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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 8-K**

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**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**Date of Report (Date of earliest event reported): August 1, 2006**

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**CRYOLIFE, INC.**

(Exact name of registrant as specified in its charter)

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**Florida**  
(State or Other Jurisdiction  
of Incorporation)

**1-13165**  
(Commission File Number)

**59-2417093**  
(IRS Employer  
Identification No.)

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**1655 Roberts Boulevard, N.W., Kennesaw, Georgia 30144**  
(Address of principal executive office) (zip code)

**Registrant's telephone number, including area code: (770) 419-3355**

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(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## Section 1 Registrant's Business and Operations

### Item 1.01 Entry into a Material Definitive Agreement.

#### Restricted Stock Grants to Non-Employee Directors

On August 1, 2006, the Compensation Committee of the CryoLife, Inc. ("CryoLife" or the "Company") Board of Directors granted the right to receive 2,500 shares of restricted stock, to be issued effective August 7, 2006 (the "Effective Date"), to each non-employee director: Thomas F. Ackerman, James S. Benson, Daniel J. Bevevino, John M. Cook, Ronald C. Elkins M.D., Virginia C. Lacy, Ronald D. McCall Esq. and Bruce J. Van Dyne M.D.

Each grant vests ratably over twelve months. Any unvested portion of the grant will be forfeited upon the grantee's ceasing to serve as a director of the Company for any reason. All such grants were made under the 2002 Stock Incentive Plan. Each non-employee director will also receive, to be paid in 2006, a cash payment equal to 35% of the fair value of the grant, in order to help offset the income tax expense that may result from the grant.

As a result of its annual review, the Board has determined that none of the non-employees directors has a material relationship with the Company, other than his or her position as a director; however, 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 to the Special Litigation Committee's independent investigation into allegations made by the Plaintiffs in the shareholder derivative lawsuit filed against the Company's directors, which was settled in 2005. Mr. Benson billed that law firm a total of approximately \$52,500 for services provided in 2003. Mr. Benson was engaged to serve as an expert witness by a different law firm representing the Company in the securities class action shareholder lawsuit filed against the Company, which was also settled in 2005. Mr. Benson billed a total of approximately \$38,000 in expert witness fees for services provided in 2004 (approximately \$28,500) and 2005 (approximately \$9,500).

A copy of the form of restricted stock award agreement is filed as Exhibit 10.1 hereto, and incorporated herein by reference.

#### Option Grants to Certain Executive Officers

On August 1, 2006, the Company's Compensation Committee granted stock options to Gerald B. Seery, Senior Vice President, Sales and Marketing, David M. Fronk, Vice President, Regulatory Affairs and Quality Assurance, and Albert E. Heacox, Senior Vice President, Research and Development, under the Company's 1998 Long-Term Incentive Plan to purchase 100,000, 50,000 and 50,000 shares, respectively, of CryoLife's common stock, to be issued effective August 7, 2006. The options are governed by the 1998 Long-Term Incentive Plan and a separate option agreement.

The option agreement provides in part that the options will have an exercise price equal to the mean of the high and low reported sale prices for the Company's common stock on the New York Stock Exchange on August 7, 2006 and will become exercisable, subject to the employee remaining continuously employed by CryoLife, as follows: 20% of the shares will become exercisable on the first anniversary of August 7, 2006, and 20% more shares will become exercisable on each subsequent anniversary thereof until all shares (100%) of the option are exercisable (on the fifth anniversary, assuming continuous employment). The option has a term of 66 months but the option may terminate earlier as stated in the option agreement.

Messrs. Seery, Fronk and Heacox have no material relationships with the Company and its affiliates other than their positions as officers.

## **Section 5 Corporate Governance and Management**

### **Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.**

On August 1, 2006, the CryoLife Board of Directors appointed Amy D. Horton, CPA, age 36, to be the Company's Chief Accounting Officer, effective August 7, 2006. Ms. Horton received her Masters in Accounting from Brigham Young University in 1992. She has been employed by the Company since January 1998, serving first as a Senior Financial Analyst, then as Assistant Controller and from April 2000 to August 7, 2006 as the Controller. She will receive an annual salary of \$200,000, is eligible to receive option and other equity grants under the Company's stock incentive plans, and may receive a 2006 bonus of up to 31% of her base salary under the Company's performance-based bonus plan if certain performance targets are achieved, as well as an additional bonus of up to 15% of her base salary if certain additional, higher performance targets are achieved. Ms. Horton will be entitled to participate in all compensation and bonus plans made available to CryoLife's executive employees. If CryoLife terminates Ms. Horton's employment other than for cause, death or disability or Ms. Horton terminates employment for good reason, then Ms. Horton's employment agreement provides for a severance payment in an amount equal to one times the aggregate of Ms. Horton's annual salary and bonus compensation for the year in which the termination of employment occurs. The Company will increase the severance payments otherwise due by one times the aggregate of Ms. Horton's annual salary and bonus compensation upon termination of employment by the Company without cause following change of control, or if her employment was terminated without cause within six months prior to the change of control. Ms. Horton's employment agreement also subjects Ms. Horton to standard non-compete provisions.

## **Section 9 Financial Statements and Exhibits.**

### **Item 9.01(c) Exhibits.**

(a) Financial Statements.  
Not applicable.

(b) Pro Forma Financial Information.  
Not applicable.

(c) Shell Company Transactions.  
Not applicable.

(d) Exhibits.

10.1 Form of Restricted Stock Award Agreement.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, CryoLife, Inc. has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CRYOLIFE, INC.

Date: August 7, 2006

By: /s/ D. A. Lee

\_\_\_\_\_  
Name: D. Ashley Lee

Title: Executive Vice President, Chief  
Operating Officer and Chief  
Financial Officer



Your Name: \_\_\_\_\_  
Total No. of Shares: 2,500

**CRYOLIFE RESTRICTED STOCK AWARD AGREEMENT**

**CRYOLIFE, INC.** ("CryoLife") is pleased to grant you the restricted stock award described below ("Stock Award"). This grant is made subject to the further terms and conditions set forth in this Agreement and the terms of the CryoLife, Inc. 2002 Stock Incentive Plan (the "Plan").

**Effective Date:** August 7, 2006  
**Total Number of Shares of Stock Award:** 2,500  
**Vesting:** Vesting occurs at the rate of 1/12 of the Stock Award on the seventh of each month for a period of twelve months from the Effective Date, with the first vesting date occurring on September 7, 2006 and the final vesting date occurring on August 7, 2007.

The following documents accompany this Award Agreement:

Additional Terms and Conditions of Your Restricted Stock Award describes transferability of your award, what happens if you cease to be a member of the CryoLife Board of Directors (the "Board of Directors" or "Board") before all or a portion of your Stock Award vests, where to send notices and other matters.

The Plan contains the detailed terms that govern your Stock Award. If anything in this Agreement or the other attachments is inconsistent with the Plan, the terms of the Plan, as amended from time to time, will control.

The Plan Prospectus Document covering the Stock Award contains important information, including federal income tax consequences.

2005 Annual Report of CryoLife (not attached if you previously received the 2005 Annual Report).

**Please sign below to show that you accept this Stock Award after review of the above documents. Keep a copy and return both originals to Suzanne K. Gabbert, CryoLife, Inc., 1655 Roberts Blvd., NW, Kennesaw, GA 30144.**

**CRYOLIFE, INC.**

**GRANTEE:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

Print Your Name: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_

**ADDITIONAL TERMS AND CONDITIONS OF YOUR RESTRICTED STOCK AWARD**

**EFFECT OF TERMINATION OF SERVICE.** You must be a member of the CryoLife Board of Directors on the applicable vesting date to be entitled to the vesting of your Stock Award on such date. If you cease to be a member of the CryoLife Board of Directors (including, without limitation, by reason of death, disability or retirement from the Board), then the portion of your Stock Award which has not vested as of the date of termination of Board service shall automatically be forfeited and cancelled as of the date of such termination of Board service.

**STOCK AWARD SHARE CERTIFICATES.** Certificates representing the shares of Common Stock to be issued pursuant to the Stock Award shall be issued in your name and shall be held in by CryoLife until the Stock Award is vested or forfeited as provided herein. Following vesting of your Stock Award, upon your written request, CryoLife shall promptly deliver to you a certificate or certificates representing the shares as to which the Stock Award has vested, free of the restrictions described in the following section. Your rights in your Stock Award are contingent upon your executing and returning to the Company a form of stock power with respect to the shares subject to your Stock Award.

**RIGHTS WITH RESPECT TO STOCK AWARD PRIOR TO VESTING.** You may not transfer your Stock Award or the shares to be issued hereunder prior to vesting. Once this Stock Award vests, you may receive transferable certificates representing the vested portion. Prior to vesting, you are entitled to all other rights as a shareholder with respect to the shares underlying the Stock Award, including the right to vote such shares and to receive dividends and other distributions, if any, payable with respect to such shares after the date of grant.

**NOTICES.** All notices delivered pursuant to this Agreement shall be in writing and shall be (i) delivered by hand, (ii) mailed by United States certified mail, return receipt requested, postage prepaid, (iii) sent by an internationally recognized courier which maintains evidence of delivery and receipt, (iv) sent by fax to (770) 590-3754 , or (v) sent by email to gabbert.suzanne@cryolife.com. All notices or other communications shall be directed to the following addresses (or to such other addresses as such parties may designate by notice to the other parties):

To CryoLife:	CryoLife, Inc. 1655 Roberts Blvd., NW Kennesaw, GA 30144 Attention: Secretary
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To you:	The address set forth in the Agreement
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**MISCELLANEOUS.** Failure by you or CryoLife at any time or times to require performance by the other of any provisions in your Restricted Stock Award Agreement (“Agreement”) will not affect the right to enforce those provisions. Any waiver by you or CryoLife of any condition or of any breach of any term or provision in this Agreement, whether by conduct or otherwise, in any one or more instances, shall apply only to that instance and will not be deemed to waive conditions or breaches in the future. If any court of competent jurisdiction holds that any term or provision of this Agreement is invalid or unenforceable, the remaining terms and provisions will continue in full force and effect, and this Agreement shall be deemed to be amended automatically to exclude the offending provision. This Agreement may be executed in multiple copies and each executed copy shall be an original of this Agreement. This Agreement shall be subject to and governed by the laws of the State of Georgia. No change or modification of this Agreement shall be valid unless it is in writing and signed by the party against which enforcement is sought, except where specifically provided to the contrary herein. This Agreement shall be binding upon, and inure to the benefit of, the permitted successors, assigns, heirs, executors and legal representatives of the parties hereto. The headings of each section of this Agreement are for convenience only. This Agreement, together with the Plan, contains the entire Agreement of the parties hereto, and no representation, inducement, promise, or agreement or other similar understanding between the parties not embodied herein shall be of any force or effect, and no party will be liable or bound in any manner for any warranty, representation, or covenant except as specifically set forth herein or in the Plan.