, Mr. Mackin served as President of Cardiac Rhythm Disease Management, the largest operating division of Medtronic, Inc., from August 2007 to August 2014. At Medtronic, he previously held the positions of Vice President, Vascular, Western Europe and Vice President and General Manager, Endovascular Business Unit. Prior to joining Medtronic in 2002, Mr. Mackin worked for six years at Genzyme, Inc. serving as Senior Vice President and General Manager for the Cardiovascular Surgery Business Unit and as Director of Sales, Surgical Products division. Before joining Genzyme, Mr. Mackin spent four years at Deknatel/Snowden-Pencer, Inc. in various roles and three years as a First Lieutenant in the U.S. Army. Mr. Mackin received an MBA from the Kellogg Graduate School of Management at Northwestern University and is a graduate of the U.S. Military Academy at West Point.

The Board of Directors has determined that Mr. Mackin should serve as Director of CryoLife because of his business acumen and substantial worldwide experience in the medical device industry. In addition, the Board of Directors

believes that it is appropriate and useful to have the President and Chief Executive Officer of CryoLife serve as a member of the Board of Directors.

**Ronald D. McCall**, has served as a Director of CryoLife since January 1984. 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 of Directors has determined that Mr. McCall should serve as a Director of CryoLife because of his legal training and experience. Also, the Board of Directors 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 Directors of Family Dollar Stores, Inc. (NYSE: FDO) and previously served on the Board of Directors of Cybex International, Inc. (NASDAQ: CYBI). Mr. Morgan received his undergraduate degree from the University of North Carolina at Chapel Hill and an MBA from the Harvard Business School.

The Board of Directors 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 Directors of Sunshine Heart, Inc. (NASDAQ: SSH). Mr. Salveson received his undergraduate degree from St. Olaf College in 1987 and an M.M.M. in finance from the Kellogg Graduate School of Management at Northwestern University.

The Board of Directors 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.

### **Required Vote**

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. Accordingly, abstentions and broker non-votes will not be relevant to the outcome.

### **The Board of Directors' Recommendation**

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” EACH OF THE EIGHT NOMINEES FOR DIRECTOR LISTED IN THIS PROPOSAL ONE.

9

CRYOLIFE, INC. | 2016 Proxy Statement



## **CORPORATE GOVERNANCE AND BOARD OF DIRECTORS MATTERS**

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 of Directors has adopted and adheres to corporate governance practices that the Board of Directors and senior management believe promote this purpose, are sound and represent best practices. The Board of Directors reviews these practices on an ongoing basis and revises them as appropriate.

### **Director Independence**

In connection with its annual review in February 2016, and based on the information available to it, the Board of Directors determined that none of Messrs. Ackerman, Benson, Bevevino, McCall, Morgan, Salveson or Dr. Elkins had a material relationship with CryoLife, and that they each therefore qualified as independent directors under the NYSE's Listing Standards.

In addition to qualifying as "independent" within the meaning of Section 303A.02 of the NYSE Listed Company Manual, each member of the Compensation Committee must be a "non-employee director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and at least two members of the Compensation Committee must be "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder. In determining the independence of any director who will serve on the Compensation Committee, the Board of Directors will consider all factors specifically relevant to determining whether such director has a relationship with us that is material to the director's ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to (i) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by us to the director and (ii) whether such director is affiliated with us, one of our subsidiaries or an affiliate of one of our subsidiaries.

Until February 2016, Mr. Ackerman was a Senior Financial Advisor with Charles River Laboratories International, Inc. CryoLife has made purchases from Charles River Laboratories relating to supplies, including supplies for certain of its clinical trials in each of the last several years and anticipates doing so in the current year. Purchases from Charles River Laboratories were made on an arm's-length basis. The amount of these purchases falls within the categorical standards for commercial relationships that are not material and would not impair a director's independence. The Board of Directors understood that Mr. Ackerman's compensation from Charles River Laboratories was in no way impacted by the size or amount of the business transacted between the two companies. The Board of Directors determined that Mr. Ackerman's relationship with Charles River Laboratories is not a material relationship that could impair his independence as a director of CryoLife.

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 2015, the Center paid CryoLife for tissue preservation services and BioGlue<sup>®</sup> 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 Integris SW Medical Center, paid CryoLife for tissue preservation services and BioGlue in 2015, and we expect this relationship to continue. The Board of Directors considered these relationships and determined that they are not material relationships that could impair Dr. Elkins' independence.

Mr. Salveson is the Vice Chairman, Investment Banking and Chairman of the Healthcare Investment Banking Group at Piper Jaffray Companies. CryoLife has previously used the services of Piper Jaffray in connection with our stock buy-back program. However, that program expired in October 2014 and has not been renewed by the Board of Directors. CryoLife has also previously used Piper Jaffray in connection with certain transactions, and may do so in the future; however, Mr. Salveson does not personally work on any transactions between CryoLife and Piper Jaffray. After reviewing these relationships, the Board of Directors determined that they are not material relationships that could impair Mr. Salveson's independence.

#### **The Board of Directors' Right to Retain Advisors**

The Board of Directors has authorized committees of the Board of Directors to retain their own advisors, such as auditors, compensation consultants, legal counsel and others, to the extent the committees deem it appropriate.

### **The Board of Directors' Leadership Structure**

The President and Chief Executive Officer of CryoLife serves as the Chairman of the Board of Directors. The Board of Directors believes that this structure promotes fluid communication and coordination between the Board of Directors and management. Also, the Board of Directors believes that Mr. Mackin is well-suited to fill his management and Board of Directors roles, and that the Board of Directors benefits from his serving these dual roles.

In order to foster the Board of Directors' independence from management, the leadership structure of the Board of Directors 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. Mackin and other members of management on a broad range of matters and has additional corporate governance responsibilities for the Board of Directors.

### **The Board of Directors' Role in Risk Oversight**

The Board of Directors has an active role, as a whole and also at the committee level, in overseeing the management of our risks. Management is primarily responsible for risk management, and management reports directly to the committees and the Board of Directors with respect to risk management. The Board of Directors is responsible for general oversight of risks and regular review of information regarding our risks, including credit risks, liquidity risks and operational risks. In its risk oversight role, the Board of Directors reviews periodically the Company's strategic plan, which includes an assessment of potential risks facing the Company. While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board of Directors also have responsibility for risk management.

In particular, the Compensation Committee is responsible for ensuring that our executive compensation policies and practices do not incent 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, operation of our internal audit and various financial, regulatory and compliance functions. The Corporate Governance Committee monitors risk by ensuring that proper corporate governance standards are maintained and that the Board of Directors is comprised of qualified directors. The Regulatory Affairs and Quality Assurance Committee is primarily responsible for oversight of our healthcare compliance function, including our compliance with quality systems and regulatory assurance laws and regulations, as well as our compliance with other healthcare compliance laws and regulations. Together with the Audit Committee, it assists in oversight of our compliance with certain laws and regulations such as the Foreign Corrupt Practices Act, and such policies as our Code of Conduct.

**Board of Directors and Committee Meetings, Annual Meeting of Stockholders and Attendance**

During 2015, each director attended, either in person or by telephone, at least 87% of the meetings of the Board of Directors and the committees of the Board of Directors on which he served. In general, members of the Board of Directors become members of committees closely following the Annual Meeting of Stockholders.

The Board of Directors held fifteen meetings during 2015. All of the then-current members of the Board of Directors attended the 2015 Annual Meeting of Stockholders, which is encouraged, but not required.

**Standing Committees of the Board of Directors; Committee Assignments**

During 2015, the Board of Directors had four standing committees: the Audit Committee, the Compensation Committee, the Corporate Governance Committee and the Regulatory Affairs and Quality Assurance Committee. In 2015, the Audit Committee met seven times, the Compensation Committee met eleven times, the Corporate Governance Committee met eleven times, the Regulatory Affairs and Quality Assurance Committee met five times and the Compensation Committee and the Corporate Governance Committee met jointly one time. 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:

<b>Director</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Corporate Governance Committee</b>	<b>Regulatory Affairs and Quality Assurance Committee</b>
J. Patrick Mackin, Chairman, President, and Chief Executive Officer <sup>(1)</sup>	√		√	<b>Chair</b>
Thomas F. Ackerman	√	√		√
James S. Benson		<b>Chair</b>		
Daniel J. Bevevino		√	<b>Chair</b>	√
Ronald C. Elkins, M.D.				
Ronald D. McCall, Presiding Director				
Harvey Morgan	<b>Chair</b>		√	
Jon W. Salvesson				√

<sup>(1)</sup> Mr. Mackin was appointed Chairman of the Board of Directors in April 2015.

**Audit Committee** — CryoLife’s Audit Committee currently consists of three non-employee Directors: Mr. Morgan, Chair, Mr. Ackerman and Mr. Bevevino, each of whom served on the Audit Committee for all of 2015. 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 Exchange Act, 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* beginning on page 14; see also the *Report of the Audit Committee* beginning on page 18.

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 of Directors in its oversight of risk management and legal and regulatory requirements.

**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, Chair, Mr. Bevevino and Mr. McCall, each of whom served on the Compensation Committee for all of 2015. 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 Exchange Act and a disinterested director within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. Pursuant to the Compensation Committee Charter, the Compensation Committee is responsible for reviewing the performance of officers and setting the annual compensation for all officers, including the salary and the compensation package of officers. The Compensation Committee also manages the issuance of stock options, restricted stock awards, performance stock units and other stock rights and cash incentives under CryoLife's stock and incentive plans, recommends severance arrangements for the CEO and other officers and, together with the Corporate Governance Committee, reviews and approves the performance metrics upon which the compensation of CryoLife's CEO is based. See *Compensation Discussion and Analysis* on page 21 for information concerning the Compensation Committee's role, processes and activities in overseeing executive compensation.

Pursuant to its charter, the Compensation Committee has the authority to delegate any of its decisions to a sub-committee of the Compensation Committee consisting of two committee members, provided that a full report of any action taken is promptly made to the full Compensation Committee.

The Compensation 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.

**Corporate Governance Committee** — CryoLife’s Corporate Governance Committee operates under a written charter that sets out the committee’s functions and responsibilities. The Corporate Governance Committee currently consists of three non-employee Directors: Mr. McCall, Chair, Mr. Benson and Mr. Morgan, each of whom served on the committee for all of 2015. 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 of Directors and oversees the annual self-evaluations of the Board of Directors and its committees. Each year the Corporate Governance Committee, together with the Compensation Committee, evaluates the performance of CryoLife’s CEO, and, for 2015, it also evaluated the performance of the Executive Chairman, in a joint session with the Compensation Committee. The Corporate Governance Committee also recommends to the Board of Directors how the other committees of the Board of Directors 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 Committee** — CryoLife’s Regulatory Affairs and Quality Assurance Committee consists of four non-employee Directors: Mr. Benson, Chair, Dr. Elkins, Mr. McCall and Mr. Salveson, each of whom served on the Regulatory Affairs and Quality Assurance Committee for all of 2015. Each of these individuals meets the requirements of independence of Section 303A.02 of the current NYSE Listing Standards. The charter of the Regulatory Affairs and Quality Assurance Committee requires that a majority of its members be independent. Among other things, the Regulatory Affairs and Quality Assurance Committee assists the Company in its oversight of CryoLife’s compliance with healthcare laws and regulations, including regulations and laws related to regulatory affairs and quality assurance and general healthcare compliance such as the Anti-Kickback Statute. The Regulatory Affairs and Quality Assurance Committee also receives summaries of the semiannual reports from the Company’s external quality auditors and provides input into certain internal regulatory affairs and quality assurance policies. Finally, pursuant to its charter, the Regulatory Affairs and Quality Assurance Committee, jointly with the Audit Committee, assists in the oversight of compliance with certain policies and procedures such as the Company’s Code of Conduct and our policy with respect to the Foreign Corrupt Practices Act.

#### Policies and Procedures for Stockholders Who Wish to Submit Nominations or Recommendations for the Board of Directors

Stockholders may submit the names of potential candidates for director to the Corporate Governance Committee. The policy of the 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 such recommendations are made in accordance with procedures described in this Proxy Statement under the FAQ “***What is the deadline for submitting proposals for consideration at next year’s Annual Meeting of Stockholders or to nominate individuals to serve as directors?***” When considering a potential candidate, the Corporate Governance Committee looks for demonstrated character, judgment, relevant business, functional and industry experience and a

high degree of intellectual and business acumen. The Corporate Governance Committee also considers issues of diversity, such as education, professional experience and differences in viewpoints and skills. The Corporate Governance Committee does not have a formal policy with respect to diversity; however, the Board of Directors and the Corporate Governance Committee believe that it is important that the members of the Board of Directors represent diverse viewpoints. The Corporate Governance Committee's process for identifying and evaluating nominees typically involves a series of internal discussions, review of information concerning candidates and interviews of selected candidates. From time to time, we have also engaged one or more executive search consulting firms to assist in the identification and recruitment of potential director candidates.

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

Current policy of the Board of Directors also limits the number of other public company boards of directors on which CryoLife's directors may serve. Non-employee directors may serve on no more than three public company boards of directors in addition to service on CryoLife's Board of Directors, and the CEO's service on the governing body of any organization is subject to prior written authorization by the Board of Directors.



The Corporate Governance Committee has not received any recommended director nominees for election at the 2016 Annual Meeting from any CryoLife stockholder or group of stockholders beneficially owning in excess of 5% of CryoLife's outstanding common stock. Stockholders may communicate the necessary information to the Corporate Governance Committee or the Board of Directors by following the procedures set forth below at *Communication with the Board of Directors and Its Committees* on page 15.

#### Code of Conduct

CryoLife has established a Code of Conduct 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.

In addition to the Code of Conduct, the Company's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller, Assistant Controller and all other senior financial officers are also subject to the Company's Code of Ethics for Senior Financial Officers. In the event that CryoLife amends or waives any of the provisions of the Code of Conduct or Code of Ethics for Senior Financial Officers applicable to its Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller or Assistant 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 of Directors 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 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 Corporate Secretary is responsible for maintaining a list of all related parties known to her 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 Corporate Secretary will submit the transaction to the Audit Committee for ratification as soon as she becomes aware of it. If the Audit Committee does not ratify the transaction, it will direct for the transaction to be either rescinded or modified as soon as is practicable. The Corporate Secretary may delegate her duties under the policy to another officer of CryoLife if 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 will examine all factors it deems relevant. If the Corporate Secretary determines that it is not practicable or desirable to wait until the next Audit Committee meeting, she will submit the related party transaction for approval or ratification to a sub-committee of two members of the Audit Committee,

that possess delegated authority to act between Audit Committee meetings. The Chair will report any action this sub-committee has taken under this delegated authority to the Audit Committee at its next regularly scheduled meeting.

The Audit Committee, or the sub-committee, will approve only those 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 will 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.

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

None of our executive officers currently serve, or served during fiscal 2015, 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 2015, 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 Compensation Committee.

### **Communication with the Board of Directors and Its Committees**

Interested parties may communicate with the Board of Directors, the Presiding Director, the non-management directors as a group, committee chairs, committees and individual directors by directing communications to the Corporate Secretary, who will forward them as appropriate, unless they clearly constitute unsolicited general advertising. Please send all communications in care of Jean F. Holloway, General Counsel and 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, Corporate Governance and Regulatory Affairs and Quality Assurance Committees, as well as the Company's Corporate Governance Guidelines and Code of Conduct, 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 Exchange Act 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.*

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

Each of the non-employee directors of CryoLife receives an annual cash retainer for service on the Board of Directors, service on committees of the Board of Directors, service as the Chair of the committees of the Board of Directors and service as Presiding Director, as applicable and as noted in the table below. CryoLife pays all cash retainers on a monthly basis. Currently, the Presiding Director is also the Chair of the Corporate Governance Committee, and he does not receive any additional compensation for his position as Chair of that committee.

**2015 Board of Director Retainers**

Annual Board Service	\$40,000
<b>Presiding Director<sup>(1)</sup></b>	<b>\$25,000</b>

Committee	<b>Committee Chair Retainer<sup>(2)</sup></b>	<b>Committee Membership Retainer</b>
Audit	\$15,000	\$7,500
Compensation	\$10,000	\$5,000
Corporate Governance	\$7,500	\$3,750
Regulatory Affairs and Quality Assurance	\$7,500	\$3,750

(1) In addition to annual board service retainer

(2) Includes committee membership retainer

**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 generally following the annual meeting of stockholders, and all shares vest on the first anniversary of issuance or May 15 following the year of grant, whichever date is earlier. 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 the stock plan. With respect to 2015 grants, the Compensation Committee recommended a grant value of \$100,000 per director

and in September 2015, the Compensation Committee granted 10,352 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 2015 were made pursuant to the Equity and Cash Incentive Plan.

**Fiscal 2015 Director Compensation**

The following table provides compensation information for the one-year period ended December 31, 2015, for each person who was a member of our Board of Directors in 2015, other than J. Patrick Mackin:

Name	Fees Earned or Paid in Cash <sup>(1)</sup>	Stock Awards <sup>(2)</sup>	Total
	(\$)	(\$)	(\$)
(a)	(b)	(c)	(d)
Thomas F. Ackerman	47,500	99,793	147,293
James S. Benson	51,250	99,793	151,043
Daniel J. Bevevino	52,500	99,793	152,293
Ronald C. Elkins, M.D.	53,750	99,793	153,543
Ronald D. McCall	65,000	99,793	164,793
Harvey Morgan	58,750	99,793	158,543
Jon W. Salvesson	43,750	99,793	143,543

<sup>(1)</sup> Amounts shown include annual board service retainer, committee chair and committee membership retainers and, for Mr. McCall, a Presiding Director retainer, earned by our Directors during 2015.

The amount shown represents the aggregate grant date fair value of the 10,352 restricted shares granted to each of the non-employee directors, as calculated in accordance with FASB ASC Topic 718. We issued the awards on September 10, 2015, and we valued them at \$9.64 per share, which was the closing price on the grant date. See <sup>(2)</sup>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, 2015 for assumptions we used in valuing restricted stock awards. The restricted stock represented here vests on May 15, 2016; accordingly, these shares remained subject to vesting restrictions as of December 31, 2015.

J. Patrick Mackin, Chairman, President, and Chief Executive Officer received no compensation in 2015 for his services as a Director of the Company, other than his executive officer compensation detailed in the *Summary Compensation Table* on page 37.

**Director Stock Ownership Requirements**

In November 2015, the Corporate Governance Committee approved a change to the non-employee director stock ownership requirements to five times the then current annual retainer for non-employee directors. All non-employee directors currently satisfy this standard. The Compensation Committee evaluates stock ownership requirements for non-employee directors on an annual basis.





## REPORT OF THE AUDIT COMMITTEE

The Board of Directors maintains an Audit Committee 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 all audit committee members be "Independent Directors" as that term is defined by Sections 303A.02 and 303A.06 of the NYSE Listing Standards and Rule 10A-3 promulgated under the Securities Exchange Act of 1934.

The Audit Committee oversees CryoLife's financial processes on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements included in CryoLife's Annual Report on Form 10-K for fiscal 2015 with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Board of Directors and the Audit Committee have adopted a written Audit Committee Charter. Since the first quarter of 2004, CryoLife has retained a separate accounting firm to provide internal audit services. The internal audit function reports directly to the Audit Committee and, for administrative purposes, to the Chief Financial Officer.

During the course of fiscal 2015, 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 kept informed 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, CryoLife's independent auditing firm, 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 2015, 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 2015 related to its audit of (i) CryoLife's consolidated financial statements and (ii) the effectiveness of CryoLife's internal controls over financial reporting. The Audit Committee continues to oversee CryoLife's efforts related to its internal controls over financial reporting and management's preparations for the evaluation in fiscal 2016.

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, 2015, including audit-related fees paid in 2014 were \$1,011,000. See *Ratification of the Preliminary Approval of the Independent Registered Public Accounting Firm* beginning on page 57 for further details. The Audit Committee determined that any payments made to Ernst & Young LLP for non-audit services for 2015 were consistent with maintaining Ernst & Young LLP's independence. In accordance with its Audit Committee Charter, CryoLife's Audit Committee, or pursuant to delegated authority, its Chair, pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, specified tax services and other services.

In reliance on the reviews and discussions referred to above, the Audit Committee members did not become aware of any misstatement in the audited financial statements and recommended to the Board of Directors that the audited financial statements be included in CryoLife's Annual Report on Form 10-K for the year ended December 31, 2015 for filing with the Securities and Exchange Commission. The Audit Committee has preliminarily approved Ernst & Young LLP as CryoLife's independent registered public accounting firm for fiscal 2016.

**Audit Committee**

HARVEY MORGAN, CHAIR

THOMAS F. ACKERMAN

DANIEL J. BEVEVINO

*This foregoing audit committee report is not "soliciting material," is not deemed "filed" with the SEC and shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing of ours under the Securities Act of 1933, as amended, or under the Exchange Act, except to the extent we specifically incorporate this report by*

*reference.*

## **PROPOSAL TWO – ADVISORY VOTE ON EXECUTIVE COMPENSATION**

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 program 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 of Directors 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 Company’s 2017 Annual Meeting.

### **The Board of Directors' Recommendation**

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” THE APPROVAL OF THE  
COMPENSATION PAID TO CRYOLIFE’S NAMED EXECUTIVE OFFICERS

20

CRYOLIFE, INC. | 2016 Proxy Statement

## COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis (“CD&A”) describes the principles, objectives and features of our executive compensation program as applied to our Chief Executive Officer and the other executive officers included in the Summary Compensation Table of this Proxy Statement (collectively, our “named executive officers”). For 2015, our named executive officers were:

J. Patrick Mackin	President and Chief Executive Officer; Chairman of the Board of Directors effective April 9, 2015
D. Ashley Lee	Executive Vice President, Chief Operating Officer and Chief Financial Officer
Scott B. Capps	Vice President, Clinical Research
David C. Gale	Vice President, Research & Development
Jean F. Holloway	Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer
David P. Lang	Senior Vice President, International Sales & Marketing, until his separation from the Company effective September 8, 2015

## EXECUTIVE SUMMARY

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 and competitive market data provided by the Committee’s independent compensation consultant and by management.

### *2015 Say on Pay Vote and Program Decisions*

At CryoLife’s Annual Meeting of stockholders on May 20, 2015, over 98% of the stockholder votes cast were in favor of our named executive officers’ 2015 compensation. This advisory vote indicated strong support for the executive compensation program.

The Committee considered these 2015 advisory vote results as it evaluated its compensation policies and made compensation decisions subsequent to last year's Annual Meeting. Based in part on this consideration, together with the individual executives' and the Company's actual and expected performance, as well as competitive market data provided by the Committee's independent compensation consultant and by management, and after also considering recommendations from its consultant and management, the Committee did not make significant changes to its executive compensation policies during 2015. We note that the Committee worked within the parameters of the CryoLife, Inc. Equity and Cash Incentive Plan when making compensation decisions in February 2015, anticipating the stockholders approval of the Plan. The Plan was approved at the Annual Meeting on May 20, 2015. The following is a summary of the Committee's significant 2015 executive compensation decisions.

Officers received 2015 base salary increases of either 0 or 3%, based on considerations such as personal performance, Company performance and market positioning.

The total value of officers' long-term incentive award levels and the types of equity vehicles (stock options, restricted stock and performance stock units) remained approximately the same as for 2014, but for 2015, that value was allocated equally among the equity vehicles based on estimated grant date fair value (whereas in 2014, officers were awarded an equal number of options, shares and performance stock units).

The performance stock unit awards' design was changed from being based solely on performance against an adjusted EBITDA metric to being based 80% on target adjusted EBITDA, 10% on target adjusted inventory levels and 10% on target accounts receivable – days sales outstanding.

The Committee determined the compensation to be provided to:

Mr. Lang, in conjunction with his separation from the Company as Senior Vice President, International Sales & Marketing, and

Ms. Holloway, in conjunction with her hiring by the Company as Vice President, General Counsel and Corporate Secretary.

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

The Committee believes it has developed a compensation program that 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 performance goals. The key pay-for-performance aspects of the executive compensation program are described below:

50% or more of each named executive officer's target total direct 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 designed to encourage business growth.

Short-term incentive opportunities are tied significantly to 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 earned if specified results for adjusted EBITDA, target adjusted inventory levels and target accounts receivable – days sales outstanding, as defined below, are attained; and

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 this Proxy Statement, in 2015, the executive compensation program effectively delivered pay-for-performance, as follows:



Our 2015 adjusted revenue and adjusted net income results were 95.0% and 119.0%, respectively, of target performance, which resulted in annual bonus payouts of 60.1% and 140.0%, respectively, of target award levels under those components of the bonus program; and

Our 2015 adjusted EBITDA was 112.3% of target performance, our adjusted inventory levels were 89.0% of target (where our goal is to come in under target), and our accounts receivable – days sales outstanding were 108.2 % of target performance (where our goal is to come in under target), which resulted in shares earned under our performance stock units of 129.3% of the target award level.

Throughout this Proxy Statement, we refer to adjusted revenue, adjusted net income, adjusted EBITDA, adjusted inventory and accounts receivable – days sales outstanding. These are non-GAAP financial measures that reflect adjustments to similar measures reported under U.S. GAAP. Appendix A to this Proxy Statement provides certain required information regarding these non-GAAP measures, a reconciliation to our audited U.S. GAAP financial statement measures for 2015, as presented in our 2015 Form 10-K filed on February 16, 2016.

**ROLES AND RESPONSIBILITIES**

*Compensation Committee*

The Committee determines and approves the compensation of CryoLife’s officers, including the named executive officers. The Committee is supported by the CEO, executive management and an independent compensation consultant, who attends Committee meetings when invited and provides input and information as requested by the Committee. The Committee regularly meets in executive session without the CEO or any members of management present. Except as otherwise noted, all 2015 compensation decisions were recommended by management or the independent compensation consultant and approved by the Committee. Our CEO does not make recommendations to the Compensation Committee or participate in Compensation Committee meetings regarding his own compensation.

*Independent Compensation Consultant*

The Committee has the authority to engage independent compensation consultants to assist with its responsibilities. With respect to general executive compensation decisions made during fiscal 2015 the Committee appointed Towers Watson & Co. (“Towers Watson”) as its independent consultant for general executive compensation matters. The compensation consultant reports directly to the Committee, is directed by the Committee and provides no other services to CryoLife. The consultant generally performs an annual review of officer and non-employee director compensation, analyzes the relationship between officer pay and Company performance, benchmarks officer and director compensation against such compensation provided by appropriate comparator companies and industry standards, informs the Committee of emerging practices and trends, assists with special projects at the request of the Committee and attends Committee meetings when invited.

**COMPENSATION PHILOSOPHY AND OBJECTIVES**

The Committee’s compensation philosophy is to provide competitive salaries and link the officers’ incentive compensation to the achievement of annual and long-term performance goals related to both personal and Company performance without encouraging excessive or inappropriate risk taking. Each primary component of compensation is intended to accomplish a specific objective, as summarized in the following chart:

<b>Compensation 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	Cash	Salary adjustments are based partially on individual executive performance and partially on other factors such as

successful executives

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 short-term financial and operating goals, and incentivize executives to meet or exceed individual performance standards	Cash	Short-term incentive payouts are 100% performance-based, with 40% tied to revenue, 40% tied to adjusted net income and 20% tied to individual executive performance
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 levels of Company performance are 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; the <i>realizable value</i> of restricted stock awards is linked to CryoLife’s stock price after the grant date

**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 aligns pay and performance. The following chart summarizes the target pay mix for the named executive officers for fiscal 2015:

Compensation Component	Mackin	Lee	Capps	Gale	Holloway	Lang
Salary(\$)	600,000	376,000	291,500	254,400	302,000 (1)	276,000(2)
Short-Term Incentive (Target)(\$)	360,000	225,600	116,600	101,760	120,800 (1)	110,400(2)
Long-Term Incentive (Grant Date Fair Value) <sup>(3)</sup> (\$)	1,017,873	407,154	244,274	244,274	244,274 (4)	244,274
Target Total Direct Compensation(\$)	1,977,873	1,008,754	652,374	600,434	667,074 (4)	630,674
% Fixed <sup>(5)</sup>	30.3	37.3	44.7	42.4	45.3	43.8
% Variable <sup>(6)</sup>	69.7	62.7	55.3	57.6	54.7	56.2
% Short-Term Compensation <sup>(7)</sup>	48.5	59.6	62.6	59.3	63.3	61.3
% Long-Term Compensation <sup>(8)</sup>	51.5	40.4				