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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2008

OR

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

For the Period from _____ to _____

Commission File Number 1-13165

CRYOLIFE, INC.

(Exact name of registrant as specified in its charter)

Florida	**59-2417093**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1655 Roberts Boulevard, NW
Kennesaw, Georgia 30144
(Address of principal executive offices)
(zip code)

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

Large Accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ☐ NO ☒

The number of shares of common stock, par value $0.01 per share, outstanding on July 25, 2008 was 28,003,750.

Part I – FINANCIAL INFORMATION

Item 1. Financial Statements.

CRYOLIFE, INC. AND SUBSIDIARIES
SUMMARY CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(Unaudited)		(Unaudited)	
Revenues:				
Preservation services	$13,725	$11,711	$27,149	$24,672
Products	13,280	11,156	25,260	22,551
Other	150	144	314	312
Total revenues	27,155	23,011	52,723	47,535
Costs and expenses:				
Preservation services (Including write-downs of $307 for the three months and $453 for the six months ended June 30, 2007)	7,449	6,976	14,767	14,608
Products	1,840	1,881	3,832	3,829
General, administrative, and marketing	12,358	10,842	24,425	23,177
Research and development	1,307	978	2,752	2,036
Interest expense	69	187	139	340
Interest income	(71)	(105)	(193)	(202)
Change in valuation of derivative	—	866	—	821
Other expense (income), net	55	13	(27)	102
Total costs and expenses	23,007	21,638	45,695	44,711
Income before income taxes	4,148	1,373	7,028	2,824
Income tax expense	260	82	375	179
Net income	$ 3,888	$ 1,291	$ 6,653	$ 2,645
Effect of preferred stock dividends	—	—	—	(243)
Net income applicable to common shares	$ 3,888	$ 1,291	$ 6,653	$ 2,402
Income per common share:				
Basic	$ 0.14	$ 0.05	$ 0.24	$ 0.10
Diluted	$ 0.14	$ 0.05	$ 0.24	$ 0.09
Weighted average common shares outstanding:				
Basic	27,756	25,480	27,661	25,234
Diluted	28,381	26,333	28,211	25,969

See accompanying Notes to Summary Consolidated Financial Statements.

Item 1. Financial Statements.

CRYOLIFE, INC. AND SUBSIDIARIES
SUMMARY CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	June 30, 2008 (Unaudited)	December 31, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 11,719	$ 14,460
Marketable securities, at market	—	2,987
Restricted marketable securities	563	—
Trade receivables, net	14,040	12,311
Other receivables	1,035	1,373
Deferred preservation costs, net	31,443	26,903
Inventories	6,254	5,607
Prepaid expenses and other current assets	2,512	1,811
Total current assets	67,566	65,452
Property and equipment, net	17,391	18,640
Patents, net	3,779	3,906
Trademarks and other intangibles, net	3,070	3,213
Deferred income taxes	148	148
Restricted money market funds	5,000	—
Other long-term assets	1,142	1,325
TOTAL ASSETS	$ 98,096	$ 92,684
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 3,370	$ 2,956
Accrued compensation	2,570	2,963
Accrued procurement fees	5,484	5,161
Accrued expenses	4,952	5,611
Deferred income	1,764	1,111
Line of credit	—	4,506
Current maturities of notes payable and capital lease obligations	926	43
Other current liabilities	2,279	2,351
Total current liabilities	21,345	24,702
Line of credit	315	—
Notes payable and capital lease obligations, less current maturities	85	81
Other long-term liabilities	4,697	5,274
Total liabilities	26,442	30,057
Shareholders' Equity:		
Preferred stock	—	—
Common stock (issued shares of 28,925 in 2008 and 28,526 in 2007)	289	285
Additional paid-in capital	123,082	120,562
Retained deficit	(46,328)	(52,981)
Accumulated other comprehensive income	9	—
Treasury stock at cost (shares of 945 in 2008 and 949 in 2007)	(5,398)	(5,239)
Total shareholders' equity	71,654	62,627
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 98,096	$ 92,684

See accompanying Notes to Summary Consolidated Financial Statements.

Item 1. Financial Statements.

CRYOLIFE, INC. AND SUBSIDIARIES
SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Six Months Ended June 30,	
	2008	2007
	(Unaudited)	
Net cash from operating activities:		
Net income	$ 6,653	$ 2,645
Adjustments to reconcile net income to net cash from operating activities:		
Loss on sale or disposal of assets	17	89
Depreciation and amortization	2,199	2,235
Write-down of deferred preservation costs and inventory	1,066	451
Non-cash compensation	1,434	967
Change in valuation of derivative	—	821
Other non-cash adjustments	75	(41)
Changes in operating assets and liabilities:		
Receivables	(1,817)	(878)
Income taxes	234	(103)
Deferred preservation costs and inventories	(6,253)	(4,559)
Prepaid expenses and other assets	(918)	(901)
Accounts payable, accrued expenses, and other liabilities	145	700
Net cash provided by operating activities	2,835	1,426
Net cash from investing activities:		
Capital expenditures	(763)	(414)
Net proceeds from sale of assets	141	9
Restricted money market funds, long-term	(5,000)	—
Purchases of marketable securities	(559)	(9,415)
Sales and maturities of marketable securities	3,000	8,155
Other	(38)	(52)
Net cash used in investing activities	(3,219)	(1,717)
Net cash from financing activities:		
Proceeds from issuance of debt and notes payable	428	282
Principal payments of debt	(4,582)	(288)
Principal payments on capital leases	(21)	(20)
Proceeds from financing of insurance policies	1,300	1,912
Principal payments on short-term notes payable	(429)	(587)
Proceeds from exercise of stock options and issuance of common stock	1,090	1,333
Payment of preferred stock dividends	—	(486)
Purchase of treasury stock	(159)	(413)
Net cash (used in) provided by financing activities	(2,373)	1,733
(Decrease) increase in cash and cash equivalents	(2,757)	1,442
Effect of exchange rate changes on cash	16	(56)
Cash and cash equivalents, beginning of period	14,460	4,133
Cash and cash equivalents, end of period	$11,719	$ 5,519

See accompanying Notes to Summary Consolidated Financial Statements.

Note 1 – Basis of Presentation

The accompanying summary consolidated financial statements include the accounts of CryoLife, Inc., and its subsidiaries ("CryoLife", the "Company", "we", or "us"). All significant intercompany accounts and transactions have been eliminated in consolidation. The accompanying Summary Consolidated Balance Sheet as of December 31, 2007 has been derived from audited financial statements and the accompanying unaudited summary consolidated financial statements for the periods as of and ended June 30, 2008 and 2007 and have been prepared in accordance with (i) accounting principles generally accepted in the U.S. for interim financial information and (ii) the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the U.S. Securities and Exchange Commission ("SEC"). Accordingly, such statements do not include all of the information and disclosures required by accounting principles generally accepted in the U.S. for a complete presentation of financial statements. In the opinion of management, all adjustments (of normal, recurring nature) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. These summary consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in CryoLife's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

Note 2 – Exchange and Service Agreement

On December 19, 2006 the Company announced that it had entered into an exchange and service agreement with Regeneration Technologies, Inc., ("RTI") and certain of its affiliates, respecting procurement, processing, and distribution activities for cardiac and vascular tissue processed and distributed by RTI and orthopaedic tissue for the knee processed and distributed by CryoLife (the "RTI Agreement"). In accordance with the RTI Agreement, CryoLife ceased accepting donated human orthopaedic tissue for processing commencing January 1, 2007 and began work to transition existing arrangements for recovery of human orthopaedic tissue to RTI. Likewise, on January 1, 2007 RTI ceased accepting donated human cardiac and vascular tissues for processing and began work to transition its arrangements for recovery of these tissues to CryoLife. No cash was exchanged in the transaction. CryoLife continued to distribute its existing orthopaedic tissue inventory, and RTI continued to distribute its existing cardiac and vascular tissue inventory, through June 30, 2008. After that date CryoLife became entitled to distribute RTI's remaining cardiac and vascular tissue inventory, and RTI became entitled to distribute CryoLife's remaining orthopaedic tissue inventory. CryoLife will pay RTI a commission with respect to any of CryoLife's orthopaedic tissue distributed by RTI and will receive a commission from RTI with respect to any RTI cardiac and vascular tissue distributed by CryoLife. Under the RTI Agreement, from July 1, 2008 through December 31, 2016, except as set forth above, CryoLife has agreed not to market or solicit orders for certain human orthopaedic tissues and RTI has agreed not to market or solicit orders for human cardiac and vascular tissues. The agreement also provides for a non-exclusive license of technology from CryoLife to RTI, and contains customary provisions regarding indemnification and confidentiality.

Note 3 – Cash Equivalents and Marketable Securities

The Company maintains cash equivalents and investments in several large, well-capitalized financial institutions, and the Company's policy excludes investment in any securities rated less than "investment-grade" by national rating services. Management determines the appropriate classification of its marketable securities at the time of purchase and reevaluates such designations quarterly.

Debt securities are classified as held-to-maturity when the Company has the intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost. Trading securities are securities that are acquired principally for the purpose of generating a profit from short-term fluctuations in price. Trading securities are stated at their fair values, with the realized and unrealized gains and losses, interest, and dividends included in investment

income. Debt securities not classified as held-to-maturity or marketable equity securities not classified as trading are classified as available-for-sale. Available-for-sale securities are stated at their fair values, with the unrealized gains and losses, net of applicable income taxes, reported in a separate component of shareholders' equity. Interest, dividends, realized gains and losses, and declines in value judged to be other than temporary are included in investment income. The cost of securities sold is based on the specific identification method.

As of June 30, 2008 $5.0 million of the Company's money market funds were designated as long-term restricted money market funds due to a financial covenant requirement under the Company's credit agreement with General Electric Capital Corporation ("GE Capital") as discussed in Note 6.

As of June 30, 2008 $563,000 of marketable securities was designated as held-to-maturity. The held-to-maturity securities were designated as such due to a contractual commitment to hold the securities as pledged collateral relating to one of the Company's product liability insurance policies, and, therefore, they were reported as restricted marketable securities on the June 30, 2008 Summary Consolidated Balance Sheets.

As of December 31, 2007 $3.0 million of marketable securities were designated as available-for-sale.

The Company's cash equivalents include advance funding received under the U.S. Congress 2005 and 2006 Defense Appropriations Conference Reports (the "2005 DOD Grant") and (the "2006 DOD Grant"), respectively, for the continued development of protein hydrogel technology for use on the battlefield. The advance funding is accounted for as deferred income on the Summary Consolidated Balance Sheets and is recognized as other revenue as expenses are incurred related to these grants. As of June 30, 2008 $1.8 million of cash equivalents and deferred income was related to the 2006 DOD grant. As of December 31, 2007 $1.0 million of cash equivalents and deferred income was related to the 2005 and 2006 DOD grants.

The following is a summary of cash equivalents and marketable securities (in thousands):

	Cost Basis	Unrealized Holding Gains	Estimated Market Value
June 30, 2008 (Unaudited)			
Cash equivalents:			
Money market funds	$ 9,760	$ —	$ 9,760
Restricted money market funds, long-term	$ 5,000	$ —	$ 5,000
Marketable securities:			
Restricted government entity sponsored debt securities	$ 563	$ —	$ 563
December 31, 2007			
Cash equivalents:			
Money market funds	$11,724	$ —	$11,724
Marketable securities:			
Government entity sponsored debt securities	$ 2,984	$ 3	$ 2,987

There were no gross realized gains or losses on sales of available-for-sale securities for the three and six months ended June 30, 2008 and 2007. Differences between cost and market value listed above, consisting of an unrealized holding gain of $3,000 at December 31, 2007, are included as a component of other comprehensive income on the Company's Summary Consolidated Balance Sheets.

At June 30, 2008 and December 31, 2007 all of the Company's marketable securities had a maturity date within 90 days.

Note 4 – Inventories

Inventories are comprised of the following (in thousands):

	June 30, 2008 (Unaudited)	December 31, 2007
Raw materials	$ 3,343	$ 2,956
Work-in-process	543	650
Finished goods	2,368	2,001
Total inventories	$ 6,254	$ 5,607

Note 5 – Income Taxes

The Company periodically assesses the recoverability of its deferred tax assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109 "Accounting for Income Taxes" ("SFAS 109"), as necessary, when the Company experiences changes that could materially affect its determination of the recoverability of its deferred tax assets. Management provides a valuation allowance when, as a result of this analysis, management believes it is more likely than not that its deferred tax assets will not be realized. In assessing the recoverability of its deferred tax assets at December 31, 2007 the Company reviewed its historical operating results, including the reasons for its operating losses in prior years and uncertainties regarding projected future operating results. Based on the results of this analysis, at December 31, 2007 and June 30, 2008 the Company determined that it was more likely than not that the Company's deferred tax assets would not be realized. Therefore, as of June 30, 2008 and December 31, 2007 the Company had a total of $28.2 million in valuation allowances against deferred tax assets and a net deferred tax liability of $27,000. The Company will reverse the remaining valuation allowance, or a portion thereof, when and if its deferred tax assets meet the SFAS 109 "more likely than not" standard for recognition. Also, the realizability of the Company's deferred tax assets could be limited in future periods following a change in control as mandated by Section 382 of the Internal Revenue Code of 1986, as amended, which relates to certain specified changes in control of taxpayers.

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the adoption of FIN 48, the Company recorded $1.7 million in liabilities for unrecognized tax benefits plus estimated interest and penalties of $283,000. The aggregate $2.0 million liability was accounted for as a decrease to the January 1, 2007 balance of retained earnings of $762,000 and a reclassification of a portion of the valuation allowances against the Company's deferred tax assets of $1.2 million to an uncertain tax liability. To the extent these unrecognized tax benefits are ultimately recognized, it would not affect the annual effective income tax rate due to the existence of the valuation allowance.

The Company recognizes interest and penalties related to uncertain tax positions in other income and expense on the Company's Summary Consolidated Statements of Operations. As of June 30, 2008 and December 31, 2007 the Company had approximately $390,000 and $347,000, respectively, of accrued interest and penalties related to uncertain tax positions.

The tax years 2004-2007 remain open to examination by the major taxing jurisdictions to which the Company is subject.

Note 6 – Debt

On March 26, 2008 CryoLife and its subsidiaries entered into a credit agreement with GE Capital as lender (the "GE Credit Agreement"). The GE Credit Agreement provides for a revolving credit facility in an aggregate amount not to exceed the initial commitment of $15.0 million (including a letter of credit subfacility of up to an aggregate of $1.5 million). The initial commitment may be reduced or increased from time to time pursuant to the terms of the GE Credit Agreement. While the Company currently expects that its aggregate borrowing capacity under the GE Credit Agreement will equal $15.0 million, there can be no assurance that the borrowing capacity will remain at this level. The GE Credit Agreement places limitations on the amount that the Company may borrow, and includes various

affirmative and negative covenants, including financial covenants such as a requirement that CryoLife (i) not exceed a defined leverage ratio, (ii) maintain a minimum adjusted earnings before extraordinary gains, interest, taxes, depreciation, and amortization ("Adjusted EBITDA") as of specified dates, and (iii) not make or commit capital expenditures in excess of a defined limitation. Further, beginning April 15, 2008 as required under the terms of the GE Credit Agreement, the Company is maintaining cash and cash equivalents of at least $5.0 million in accounts in which GE Capital has a first priority perfected lien. These amounts are recorded as long-term restricted money market funds on the Company's Summary Consolidated Balance Sheet. The GE Credit Agreement also includes customary conditions on incurring new indebtedness and prohibits payments of cash dividends on the Company's common stock. There is no restriction on the payment of stock dividends. Commitment fees are paid based on the unused portion of the facility. The GE Credit Agreement expires on March 25, 2011, at which time the outstanding principal balance will be due. As of June 30, 2008 the Company was in compliance with the covenants of the GE Credit Agreement.

Amounts borrowed under the GE Credit Agreement are secured by substantially all of the tangible and intangible assets of CryoLife and its subsidiaries and bear interest at either LIBOR plus 3.25% or GE Capital's base rate, as defined, plus 2.25%, as applicable. As of June 30, 2008 the outstanding balance of the GE Credit Agreement was $315,000, the aggregate interest rate was 7.25%, and the remaining availability was $14.7 million.

On February 8, 2005 CryoLife and its subsidiaries entered into a credit agreement with Wells Fargo Foothill, Inc. ("Wells Fargo") as lender which provided for a revolving credit facility in an aggregate amount equal to the lesser of $15.0 million (including a letter of credit subfacility of up to an aggregate of $2.0 million) or a borrowing base determined in accordance with the terms of the credit agreement. The credit agreement with Wells Fargo expired on February 8, 2008 in accordance with its terms, at which time the outstanding principal balance of $4.5 million was paid from cash on hand. In the first quarter of 2007 the Company obtained a $500,000 letter of credit under the subfacility of this credit agreement relating to one of the Company's product liability insurance policies. Upon the February 8, 2008 expiration of the credit agreement with Wells Fargo, the Company remitted to Wells Fargo approximately $500,000 as collateral to cover the remaining term of the letter of credit agreement, which expired on April 2, 2008. This remitted amount was refunded to the Company in the second quarter of 2008.

The Company routinely enters into agreements to finance insurance premiums for periods not to exceed the terms of the related insurance policies. In April 2008 the Company entered into such an agreement to finance approximately $1.3 million in insurance premiums. The amount financed accrues interest at a 4.632% annual rate and is payable in equal monthly payments over a nine month period. As of June 30, 2008 the aggregate outstanding balance under this agreement was $872,000. In the second quarter of 2007 the Company entered into two such agreements to finance approximately $1.4 million and $478,000 in insurance premiums. The amounts financed accrued interest at 7.027% and were payable in equal monthly payments over a nine month and an eight month period, respectively. As of June 30, 2008 the aggregate outstanding balance under these agreements was zero.

Note 7 – Convertible Preferred Stock

On March 18 and April 19, 2005 the Company completed a public offering of 417,000 shares of 6% convertible preferred stock (the "Preferred Stock") at a price to the public of $50.00 per share. Net proceeds from the offering, after deducting underwriting discounts and offering-related expenses, totaled approximately $19.1 million.

Dividends on the Preferred Stock were cumulative from the date of original issue at the annual rate of 6% of the liquidation preference of the Preferred Stock, payable quarterly. Any dividends were required to be declared by the Company's board of directors and to come from funds legally available for dividend payments. On March 13, 2007 the Company declared a dividend of $0.75 per share on its Preferred Stock. The dividend of approximately $243,000 was paid on April 2, 2007 to shareholders of record on March 22, 2007. No dividends were declared during the remainder of 2007.

The Preferred Stock was convertible at the option of the holder at any time into the Company's common stock at a conversion rate of approximately 6.2189 shares of common stock for each share of Preferred Stock, based on an initial conversion price of $8.04. The Company had reserved 4.6 million shares of common stock for issuance upon conversion. Through June 4, 2007 holders had cumulatively voluntarily converted 139,000 shares of Preferred Stock into 867,000 shares of common stock.

The Preferred Stock contained provisions that allowed the Company to convert its Preferred Stock into common stock if the closing price of the Company's common stock exceeded $12.06, which is 150% of the conversion price of the Preferred Stock, for at least 20 trading days during any 30-day trading period, ending within five trading days prior to notice of automatic conversion. This condition was satisfied on June 4, 2007 and on that day the Company exercised its right to automatically convert the Preferred Stock into common stock. As a result, on June 25, 2007 the Company automatically converted the remaining 278,000 shares of Preferred Stock into 1.7 million shares of common stock at the conversion rate of approximately 6.2189 shares of common stock per share of Preferred Stock.

The Company was required to make additional payments for both the voluntary and automatic conversions of Preferred Stock equal to the aggregate amount of dividends that would have been payable on the Preferred Stock through and including April 1, 2008, less any dividends already paid on the Preferred Stock (the "Dividend Make-Whole Payment"). The Dividend Make-Whole Payment was payable in cash or, at the Company's option, in shares of the Company's common stock, or a combination of cash and shares of common stock. The Dividend Make-Whole Payment is discussed further in Note 8 below.

As of June 30, 2008 and December 31, 2007 there were no outstanding shares of Preferred Stock as a result of the second quarter 2007 automatic conversion of the Preferred Stock to common stock.

Note 8 – Derivative

In accordance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), the Company was required to separate and account for the Dividend Make-Whole Payment feature of its Preferred Stock as an embedded derivative (the "Derivative"). As an embedded derivative instrument, the Dividend Make-Whole Payment feature was measured at fair value and reflected as a current liability on the Company's Summary Consolidated Balance Sheets. Changes in the fair value of the Derivative were recognized in the line item change in valuation of derivative on the Company's Summary Consolidated Statements of Operations.

The Company determined the fair value of the Derivative to be $1.0 million on March 18, 2005, the date of issuance. The Company determined the fair value of the Derivative related to the issuance of additional Preferred Stock upon exercise of the underwriter's over allotment option to be $32,000 on April 19, 2005, the date of issuance. The proceeds from the Preferred Stock recorded on the Summary Consolidated Balance Sheets were reduced by these amounts, which were allocated to the derivative liability.

As discussed in Note 7 above, on June 25, 2007 the Company automatically converted the remaining shares of the Preferred Stock into common stock, thereby, triggering the payment of the remaining Dividend Make-Whole Payment. Through June 4, 2007 the Company had issued 132,000 shares of common stock to converting holders in satisfaction of the Dividend Make-Whole Payment. The value of voluntary conversions during 2007 was $178,000 based on the share prices on the respective dates of conversion. On June 25, 2007 the Company issued 69,000 shares of common stock to preferred shareholders to satisfy the Dividend Make-Whole Payment due to the automatic conversion. The value of the Dividend Make-Whole Payment was $878,000 based on the share price of $12.71 on the date of conversion.

The Company recorded other expense of $866,000 for the three months ended June 30, 2007 related to the automatic and voluntary conversions of the Preferred Stock to common stock. The Company recorded $821,000 for the six months ended June 30, 2007 related to the first quarter revaluation of the Derivative and the automatic and voluntary conversion of the Preferred Stock to common stock.

At June 30, 2008 and December 31, 2007 there was no remaining derivative liability as a result of the second quarter 2007 automatic conversion of the Preferred Stock to common stock.

Note 9 – Comprehensive Income

The following is a summary of comprehensive income (in thousands):

	Three Months Ended June 30		Six Months Ended June 30,	
	2008	2007	2008	2007
	(Unaudited)		(Unaudited)	
Net income	$ 3,888	$ 1,291	$6,653	$2,645
Unrealized loss on investments	—	(3)	(3)	(4)
Translation adjustment	33	(30)	12	(58)
Comprehensive income	$ 3,921	$ 1,258	$6,662	$2,583

The tax effect on the change in unrealized loss on investments and the translation adjustment is zero for each period presented.

Accumulated other comprehensive income consists of the following (in thousands):

	June 30 2008	December 31, 2007
	(Unaudited)	
Unrealized gain on investments	$ —	$ 3
Translation adjustment	9	(3)
Total accumulated other comprehensive income	$ 9	$ —

Note 10 – Income per Common Share

The following table sets forth the computation of basic and diluted income per common share (in thousands, except per share data). The net income for the six months ended June 30, 2007 is adjusted by the effect of the Company's cumulative, convertible Preferred Stock to arrive at net income applicable to common shares in accordance with SFAS No. 128 "Earnings Per Share" ("SFAS 128"). The Company also considers, as applicable, the effect of its Preferred Stock, as discussed in Note 7, the Derivative, as discussed in Note 8, common stock options, as discussed in Note 11, contingently returnable shares, and contingent stock awards in the calculation of diluted weighted-average shares below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(Unaudited)		(Unaudited)	
Basic income per common share				
Numerator:				
Net income	$ 3,888	$ 1,291	$ 6,653	$ 2,645
Effect of preferred stock [a]	—	—	—	(243)
Net income applicable to common shares	$ 3,888	$ 1,291	$ 6,653	$ 2,402
Denominator:				
Basic weighted-average common shares	27,756	25,480	27,661	25,234
Basic income per common share	$ 0.14	$ 0.05	$ 0.24	$ 0.10

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(Unaudited)		(Unaudited)	
Diluted income per common share				
Numerator:				
Net income	$ 3,888	$ 1,291	$ 6,653	$ 2,645
Effect of preferred stock [a, b]	—	—	—	(243)
Net income applicable to common shares	$ 3,888	$ 1,291	$ 6,653	$ 2,402
Denominator:				
Basic weighted-average common shares	27,756	25,480	27,661	25,234
Effect of dilutive convertible preferred stock [b]	—	—	—	—
Effect of dilutive stock options	545	853	475	735
Effect of contingently returnable shares [c]	55	—	47	—
Effect of contingent stock awards [d]	25	—	28	—
Adjusted weighted-average common shares	28,381	26,333	28,211	25,969
Diluted income per common share	$ 0.14	$ 0.05	$ 0.24	$ 0.09

[a] The amount of the accumulated dividend on Preferred Stock reduced the net income applicable to common shares for the six months ended June 30, 2007.

[b] The adjustment for the Dividend Make-Whole Payment for conversions during the period would have increased net income applicable to common shareholders by $866,000 for the three months ended June 30, 2007. The common shares that would have been issued to shareholders at the beginning of the period for the conversion of the remaining Preferred Stock and in payment of the remaining Dividend Make-Whole Payment would have increased the weighted-average shares by 1.8 million for the three months ended June 30, 2007. These adjustments were excluded from the calculation above, as they were anti-dilutive pursuant to the provisions of SFAS 128.

The amount of the accumulated dividend on the Preferred Stock decreased the net income applicable to common shares by $243,000 for the six months ended June 30, 2007. The adjustment for the Dividend Make-Whole Payment for conversions during the period and the adjustment for the quarterly revaluation of the derivative liability would have instead increased net income applicable to common shareholders by $821,000 for the six months ended June 30, 2007. The common shares that would have been issued to shareholders at the beginning of the period for the conversion of the remaining Preferred Stock and in payment of the remaining Dividend Make-Whole Payment would have increased the weighted-average shares by 2.0 million for the six months ended June 30, 2007. These adjustments were excluded from the calculation above, as they were anti-dilutive pursuant to the provisions of SFAS 128.

[c] Contingently returnable shares include shares of common stock issued pursuant to stock grants which have not vested and are returnable to the Company upon forfeiture.

[d] Contingent stock awards include shares to be issued pursuant to performance based bonus plans that have been approved by the compensation committee of the Board of Directors.

In future periods basic and diluted earnings per common share are expected to be affected by the fluctuations in the fair value of the Company's common stock, the exercise and issuance of additional stock options, contingently returnable shares, and contingent stock awards.

Note 11 – Stock Compensation

The Company has stock option and stock incentive plans for employees and non-employee Directors that provide for grants of shares and options to purchase shares of Company common stock at exercise prices generally equal to the fair values of such stock at the dates of grant. The Company also maintains a shareholder approved Employee Stock Purchase Plan (the "ESPP") for the benefit of its employees. The ESPP allows eligible employees the right to purchase common stock on a quarterly basis at the lower of 85% of the market price at the beginning or end of each three-month offering period. Pursuant to the adoption of SFAS 123 Revised "Share-Based Payment" ("SFAS 123R"), both the Company's 15% discount on ESPP stock purchases and the look back portion of ESPP stock purchases are considered components of stock compensation and must be expensed in the Company's financial statements. The look back portion of the Company's ESPP constitutes an option and, as such, the expense is determined by performing a valuation as discussed below.

Stock Grants

The Company values its stock grants based on the market value, as determined by the stock incentive plan, on the date of grant. The value of stock grants is expensed over the vesting period of the related grant, and an estimated forfeiture rate is used to reduce the expense recorded.

In February 2008 the Compensation Committee of the Company's Board of Directors approved the terms of the Company's 2008 performance-based bonus plans to recognize the performance of the Company's executives and managers. A portion of the awards to be issued under these plans will be paid in Company stock pursuant to the Company's existing stock incentive plans, if the required performance is achieved. The Company recorded an accrual of $450,000 related to this contingent stock grant during the six months ended June 30, 2008. The Company expects to pay out cash and stock related to these bonus plans in the first quarter of 2009.

During the first half of 2008 the Compensation Committee of the Company's Board of Directors authorized grants of stock from approved stock incentive plans to non-employee Directors and certain Company executives and managers totaling 170,000 shares of common stock, which had an aggregate value of $1.6 million. The grants of stock during the first half of 2008 include 81,000 shares of common stock valued at $786,000 issued as part of the 2007 performance-based bonus plans for certain Company executives and managers. The Company recorded the expense related to the 2007 performance-based bonus plans during the year ended December 31, 2007. The remaining value of the stock granted will be recorded as an expense on the Company's Summary Consolidated Statements of Operations over the respective vesting periods in accordance with SFAS 123R as discussed below.

During the first half of 2007 the Compensation Committee of the Company's Board of Directors authorized grants of stock from approved stock incentive plans to non-employee Directors and certain Company executives totaling 136,000 shares of common stock, which had an aggregate value of $1.4 million. The grants of stock during the first half of 2007 included 68,000 shares of common stock valued at $587,000 issued as part of the 2006 performance-based bonus plan for certain Company executives. The Company recorded the expense related to the 2006 performance-based bonus plan during the year ended December 31, 2006. The remaining value of the stock granted will be recorded as an expense on the Company's Summary Consolidated Statements of Operations over the respective vesting periods in accordance with SFAS 123R as discussed below.

Stock Options

The Compensation Committee of the Company's Board of Directors authorized grants of stock options from approved stock incentive plans to certain Company executives and employees totaling 333,000 and 273,000 shares during the first half of 2008 and 2007, respectively, with exercise prices equal to the stock prices on the respective grant dates. The value of the stock options granted will be recorded as an expense on the Company's Summary Consolidated Statements of Operations over the respective vesting periods in accordance with SFAS 123R as discussed below.

Employees purchased common stock totaling 26,000 and 25,000 shares in the first half of 2008 and 2007, respectively, through the Company's ESPP. The value of the option portion of the stock purchased was recorded as an expense on the Company's Summary Consolidated Statements of Operations in each quarterly period in accordance with SFAS 123R as discussed below.

Stock Compensation Expense

The Company uses the Black-Scholes model to value its stock option grants under SFAS 123R and expenses the related compensation cost using the straight-line method over the vesting period. The fair value of the Company's ESPP options is also determined using the Black-Scholes model and is expensed quarterly at the end of the purchase period, as the option is fully vested at that time. The fair value of stock options is determined on the grant date using assumptions for the expected term, expected volatility, dividend yield, and the risk free interest rate. The term assumption is primarily based on the contractual term of the option and historic data related to exercise and post-vesting cancellation history experienced by the Company, adjusted based on management's expectations of future results. The expected term is determined separately for options issued to the Company's directors and to employees. The Company's anticipated volatility level is primarily based on the historic volatility of the Company's common stock, adjusted to remove the effects of certain periods of unusual volatility not expected to recur, and adjusted based on management's expectations of future volatility, for the life of the option or option group. The Company's model includes a zero dividend yield assumption, as the Company has not historically paid nor does it anticipate paying dividends on its common stock. The risk free interest rate is based on recent U.S. Treasury note auction results with a similar life to that of the option. The Company's model does not include a discount for post-vesting restrictions, as the Company has not issued awards with such restrictions. The period expense is then determined based on the valuation of the options, and at that time an estimated forfeiture rate is used to reduce the expense recorded. The Company's estimate of pre-vesting forfeitures is primarily based on the recent historical experience of the Company, and the expense recorded is adjusted to reflect actual forfeitures at each vesting date.

The following weighted-average assumptions were used to determine the fair value of options under SFAS 123R:

	Three Months Ended June 30, 2008		Six Months Ended June 30, 2008	
	Stock Options	ESPP Options	Stock Options	ESPP Options
	(Unaudited)		(Unaudited)	
Expected dividend yield	N/A	0%	0%	0%
Expected stock price volatility	N/A	.46	.60	.62
Risk-free interest rate	N/A	1.40%	2.26%	2.42%
Expected life of options	N/A	.25 Years	3.5 Years	.25 Years

	Three Months Ended June 30, 2007		Six Months Ended June 30, 2007	
	Stock Options	ESPP Options	Stock Options	ESPP Options
	(Unaudited)		(Unaudited)	
Expected dividend yield	N/A	0%	0%	0%
Expected stock price volatility	N/A	.50	.60	.44
Risk-free interest rate	N/A	5.12%	4.78%	4.97%
Expected life of options	N/A	.25 Years	3.5 Years	.25 Years

The following table summarizes stock compensation expenses (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(Unaudited)		(Unaudited)	
Stock grant expense	$ 444	$ 358	$ 839	$ 575
Stock option expense	335	215	595	392
Total stock compensation expense	$ 779	$ 573	$ 1,434	$ 967

Included in this total stock compensation expense were expenses related to common stock grants, options issued prior and subsequent to the adoption of SFAS 123R that continue to vest during the period, and compensation related to the Company's ESPP. These amounts were recorded as compensation expense and were subject to the Company's normal allocation of expenses to inventory and deferred preservation costs. The Company capitalized $30,000 and $24,000 in the three months ended June 30, 2008 and 2007, respectively, of the stock compensation

expense into its deferred preservation costs and inventory costs. The Company capitalized $49,000 and $44,000 in the six months ended June 30, 2008 and 2007, respectively, of the stock compensation expense into its deferred preservation costs and inventory costs. The Company did not recognize a tax benefit, or a related operating cash outflow and financing cash inflow, related to the compensation expense recorded in the three and six months ended June 30, 2008 and 2007, as the Company is maintaining a full valuation allowance on its deferred tax assets. See Note 5 for additional discussions of the Company's income tax valuation.

As of June 30, 2008 and 2007 the Company had a total of $993,000 and $688,000, respectively, in total unrecognized compensation costs related to unvested stock grants, before considering the effect of expected forfeitures. This expense is expected to be recognized over each stock grant's vesting period. As of June 30, 2008 the Company has outstanding stock grants that complete vesting in 2008, 2010, and 2011.

As of June 30, 2008 and 2007 there was approximately $1.9 million and $2.0 million, respectively, in total unrecognized compensation costs related to unvested stock options, before considering the effect of expected forfeitures. As of June 30, 2008 and 2007 this expense is expected to be recognized over a weighted average period of 1.6 years and 1.9 years, respectively.

Note 12 – Segment Information

The Company has two reportable segments organized according to its services and products: Preservation Services and Implantable Medical Devices.

The Preservation Services segment includes external services revenues from the cryopreservation of cardiac and vascular tissues and from shipments of previously cryopreserved orthopaedic tissues. The Implantable Medical Devices segment includes external revenues from product sales of BioGlue, Hemostase MPH, CardioWrap, and bioprosthetic devices, including the CryoLife-O'Brien Stentless Aortic Bioprosthesis, and SynerGraft processed bovine vascular grafts. There are no intersegment revenues.

The primary measure of segment performance, as viewed by the Company's management, is segment gross margin, or net external revenues less cost of preservation services and products. The Company does not segregate assets by segment; therefore, asset information is excluded from the segment disclosures below.

The following table summarizes revenues, cost of preservation services and products, and gross margins for the Company's operating segments (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(Unaudited)		(Unaudited)	
Revenues:				
Preservation services	$13,725	$11,711	$27,149	$24,672
Implantable medical devices	13,280	11,156	25,260	22,551
All other [a]	150	144	314	312
	27,155	23,011	52,723	47,535
Cost of Preservation Services and Products:				
Preservation services	7,449	6,976	14,767	14,608
Implantable medical devices	1,840	1,881	3,832	3,829
All other [a]	—	—	—	—
	9,289	8,857	18,599	18,437
Gross Margin:				
Preservation services	6,276	4,735	12,382	10,064
Implantable medical devices	11,440	9,275	21,428	18,722
All other [a]	150	144	314	312
	$17,866	$14,154	$34,124	$29,098

[a] The "All other" designation includes 1) grant revenue and 2) revenues related to the licensing of the Company's technology to a third party.

The following table summarizes net revenues by service or product (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(Unaudited)		(Unaudited)	
Preservation services:				
Cardiac tissue	$ 6,348	$ 5,048	$12,586	$10,021
Vascular tissue	7,080	5,428	13,939	11,567
Orthopaedic tissue	297	1,235	624	3,084
Total preservation services	13,725	11,711	27,149	24,672
Products:				
BioGlue	12,972	10,930	24,859	22,093
Other implantable medical devices	308	226	401	458
Total products	13,280	11,156	25,260	22,551
Other	150	144	314	312
Total revenues	$27,155	$23,011	$52,723	$47,535

Note 13 – Commitments and Contingencies

Product Liability Claims

In the normal course of business as a medical device and services company, the Company has liability and tissue processing complaints filed against it. As of July 25, 2008 one liability lawsuit was pending against the Company arising out of the Company's allograft orthopaedic tissue preservation services. Management believes this lawsuit is covered by liability insurance. This lawsuit is in the discovery stage. Other parties have made complaints that may result in lawsuits in future periods.

Based on an analysis the Company performed as of June 30, 2008 of the pending tissue processing liability lawsuit, the Company accrued a total of approximately $330,000 for the pending tissue processing liability lawsuit. The $330,000 accrual was included as a component of accrued expenses and other current liabilities on the June 30, 2008 Summary Consolidated Balance Sheet. As of December 31, 2007 the Company had accrued a total of approximately $330,000 for the pending tissue processing liability lawsuit. The $330,000 accrual was included as a component of accrued expenses and other current liabilities on the December 31, 2007 Summary Consolidated Balance Sheet.

On April 1, 2008 the Company bound liability coverage for the 2008/2009 insurance policy year. This policy is a six-year claims-made insurance policy, i.e. claims incurred during the period April 1, 2003 through March 31, 2009 and reported during the period April 1, 2008 through March 31, 2009 are covered by this policy. Claims incurred prior to April 1, 2003 that have not been reported are uninsured. Any punitive damage components of claims are also uninsured.

The Company maintains claims-made insurance policies to mitigate its financial exposure to product and tissue processing liability claims. Claims-made insurance policies generally cover only those asserted claims and incidents that are reported to the insurance carrier while the policy is in effect. Thus, a claims-made policy does not generally represent a transfer of risk for claims and incidents that have been incurred but not reported to the insurance carrier during the policy period. The Company periodically evaluates its exposure to unreported product and tissue processing liability claims and records accruals as necessary for the estimated cost of unreported claims related to services performed and products used. In July 2008 the Company retained an independent actuarial firm to perform estimates of the unreported claims as of June 30, 2008. The independent firm estimated the unreported loss liability using a frequency-severity approach, whereby projected losses were calculated by multiplying the estimated number of claims

by the estimated average cost per claim. The estimated claims were calculated based on the reported claim development method and the Bornhuetter-Ferguson method using a blend of the Company's historical claim experience and industry data. The estimated cost per claim was calculated using a lognormal claims model blending the Company's historical average cost per claim with industry claims data. The independent actuarial firm used a number of assumptions in order to estimate the unreported loss liability including:

- A ceiling of $5.0 million was selected for actuarial purposes in determining the liability per claim given the uncertainty in projecting claim losses in excess of $5.0 million,
- The future claim reporting lag time would be a blend of the Company's experiences and industry data,
- The frequency of unreported claims for accident years 2001 through 2008 would be lower than the Company's experience in the 2002/2003 policy year, but higher than the Company's historical claim frequency prior to the 2002/2003 policy year,
- The average cost per claim would be lower than the Company's experience since the 2002/2003 policy year, but higher than the Company's historical cost per claim prior to the 2002/2003 policy year,
- The average cost per BioGlue claim would be consistent with the Company's overall historical exposures until adequate historical data is available on this product line, and
- The number of BioGlue claims per million dollars of BioGlue revenue would be 55% lower than non-BioGlue claims per million dollars of revenue. The 55% factor was selected based on BioGlue claims experience to date and consultation with the actuary.

The Company believes that these assumptions provide a reasonable basis for the calculation of the unreported liability loss, but the accuracy of the actuarial firm's estimates is limited by the general uncertainty that exists for any estimate of future activity due to uncertainties surrounding the assumptions used and due to Company specific conditions and the scarcity of industry data directly relevant to the Company's business activities. Due to these factors, actual results may differ significantly from the assumptions used and amounts accrued.

Based on the actuarial valuation performed in July 2008 as of June 30, 2008, the Company estimated that its liability for unreported liability claims was $5.0 million. The $5.0 million balance is included as a component of accrued expenses and other current liabilities of $2.5 million and other long-term liabilities of $2.5 million on the June 30, 2008 Summary Consolidated Balance Sheet. Further analysis indicated that the liability could be estimated to be as high as $10.0 million, after including a reasonable margin for statistical fluctuations calculated based on actuarial simulation techniques. Based on the actuarial valuation, the Company estimated that as of June 30, 2008, $1.6 million of the accrual for unreported liability claims would be recoverable under the Company's insurance policies. The $1.6 million insurance recoverable is included as a component of other receivables of $800,000 and other long-term assets of $800,000 on the June 30, 2008 Summary Consolidated Balance Sheet. These amounts represent management's estimate of the probable losses and anticipated recoveries for unreported liability claims related to services performed and products sold prior to June 30, 2008. Actual results may differ from this estimate.

As of December 31, 2007 the Company accrued $6.3 million for unreported liability claims and recorded a receivable of $2.4 million for unreported liability claims estimated to be recoverable under the Company's insurance policies. This $6.3 million accrual was included as a component of accrued expenses and other current liabilities of $3.2 million and other long-term liabilities of $3.1 million on the December 31, 2007 Summary Consolidated Balance Sheet. The $2.4 million insurance recoverable was included as a component of other current receivables of $1.1 million and other long-term assets of $1.3 million on the December 31, 2007 Summary Consolidated Balance Sheet.

Note 14 – New Accounting Pronouncements

The Company was required to adopt SFAS No. 157 "Fair Value Measurements" ("SFAS 157") for the fiscal year beginning January 1, 2008. SFAS 157 provides a single definition of fair value and a hierarchical framework for measuring it, as well as establishing additional disclosure requirements about the use of fair value to measure assets and liabilities. The adoption of SFAS 157 did not have a material effect on the Company's results of operations or financial position.

The Company was required to adopt SFAS No. 159 "The Fair Value Option for Financial Assets and Liabilities" ("SFAS 159") for the fiscal year beginning January 1, 2008. SFAS 159 provides the option to report certain financial assets and liabilities at fair value, with the intent to mitigate volatility in financial reporting that can occur when related assets and liabilities are measured differently. The Company does not expect to voluntarily implement the optional fair value measurements portions of SFAS 159 for eligible items. The adoption of SFAS 159 did not have a material effect on the Company's results of operations or financial position.

The Company will be required to adopt SFAS No. 141R "Business Combinations" ("SFAS 141R") for the fiscal year beginning January 1, 2009. FAS 141R establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company does not expect the adoption of FAS 141R to have a material effect on its consolidated financial position, results of operations or cash flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

CryoLife, Inc. ("CryoLife", the "Company", "we", or "us") develops and commercializes biomaterials and implantable medical devices, and preserves and distributes human tissues for cardiac and vascular transplant applications. The Company's human tissues include the CryoValve® SG pulmonary human heart valve, processed using CryoLife's proprietary SynerGraft® Technology. The Company's biomaterials and implantable medical devices include BioGlue® Surgical Adhesive ("BioGlue"), CryoLife-O'Brien® Stentless Porcine Aortic Bioprosthesis, and ProPatch® Soft Tissue Repair Matrix ("ProPatch"). Additionally, the Company distributes a microporous polysaccharide hemostatic agent under the private label Hemostase MPH® for Medafor, Inc. ("Medafor") and CardioWrap®, a bioresorbable thin film sheet used in cardiac reconstruction for MAST BioSurgery, Inc ("MAST").

In the quarter ended June 30, 2008 CryoLife revenues were $27.2 million. This represents the second consecutive quarter that CryoLife exceeded its previous record level of quarterly revenues. The $27.2 million in revenues included preservation services revenues of $13.7 million and BioGlue revenues of $13.0 million. During the second quarter of 2008 CryoLife continued to focus on physician training to enhance the acceptance of its products with physicians in the cardiac and vascular surgery specialties. This effort included the appointment of William F. Northrup, III, M.D. to the newly created position of Vice President of Medical Relations and Education. The Company also held a surgeon's cardiac allograft symposium in April and announced that it will hold a Ross summit in October 2008, focusing on training and education on the Ross cardiac procedure. The Ross procedure is a cardiac surgery operation where a diseased aortic valve is replaced with the patient's own pulmonary valve and a pulmonary allograft, such as CryoLife's CryoValve or CryoValve SG pulmonary human heart valve, is implanted to replace the patient's own pulmonary valve.

In the quarter ended June 30, 2008 CryoLife announced advances in its product offerings. In April the Company announced that it had signed an exclusive three-year agreement with Minneapolis-based Medafor to distribute its microporous polysaccharide hemostatic agent under the private label name Hemostase MPH, in May the Company announced the first implant of its combination aortic-mitral allograft heart valve at the Cleveland Clinic, and in June the Company and its partner BioForm Medical, Inc. ("BioForm") announced that BioGlue had received CE Mark approval for use in brow lift procedures. See Recent Events below for further discussion of certain of these items, and see Results of Operations below for further discussion of the Company's financial results during the quarter ended June 30, 2008.

Recent Events

Medafor License Agreement

On April 17, 2008 CryoLife signed an exclusive three-year agreement with Medafor. Under terms of the agreement CryoLife will distribute Medafor's microporous polysaccharide hemostatic agent for use in cardiac and vascular surgery in the U.S. and for cardiac, vascular, and general surgery, other than orthopaedic and ear, nose and throat surgery, internationally, with the exception of China and Japan. This product is a plant-based, flowable powder engineered to rapidly dehydrate blood, enhancing clotting on contact. The unique, absorbable powder hemostat, which received CE Mark approval in 2003 and FDA pre-market approval in September 2006, is distributed by CryoLife under the private label name Hemostase MPH. The Company is not contractually obligated to make minimum purchases under this agreement.

CryoLife began distributing Hemostase MPH in the U.S. during the second quarter of 2008. Pursuant to the terms of the agreement, Medafor will retain distribution rights to approximately 41 hospitals until no later than December 31, 2008. Medafor also retained the exclusive rights to distribute to U.S. Department of Defense hospitals. Outside of the U.S., CryoLife began distributing Hemostase MPH in the United Kingdom and Germany during the second quarter of 2008, with distribution in other markets expected to begin later in 2008 and in 2009.

BioGlue Brow Lift Approval

On June 10, 2008 CryoLife and BioForm announced that they received a CE Mark for the use of BioGlue for periosteal fixation following endoscopic browplasty, commonly called brow lift, a reconstructive plastic surgery procedure. The CE Mark approval allows the product to be marketed in the European Community (EU). BioGlue will be distributed by BioForm, for use in approved cosmetic and reconstructive plastic surgery in the EU, under the name "BioGlue Aesthetic™ Medical Adhesive." Under the terms of the agreement, CryoLife is the exclusive supplier of BioGlue to BioForm for all cosmetic and plastic surgery applications, and BioForm is responsible for all clinical trials and regulatory filings, and for sales and marketing of BioGlue in these applications in 12 EU countries.

Critical Accounting Policies

A summary of the Company's significant accounting policies is included in Part II, Item 8, "Note 1 of the Notes to Consolidated Financial Statements," contained in the Company's Form 10-K for the fiscal year ended December 31, 2007. Management believes that the consistent application of these policies enables the Company to provide users of the financial statements with useful and reliable information about the Company's operating results and financial condition. The summary consolidated financial statements are prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information, which require the Company to make estimates and assumptions. The following are accounting policies that management believes are most important to the portrayal of the Company's financial condition and results and may involve a higher degree of judgment and complexity.

Product Liability Claims: In the normal course of business as a medical device and services company, the Company has liability and tissue processing complaints filed against it. As of July 25, 2008 one liability lawsuit was pending against the Company arising out of the Company's allograft orthopaedic tissue preservation services. Management believes this lawsuit is covered by liability insurance. This lawsuit is in the discovery stage. Other parties have made complaints that may result in lawsuits in future periods.

Based on an analysis the Company performed as of June 30, 2008 of the pending tissue processing liability lawsuit, the Company accrued a total of approximately $330,000 for the pending tissue processing liability lawsuit. The $330,000 accrual was included as a component of accrued expenses and other current liabilities on the June 30, 2008 Summary Consolidated Balance Sheet. As of December 31, 2007 the Company had accrued a total of approximately $330,000 for the pending tissue processing liability lawsuit. The $330,000 accrual was included as a component of accrued expenses and other current liabilities on the December 31, 2007 Summary Consolidated Balance Sheet.

On April 1, 2008 the Company bound liability coverage for the 2008/2009 insurance policy year. This policy is a six-year claims-made insurance policy, i.e. claims incurred during the period April 1, 2003 through March 31, 2009 and reported during the period April 1, 2008 through March 31, 2009 are covered by this policy. Claims incurred prior to April 1, 2003 that have not been reported are uninsured. Any punitive damage components of claims are also uninsured.

The Company maintains claims-made insurance policies to mitigate its financial exposure to product and tissue processing liability claims. Claims-made insurance policies generally cover only those asserted claims and incidents that are reported to the insurance carrier while the policy is in effect. Thus, a claims-made policy does not generally represent a transfer of risk for claims and incidents that have been incurred but not reported to the insurance carrier during the policy period. The Company periodically evaluates its exposure to unreported product and tissue processing liability claims and records accruals as necessary for the estimated cost of unreported claims related to services performed and products used. In July 2008 the Company retained an independent actuarial firm to perform estimates of the unreported claims as of June 30, 2008. The independent firm estimated the unreported loss liability using a frequency-severity approach, whereby projected losses were calculated by multiplying the estimated number of claims by the estimated average cost per claim. The estimated claims were calculated based on the reported claim

development method and the Bornhuetter-Ferguson method using a blend of the Company's historical claim experience and industry data. The estimated cost per claim was calculated using a lognormal claims model blending the Company's historical average cost per claim with industry claims data. The independent actuarial firm used a number of assumptions in order to estimate the unreported loss liability including:

- A ceiling of $5.0 million was selected for actuarial purposes in determining the liability per claim given the uncertainty in projecting claim losses in excess of $5.0 million,
- The future claim reporting lag time would be a blend of the Company's experiences and industry data,
- The frequency of unreported claims for accident years 2001 through 2008 would be lower than the Company's experience in the 2002/2003 policy year, but higher than the Company's historical claim frequency prior to the 2002/2003 policy year,
- The average cost per claim would be lower than the Company's experience since the 2002/2003 policy year, but higher than the Company's historical cost per claim prior to the 2002/2003 policy year,
- The average cost per BioGlue claim would be consistent with the Company's overall historical exposures until adequate historical data is available on this product line, and
- The number of BioGlue claims per million dollars of BioGlue revenue would be 55% lower than non-BioGlue claims per million dollars of revenue. The 55% factor was selected based on BioGlue claims experience to date and consultation with the actuary.

The Company believes that these assumptions provide a reasonable basis for the calculation of the unreported liability loss, but the accuracy of the actuarial firm's estimates is limited by the general uncertainty that exists for any estimate of future activity due to uncertainties surrounding the assumptions used and due to Company specific conditions and the scarcity of industry data directly relevant to the Company's business activities. Due to these factors, actual results may differ significantly from the assumptions used and amounts accrued.

Based on the actuarial valuation performed in July 2008 as of June 30, 2008, the Company estimated that its liability for unreported liability claims was $5.0 million. The $5.0 million balance is included as a component of accrued expenses and other current liabilities of $2.5 million and other long-term liabilities of $2.5 million on the June 30, 2008 Summary Consolidated Balance Sheet. Further analysis indicated that the liability could be estimated to be as high as $10.0 million, after including a reasonable margin for statistical fluctuations calculated based on actuarial simulation techniques. Based on the actuarial valuation, the Company estimated that as of June 30, 2008, $1.6 million of the accrual for unreported liability claims would be recoverable under the Company's insurance policies. The $1.6 million insurance recoverable is included as a component of other receivables of $800,000 and other long-term assets of $800,000 on the June 30, 2008 Summary Consolidated Balance Sheet. These amounts represent management's estimate of the probable losses and anticipated recoveries for unreported liability claims related to services performed and products sold prior to June 30, 2008. Actual results may differ from this estimate.

As of December 31, 2007 the Company accrued $6.3 million for unreported liability claims and recorded a receivable of $2.4 million for unreported liability claims estimated to be recoverable under the Company's insurance policies. This $6.3 million accrual was included as a component of accrued expenses and other current liabilities of $3.2 million and other long-term liabilities of $3.1 million on the December 31, 2007 Summary Consolidated Balance Sheet. The $2.4 million insurance recoverable was included as a component of other current receivables of $1.1 million and other long-term assets of $1.3 million on the December 31, 2007 Summary Consolidated Balance Sheet.

Deferred Preservation Costs: By federal law, human tissues cannot be bought or sold. Therefore, the tissues the Company preserves and further processes cannot be held as inventory. Tissue is procured from deceased human donors by organ and tissue procurement agencies, which consign the tissue to the Company for processing, preservation, and distribution. Preservation costs consist primarily of direct labor and materials (including salary and fringe benefits, laboratory expenses, tissue procurement fees, and freight-in charges) and indirect costs (including allocations of costs from departments that support processing activities and facility allocations). Although the Company cannot own human tissue, the preservation process is a manufacturing process that is accounted for in accordance with ARB No. 43 Chapter 4 "Inventory Pricing" ("ARB 43"). Preservation costs are stated at the lower of cost or market on a first-in, first-out basis and are deferred until revenue is recognized upon shipment of the tissue to the implanting facilities. Cost of preservation services also includes idle facility expense, excessive spoilage, double freight, and rehandling costs and requires allocation of fixed production overheads to be based on the normal capacity of the production facilities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 151 "Inventory Costs" ("SFAS 151").

The calculation of deferred preservation costs involves a high degree of judgment and complexity. The costs included in deferred preservation costs contain several estimates due to the timing differences between the occurrence of the cost and receipt of final bills for services. Costs that contain estimates include tissue procurement fees, which are estimated based on the Company's contracts with independent procurement agencies, and freight-in charges, which are estimated based on the Company's prior experiences with these charges. These costs are adjusted for differences between estimated and actual fees when invoices for these services are received. Management believes that its estimates approximate the actual costs of these services, but estimates could differ from actual costs. Total deferred preservation costs are then allocated among the different tissues processed during the period based on specific cost drivers such as the number of donors and the number of tissues processed. At each balance sheet date a portion of the deferred preservation costs relates to tissues currently in active processing or held in quarantine pending release to implantable status. The Company applies a yield estimate to all tissues in process and in quarantine to estimate the portion of tissues that will ultimately become implantable. Management determines this estimate of quarantine yields based on its experience in prior periods and reevaluates this estimate periodically. Due to the nature of this estimate and the length of the processing times experienced by the Company, actual yields could differ from the Company's estimates. A significant change in quarantine yields could materially impact the amount of deferred preservation costs on the Company's Summary Consolidated Balance Sheets and the cost of preservation services, including the lower of cost or market write-down, described below, on the Company's Summary Consolidated Statements of Operations.

The Company regularly evaluates its deferred preservation costs to determine if the costs are appropriately recorded at the lower of cost or market value and to determine if there are any impairments to the book value of the Company's deferred preservation costs. CryoLife records a charge to cost of preservation services to write-down the amount of deferred preservation costs that are not deemed to be recoverable. These write-downs are permanent impairments that create a new cost basis, which cannot be restored to its previous levels when tissues are shipped or become available for shipment.

The Company recorded a write-down of $234,000 and $341,000 for the three and six months ended June 30, 2007 for the value of certain deferred preservation costs that exceeded market value. No write-down for deferred preservation costs that exceeded market value has been recorded in 2008. The amount of the 2007 write-down was primarily due to excess tissue processing costs incurred in that period that exceeded market value based on then recent average service fees. Actual results may differ from these estimates.

As of June 30, 2008 deferred preservation costs consisted of $10.2 million for allograft heart valve tissues, $2.2 million for non-valved cardiac tissues, $19.0 million for vascular tissues and zero for orthopaedic tissues. As of December 31, 2007 deferred preservation costs consisted of $7.6 million for allograft heart valve tissues, $2.1 million for non-valved cardiac tissues, $17.1 million for vascular tissues, and $123,000 for orthopaedic tissues.

Deferred Income Taxes: Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and tax return purposes. The Company generated deferred tax assets primarily as a result of write-downs of deferred preservation costs, accruals for product liability claims, and operating losses. The Company periodically assesses the recoverability of its deferred tax assets in accordance with SFAS No. 109 "Accounting for Income Taxes" ("SFAS 109"), as necessary, when the Company experiences changes that could materially affect its determination of the recoverability of its deferred tax assets. Management provides a valuation allowance when, as a result of this analysis, management believes it is more likely than not that its deferred tax assets will not be realized. In assessing the recoverability of its deferred tax assets at December 31, 2007 the Company reviewed its historical operating results, including the reasons for its operating losses in prior years and uncertainties regarding projected future operating results. Based on the results of this analysis, discussed further below, at December 31, 2007 and June 30, 2008 the Company determined that it was more likely than not that the Company's deferred tax assets would not be realized. Therefore, as of June 30, 2008 and December 31, 2007 the Company had a total of $28.2 million in valuation allowances against deferred tax assets and a net deferred tax liability of $27,000.

Based on the Company's results for the year ended December 31, 2007 and its projections for 2008, the Company anticipates that it will utilize a portion of its net operating loss carryforwards in the 2008 income tax year to offset its U.S. taxable income, as it did in the 2007 and 2006 tax years. Although CryoLife is beginning to utilize its net operating loss carryforwards, the Company currently believes that a change in its determination of the recoverability of the related deferred tax asset is not yet warranted, as in accordance with the guidance in SFAS 109, the Company's net losses in recent years constitute significant evidence against the recoverability of its deferred tax assets that is difficult to overcome.

Although the Company has concluded that a valuation allowance is still required on its deferred tax assets, if profitable operations continue the Company may reverse all or a portion of its valuation allowance in a future period. If all or a portion of the valuation allowance is reversed, the Company will record a non-cash gain at that time that is expected to have a material impact on the Company's results of operations and financial position. In periods following the reversal, the Company's effective income tax rate is expected to be significantly higher than the effective income tax rate experienced in periods prior to the reversal.

Also, the realizability of the Company's deferred tax assets could be limited in future periods following a change in control as mandated by Section 382 of the Internal Revenue Code of 1986, as amended, which relates to certain specified changes in control of taxpayers.

The tax years 2004-2007 remain open to examination by the major taxing jurisdictions to which the Company is subject.

Impairments of Long-Lived Assets: The Company assesses the potential impairment of its long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results,
- Significant negative industry or economic trends,
- Significant decline in the Company's stock price for a sustained period, or
- Significant decline in the Company's market capitalization relative to net book value.

SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), requires the write-down of a long-lived asset to be held and used if the carrying value of the asset or the asset group to which the asset belongs is not recoverable. The carrying value of the asset or asset group is not recoverable if it exceeds the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of the asset or asset group. For the year ended December 31, 2007 the Company did not experience any factors that indicated an SFAS 144 impairment review was warranted.

SFAS No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142") requires that goodwill resulting from business acquisitions and other non-amortizing intangible assets be subject to annual impairment testing. The Company's non-amortizing intangible assets as of December 31, 2007 consist of trademarks and, as a result of the Company's agreement with Regeneration Technologies, Inc. ("RTI") and certain of its affiliates as discussed in Item 1, Note 2 of the "Notes to Summary Consolidated Financial Statements", procurement contracts and access to the procurement of cardiac and vascular human tissues previously received by RTI. In accordance with SFAS 142, the Company performed an analysis on its non-amortizing intangible assets as of December 31, 2007. Based on the results of its analysis, the Company did not believe that an impairment existed related to its non-amortizing intangible assets as of December 31, 2007. Management will continue to evaluate the recoverability of these non-amortizing intangible assets at least on an annual basis in accordance with SFAS 142.

For the six months ended June 30, 2008 the Company did not experience any changes that would materially affect the Company's analysis of and recoverability of any of its long-lived assets.

New Accounting Pronouncements

The Company was required to adopt SFAS No. 157 "Fair Value Measurements" ("SFAS 157") for the fiscal year beginning January 1, 2008. SFAS 157 provides a single definition of fair value and a hierarchical framework for measuring it, as well as establishing additional disclosure requirements about the use of fair value to measure assets and liabilities. The adoption of SFAS 157 did not have a material effect on the Company's results of operations or financial position.

The Company was required to adopt SFAS No. 159 "The Fair Value Option for Financial Assets and Liabilities" ("SFAS 159") for the fiscal year beginning January 1, 2008. SFAS 159 provides the option to report certain financial assets and liabilities at fair value, with the intent to mitigate volatility in financial reporting that can occur when related assets and liabilities are measured differently. The Company does not expect to voluntarily implement the optional fair value measurements portions of SFAS 159 for eligible items. The adoption of SFAS 159 did not have a material effect on the Company's results of operations or financial position.

The Company will be required to adopt SFAS No. 141R "Business Combinations" ("SFAS 141R") for the fiscal year beginning January 1, 2009. FAS 141R establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company does not expect the adoption of FAS 141R to have a material effect on its consolidated financial position, results of operations or cash flows.

Results of Operations
(Tables in thousands)

Revenues

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Total Revenues	$27,155	$23,011	$52,723	$47,535

Revenues increased 18% for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007. Revenues increased 11% for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007.

The increase in the three and six months ended June 30, 2008 was primarily due to an increase in BioGlue revenues and tissue preservation services revenues, as compared to the prior year periods.

A detailed discussion of the change in preservation services revenues for each of the three major tissue types distributed by the Company and the change in BioGlue and other implantable medical device revenues is presented below.

Cardiac Preservation Services

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues	$6,348	$5,048	$12,586	$10,021
Cardiac revenues as a percentage of total revenues	23%	22%	24%	21%

Revenues from cardiac preservation services increased 26% for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007. This increase was primarily due to volume, consisting of the aggregate impact of favorable tissue mix and a 7% increase in unit shipments of cardiac tissues, which together increased revenues by 13%, and an increase in average service fees, which increased revenues by 13%.

Revenues from cardiac preservation services increased 26% for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007. This increase was primarily due to the aggregate impact of favorable tissue mix and a 16% increase in unit shipments of cardiac tissues, which increased revenues by 15%, and an increase in average service fees, which increased revenues by 11%.

The increase in cardiac volume for the three months ended June 30, 2008 was primarily due to the favorable impact of the CryoValve SG pulmonary human heart valve ("CryoValve SG") both due to the fact that shipments of CryoValve SG command a premium fee over standard processed pulmonary valves (favorable tissue mix) and due to the net increase in valve shipments when taking into effect shipments of the CryoValve SG and the related reduction in standard processed pulmonary valves. To a lesser extent the volume increase was due to increased shipments of non-valved cardiac tissues. The increase in cardiac volume for the six months ended June 30, 2008 was primarily due to increased shipments of non-valved cardiac tissues and to a lesser extent the favorable effect of CryoValve SG.

The favorable tissue mix from CryoValve SG was due to the February 7, 2008 FDA clearance of the Company's 510(k) premarket notification for the CryoValve SG and its subsequent reintroduction in March 2008 coupled with the premium fee charged for the CryoValve SG over the standard processed CryoValve. For the three months ended June 30, 2008, the first full quarter of distributing the CryoValve SG, CryoValve SG revenues accounted for 22% of the Company's total cardiac preservation service revenues. The increase in shipments of non-valved cardiac tissues was a result of increased availability of these high demand tissues, which are primarily used in pediatric cardiac reconstructions. The increase in average service fees for the three and six months ended June 30, 2008 was primarily due to the fee increases that went into effect in January 2008 on most standard processed cardiac tissues.

The Company's procurement of cardiac tissues, from which heart valves and non-valved cardiac tissues are processed, increased 14% for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007. The Company's procurement of cardiac tissues increased 14% for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007.

The Company has experienced and could continue to experience an increase in its 2008 cardiac preservation services revenues as a result of continued shipments of the CryoValve SG, which have a premium fee over the standard processed CryoValve. However, there can be no assurance that the CryoValve SG will continue to command premium fees or that shipments of the CryoValve SG will continue to occur at material levels.

Vascular Preservation Services

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues	$7,080	$5,428	$13,939	$11,567
Vascular revenues as a percentage of total revenues	26%	24%	26%	24%

Revenues from vascular preservation services increased 30% for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007. This increase was primarily due to a 26% increase in unit shipments of vascular tissues, which increased revenues by 24%, and an increase in average service fees, which increased revenues by 6%.

Revenues from vascular preservation services increased 21% for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007. This increase was primarily due to a 16% increase in unit shipments of vascular tissues, which increased revenues by 16%, and an increase in average service fees, which increased revenues by 5%.

The increase in vascular volume for the three and six months ended June 30, 2008 was primarily due to increases in shipments of saphenous veins, due to the strong demand for these tissues, primarily for use in peripheral vascular reconstruction surgeries to avoid limb amputations. The increase in average service fees for the three and six months ended June 30, 2008 was primarily due to the fee increases that went into effect in January 2008 on most vascular tissues.

The Company's procurement of vascular tissues increased 1% for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007. The Company's procurement of vascular tissues decreased 3% for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007. The Company believes that its existing vascular tissues available for shipment and current procurement levels are sufficient to support anticipated future demand for vascular tissues.

Orthopaedic Preservation Services

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues	$ 297	$ 1,235	$624	$3,084
Orthopaedic revenues as a percentage of total revenues	1%	5%	1%	6%

Revenues from orthopaedic preservation services decreased 76% for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007. This decrease was primarily due to a 76% decrease in unit shipments of orthopaedic tissues, which decreased revenues by 75%.

Revenues from orthopaedic preservation services decreased 80% for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007. This decrease was primarily due to an 83% decrease in unit shipments of orthopaedic tissues, which decreased revenues by 80%.

The decrease in orthopaedic volume for the three and six months ended June 30, 2008 was primarily due to decreases in unit shipments of orthopaedic tissues, as a result of the limited supply of orthopaedic tissues available for shipment, resulting from the Company's cessation of procuring and processing these tissues on January 1, 2007 and due to declining demand for the Company's orthopaedic tissues, as the Company was no longer actively marketing its orthopaedic preservation services during these periods.

Pursuant to its agreement with RTI, CryoLife ceased marketing its orthopaedic tissue services as of June 30, 2008. For a commission, RTI can market and direct CryoLife to ship the Company's remaining orthopaedic tissues through December 31, 2008. CryoLife expects that RTI's marketing efforts will generate only nominal amounts of orthopaedic tissue service revenues for the Company in the second half of 2008.

BioGlue

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues	$12,972	$10,930	$24,859	$22,093
BioGlue revenues as a percentage of total revenues	48%	47%	47%	46%

Revenues from the sale of BioGlue increased 19% for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007. This increase was primarily due to the aggregate impact of favorable product mix and a 7% increase in the number of BioGlue milliliters shipped, which increased revenues by 15%, an increase in average selling prices, which increased revenues by 3%, and the favorable effect of foreign exchange, which increased revenues by 1%.

Revenues from the sale of BioGlue increased 13% for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007. This increase was primarily due to the aggregate impact of favorable product mix and a 2% increase in the number of BioGlue milliliters shipped, which increased revenues by 9%, an increase in average selling prices, which increased revenues by 3%, and the favorable effect of foreign exchange, which increased revenues by 1%.

The favorable product mix and volume increase for the three and six months ended June 30, 2008 was primarily due to an increase in sales of BioGlue syringes in domestic and international markets, partially offset by a related decrease in BioGlue cartridge sales, resulting in an increase in the total number of milliliters sold as well as a favorable product mix as the newer syringe product commands a premium price over the older cartridge product. The increase in average selling prices for the three and six months ended June 30, 2008 was primarily due to domestic list price increases that went into effect in January 2008.

Domestic revenues accounted for 70% of total BioGlue revenues for both the three months ended June 30, 2008 and 2007. Domestic revenues accounted for 71% and 72% of total BioGlue revenues for the six months ended June 30, 2008 and 2007, respectively.

Other Implantable Medical Devices

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues	$ 308	$ 226	$ 401	$ 458
Other implantable medical devices revenues as a percentage of total revenues	1%	1%	1%	1%

Revenues from the sale of other implantable medical devices increased 36% and decreased 12% for the three and six months ended June 30, 2008, respectively, as compared to the three and six months ended June 30, 2007. Other implantable medical device revenues in 2008 consisted of sales of Hemostase MPH, CardioWrap, and bioprosthetic devices. Other implantable medical device revenues in 2007 consisted of sales of CardioWrap and bioprosthetic devices.

Other Revenues

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues	$ 150	$ 144	$ 314	$ 312
Other revenues as a percentage of total revenues	1%	1%	1%	1%

Other revenues for the three months ended June 30, 2008 included revenues for research grants. Other revenues for the three months ended June 30, 2007 included revenues for research grants and revenues related to the licensing of the Company's technology to a third party.

Other revenues for the six months ended June 30, 2008 and 2007 included revenues for research grants and revenues related to the licensing of the Company's technology to a third party.

In 2005 CryoLife was awarded $930,000 in funding allocated from the U.S. Congress 2005 Defense Appropriations Conference Report (the "2005 DOD Grant") in connection with the development of BioFoam®. In 2007 CryoLife was awarded $1.9 million in funding allocated from the 2006 Defense Appropriations Conference Report, (the "2006 DOD Grant") in connection with further development of BioFoam. Grant revenues in 2008 and 2007 are related to funding under one or both of these grants. The 2007 Defense Appropriations Conference Report (the "2007 DOD Grant") included $848,000 for the continued development of protein hydrogel technology for use on the battlefield. CryoLife applied for funding under this bill during 2007. The Company does not currently know if it will be approved to receive funding under the 2007 DOD Grant or when the decision as to that funding will be made.

Through June 30, 2008 CryoLife had received cash payments for all funds awarded under the 2005 and 2006 DOD Grants, for a total of $2.9 million. As of June 30, 2008 CryoLife had $1.8 million in unspent cash advances under the grants recorded as cash and deferred revenues on the Company's Summary Consolidated Balance Sheet.

Costs and Expenses

Cost of Preservation Services

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Cost of preservation services	$7,449	$6,976	$14,767	$14,608
Cost of preservation services as a percentage of preservation services revenues	54%	60%	54%	59%

Cost of preservation services for the three and six months ended June 30, 2008 increased primarily due to an increase in the volume of tissue shipments. This increase was partially offset by the favorable effect of $234,000 and $341,000 in write-downs recorded in the three and six months ended June 30, 2007, respectively, which did not recur in 2008, related to the Company's non-valved cardiac tissue costs that exceeded market value.

Cost of preservation services as a percentage of preservation services revenues for the three and six months ended June 30, 2008 decreased when compared to the three and six months ended June 30, 2007 primarily due to increases in average service fees, and to a lesser extent the premium related to the Company's SynerGraft processed tissues and the absence of non-valved tissue write-downs that were experienced in the three and six months ended June 30, 2007.

The Company anticipates that cost of preservation services as a percentage of preservation services revenues in 2008 may continue to be favorably impacted by shipments of the CryoValve SG, as CryoValve SG currently has and is expected to continue to have a premium fee over the standard processed CryoValve. However, there can be no assurance that the CryoValve SG will continue to command premium fees or that shipments of the CryoValve SG will continue to occur at material levels.

Cost of Products

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Cost of products	$1,840	$1,881	$3,832	$3,829
Cost of products as a percentage of product revenues	14%	17%	15%	17%

Cost of products for the three and six months ended June 30, 2008 was comparable to the three and six months ended June 30, 2007. Cost of products as a percentage of product revenues for the three and six months ended June 30, 2008 decreased as compared to the three and six months ended June 30, 2007.

During the three and six months ended June 30, 2008 cost of products was favorably impacted due to the effect of changes in product mix, as sales volume decreased for the higher cost bioprosthetic devices and due to slightly lower per unit BioGlue costs. During the three and six months ended June 30, 2008 cost of products was negatively impacted due to increased volume of BioGlue sales and the write-down of other implantable medical device inventory. These positive and negative impacts largely offset each other during the periods presented.

Cost of products as a percentage of product revenues for the three and six months ended June 30, 2008 decreased when compared to the three and six months ended June 30, 2007 primarily due to decreases in BioGlue costs as a percentage of revenues, as a result of an increase in average selling prices and favorable product mix, partially offset by the write-down of other implantable medical device inventory. The increase in average selling prices is primarily due to price increases that went into effect on the majority of BioGlue products in January 2008.

General, Administrative, and Marketing Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
General, administrative, and marketing expenses	$12,358	$10,842	$24,425	$23,177
General, administrative, and marketing expenses as a percentage of total revenues	46%	47%	46%	49%

The increase in general, administrative, and marketing expenses for the three and six months ended June 30, 2008 was primarily due to increases in marketing expenses including personnel costs, corporate advertising, and promotional materials to support the Company's expanding tissue service and product offerings and revenue growth. Additionally, there were increases in stock compensation expense over the prior year periods.

General, administrative, and marketing expenses included stock based compensation expense of $749,000 and $1.4 million for the three and six months ended June 30, 2008 and $549,000 and $923,000 for the three and six months ended June 30, 2007. General, administrative, and marketing expenses included a favorable adjustment to product liability accruals of $610,000 and $530,000 for the three and six months ended June 30, 2008 and $490,000 and $505,000 for the three and six months ended June 30, 2007. General, administrative, and marketing expenses for the six months ended June 30, 2007 included $686,000 for postemployment benefits.

Research and Development Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Research and development expenses	$ 1,307	$ 978	$2,752	$2,036
Research and development expenses as a percentage of total revenues	5%	4%	5%	4%

Research and development spending for the three and six months ended June 30, 2008 and 2007 included research on the Company's SynerGraft products and tissues, Protein Hydrogel Technologies ("PHT"), and tissue preservation. Research and development spending in 2008 also included research on cold storage and preservation of internal organs.

SynerGraft products and tissues include the Company's allograft and xenograft heart valves, vascular grafts, and ProPatch Soft Tissue Repair Matrix. PHT includes BioGlue, BioFoam, BioDisc®, and related products.

The Company anticipates that research and development expenses for 2008 will exceed 2007, primarily due to increased spending on research related to BioFoam, BioDisc, cold storage and preservation of internal organs, and SynerGraft products and tissues.

Other Costs and Expenses

Interest expense was $69,000 for the three months ended June 30, 2008, compared to $187,000 for the three months ended June 30, 2007. Interest expense was $139,000 for the six months ended June 30, 2008, compared to $340,000 for the six months ended June 30, 2007. Interest expense for the three and six months ended June 30, 2008 decreased primarily due to a decrease in line of credit borrowings as a result of the February 8, 2008 expiration and payoff of the balance due on the Company's prior credit agreement with Wells Fargo Foothill, Inc. The Company has maintained lower balances on its new line of credit with GE Capital entered into in March of 2008.

Interest income was $71,000 for the three months ended June 30, 2008, compared to $105,000 for the three months ended June 30, 2007. Interest income was $193,000 for the six months ended June 30, 2008, compared to $202,000 for the six months ended June 30, 2007. Interest income for the three and six months ended June 30, 2008 and 2007 was primarily due to interest earned on the Company's cash, cash equivalents, marketable securities and restricted cash and investments.

The change in valuation of the embedded derivative feature of the Company's preferred stock was zero for the three and six months ended June 30, 2008 as compared to an expense of $866,000 and $821,000 for the three and six months ended June 30, 2007. The change in valuation of the Derivative for the three and six months ended June 30, 2007 was primarily due to conversions of the Preferred Stock during the second quarter of 2007 in excess of amounts previously accrued.

The Company's income tax expense was $260,000 and $375,000 for the three and six months ended June 30, 2008, respectively. The Company's income tax expense was $82,000 and $179,000 for the three and six months ended June 30, 2007, respectively. Income tax expense in the current and prior year periods, was primarily due to estimated alternative minimum tax on the Company's taxable income in each period that cannot be offset by the Company's net operating loss carryforwards and estimated foreign taxes on income of the Company's wholly owned European subsidiary.

Although the Company has concluded that a valuation allowance is still required on its deferred tax assets, if profitable operations continue the Company may reverse all or a portion of its valuation allowance in a future period. If all or a portion of the valuation allowance is reversed, the Company will record a non-cash gain at that time that is expected to have a material impact on the Company's results of operations and financial position. In periods following the reversal, the Company's effective income tax rate is expected to be significantly higher than the effective income tax rate experienced in periods prior to the reversal.

Seasonality

The demand for the Company's cardiac preservation services has historically been seasonal, with peak demand generally occurring in the second and third quarters. Management believes this trend for cardiac preservation services is primarily due to the high number of surgeries scheduled during the summer months for school aged patients, who drive the demand for a large percentage of cardiac tissues processed by CryoLife. In recent years the growth rate of CryoLife's cardiac business has obscured the seasonal trend, but the Company expects that this seasonal trend will be more apparent in future years.

The demand for the Company's human vascular preservation services does not appear to be seasonal.

The demand for BioGlue appears to be seasonal, with a slight decline in demand generally occurring in the third quarter followed by stronger demand in the fourth quarter. Management believes that this trend for BioGlue may be due to the summer holiday season in Europe and fewer surgeries being performed on adult patients in the summer months in the U.S. The Company will continue to evaluate the seasonal nature of BioGlue sales.

Liquidity and Capital Resources

Net Working Capital

At June 30, 2008 net working capital (current assets of $67.5 million less current liabilities of $21.3 million) was $46.2 million, with a current ratio (current assets divided by current liabilities) of 3 to 1, compared to net working capital (current assets of $65.5 million less current liabilities of $24.7 million) of $40.8 million, with a current ratio (current assets divided by current liabilities) of 3 to 1 at December 31, 2007.

Overall Liquidity and Capital Resources

The Company's primary cash requirements for the six months ended June 30, 2008 arose out of the reclassification of cash equivalents to long-term restricted money market funds as required under the terms of the GE Credit Agreement as discussed below, payment of the balance due under the Company's prior credit agreement which expired in February 2008, and general working capital needs, including annual payments of royalties and bonuses accrued in the prior year, capital expenditures for facilities and equipment, and funding of research and development projects. The Company funded its cash requirements primarily through its operating activities, which generated cash during the period.

In March of 2008 CryoLife entered into a credit facility with GE Capital, which provides for up to $15 million in revolving credit for working capital, acquisitions and other corporate purposes. As of June 30, 2008 the outstanding balance under this agreement was $315,000. As of April 15, 2008 as required under the terms of the GE Credit Agreement, the Company is maintaining cash and cash equivalents of at least $5.0 million in accounts in which GE Capital has a first priority perfected lien. As a result these funds would not be available to meet the Company's liquidity needs, and as such have been recorded as the long-term asset restricted money market funds on the Company's Summary Consolidated Balance Sheet.

The Company's cash equivalents include advance funding received under the 2006 DOD Grant for the continued development of protein hydrogel technology for use on the battlefield. As of June 30, 2008 $1.8 million of cash equivalents were recorded on the Company's Summary Consolidated Balance Sheet related to the 2006 DOD grants. These funds must be used for the specified purposes.

CryoLife is actively pursuing three key strategies designed to generate revenue and earnings growth in addition to continuing to focus on growing its business and leveraging its strengths and expertise in its core marketplaces. These three strategies are: (i) identify and evaluate acquisition opportunities of complementary product lines and companies; (ii) license Company technology to third parties for non-competing uses; and (iii) analyze and identify underperforming assets for potential sale or disposal. Management's actions related to this Board directive are ongoing and any material acquisition of complementary product lines or companies would likely require additional debt or equity financing.

The Company believes that its anticipated cash from operations, existing cash, cash equivalents, marketable securities, and borrowing availability will enable the Company to meet its operational liquidity needs for at least the next twelve months.

Product Liability Claims

As discussed in Critical Accounting Policies above, as of June 30, 2008 the Company had a $330,000 accrual for the pending tissue processing liability lawsuit. The timing and amount of actual future payments with respect to product and tissue processing liability claims is dependent on when and if judgments are rendered, and/or settlements are reached. Should payments be required, the Company's portion of these monies would have to be paid from liquid assets. The Company continues to attempt to reach resolution of outstanding claims in order to minimize the potential cash payout.

As discussed in Critical Accounting Policies above, at June 30, 2008 the Company had accrued a total $5.0 million for the estimated costs of unreported tissue processing and product liability claims related to services performed and products sold prior to June 30, 2008 and had recorded a receivable of $1.6 million representing estimated amounts to be recoverable from the Company's insurance carriers with respect to such accrued liability. Further analysis indicated that the liability could be estimated to be as high as $10.0 million, after including a reasonable margin for statistical fluctuations calculated based on actuarial simulation techniques. The $5.0 million accrual does not represent cash set aside. The timing of future payments related to the accrual is dependent on when and if claims are asserted, judgments are rendered, and/or settlements are reached. Should payments related to the accrual be required, these monies would have to be paid from insurance proceeds and liquid assets. Since the amount accrued is based on actuarial estimates, actual amounts required could vary significantly from this estimate.

Net Cash from Operating Activities

Net cash provided by operating activities was $2.8 million for the six months ended June 30, 2008 as compared to $1.4 million for the six months ended June 30, 2007. The increase in cash provided by operating activities from the prior year quarter was partially due to an increase in net income generated during the period, partially offset by increases in working capital needs due to the timing of receipts and payments in the ordinary course of business.

The current year cash provided of $2.8 million was primarily due to net income generated during the period, largely offset by the working capital needs of the Company. The Company uses the indirect method to prepare its cash flow statement, and accordingly, the operating cash flows are based on the Company's net income, which is then adjusted to remove non-cash items and for changes in operating assets and liabilities from the prior year end. For the six months ended June 30, 2008 the Company's $6.7 million net income included non-cash items that generated favorable and unfavorable adjustments to net income. These included favorable adjustments of $2.2 million in depreciation and amortization expense, $1.4 million in non-cash compensation, primarily related to expense for stock options and stock awards, and $1.1 million in write-downs for impairment of deferred preservation costs and inventory.

The Company's working capital needs, or changes in operating assets and liabilities, also affected cash from operations. For the six months ended June 30, 2008 these unfavorable changes included $6.3 million due to the increase in deferred preservation costs and inventories, $1.8 million due to the increase in accounts receivable, and $918,000 due to the timing difference between making cash payments and the expensing of assets, including the prepayment of insurance policy premiums.

Net Cash from Investing Activities

Net cash used in investing activities was $3.2 million for the six months ended June 30, 2008, as compared to $1.7 million for the six months ended June 30, 2007. The current year cash used was primarily due to $5.0 million in cash equivalents that was reclassified as long-term restricted money market funds as required under the terms of the GE Credit Agreement as discussed above, $763,000 in capital expenditures and $559,000 in purchases of marketable securities, partially offset by $3.0 million in sales and maturities of marketable securities.

Net Cash from Financing Activities

Net cash used in financing activities was $2.4 million for the six months ended June 30, 2008, as compared to net cash provided of $1.7 million for the six months ended June 30, 2007. The current year cash used was primarily due to $4.6 million in principal payments on debt, and $429,000 in principal payments on notes payable, partially offset by $1.3 million in proceeds from the financing of insurance policies, $1.1 million in proceeds from the exercise of options and the issuance of stock, and $428,000 in proceeds from debt issuance. The principal payments on debt were primarily due to the payoff of the balance due under the Company's prior credit agreement which expired in February 2008.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Scheduled Contractual Obligations and Future Payments

Scheduled contractual obligations and the related future payments as of June 30, 2008 are as follows (in thousands):

	Total	Remainder of 2008	2009	2010	2011	2012	Thereafter
Operating leases	$18,019	$ 1,254	$2,498	$2,376	$2,336	$2,340	$ 7,215
Compensation payments	3,035	—	1,050	—	993	992	—
Purchase commitments	1,476	1,357	119	—	—	—	—
Insurance premium obligations	1,445	1,445	—	—	—	—	—
Royalty payments	417	417	—	—	—	—	—
Line of credit	315	—	—	—	315	—	—
Capital lease obligations	114	26	53	35	—	—	—
Other obligations	510	391	95	10	10	4	—
Total contractual obligations	$25,331	$ 4,890	$3,815	$2,421	$3,654	$3,336	$ 7,215

The Company's operating lease obligations result from the lease of land and buildings that comprise the Company's corporate headquarters and manufacturing facilities, leases related to additional office and warehouse space rented by the Company, leases on Company vehicles, and leases on a variety of office equipment.

The Company's compensation payment obligations represent estimated cash payments to be made for its 2008 performance based bonus plans and estimated payments for post employment benefits for the Company's Chief Executive Officer ("CEO"). The timing of the post employment benefits is based on the December 2010 expiration date of the CEO's agreement. Payment of this benefit may be accelerated by a change in control or by the voluntary retirement of the CEO.

The Company's purchase commitments include obligations from agreements with suppliers to stock certain custom raw materials needed for the Company's processing and production and contractual payments for licensing computer software. The Company's insurance premium obligations represent installment payments related to payment plans and notes payable from the second quarter 2008 renewal and financing of certain of the Company's insurance policies. The Company's royalty payments are primarily related to BioGlue revenues.

The line of credit obligation results from the Company's borrowing of funds under the GE Credit Agreement. The timing of this obligation is based on the agreement's March 25, 2011 expiration date, at which time the outstanding principal balance will be due. The table above does not include interest and fees on the line of credit, as these can vary due to changes in the level of borrowings and changes in interest rates.

The Company's capital lease obligations result from the financing of certain of the Company's equipment. The Company's other obligations contain various items including payments to support research and development activities, litigation settlement obligations, and other items as appropriate.

The schedule of contractual obligations above excludes obligations for estimated product liability claims unless they are due as a result of a pending settlement agreement or other contractual obligation. The schedule does not include additional payments of up to $1.2 million related to licensing of technology from a third party which are contingent upon the outcome of the Company's research activities. The schedule of contractual obligations does not include $1.7 million in advance funding received under the 2006 DOD Grant for which a specific timetable of spending has not been established and for which there are no current agreements or contracts in place. The schedule of contractual obligations above excludes any estimated liability for uncertain tax positions, currently estimated to be $2.2 million, because the Company cannot make a reasonably reliable estimate of the amount and period of related future payments as no specific assessments have been made by any taxing authorities.

From July 1, 2008 through July 25, 2008 the Company committed to orders totaling $750,000 under a distribution agreement, which the Company expects to pay during the third quarter of 2008.

Capital Expenditures

Capital expenditures for the six months ended June 30, 2008 were $763,000 compared to $414,000 for the six months ended June 30, 2007. Planned capital expenditures for 2008 are primarily related to routine purchases of tissue processing, manufacturing, computer, and office equipment needed to support the Company's business.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements and information made or provided by the Company that are based on the beliefs of its management as well as estimates and assumptions made by and information currently available to management. The words "could," "may," "will," "would," "should," "pro forma," "potential," "pending," "intend," "believe," "expect," "anticipate," "estimate," "plan," "future," and other similar expressions generally identify forward-looking statements, including, in particular, statements regarding anticipated revenues, cost savings, insurance coverage, regulatory activity, available funds and capital resources, and pending litigation. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned not to place undue reliance on these forward-looking statements, which are as of their respective dates. Such forward-looking statements reflect the views of our management at the time such statements are made and are subject to a number of risks, uncertainties, estimates, and assumptions, including, without limitation, in addition to those identified in the text surrounding such statements, those identified under "Risks and Uncertainties" and elsewhere in this filing.

All statements, other than statements of historical facts, included herein that address activities, events, or developments that the Company expects or anticipates will or may occur in the future, are forward-looking statements, including statements regarding:

- The Company's ability to increase, and methods for increasing, BioGlue and preserved tissue market penetration;
- The Company's continued use of human tissue implant data;
- The expected benefits of surgical adhesives and sealants;
- The Company's plans to apply for further federal funding for the development of BioFoam;
- The anticipated competitive advantages and potential impact on revenues of SynerGraft;
- Expected increases in grant revenues;
- Expectations regarding, and possible increases in the cost and retention of, future insurance coverage;
- Current intentions not to pay cash dividends on our common stock;
- Current intentions to retain future earnings for capital requirements;
- Expectations regarding the use of net operating loss carryforwards;
- Expected decreases in revenues from the distribution of orthopaedic tissue;
- Expectations regarding the impact of CryoValve SG pulmonary heart valve on cost of preservation services as a percentage of preservation services revenues;
- Expectations regarding capital expenditures;
- Expected usage of SynerGraft technology;
- Expected timing regarding availability of CryoValve SG;
- Anticipated future demand for vascular tissues;
- Management's beliefs that current vascular procurement levels are sufficient to support future demand;
- Commercialization plans regarding ProPatch;
- Potential BioGlue product line extensions;
- The ability of the Company to distribute Hemostase MPH when expected;
- The potential benefits of products licensed from Trophic Solutions;
- Information regarding the expected SynerGraft post-clearance study;
- The ability of BioGlue to minimize post-operative pain following hernia operations;
- The expected outcome of lawsuits filed against the Company;
- The Company's estimated future liability for existing product liability lawsuits and for product liability claims incurred but not yet reported;

- The Company's competitive position, including the impact of price increases;
- The receipt of governmental grants for BioFoam development;
- Future increases in research and development expenses;
- Competitive advantages offered by the Company's patents, trade secrets, trademarks, and technology licensing rights;
- Expected impact of adoption of new accounting pronouncements;
- Expected seasonality trends;
- Anticipated impact of changes in interest rates and foreign currency exchange rates;
- The ability to expand the Company's service and product offerings;
- Those issues most likely to impact the Company's future financial performance and cash flows;
- The anticipated impact of the Company's strategic plans and its ability to implement them;
- The adequacy of the Company's financial resources;
- The potential reversal of the valuation allowance on our deferred tax assets and subsequent changes in our effect income tax rate; and
- Other statements regarding future plans and strategies, anticipated events, or trends.

These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions, and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the Company's expectations and predictions is subject to a number of risks and uncertainties which could cause actual results to differ materially from the Company's expectations, including without limitation, in addition to those specified in the text surrounding such statements, the risk factors set forth below, the risks set forth under "Risk Factors" in Part I, Item 1A of the Company's Form 10-K for the year ended December 31, 2007 and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this Form 10-Q are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Company or its business or operations. The Company assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events, or otherwise.

RISKS AND UNCERTAINTIES

The risks and uncertainties which might impact the forward-looking statements and the Company, its ability to continue as a going concern, and the trading value of its common stock include concerns that:

- The FDA has previously issued a recall of certain of our products and has the ability to inspect our facilities, suspend our operations, and issue a recall of our products in the future;
- Key growth strategies identified as a result of our strategic review may not generate the anticipated benefits;
- There are limitations on the use of our net operating loss carryforwards;
- We are significantly dependent on our revenues from BioGlue and are subject to a variety of risks affecting this product;
- We are reliant on one supplier for significant components of BioGlue;
- We are dependent on the availability of sufficient quantities of tissue from human donors;
- Physicians have been and may continue to be reluctant to implant our preserved tissues or use our other products;
- Our products and the tissues we process allegedly have caused and may in the future cause injury to patients, and we have been and may be exposed to product liability claims and additional regulatory scrutiny as a result;
- We may receive a form 483 notice of observations from the FDA and we may be unable to address the concerns raised by the FDA in such form 483;
- SynerGraft processed pulmonary heart valves may not continue to be accepted by the marketplace;
- SynerGraft processed pulmonary heart valves must be shipped and implanted within one year or we will be required to discard them;
- We may experience difficulties and delays in the manufacturing of our products or processing of our tissues
- Our SynerGraft post-clearance study may not provide expected results;
- Regulatory action outside of the U.S. has affected our business in the past and may also affect our business in the future;
- Our failure to adequately comply with government regulations could result in loss of revenues and customers as well as additional compliance expense;
- Our existing insurance policies may not be sufficient to cover our actual claims liability;
- We may be unable to obtain adequate insurance at a reasonable cost, if at all;
- Intense competition may affect our ability to operate profitably;
- We may not be successful in obtaining necessary clinical results and regulatory approvals for products and services in development, and our new products and services may not achieve market acceptance;
- Investments in new technologies and acquisitions of products or distribution rights may not be successful;
- If we are not successful in expanding our business activities in international markets, we will not be able to pursue one of our strategies for increasing our revenues;
- We are dependent on our key personnel;
- Extensive government regulation may adversely affect our ability to develop and sell products and services;
- Uncertainties related to patents and protection of proprietary technology may adversely affect the value of our intellectual property and, therefore, our business;
- Future health care reimbursement methods and policies may affect the availability, amount, and timing of our revenues;
- Rapid technological change could cause our services and products to become obsolete;
- Trading prices for our securities have been, and may continue to be, volatile;

- Anti-takeover provisions may discourage or make more difficult an attempt to obtain control of CryoLife;
- We are not likely to pay common stock dividends in the foreseeable future, and we may not be able to pay cash dividends on our capital stock due to legal restrictions and lack of liquidity;
- We may not be able to effectively leverage our existing sales force to sell Hemostase MPH;
- Surgeons may not chose to utilize Hemostase MPH;
- Hemostase MPH may not perform as expected or provide all expected benefits;
- Other distributors of the Hemostase MPH product may impede our ability to sell to new or existing customers;
- We may not be able to maintain the required Adjusted EBITDA levels or other borrowing conditions under its credit facility;
- There is no guarantee that the credit facility will provide us with sufficient resources to pursue strategic opportunities that may arise, and as a result additional financing activities may be required;
- While we currently expect that our aggregate borrowing capacity under the GE Credit Agreement will equal $15.0 million, there can be no assurance that the borrowing capacity will remain at this level; and
- We expect our effective tax rate to significantly increase if we are required to reverse our valuation allowance on our deferred tax assets.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

The Company's interest income and expense are sensitive to changes in the general level of U.S. interest rates. In this regard, changes in U.S. interest rates affect the interest earned on the Company's cash and cash equivalents of $11.7 million and restricted money market funds and investments of $5.6 million and interest paid on the Company's variable rate line of credit as of June 30, 2008. A 10% adverse change in interest rates as compared to the rates experienced by the Company in the three months ended June 30, 2008, affecting the Company's cash and cash equivalents, restricted money market funds and investments, and line of credit would not have a material impact on the Company's financial position, results of operations, or cash flows.

Foreign Currency Exchange Rate Risk

The Company has balances, such as cash, accounts receivable, accounts payable, and accruals that are denominated in foreign currencies. These foreign currency transactions are sensitive to changes in exchange rates. In this regard, changes in exchange rates could cause a change in the U.S. dollar equivalent of cash or funds that the Company will receive in payment for assets or that the Company would have to pay to settle liabilities. As a result the Company could be required to record these changes as gains or losses on foreign currency translation. A 10% adverse change in foreign currency rates as compared to the rates on June 30, 2008 affecting the Company's balances denominated in foreign currencies would not have a material impact on the Company's financial position, results of operations, or cash flows.

Item 4. Controls and Procedures.

The Company's management, including the Company's President and Chief Executive Officer ("CEO") and the Company's Executive Vice President, Chief Operating Officer, and Chief Financial Officer ("CFO"), does not expect that its disclosure controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been or will be detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdown can occur because of simple error or mistake.

Based upon the Company's most recent disclosure controls evaluation as of June 30, 2008, the CEO and CFO have concluded that the Company's disclosure controls were effective at the reasonable assurance level to satisfy their objectives and to ensure that the information required to be disclosed by the Company in its periodic reports is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding disclosure and is recorded, processed, summarized, and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms.

During the quarter ended June 30, 2008 there were no changes in the Company's internal control over financial reporting that materially affected or that are reasonably likely to materially affect the Company's internal control over financial reporting.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings.

There have been no material changes from the legal proceedings previously discussed in the Company's Form 10-Q for the quarter ended March 31, 2008 in response to Part II, Item 1 thereof.

Item 1A. Risk Factors.

The Company's most recent Form 10-K was filed February 21, 2008. There have been no material changes from the risk factors previously disclosed in the Company's Form 10-K in response to Part I, Item 1A of Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) The following table provides information about purchases by the Company during the quarter ended June 30, 2008 of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act:

Issuer Purchases of Equity Securities

Common Stock

Period	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Common Shares That May Yet Be Purchased Under the Plans or Programs
04/01/08 – 04/30/08	11,510	$ 10.12	—	—
05/01/08 – 05/31/08	10,343	11.52	—	—
06/01/08 – 06/30/08	1,311	11.16	—	—
Total	23,164	$ 10.81	—	—

The Company currently has no stock repurchase program, publicly announced or otherwise. The common shares shown were tendered to the Company in payment of the exercise price of outstanding options.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

(a) The Annual Meeting of Shareholders was held on May 1, 2008.

The following table shows the results of voting:

Matter Voted Upon	Shares Voted For	Authority Withheld	Abstained	Broker Non-Votes
Election of Directors:				
Steven G. Anderson	24,197,848	874,483	—	—
Thomas F. Ackerman	24,201,056	871,275	—	—
James S. Benson	24,259,828	812,503	—	—
Daniel J. Bevevino	24,266,435	805,896	—	—
John M. Cook	24,228,576	843,755	—	—
Ronald C. Elkins, M.D.	24,168,536	903,795	—	—
Ronald D. McCall, Esq.	24,213,483	858,848	—	—
Harvey Morgan	24,251,955	820,376	—	—
Adoption of Non-Employee Directors Omnibus Stock Plan	15,988,205	1,181,384	366,648	7,536,096
Ratification of Deloitte & Touche LLP	24,791,231	150,896	130,206	—

Item 5. Other information.

None.

Item 6. Exhibits.

The exhibit index can be found below.

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation of the Company. (Incorporated herein by reference to Exhibit 3.1 to the Registrant's Form 10-K for the year ended December 31, 2007.)
3.2	Amended and Restated By-Laws. (Incorporated herein by reference to Exhibit 3.4 to the Registrant's Current Report on Form 8-K filed August 1, 2007.)
4.1	Form of Certificate for the Company's Common Stock. (Incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.)
10.1*†	Agreement between CryoLife, Inc. and Medafor, Inc. dated April 18, 2008.
10.2*	CryoLife, Inc. 2008 Non-Employee Directors Omnibus Stock Plan.

* Filed herewith.

† The Registrant has requested confidential treatment for certain portions of this Exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

10.3* Form of Non-Employee Director Stock Grant Agreement pursuant to the CryoLife, Inc. 2008 Non-Employee Directors Omnibus Stock Plan.

31.1* Certification by Steven G. Anderson pursuant to section 302 of the Sarbanes-Oxley Act of 2002.

31.2* Certification by D. Ashley Lee pursuant to section 302 of the Sarbanes-Oxley Act of 2002.

32* Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

SIGNATURES

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

CRYOLIFE, INC.
(Registrant)

/s/ STEVEN G. ANDERSON	/s/ D. ASHLEY LEE
STEVEN G. ANDERSON Chairman, President, and Chief Executive Officer (Principal Executive Officer)	D. ASHLEY LEE Executive Vice President, Chief Operating Officer, and Chief Financial Officer (Principal Financial and Accounting Officer)
July 31, 2008 DATE	

Exhibit 10.1

EXECUTION VERSION

CONFIDENTIAL TREATMENT REQUESTED

[***] – CONFIDENTIAL PORTIONS OF THIS AGREEMENT WHICH HAVE BEEN REDACTED ARE MARKED WITH BRACKETS ("[***]"). THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

EXCLUSIVE DISTRIBUTION AGREEMENT

This Exclusive Distribution Agreement (this "Agreement") is dated this 16th day of April, 2008, but is effective as of May 1, 2008 (the "Effective Date"), by and between CryoLife, Inc., 1655 Roberts Blvd., NW, Kennesaw, GA 30144 ("CryoLife") and Medafor, Inc., 2800 Freeway Blvd., Suite 800, Minneapolis, MN 55430 ("Medafor").

Recitals

A. Medafor is in the business of developing, manufacturing and selling proprietary hemostatic products, including the Product (as defined below).

B. CryoLife develops and commercializes biomaterials and preserves and distributes human tissue for vascular and cardiac transplant applications.

C. Medafor desires to appoint CryoLife as the exclusive distributor of the Product throughout the Territory (as defined below) for use in applications in the Field (as defined below), and CryoLife desires to accept such appointment, all in accordance with the terms and conditions of this Agreement.

Agreement

In consideration of the mutual covenants contained in this Agreement, CryoLife and Medafor agree as follows:

ARTICLE I
DEFINITIONS AND RULES OF CONSTRUCTION

1.1. Definitions.

(a) **Terms Defined in this Article.** For purposes of this Agreement, the following terms shall have the following meanings:

"Affiliates" as it relates to a Party, shall mean any Person controlling, controlled by or under common control with a Party.

"Annual Minimum" shall have the meaning ascribed to it in Section 2.2.

"Annual Minimum Dispute Notice" shall have the meaning ascribed to it in Section 2.2.

"Applicable Laws" means all applicable common law, statutes, ordinances, rules, regulations or orders of any Governmental Authority, including Regulatory Laws.

"Bellows Applicator" means the bellows applicator manufactured by Medafor for use with MPH Product.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banks in New York are authorized or obligated by law or executive order to remain closed.

"China" means the People's Republic of China

"Claim" shall have the meaning ascribed to it in Section 7.2.

"CGMP" shall have the meaning ascribed to it in Section 4.2.

"Commercially Reasonable Efforts" means, with respect to a Party's diligence in satisfying an obligation under this Agreement, that the Party applies the level of efforts, expertise and resources that it would apply in the ordinary course of business to satisfy a comparable obligation and that such actions be taken in good faith. In determining whether a Party is applying Commercially Reasonable Efforts, the potential benefit to such Party not taking such efforts (e.g. benefit in receipt of payments for products that are sold inappropriately through a Crossover) shall not be considered. At the reasonable request of the non-offending Party, as that term is used in Section 2.1, Commercially Reasonable Efforts will include ceasing to provide Products or MPH Product to the offending distributor.

"Confidential Information" shall have the meaning ascribed to it in Section 6.1.

"Crossover" shall have the meaning ascribed to in Section 2.1.

"CryoLife Applicator" means any applicator developed by CryoLife for use with the MPH Product.

"CryoLife IP" shall have the meaning ascribed to it in Section 7.1.

"CryoLife Marks" means the brand names and marks CryoLife designates pursuant to Section 2.4 for use on Product packaging.

"Department of Defense Hospitals" those hospitals that are run by the U.S. Department of Defense and located on any United States military facility anywhere in the world. Notwithstanding the foregoing, hospitals run by the Veterans Administration shall not be deemed "Department of Defense Hospitals", regardless of their location.

"Distribute" shall be the meaning ascribed to it in Section 2.1.

"Effective Date" means May 1, 2008.

"Failure to Supply" shall have the meaning ascribed to it in Section 10.2.

"FDA" means the United States Food and Drug Administration or any successor agency having the administrative authority to grant Marketing Approval in the United States.

"Field" means: (i) all applications in cardiac surgery and vascular surgery in the United States; and (ii) all general surgery applications outside the United States including cardiac and vascular surgeries, but excluding orthopedic and ear, nose, and throat surgeries. For avoidance of doubt, the parties agree that neurosurgery and topical applications are also excluded from the definition of "Field".

"Field Action" means any correction or removal action by CryoLife or Medafor due to safety, efficacy, quality or regulatory compliance concerns, including actions to recover title to or possession of, or to halt distribution of, Products that previously have been shipped to customers.

"Forecast" shall be the meaning ascribed to it in Section 3.1.

"Governmental Authority" means the United States and any other country in which the Product is manufactured, marketed, sold, tested, investigated or otherwise regulated, and all states or other political subdivisions thereof and supranational bodies applicable thereto, including the European Union, and all agencies, commissions, officials, courts or other instrumentalities of the foregoing.

"HemArrest" means HemArrest, Inc., a Minnesota corporation.

"Insolvency Event" means that the Party (a) has commenced a voluntary proceeding under any insolvency law, (b) had an involuntary proceeding commenced against it under any insolvency law which has continued undismissed or unstayed for sixty (60) consecutive days, (c) had a receiver, trustee or similar official appointed for it or for any substantial part of its property, (d) made an assignment for the benefit of creditors or (e) had an order for relief entered with respect to it by a court of competent jurisdiction under any insolvency law. For purposes hereof, the term "insolvency law" means any applicable bankruptcy, insolvency or other similar law now or hereafter in effect.

"Intellectual Property" means (a) discoveries, inventions, improvements, concepts and ideas, whether or not patentable, (b) works of authorship fixed in a tangible medium of expression, (c) Trademarks, (d) trade secrets and know-how and (e) all proprietary rights relating thereto, including all applications, registrations and renewals in connection therewith.

"Initial Term" shall have the meaning ascribed to it in Section 10.1.

"Inventory Cost" shall mean the specific and direct manufacturing or procurement cost to Medafor associated with the manufacturing or procurement of such inventory (but shall not include overhead, markup or carrying costs).

"ISO" shall have the meaning ascribed to it in Section 4.2.

"Losses" shall have the meaning ascribed to it in Section 9.1.

"Marketing Approval" means, with respect to any country or jurisdiction, the act of the applicable Regulatory Authority that is necessary under applicable Regulatory Laws for the manufacture, marketing, distribution and sale of the Product in that country or jurisdiction, and satisfaction of all applicable regulatory and notification requirements and, to the extent applicable, the grant of Pricing Approval.

"Medafor IP" shall have the meaning set forth in Section 7.2.

"MPH Product" means Medafor's proprietary product for effecting hemostasis at the site of a wound, cut or incision using a patented technology known as MPH® (Microporous Polysaccharide Hemospheres). The MPH Product for surgical use is currently referred to as Arista®. MPH Product includes all product improvements, modifications, additions and refinements thereto made by Medafor during the Term.

"Other Manufacturing Laws" shall have the meaning ascribed to it in Section 4.2.

"Party" means CryoLife or Medafor, as the context requires.

"Person" means any individual, group or entity, including Governmental Authorities.

"Pricing Approval" means, with respect to any country or jurisdiction in which Governmental Authorities determine the pricing at which products will be reimbursed, the approval, agreement, determination or decision by the applicable authorities establishing that pricing.

"Product" means a Product Applicator containing MPH Product per the Specifications.

"Product Applicator" means a Bellows Applicator or a CryoLife Applicator. The term "Product Applicator" includes all product applicator improvements, modifications, additions and refinements thereto made by Medafor or CryoLife, as applicable, during the Term.

"Product Complaint" means any expression by a Third Party of dissatisfaction relating to the identity, durability, reliability, safety, efficacy or performance of any Product, including actual or suspected product tampering, contamination, mislabeling or misformulation.

"Product Information" shall have the meaning ascribed to it in Section 2.3.

"QSR" shall have the meaning ascribed to it in Section 4.2.

"Regulatory Authority" means, with respect to any country or jurisdiction, any Governmental Authority involved in granting Marketing Approval or Pricing Approval or in administering Regulatory Laws in that country or jurisdiction, including the FDA in the United States.

"Regulatory Laws" means all Applicable Laws governing (i) the import, export, testing, investigation, manufacture, marketing or sale of the Product, (ii) establishing recordkeeping or reporting obligations, (iii) any Field Action or (iv) similar regulatory matters.

"Right of Renewal" shall have the meaning ascribed to it in Section 10.1.

"Specifications" means, collectively, (i) Medafor's design and functionality specifications relating to the Product set forth in Exhibit A and (ii) any specifications for manufacturing, testing, storing, packaging, shipping or labeling (including CryoLife's labeling and packaging requirements and instructions as set forth herein) the Product set forth in any approved application for Marketing Approval and any supplements and amendments thereto.

"Term" shall have the meaning ascribed to it in Section 10.1

"Territory" shall mean the United States, Canada, the United Kingdom and Germany commencing on the Effective Date. Beginning January 1, 2009, the Territory shall expand to mean the entire world except for the countries of Japan and China. Notwithstanding the foregoing, in no event shall the Territory include any Department of Defense Hospitals. Although the Territory shall initially include the United States, the parties agree that in the United States the Territory shall exclude those certain enumerated hospitals listed on Exhibit B in the United States until the times set forth therein.

"Third Party" means any Person other than a Party or its Affiliates.

"Trademarks" means all trademarks, service marks, trade dress, logos and trade names, together with all translations, adaptations, derivations and combinations thereof (including all goodwill associated therewith), and all applications, registrations and renewals in connection therewith.

"United Kingdom" means the United Kingdom of Great Britain and North Ireland.

"United States" means the United States of America, including its territories, commonwealths and possessions.

"**Year**" shall mean the period commencing the Effective Date and ending June 30, 2009, or any subsequent twelve month period commencing July 1 and ending on the following June 30.

"**Year 1**" "**Year 2**" and **"Year 3"** shall have the meanings ascribed to them in Section 2.2.

1.2. Rules of Construction.

(a) When a reference is made in this Agreement to a Recital, an Article, a Section, a Schedule or an Exhibit, such reference is to a Recital, Article or Section of, or a Schedule or an Exhibit to, this Agreement, unless otherwise indicated. All Exhibits and Schedules attached hereto are incorporated in this Agreement by reference.

(b) Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be understood to be followed by the words "without limitation."

(c) Pronouns, including "he," "she" and "it," when used in reference to any Person, shall be deemed applicable to entities or individuals, male or female, as appropriate in any given case.

(d) Article, Section and other headings contained in this Agreement are for reference purposes only and are not intended to describe, interpret, define or limit the scope, extent or intent of any provision of this Agreement.

(e) Standard variations on defined terms (such as the plural form of a term defined in the singular form, and the past tense of a term defined in the present tense) shall be deemed to have meanings that correlate to the meanings of the defined terms.

ARTICLE II
DISTRIBUTION

2.1. Exclusive Distribution Rights.

(a) Medafor hereby grants to CryoLife, and CryoLife hereby accepts, the exclusive right to promote, market, sell and distribute (collectively, "Distribute") the Product throughout the Territory for all uses and applications in the Field. Medafor shall not, directly or indirectly, Distribute, or permit Distribution of, Products or the MPH Product anywhere in the Territory for any uses or applications in the Field, either on its own behalf or through any Affiliate or Third Party. CryoLife shall not, directly or indirectly, Distribute, or permit Distribution of, the Product anywhere in the Territory for any uses or applications outside of the Field, either on its own behalf or through any Affiliate or Third Party.

(b) Both Parties acknowledge and agree that, notwithstanding their efforts to the contrary, given the nature of the industry, the distribution of products and that both Parties employ distributors, there may be inadvertent sales "Crossover" by either or both Parties, i.e. inadvertent sales unknown to CryoLife of Product into applications outside of the Field and inadvertent sales unknown to Medafor of MPH Product or Products into applications in the Field. Upon learning of such inadvertent sales, the non-offending Party shall give the other Party written notice of the facts and circumstances of the inadvertent sale, and the Party receiving such notice will use its Commercially Reasonable Efforts to prevent additional prohibited sales and report what steps it has taken to prevent a reoccurrence. Such inadvertent sales shall not be considered a material breach of this Section, provided the other Party takes prompt and Commercially Reasonable Efforts to prevent additional prohibited sales and timely reports what steps it has taken to prevent a reoccurrence to the non-offending Party.

(c) Medafor represents and warrants that attached hereto as Schedule 2.1 is a list of all agreements that permit others to Distribute Products in the Field (or if such agreement is oral, a description of such oral arrangement). Medafor represents and warrants that:

(i) it has delivered to CryoLife the most current and complete copies of each of the agreements listed on Schedule 2.1 (or if such agreement is oral, that is has summarized all terms of such oral arrangement);

(ii) by the Effective Date there shall be no agreement or arrangements to which it is a party or by which it is bound that would permit others to Distribute Products in the Field in the United States, Canada, the United Kingdom or Germany; provided however that distribution rights that allow for the promotion, sale or distribution of the Product in Department of Defense Hospitals shall not be deemed a violation of this Section; and provided, further and notwithstanding the foregoing, the distribution by the three distributors disclosed on Schedule 2.1 that have agreements that do not expire or terminate on the Effective Date shall not be deemed a violation of this Section to the limited extent that they permit promotion, sale or distribution to those hospitals within the United States that are identified on Exhibit B;

(iii) by January 1, 2009 there shall be no agreements or arrangements to which it is a party or by which it is bound that would permit others to Distribute Products in the Field outside of the United States, Canada, the United Kingdom or Germany, Japan or China; or

(iv) it will not take any action with respect to any of its agreements with third parties that may expose CryoLife to any liability.

(d) Medafor represents and warrants that other than the existing distributors identified on Schedule 2.1, it does not currently have any other agents, representatives, or distributors entitled to Distribute Products for use in the Field within the Territory, and that there is no restriction, covenant, or agreement to which it is a party or by which it is bound that would prevent or delay Medafor from providing to CryoLife the exclusive distribution rights contained in this Agreement. Medafor agrees that it will not, directly or indirectly, undertake any action, omit to take any action, or enter into any agreement that will prevent or delay the enjoyment by CryoLife of the full benefits of the exclusive distribution relationship provided in this Agreement. Medafor agrees to direct all sales inquiries respecting the Product within the Field in the Territory to CryoLife immediately during the Term of this Agreement. Medafor represents and warrants that its termination of agreements that permit others to Distribute Products in the Field in the Territory shall not cause CryoLife any Losses. CryoLife agrees to direct all sales inquires respecting the Product outside the Field immediately to Medafor during the Term of this Agreement.

2.2. Annual Minimums.

(a) During the Initial Term, CryoLife agrees to order the following minimum Product amounts (the "Annual Minimum") during the periods set forth below:

Year 1 - (May 1, 2008 – June 30, 2009): $[***]
Year 2 - (July 1, 2009 – June 30, 2010): $[***]
Year 3 - (July 1, 2010 – June 30, 2011): $[***]

(b) After Year 3, CryoLife agrees that the minimums for Years 4-6 shall be as set forth below:

Year 4 - (July 1, 2011 – June 30, 2012): $[***]
Year 5 - (July 1, 2012 – June 30, 2013): $[***]
Year 6 - (July 1, 2013 – June 30, 2014): $[***]

The parties expressly acknowledge and agree that CryoLife's obligation to purchase the Annual Minimums set forth in Sections 2.2(a) and 2.2(b) is based on CryoLife's unimpaired ability to sell the Product under private label, beginning on the Effective Date throughout the United States, Canada, Germany and the United Kingdom (except for those specific hospitals set forth on Exhibit B); and beginning on January 1, 2009, throughout out the entire Territory. In the event that CryoLife is unable to sell such Products under private label as set forth herein in the Territory, as a result of impairment (unless such impairment is caused directly by CryoLife) then such Annual Minimums shall be equitably adjusted downward as follows: CryoLife shall provide written notice to Medafor of the impairment and its proposed reduction based on such impairment. Medafor shall have fifteen (15) days from receipt of such notice to notify CryoLife in writing that it disagrees with CryoLife's reduction with such notice also detailing the proposed number Medafor believes is the appropriate reduction, if any, in the Annual Minimum. In the event that Medafor fails to notify CryoLife, the Annual Minimum for the Year in question shall be reduced per CryoLife's notice set forth above. In the event that Medafor notifies CryoLife that it disagrees with CryoLife, the parties shall have fifteen (15) days to resolve the dispute, after which, after which, either Party may notify the other Party that it requests that an arbitrator decide upon the appropriate reduction pursuant to Schedule 2.2 attached hereto pursuant to so called "Baseball" arbitration (such notice, the "Annual Minimum Dispute Notice"). The parties agree that the equitable adjustment downward for purposes of the "Baseball" arbitration shall be based on the following factors: CryoLife's projection of sales in such country(ies), the number of medical procedures that the Product could be sold for use in such country(ies), sales of the Product in similarly situated countries, and other similar facts that the parties deem to be important.

(c) The parties acknowledge and agree that the Annual Minimums are based on Medafor's current sales of the Product and therefore, Medafor represents and warrants that it has delivered to CryoLife, prior to the execution of this Agreement, Medafor's current sales information for the first quarter of 2008 for the Product and that such information is true, correct and complete.

(d) During Year 1, CryoLife agrees to submit purchase orders for the Products as follows: (i) for the period between the Effective Date and July 31, 2008, CryoLife will submit to Medafor a purchase order for at least $500,000 of Products and such purchase order shall be submitted upon the execution of this Agreement by the Parties; (ii) for the period between August 1, 2008 and October 31, 2008 and by no later than June 15, 2008, CryoLife shall submit to Medafor a purchase order for at least $750,000 of Products; (iii) for the remainder of Year 1, CryoLife shall submit monthly purchase orders for $**[***]** worth of Products with the understanding that each monthly purchase order shall not be deemed effective unless it is submitted in accordance with Section 3.2. CryoLife's obligations under this subsection shall be equitably adjusted in the event of any reduction in the Annual Minimum for Year 1.

(e) After the conclusion of Year 1 and during the remainder of the Term, CryoLife will submit purchase orders for at least 15% of the applicable Annual Minimum for the calendar quarter commencing July 1, 25% for the calendar quarter commencing October 1, 25% for the calendar quarter commencing January 1, and 35% for the calendar quarter commencing April 1. Such purchase orders may be submitted at any time prior to and including the first date of the applicable calendar quarter and should be consistent with the three (3) month portion of the rolling forecast set forth in Section 3.1. CryoLife may submit purchase orders monthly provided that for a purchase order to be effective it must be submitted in accordance with Section 3.2.

(f) The foregoing minimum purchases may be reduced by CryoLife in any given period to the extent of any prior purchase by CryoLife in excess of the minimum amounts specified above for any and all preceding periods. The inability of CryoLife to meet any minimum purchase requirement by reason of Product returns pursuant to Section 2.6, any breach of this Agreement by Medafor resulting in an impairment to CryoLife's ability to sell into any portion of the Territory based on the timelines set forth herein, supply interruption by Medafor, force majeure, or any Product recall shall not cause CryoLife to be in default under this Section.

(g) During Year 1, all Product purchases shall be for Products in 3 gram and 5 gram volumes. Thereafter, Medafor agrees to make additional volume Product and configurations available for purchase, as reasonably requested by CryoLife, at prices and volumes to be mutually negotiated and agreed to by the Parties.

2.3. Marketing and Sales Activities.

(a) CryoLife shall have sole control and authority over its marketing activities for the Products. All business decisions concerning the sales and marketing of Products within the Field and the Territory, including the price, product packaging and configuration, and other sale and promotional terms thereof, will be within the sole discretion of CryoLife, except that CryoLife shall provide Medafor with a reasonable opportunity to review and approve all marketing materials relating to the Products for purposes of compliance with Regulatory Laws and to reasonably protect its rights in its trademarks and copyrights, which approval shall not be unreasonably withheld or delayed. CryoLife shall comply with the appropriate quality control instructions of Medafor as to the form and manner in which such Medafor trademarks shall be used In its discretion, CryoLife may conduct clinical trials for the Products in order to support CryoLife's marketing and sales efforts. CryoLife agrees to provide Medafor with written results of such clinical trials for Medafor's records and uses in areas outside of the Field.

(b) Medafor agrees to provide to CryoLife all reasonable technical assistance, including necessary information related to the Product in the Field to CryoLife in order for CryoLife to market the Product and so CryoLife may develop its own technical, scientific and clinical information files for purposes of obtaining new product committee approvals at target hospitals. Medafor agrees to provide reasonable training CryoLife's sales force regarding the Products either at Medafor's facilities or in the Field; provided that CryoLife shall be responsible for the costs and expenses of CryoLife personnel incurred in connection with Medafor providing such train-the trainer technical assistance and training and CryoLife shall reimburse Medafor for its incurred travel expenses. Medafor agrees to provide CryoLife with copies of its product handling manuals, sales literature, promotion materials, training materials, videos, demonstration kits and other applicable information for the Products. To the extent possible Medafor shall provide CryoLife in electronic form and format all such marketing materials and information described in this Section (collectively all such information described in this Section is "Product Information").

(c) Portions of the Product Information may be incorporated into CryoLife's materials used for the promotion of the Products. Medafor represents and warrants that the Product Information shall be accurate and complete in all material respects, and undertakes to update any such Product Information when any information included therein becomes outdated, inaccurate, or misleading. CryoLife shall have the right to produce, at its expense, promotional material, Products handling manuals, instructions for use, and other written information relating to the Products that is based in whole or in part on the material supplied by Medafor subject to the limitations set forth above.

(d) Medafor will cooperate with CryoLife in the sponsorship and planning of seminars and marketing events for Products.

(e) Medafor shall furnish without charge to CryoLife, any market surveys and related information prepared by or for Medafor pertaining to the market for the Products in the Territory. CryoLife will treat such information as Medafor IP in accordance with the applicable provisions of Section 7.1.

2.4. Branding. The Products shall be sold under CryoLife's brand names as directed by CryoLife; provided however, that CryoLife's branding will use the MPH® trademark owned by Medafor on its external packaging in a manner reasonably acceptable to Medafor and in accordance with all Applicable Laws and in accordance with appropriate quality control instructions of Medafor as to form and manner of use. Notwithstanding the foregoing, the parties have agreed that CryoLife may use the name Hemostase as the private label and to the extent necessary Medafor agrees to consent to the use and filing of the name Hemostase MPH® or Hemostase MPH® trademarks by CryoLife with appropriate Governmental Authorities, if CryoLife so desires. Medafor shall adapt packaging and labeling for the Products as instructed by CryoLife to meet CryoLife's usual, normal and reasonable branding standards, which packaging shall be developed by CryoLife. CryoLife, subject to Medafor's reasonable acceptance, shall have final approval over all packaging and labeling of the Products.

2.5. Sample Products. Medafor shall provide to CryoLife sterile samples of Product at no charge according to the following commitment:

(a) Year 1- 800 boxes of 5 gram

(b) Year 2- 400 boxes of 5 gram

Unless otherwise agreed, samples shall be delivered to CryoLife at the commencement of Year 1 and Year 2 in accordance with forecasts that in the case of Year 1 have already been delivered to Medafor, and that will be delivered to Medafor in conjunction with the forecasts set forth in Section 3.1 for Year 2. CryoLife may purchase additional sterile samples of boxes of 3 gram or 5 gram product at a fixed price of $125 per box over the Initial Term. If requested by Medafor, CryoLife will make all reasonable efforts to document the no charge use of these samples. CryoLife shall use sample units only for demonstrations and marketing purposes and may not resell any samples.

2.6. Acceptance of Products. CryoLife shall have twenty (20) Business Days to inspect and to verify that the Products conform to the applicable firm order and the Specifications from the date of arrival of such Products at the point of delivery. Unless CryoLife rejects any Product within such twenty (20) Business Day period in writing to Medafor specifying the reason for such rejection, the entire shipment shall be deemed accepted by CryoLife. Any Product rejected in accordance with the preceding sentence shall, if requested by Medafor be either returned to Medafor or CryoLife shall provide such other evidence of the deficiency of the Products to Medafor. CryoLife will follow Medafor's reasonable instructions to return such Products or to otherwise dispose of them, and will not take any action in relation to such Products until it receives such instructions from Medafor. Medafor shall have fifteen (15) Business Days from CryoLife's notice to check, verify, test and respond to any claims by CryoLife that Products are not in conformity with the Specifications, before agreeing to replace the defective-nonconforming product. Medafor shall bear all costs of return (including freight and insurance) for defective or non conforming Product and shall either replace the defective or nonconforming Product without charge (including payment of freight and insurance for delivery of the replacement Product) or, at CryoLife's request, refund to CryoLife the entire amount paid in connection with the rejected Product (including transportation and shipping charges. All such replacement product shall be shipped to CryoLife within thirty five (35) calendar days. Nothing in this Section, including the exercise of rights hereunder, shall be construed as a waiver of CryoLife's indemnification rights, its warranty rights or any other common law or statutory remedies. CryoLife agrees to reimburse Medafor for any freight and insurance costs incurred by Medafor with respect to Product originally rejected by CryoLife, that Medafor determines through verification and/or testing was not defective and conformed to Specifications.

ARTICLE III
PURCHASING

3.1. Forecasts. On a quarterly basis and twenty (20) days before the end of each quarter, CryoLife shall provide to Medafor twelve (12) month rolling forecasts of the anticipated quarterly quantities and mix of the Products that CryoLife expects to order (each, a "Forecast"), which shall correspond to at least the minimum purchase quantities in Section 2.2 of this Agreement provided that such forecasts shall not be binding unless and until CryoLife delivers a purchase order to Medafor.

3.2. Firm Orders. Medafor shall supply to CryoLife the minimum quantities as described in Section 2.2 of this agreement against purchase orders placed by CryoLife. In regard to purchase orders placed above the minimum purchase requirements as per Section 2.2, Medafor shall fulfill all firm additional orders for the Product submitted by CryoLife provided that such orders are not more than 50% above the minimums set forth in Section 2.2. CryoLife shall place any firm purchase orders, so that they have been received by Medafor no less than thirty-five (35) calendar days prior to the requested ship date. Firm purchase orders may be submitted via regular mail or facsimile to the following:

Medafor, Inc.
2700 Freeway Blvd., Suite 800
Minneapolis, MN 55430
Attn: Carl Orr
Fax No.: 763-571-1035

Each firm order shall be deemed accepted upon receipt by Medafor. Except as otherwise provided herein, Medafor may not reject any purchase order received from CryoLife unless such purchase order: (a) has not been forecasted pursuant to Section 3.1 and (b) is not consistent with the Annual Minimums to the extent the order exceeds the forecasted amount. If Medafor rejects a purchase order due to a force majeure event or as otherwise provided herein, Medafor must give notice within two (2) Business Days of receipt of such purchase order (and before receipt of payment) and must advise CryoLife in writing of the reason. In the event of such rejection, CryoLife's annual minimum requirements as set forth in Section 2.2 shall be adjusted accordingly.

3.3. Transfer Pricing.

(a) Subject to Section 3.3(b) below, the transfer pricing for the Products ordered by CryoLife during the Initial Term shall be as set forth in Exhibit C. Medafor represents and warrants that its current pricing in the Territory to its distributors and for direct sales by Medafor, if any, has been delivered to CryoLife and that such information delivered to CryoLife is true, correct and complete. The parties acknowledge that in the event that CryoLife is unable to obtain appropriate margins, the parties will, in good faith, negotiate an equitable adjustment to such pricing.

(b) The transfer pricing set forth in Exhibit C is for finished Products (i.e. packaged, labeled and sterilized). CryoLife shall be responsible for all applicable (i) sales, use, value-added or similar taxes imposed by any Governmental Authority, and (ii) excises, duties, import fees and export fees. CryoLife shall be also responsible for all reasonable freight and delivery charges and any other costs for shipment of the Products from Medafor's facilities in Minneapolis, Minnesota to CryoLife's facilities as specified in the applicable firm order. Title to products and all risk of loss shall pass from CryoLife to Medafor upon Medafor's delivery of Products to CryoLife's designated shipper at Medafor's Minneapolis, Minnesota location. Each shipment of Products from Medafor to CryoLife shall contain such quality control certificates reasonably requested by CryoLife certifying that the Products shipped conform to the specifications.

3.4. Payment Terms. Medafor shall deliver to CryoLife an invoice for each firm order, which invoice shall contain customary information for CryoLife to verify the invoice, including the quantity of Products delivered. Payment terms for undisputed amounts (excluding for the first and second quarters of 2008 which shall be paid immediately upon delivery of the inventory due) shall be **[***] ([***])** days from when the Products are shipped in accordance with Section 3.5 or, if later, ten (10) days after date that CryoLife receives the applicable invoice. All payments hereunder will be made in United States dollars.

3.5. Shipping.

(a) Medafor shall at all times use its Commercially Reasonable Efforts to ship Products to CryoLife no later than the ship date set forth in the applicable firm order.

(b) Medafor shall package, label, store and ship all Products in compliance with Applicable Laws and in accordance with good commercial and industry practice. CryoLife shall select the shipper. The Products shall be delivered to CryoLife sterile and ready for end-user sale and use, including all packaging, labeling, and instructions for use. Medafor shall package the Products suitably for export and appropriately to prevent damage during shipment. The packing slip shall have the part number, purchase order number and delivery quantity.

(c) The Products shall be shipped F.O.B. Medafor facilities in Minneapolis, Minnesota. At CryoLife's expense, Medafor shall ship the Products to CryoLife as directed by CryoLife in the applicable firm purchase order.

ARTICLE IV
MANUFACTURING

4.1. Inventory.

(a) Medafor shall at all times maintain a **[***] ([***]) [***]** supply of Products in inventory to support CryoLife's sales efforts based on the higher of (A) the total amount of Products ordered by CryoLife during the preceding **[***]** on a rolling basis, or (B) the minimum amount of Products CryoLife is required to purchase pursuant to subsections 2.2(b) and 2.2(c) for the following **[***]** on a rolling basis.

(b) Medafor will notify CryoLife immediately in writing upon becoming aware of any supply shortage, or other interruption or potential interruption in the supply of any material, component, or sub-assembly, in each case as it relates to Products.

(c) Medafor shall at all times ensure that sufficient manufacturing capacity (including appropriate manufacturing, storage and distribution facilities and qualified personnel) is maintained to meet CryoLife's forecasted demand plus 50%. If at any time Medafor does not have enough component materials to fulfill, or other supply or manufacturing problems prevent Medafor from fulfilling, on a timely basis, its supply obligations to CryoLife for CryoLife's purchase orders for Products, Medafor shall promptly notify CryoLife of the nature and extent of the impairment to Medafor's ability to supply and shall allocate its remaining manufacturing resources to CryoLife's purchase orders for the Products first. Only after such action is taken and completed shall Medafor allocate remaining manufacturing resources to other competitive products Medafor produces, so that CryoLife will not be disadvantaged in its ability to obtain Products during such impairment.

(d) In the event Medafor is unable to fulfill CryoLife's purchase orders for Products, CryoLife's Annual Minimum and calendar quarter purchase requirements for the Year and subsequent Years shall be suspended until Medafor is able to fulfill CryoLife's purchase orders for at least one calendar quarter. Thereafter, CryoLife's Annual Minimum and calendar quarter purchase requirements shall be reduced by a reasonable amount to account for the shortage and any resulting interruption of CryoLife's ability to supply its customers.

(e) If this Agreement is terminated by CryoLife (other than for Medafor's breach of this Agreement or pursuant to Section 10.2(c) or 10.2(e)) then CryoLife shall reimburse Medafor for the total Inventory Cost of up to **[***] ([***]) [***]** inventory maintained pursuant to Section 4.1(a) unless CryoLife directs that inventory be shipped to CryoLife pursuant to Section 10.3 (in which case CryoLife shall pay the amounts for the inventory as set forth herein); provided that inventory already paid for by CryoLife shall be deducted from this amount.

(f) If CryoLife requires any changes to any CryoLife-specific components during the Term, outside of a required change by Regulatory Authorities which renders such CryoLife-specific components unusable for sale by CryoLife, then CryoLife shall reimburse Medafor for the Inventory Cost of the CryoLife-specific components that are rendered unusable due to such change; provided, however, that the total amount of reimbursement under this Section 4.1(f) shall only be paid for inventory that has been kept as part of the **[***] ([***]) [***]** inventory set forth in Section 4.1(a).

4.2. Manufacturing. Medafor will manufacture the Products in accordance with the then current (i) Specifications, (ii) applicable regulations relating to current Good Manufacturing Practices ("CGMP") and similar protocols required by the United States Food, Drug and Cosmetic Act and similar laws and regulations in foreign jurisdictions within the Territory that regulate the manufacture, distribution, and sale of the Products for use in the Field, all as may be amended from time to time ("Other Manufacturing Laws"), quality system regulations ("QSR") of the United States Food and Drug Administration, including master device and lot history records, and ISO 13485 requirements (including appropriate certification) ("ISO"), MDD requirements, CMDCAS requirements, and (iii) other pertinent rules and regulations of any Regulatory Authorities within the Territory that have approved the sale of the Products. Upon CryoLife's request, Medafor shall provide CryoLife with written evidence of compliance with the criteria set forth herein. During the Term, Medafor will maintain, or cause to be maintained, the Product manufacturing facility's registration as a certified medical device manufacturing facility with all applicable Regulatory Authorities or cause such facility to be maintained such that the facility would pass an audit for compliance with CGMP, QSR, Other Manufacturing Laws and ISO. Medafor shall maintain ongoing quality assurance and testing policies sufficient to satisfy its obligations under this Agreement and Medafor's standard quality assurance policies. Medafor shall maintain throughout the Term and for the specified shelf life of the Product (or for such longer period as may be required by Applicable Laws) accurate and complete records relating to its manufacture and testing of the Products, including all records required under Applicable Laws.

4.3. Change Labeling. Medafor shall not make any changes to the Products (including materials, packaging, and directions for use), the Specifications, the raw materials, component suppliers, or manufacturing process for the Products, which in any case could reasonably be expected to adversely affect the form, fit, function, regulatory status, or efficacy of the Products or patient safety, unless approved by CryoLife in writing in advance, which approval may not be unreasonably denied. Without limiting the foregoing, all such changes (including changes required by law) shall be submitted to CryoLife no later than sixty (60) calendar days prior to Medafor's proposed date of implementation for such change. Unless CryoLife notifies Medafor in writing that it disapproves of such change during the thirty (30) calendar day period following the notification of such change or if such a proposed change is otherwise required by law, regulation, or directive, Medafor shall be authorized to implement such change and shall be responsible for properly communicating and implementing such change, including with respect to any of Medafor's vendors. Without limiting the foregoing, the following changes shall be deemed governed by this Section: (i) use of any nonconforming material in the manufacture of any of the Products in variance with the Specifications; (ii) implementation of any deviation that could affect the handling, sterility, safety, or efficacy of any of the Products and be at variance with the Specifications; or (iii) implementation of any corrective action that could affect the safety or efficacy of the Products.

4.4. Product Warranty. Medafor warrants to CryoLife that the Product, when delivered in accordance with the applicable firm order, will (i) conform to the Specifications, (ii) have been manufactured, tested, stored, packaged, labeled and shipped in compliance with Applicable Laws and in accordance with applicable Regulatory Authorities, including all Marketing Approvals and (iii) be free of defects in design, material, engineering, fabrication and workmanship in accordance with the Specifications. The foregoing warranty shall be in effect with respect to each Product for the labeled shelf life of the Product. Medafor further warrants to CryoLife that the Product, when delivered, shall be free and clear of any liens, security interests or encumbrances of any nature whatsoever. The above warranty is contingent upon the proper use of the Products and will not apply to Products that have been removed from their original packaging or altered before resale by CryoLife. In addition, this warranty shall not apply to defects or failure due to: (a) the delivery of Product with items not provided by Medafor; (b) any party other than Medafor or an authorized Medafor representative modifying the Product; or (c) storage of Products in an environment not intended or recommended by Medafor. EXCEPT AS OTHERWISE SET FORTH IN THIS AGREEMENT OR PROVIDED IN ANY INDEMNIFICATION, EACH PARTY DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED INCLUDING ANY WARRANTIES AS TO MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE V
REGULATORY MATTERS

5.1. Compliance with Laws. Each Party shall comply in all material respects with all Applicable Laws that pertain to its activities under this Agreement and, except as otherwise provided for herein, shall bear the entire cost and expense of such compliance.

5.2. Marketing Approvals. Medafor represents and warrants to CryoLife that it has applied for and received FDA approval and a CE marking for the Product under Medafor brand, and that such approval and CE marking are in good standing and have never been revoked or suspended for any reason. Medafor has no reason to believe that such approval or CE marking will be revoked or suspended for any reason. In addition, Medafor represents and warrants to CryoLife that as of March 18, 2008 it has applied for all approvals necessary in Canada, Germany, the United Kingdom and the United States to allow CryoLife to Distribute Product under a private label and that it had received all such approvals in Germany, the United Kingdom and the United States. All costs and expenses for maintaining the FDA approval and the CE marking for the Product shall be at Medafor's expense. At CryoLife's request, Medafor shall use its Commercially Reasonable Efforts to obtain and maintain additional Marketing Approvals for the Product (under the CryoLife brand discussed under Section 2.4) throughout the Territory (and Medafor understands that any delay in receiving such Marketing Approvals shall reduce the Annual Minimums in accordance with Section 2.2). Medafor shall have primary responsibility for all communications, submissions and interactions with the Regulatory Authorities for the purpose of obtaining and maintaining Marketing Approvals. CryoLife shall provide reasonable personnel assistance to Medafor with respect to such Marketing Approvals. Medafor hereby grants to CryoLife the fully paid-up right to use any and all regulatory approvals and clearances related to the Product owned by or licensed to Medafor and existing as of the date hereof or obtained during the Term.

5.3. Actions by Regulatory Authorities. Medafor shall be responsible to Regulatory Authorities throughout the Territory as the manufacturer of the Products. If either Party receives notice of an actual or threatened inspection, investigation, inquiry, recall, import or export ban, product seizure, enforcement proceeding or similar action by a Regulatory Authority with respect to the Product or a Party's activities in connection with the Product, it will notify the other Party within forty-eight (48) hours after its receipt of notice of the action and will promptly deliver to the other Party copies of all relevant documents received from the Regulatory Authority. Any notice respecting a recall or action that in any way restricts the ability of either Party to Distribute Products shall be delivered to the other Party promptly upon receipt. The Parties shall cooperate in response to the action, including providing information and documentation as requested by the Regulatory Authority. If the action primarily concerns CryoLife's activities, then CryoLife shall have primary responsibility to respond to the Regulatory Authority; otherwise, Medafor shall have primary responsibility to respond. In either case, upon request of the responding Party, the other Party shall provide consulting advice and assistance with the response. In addition, each Party shall promptly notify the other and provide to the other a copy or transcription, if available, of any communication from any Regulatory Authority relating to the Products, the marketing thereof, or any related matter and shall keep the other Party reasonably apprised of regulatory interactions and similar activities with Regulatory Authorities in connection with the Products. In the event of such action by a Regulatory Authority that impedes CryoLife's ability to sell the Product, the Annual Minimums shall be adjusted equitably downward to reflect such impediment in accordance with the impairment adjustment and "Baseball" arbitration mechanism set forth in Section 2.2.

5.4. Regulatory Audit. Medafor will permit authorized representatives of any Regulatory Authority to inspect Medafor's plant and production facilities (and will secure the same rights with respect to any third party plant and production facilities) relating to or used in connection with the manufacture of Products and will promptly notify CryoLife when Medafor receives notice of any such inspection. Medafor will advise CryoLife of the findings of any regulatory inspection and will promptly take the necessary steps to correct any compliance deficiencies found by the Regulatory Authority relating to the production of Products. Medafor further agrees to use its reasonable best efforts to provide to CryoLife such documentation or conduct such analyses as CryoLife may reasonably request in connection with any regulatory submission or audit concerning Products. CryoLife will permit authorized representatives of any Regulatory Authority to inspect CryoLife's facilities relating to distribution of Products and will promptly notify Medafor when CryoLife receives notice of any such inspection. CryoLife will advise Medafor of the findings of any regulatory inspection and will promptly take the necessary steps to correct any compliance deficiencies found by the Regulatory Authority relating to CryoLife's activities with Products.

5.5. Inspections.

(a) CryoLife shall have the right to have its representatives present at the plant or plants at which the Products are manufactured during normal business hours to conduct an initial and periodic inspections of such facilities and manufacturing procedures for compliance with CGMP, QSR, Other Manufacturing Laws and ISO, the Specifications and CryoLife's quality assurance requirements and to inspect Medafor's inventory of the Products, work-in-process, raw materials to be used for the Products, production records, design history file, quality manuals, regulatory dossiers, and such other matters as may be pertinent to proper quality assurance of the Products to be delivered hereunder. CryoLife agrees to give Medafor a minimum of five Business Days' prior notice of any such inspection and each representative of CryoLife may be required by Medafor to sign an appropriate confidentiality agreement. Medafor shall promptly use its Commercially Reasonable Efforts to take such action as is required to correct any deficiencies identified by CryoLife relating to the production of the Products. Medafor further agrees to use its best efforts to provide such documentation or conduct such analyses as CryoLife may reasonably request in connection with any regulatory submission or audit.

(b) At CryoLife's reasonable request, Medafor will perform a quality system assessment of the vendors who provide Medafor with raw components/materials, sub-assemblies or contract services for any Product.

5.6. Product Complaints and Reports. The Parties shall each collect and record Product Complaints (and any other events required to be recorded under Applicable Laws) in accordance with Applicable Laws and their standard procedures and policies in effect from time to time. Each Party shall provide to the other Party reports of such complaints or events within seventy-two (72) hours after receipt. Medafor shall be responsible for investigating all Product Complaints, shall promptly respond to such complaints and shall copy CryoLife on any response made by Medafor. Medafor shall be responsible for submitting to the Regulatory Authorities all required reports and other materials, including annual reports, distribution reports and safety reports. Each Party shall immediately notify the other Party of any information it learns concerning the safety or efficacy of the Product, regardless of whether formal reporting to any Regulatory Authority is required.

5.7. Traceability. Medafor shall maintain manufacturing and traceability records with respect to the Products, including records by lot number. CryoLife shall maintain distribution records for the Product per 21 C.F.R. 820.160 for the purpose of maintaining traceability to the customer to facilitate recalls or field actions as necessary. Medafor may audit CryoLife's distribution records for the Product upon a minimum of five (5) Business Days prior notice of such audit and each representative of Medafor may be required by CryoLife to sign an appropriate confidentiality agreement.

5.8. Field Actions. If either Party in good faith determines that a removal, correction, recall or other Field Action involving the Product or its labeling is warranted (whether or not required by a Regulatory Authority), such Party shall immediately notify the other Party in writing and shall advise such other Party of the reasons underlying its determination that a removal, correction, recall or other Field Action is warranted. The Parties shall consult with each other as to any action to be taken in regard to such removal, correction, recall or other Field Action. If, after consultations, either Party in good faith believes that such a removal, correction, recall or Field Action should be undertaken with respect the Product or its labeling, the Parties shall cooperate in carrying out the same. Medafor shall be responsible for all of CryoLife's reasonable out-of-pocket costs and expenses, including the cost of the Products and the replacement cost of the Products, quality control testing and notification in the event of removals, corrections, recalls or other Field Actions with respect to any Product unless such removal, correction, recall or other Field Action was due to an act or omission by CryoLife. Medafor shall be responsible for any required reporting to Regulatory Authorities with respect to any removal, correction, recall or other Field Action involving the Product or its labeling, provided it copies CryoLife on the same. In the event of a recall of any Products, Medafor shall promptly correct noted deficiencies relating to its manufacturing, packaging, labeling, testing and Medafor's storage or handling of Products, if applicable, or cause the vendor of any material, component, or sub-assembly incorporated into such Products to do likewise with respect to such material, component, or sub-assembly and CryoLife shall correct noted deficiencies related to matters for which it is responsible.

5.9. Post-Market Clinical Studies. Each Party shall inform the other Party in the event that such Party becomes aware of post-market clinical studies being conducted with the product. Each Party shall inform the other Party in the event that they become aware of published literature or unpublished reports of data from any clinical or non-clinical laboratory studies involving the product.

ARTICLE VI
CONFIDENTIALITY

6.1. Confidentiality. In the course of their activities pursuant to this Agreement, the Parties anticipate that they may disclose Confidential Information to one another and either Party may, from time to time, be either the disclosing Party or the recipient of Confidential Information. The Parties wish to protect such Confidential Information in accordance with this Section 6.1. The provisions of this Section shall apply to disclosures furnished to or received by a Party and its employees, agents and representatives (which may include employees, agents and representatives of its Affiliates). Each Party shall advise its employees, agents and representatives of the requirements of this Section and shall be responsible to ensure their compliance with such provisions.

(a) For purposes hereof, "Confidential Information" with respect to a disclosing Party means all information, in any form or media, concerning the disclosing Party that the disclosing Party furnishes to the recipient, whether furnished before or after the Effective Date, and all notes, analyses, compilations, studies and other materials, whether prepared by the recipient or others, that contain or reflect such information; provided, however, that Confidential Information does not include information that (i) is or hereafter becomes generally available to the public other than as a result of a disclosure by the recipient, (ii) was already known to the recipient prior to receipt from the disclosing Party, as evidenced by prior written documents in its possession not subject to an existing confidentiality obligation to the disclosing Party, (iii) is disclosed to the recipient on a non-confidential basis by a person who is not in default of any confidentiality obligation to the disclosing Party or (iv) is developed by or on behalf of the recipient without reliance on confidential information received hereunder. The contents of this Agreement shall be deemed to be Confidential Information of each Party.

(b) The recipient of Confidential Information shall (i) maintain its confidentiality using efforts and precautions at least as great as those it uses and takes to protect its own confidential information and trade secrets; (ii) use such Confidential Information solely in connection with the discharge of its obligations under this Agreement and (iii) not disclose such Confidential Information to any person other than those of its agents and representatives who need to know such Confidential Information in order to accomplish the objectives for which it was disclosed. Notwithstanding the foregoing, the recipient of Confidential Information may disclose it to the extent necessary to comply with Applicable Laws, stock exchange rules, or with an order issued by a court or Regulatory Authority with competent jurisdiction; provided that, in connection with such disclosure, the recipient uses commercially reasonable efforts to obtain confidential treatment or an appropriate protective order, to the extent available, with respect to such Confidential Information.

(c) Upon request of the disclosing Party, the recipient of Confidential Information shall promptly redeliver to the disclosing Party all Confidential Information provided to the recipient in tangible form, and the recipient shall not retain any copies, extracts or other reproductions, in whole or in part, of such Confidential Information. All notes or other work product prepared by the recipient based upon or incorporating Confidential Information of the disclosing Party shall be destroyed, and such destruction shall be certified in writing to the disclosing Party by an authorized representative of the recipient who supervised such destruction. Notwithstanding the foregoing, in-house legal counsel to the recipient shall be permitted to retain in its files one copy of all Confidential Information to evidence the scope of the Party's obligation of confidentiality.

(d) The obligations under this Section shall remain in effect from the Effective Date through the third anniversary of the expiration or termination of this Agreement.

(e) In addition to any other remedies available in law or equity, the disclosing Party shall be entitled to temporary and permanent injunctive relief in the event of a breach (or threatened breach) under this Section.

(f) The provisions of this Section shall supersede and replace any prior agreements between the Parties relating to Confidential Information covered hereby; provided that notwithstanding the foregoing the Parties acknowledge and agree that upon execution of this Agreement by the Parties that certain Non-Disclosure Agreement, dated December 13, 2007 between the Parties shall be deemed terminated as of the date of execution but those terms set forth therein shall survive in accordance with their terms.

(g) Notwithstanding the provisions of this Article VI, the parties acknowledge they may desire (or be required) to make a public announcement, issue a press release or provide similar publicity with respect to this Agreement or the transactions contemplated herein, and each Party shall notify the other Party of its intent to make such publicity and deliver a draft of such publicity to the other Party. Neither Party shall make any public announcement, press release or similar public pronouncement with respect to this Agreement or the transactions contemplated herein without the consent of the other Party regarding the content, time and manner of such publicity; provided that neither Party shall unreasonably withhold its consent under this section and nothing in this Article VI shall prevent either Party from timely making any disclosure required by law or by the New York Stock Exchange.

ARTICLE VII
INTELLECTUAL PROPERTY RIGHTS

7.1. Intellectual Property/Information and Ideas. CryoLife acknowledges Medafor's exclusive right, title and interest in Medafor's patents and know-how related to the manufacture, regulatory approval, or distribution of the Bellows Applicator and the MPH Product and to the trademarks, trade names, trade dress and methods of presentation relating to the Bellows Applicator and the MPH Product (including the Medafor Mark). Medafor acknowledges CryoLife's exclusive right, title and interest in the CryoLife Marks and all Intellectual Property rights therein or related thereto, including the CryoLife Applicator (the "CryoLife IP"). Except as otherwise expressly provided herein, nothing contained herein shall be construed to convey any right, interest or title in or to the Medafor IP to CryoLife, or any right, interest or title in or to the CryoLife IP to Medafor.

7.2. IP Representations. Medafor hereby represents and warrants to, and covenants with, CryoLife as follows:

(a) Medafor, and only Medafor, owns or holds valid and enforceable rights to exclusively manufacture, Distribute, use or license (to the extent a license is required) any and all Intellectual Property that is necessary (i) to manufacture and sell the MPH Product, the Bellows Applicator, and the Products or to permit others to manufacture or sell the MPH Product, the Bellows Applicator, and the Products (except for the CryoLife Applicator, if any, for which CryoLife grants Medafor a royalty free license during the Term of this Agreement solely for the purposes of Medafor performing its obligations hereunder), (ii) CryoLife to Distribute the Product as contemplated by this Agreement and (iii) for Medafor to grant to CryoLife the Distribution rights under this Agreement (such Intellectual Property rights collectively, the "Medafor IP").

(b) Medafor owns or licenses all right, title and interest in and to the Medafor IP, subject only to those rights retained by HemArrest pursuant to that certain Second Amended and Restated Exclusive License and Royalty Agreement, dated November 1, 2004, by and between HemArrest and Medafor, as amended by that certain Addendum, dated February 15, 2005, by and between HemArrest and Medafor, a copy of which has been provided to CryoLife, as amended by that certain Agreement, dated May 10, 2006, by and among HemArrest, Medafor, Ted P. Adams, Donald L. Sturtevant and James F. Drake.

(c) Medafor has not granted any license, covenant not to sue or other right that would be inconsistent with or conflict with the grant of the exclusive Distribution rights under this Agreement. Medafor also agrees that if in the event HemArrest has or granted or does grant any license, covenant not to sue or other right that would be inconsistent with or conflict with the grant of the exclusive Distribution rights under this Agreement then it would be considered a material breach of this Agreement by Medafor and that CryoLife would be entitled to indemnification pursuant to Sections 7.4 and 9.1.

(d) No Person has asserted any claim, suit, proceeding, action or demand (a "Claim") with respect to any of the Medafor IP, which Claim (i) challenges the validity of Medafor's interest in the Medafor IP, (ii) alleges that Medafor's use or practice of the Medafor IP infringes, misappropriates or violates the rights of any Person or (iii) seeks to enjoin or restrain Medafor's use or practice of the Medafor IP in any manner that would interfere with the transactions contemplated by this Agreement. Medafor has no knowledge that any Person intends to assert such a Claim. Medafor also agrees that in the event that if HemArrest has knowledge that a Person intends to assert such a Claim then it would be considered a material breach of this Agreement by Medafor and that CryoLife would be entitled to indemnification pursuant to Sections 7.4 and 9.1.

(e) To Medafor's knowledge no Intellectual Property or contract rights of others will be infringed by (i) the development, manufacture, distribution or sale of the Products by Medafor or CryoLife as contemplated by this Agreement, (ii) the entering into of this Agreement, or (iii) the performance of this Agreement by either Party. Medafor agrees however that if in the event that any Intellectual Property or contract rights of others are infringed by (i) the development, manufacture, distribution or sale of the Products by Medafor or CryoLife as contemplated by this Agreement, (ii) the entering into of this Agreement, or (iii) the performance of this Agreement by either Party then it would be considered a material breach of this Agreement by Medafor and that CryoLife would be entitled to indemnification pursuant to Sections 7.4 and 9.1.

(f) As of the Effective Date, it has not granted and during the Term hereof, it will not grant any Person the right of first refusal to purchase all or substantially all of its assets, the assets constituting the Product or the MPH product.

7.3. Trademarks. CryoLife shall have the right and license to use Medafor's Trademarks associated with the Product for Product marketing purposes and as may be necessary in order to comply with applicable Regulatory Laws. CryoLife shall comply with the reasonable quality control instructions of Medafor as to the form and manner in which such Medafor Trademarks shall be used. Trademarks developed by CryoLife for the Product shall be owned exclusively by CryoLife. Other than as expressly provided herein, no Party shall acquire or have any right or license to use the name or Trademarks of the other Party without its prior written consent.

7.4. Infringement Notification. Each Party shall promptly notify the other Party of any and all infringements of the Medafor IP or of the CryoLife IP of which such Party becomes aware within the Territory. Medafor shall, at its own cost, take any and all actions, legal or equitable, necessary to defend the Medafor IP against such infringements and to eliminate or minimize the consequences of any infringement of the Medafor IP in the Field in the Territory. At Medafor's request and expense, CryoLife will assist Medafor in taking action against any such infringements. In addition, and in addition to any responsibility of Medafor pursuant to Section 9.1, if any Product is held to constitute an infringement or misappropriation of any third party's Intellectual Property right or if Medafor and CryoLife concur that any Products constitutes an infringement or misappropriation, Medafor will at its expense either: (i) procure the right for CryoLife to continue distributing the Products in accordance with this Agreement at no additional cost to CryoLife, (ii) replace the Product with a non-infringing and non-misappropriating equivalent product conforming to the Specifications at no additional cost to CryoLife, or (iii) modify the Product to make it non-infringing and non-misappropriating while conforming to the Specifications at no additional cost to CryoLife. If Medafor is unable to secure sufficient rights to permit Cryolife to Distribute the Products in the manner contemplated by this Agreement, Medafor shall promptly repurchase all of CryoLife's Product inventory as provided in Section 10.4, and CryoLife shall be released of its obligation to Distribute the Products.

7.5. Patent Prosecution. At its own cost, Medafor shall (or shall require HemArrest to) apply for, prosecute, and maintain all patents or rights to license or use the patents included in the Medafor IP in the Territory. Medafor shall keep CryoLife reasonably informed as to the status of the prosecution and maintenance of such patents in the Territory and with respect to any actions regarding such patents in the Territory.

ARTICLE VIII
REPRESENTATIONS AND WARRANTIES

Each Party hereby represents and warrants to the other Party that:

(a) It is a corporation duly organized, validly existing and, if relevant in its jurisdiction of organization, in good standing under the laws of its jurisdiction of organization and that it is legally qualified to do business in each jurisdiction in which this Agreement may be performed and where its activities hereunder require such qualification and has the power and authority to own, lease and operate its assets and to conduct the business now being conducted by it. It has all requisite power and authority to enter into this Agreement and to perform its obligations hereunder.

(b) The execution, delivery and performance by it of this Agreement and the consummation by it of the transactions contemplated hereby have been duly authorized and approved by all necessary corporate or equivalent action on its part. This Agreement has been duly executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting creditors' rights generally.

(c) The execution, delivery and performance by it of this Agreement and the consummation by it of the transactions contemplated hereby do not and will not: (i) violate any Applicable Laws; (ii) conflict with, or result in the breach of any provision of, its certificate of incorporation, bylaws or equivalent organizational documents; (iii) result in the creation of any lien or encumbrance of any nature upon any property being transferred or licensed by it pursuant to this Agreement; or (iv) violate, conflict with, result in the breach or termination of, or constitute a default under (or event which, with notice, lapse of time or both, would constitute a default under), any permit, contract or agreement to which it is a party or by which any of its properties or businesses are bound.

(d) No authorization, consent or approval of, or notice to or filing with, any Governmental Authority is required for the execution, delivery and performance by it of this Agreement, other than Marketing Approvals that have not been obtained prior to the Effective Date.

(e) It is not a party to any litigation relating to, or that could reasonably be expected to affect its ability to perform its obligations under this Agreement.

ARTICLE IX
INDEMNIFICATION AND INSURANCE

9.1. Indemnification by Medafor.

(a) Medafor shall indemnify and hold harmless CryoLife and its respective shareholders, directors, officers, employees and agents from and against any and all liabilities, damages, losses, penalties, fines, costs and expenses, including reasonable attorneys' fees ("Losses"), paid or incurred by them in connection with any Claim based upon or arising from: (i) any use of the Products, including Claims for personal injury, death or property damage; (ii) any allegations of infringement or violation of any Intellectual Property rights of a third party, as a result of the use, manufacture, sale or distribution of the Product (provided that the provisions of this Section 9.1 shall be read consistent with the provisions of Section 7.4); (iii) any breach by Medafor of any of its representations, warranties or obligations under this Agreement; (iv) any violation by Medafor of Applicable Laws; or (v) any negligent acts or omissions or wilful misconduct of Medafor or its Affiliates or subcontractors or any of their respective employees or agents relating to the activities subject to this Agreement.

(b) CryoLife shall give Medafor prompt written notice of any Claim with respect to which Medafor's indemnification obligations may apply, but any delay or failure of such notice shall not excuse Medafor's indemnification obligations except to the extent that Medafor's legal position is prejudiced thereby. Medafor shall have the right to assume and control the defense and settlement of any such Claim; except that CryoLife shall have the right to assume and control, at Medafor's expense, the defense and settlement of any such Claim if: (i) CryoLife reasonably determines that there is a conflict of interest between CryoLife and Medafor with respect to such Claim; (ii) Medafor fails to employ counsel reasonably satisfactory to CryoLife to represent CryoLife within a reasonable time after Medafor's receipt of notice of the Claim or (iii) in the reasonable opinion of counsel to CryoLife, the Claim could result in CryoLife becoming subject to injunctive or other non-monetary relief that could have a material adverse effect on CryoLife's ongoing business. The Party not controlling the defense shall have the right to participate in the Claim at its own expense, but in any event shall cooperate with the controlling Party in the investigation and defense of the Claim.

(c) If Medafor is entitled to, and does, assume and control the defense and settlement of any Claim with respect to which its indemnification obligations apply, then Medafor shall not settle such Claim without CryoLife's prior written consent (which consent shall not be unreasonably withheld or delayed), unless (i) the sole relief provided in such settlement is monetary in nature and shall be paid in full by Medafor and (ii) such settlement does not include any finding or admission of a violation by CryoLife of any Applicable Laws or Third Party's rights. Whenever CryoLife assumes and controls the defense and settlement of a Claim with respect to which Medafor's indemnification obligations applies, Medafor shall not be liable for any settlement thereof effected by CryoLife unless CryoLife shall have obtained Medafor's prior written consent to the proposed settlement (which consent shall not be unreasonably withheld or delayed).

9.2. Indemnification by CryoLife.

(a) CryoLife shall indemnify and hold harmless Medafor and its Affiliates and their respective shareholders, directors, officers, employees and agents from and against any and all Losses, paid or incurred by them in connection with any Claim based upon or arising from: (i) any breach by CryoLife of any of its representations, warranties or obligations under this Agreement; (ii) any violation by CryoLife of Applicable Laws or (iii) any negligent acts or omissions or wilful misconduct by CryoLife or its Affiliates or any of their respective employees or agents relating to the activities subject to this Agreement.

(b) Medafor shall give CryoLife prompt written notice of any Claim with respect to which CryoLife's indemnification obligations may apply, but any delay or failure of such notice shall not excuse CryoLife's indemnification obligations except to the extent that CryoLife's legal position is prejudiced thereby. CryoLife shall have the right to assume and control the defense and settlement of any such Claim; except that Medafor shall have the right to assume and control, at CryoLife's expense, the defense and settlement of any such Claim if: (i) Medafor reasonably determines that there is a conflict of interest between CryoLife and Medafor with respect to such Claim; (ii) CryoLife fails to employ counsel reasonably satisfactory to Medafor to represent Medafor within a reasonable time after CryoLife's receipt of notice of the Claim or (iii) in the reasonable opinion of counsel to Medafor, the Claim could result in Medafor becoming subject to injunctive or other non-monetary relief that could have a material adverse effect on Medafor's ongoing business. The Party not controlling the defense shall have the right to participate in the Claim at its own expense, but in any event shall cooperate with the controlling Party in the investigation and defense of the Claim.

(c) If CryoLife is entitled to, and does, assume and control the defense and settlement of any Claim with respect to which its indemnification obligations apply, then CryoLife shall not settle such Claim without Medafor's prior written consent (which consent shall not be unreasonably withheld or delayed), unless (i) the sole relief provided in such settlement is monetary in nature and shall be paid in full by CryoLife and (ii) such settlement does not include any finding or admission of a violation by Medafor of any Applicable Laws or Third Party's rights. Whenever Medafor assumes and controls the defense and settlement of a Claim with respect to which CryoLife's indemnification obligations applies, CryoLife shall not be liable for any settlement thereof effected by Medafor unless Medafor shall have obtained CryoLife's prior written consent to the proposed settlement (which consent shall not be unreasonably withheld or delayed).

9.3. Combined Obligations. To the extent that CryoLife and Medafor have indemnification obligations to one another in connection with a single Claim, CryoLife and Medafor shall contribute to the aggregate damages arising from such Claim in such proportion as is appropriate to reflect their relative responsibilities for such damages, as well as any other relevant equitable considerations. The amount paid or payable by CryoLife or Medafor for purposes of apportioning the aggregate damages shall be deemed to include all reasonable legal fees and expenses incurred by such Party in connection with investigating, preparing for or defending against such Claim. Such finding of contribution shall be as agreed to in writing by the parties, or as determined by a judicial determination, in final, non-appealable form.

9.4. Limitation of Liability. Except as otherwise specifically stated herein, Medafor shall not be liable for any loss or damages claimed to have resulted from the use, operation, or performance of the Products, regardless of the form of action; and the sole and exclusive remedies for breach of any or all warranties or representations and for Medafor's liability of any kind are limited to repair or replacement of the Product or actual damages for personal injury or to tangible personal property caused by the sole negligence of Medafor. **EXCEPT TO THE EXTENT PROVIDED IN THIS ARTICLE IX, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR, AND EACH PARTY HEREBY WAIVES, SPECIAL, EXEMPLARY, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES OR ANY DAMAGE RESULTING FROM LOSS OF USE OR PROFITS.**

9.5. Insurance Provisions.

(a) During the Term of this Agreement and for a period of seven years thereafter, Medafor shall procure and maintain, from a reputable insurer reasonably satisfactory to CryoLife, insurance in the amount of two million U.S. Dollars ($2,000,000) per occurrence or five million U.S. Dollars ($5,000,000) in the aggregate, including product liability insurance, which is consistent with normal business practices of prudent companies similarly situated. Such insurance policy shall at all times name CryoLife as an additional insured thereunder and Medafor shall provide a certificate of insurance to CryoLife evidencing such coverage. It is understood that such insurance shall not be construed to create a limit of Medafor's liability with respect to its indemnification obligations under this Agreement. Medafor shall provide CryoLife with written evidence of such insurance upon request. Medafor shall provide CryoLife with written notice at least 15 calendar days prior to the cancellation, non-renewal, or material change in such insurance.

(b) During the Term of this Agreement and for a period of seven years thereafter, CryoLife shall procure and maintain, from a reputable insurer reasonably satisfactory to Medafor, insurance in the amount of two million U.S. Dollars ($2,000,000) per occurrence or five million U.S. Dollars ($5,000,000) in the aggregate, including product liability insurance, which is consistent with normal business practices of prudent companies similarly situated. Such insurance policy shall at all times name Medafor as an additional insured thereunder and CryoLife shall provide a certificate of insurance to Medafor evidencing such coverage. It is understood that such insurance shall not be construed to create a limit of CryoLife's liability with respect to its indemnification obligations under this Agreement. CryoLife shall provide Medafor with written evidence of such insurance upon request. CryoLife shall provide Medafor with written notice at least 15 calendar days prior to the cancellation, non-renewal, or material change in such insurance.

ARTICLE X
TERM AND TERMINATION

10.1. Term.

(a) This Agreement shall take effect as of the Effective Date and shall remain in effect until June 30, 2011 (the "Initial Term"). At CryoLife's option ("Right of Renewal"), this Agreement may be renewed for an additional thirty-six (36) months period if CryoLife meets the Annual Minimums during the Initial Term. The Initial Term plus any renewal terms, if any, is referred to herein as the "Term."

(b) CryoLife may exercise its Right of Renewal by giving Medafor written notice of its intent to renew at least sixty (60) days prior to the expiration of the Initial Term. If CryoLife does not exercise the Right of Renewal or does not qualify for the Right of Renewal, then, within the last three (3) months of the Initial Term, the Parties shall discuss options for concluding a new agreement to take effect upon the expiration of this Agreement. Nothing in the preceding sentence shall require either Party to enter into or be bound by a new agreement or shall be construed to require a minimum length of time for such discussions.

(c) If this Agreement is not renewed as provided above or after the expiration of the Term herein, CryoLife shall be free to continue to sell Products it has purchased from Medafor unless and until Medafor repurchases such Products from CryoLife.

10.2. Termination. This Agreement may be terminated prior to the expiration of the Term as follows:

(a) By either Party for reason of the other Party's material breach of a duty or obligation under this Agreement by giving the other Party not less than thirty (30) days prior written notice of termination to the other Party which specifies such default and such other Party fails to cure the material default during such thirty (30) day period; provided that CryoLife's failure to make payments due for invoices set forth hereunder shall only be subject to a ten (10 day cure period; or

(b) By either Party forthwith on written notice of termination to the other Party for the other Party's voluntary or involuntary petition of bankruptcy, or insolvency, or winding up of its operations; or in the event of nationalization, in whole or part, of the other Party; or

(c) By CryoLife upon thirty (30) days written notice of termination to Medafor after Medafor fails on any two occasions within any twelve (12) month period to timely deliver Product, or material quantities of Products, that conform to the Specifications and for which Medafor fails to timely deliver replacement Products that meet Specifications, ordered by CryoLife in accordance with the provisions of this Agreement (a "Failure to Supply"); or

(d) By Medafor upon thirty (30) days written notice of termination to CryoLife if CryoLife fails to meet at least 80% of the Annual Minimum of any Year (except for Year 1), provided that in determining whether or not CryoLife has met the purchase requirement for a particular period, any Products ordered by CryoLife in excess of the amount required for that period may be carried backward or forward to supplement the purchases of the preceding or following period, and any Products ordered by CryoLife in the previous Year in excess of the Annual Minimum for such previous Year may be carried forward to supplement the inadequate inventory purchases of any period of the following Year; and provided further, that within thirty (30) days of CryoLife's receipt of Medafor's written notice of termination, CryoLife does not submit purchase orders to make up for the shortfall during the thirty (30) day period;

(e) By CryoLife upon notice in the event of any Product supply interruption pursuant to Sections 4.1(c) or (d) or any recall of Products provided CryoLife delivers thirty (30) days prior written notice of termination to Medafor of such Product supply interruption or recall and Medafor fails to cure the default during such thirty (30) day period; or

(f) In the event CryoLife fails to meet the minimum purchase requirements set forth in Section 2.2 (as modified by Section 10.2(d)), Medafor's sole and exclusive remedy is shall be to terminate the Agreement as provided subsubsection (d) above. CryoLife shall not be liable for any monetary damages that Medafor may incur as a result of any such failure.

10.3. Effect of Termination. Notwithstanding anything to the contrary contained herein, upon termination or expiration of this Agreement other than due to an uncured breach of this Agreement by CryoLife (outside of a failure to meet the minimum purchase requirements set forth in Section 2.2 as modified by Section 10.2(d)), (i) Medafor shall continue to fill all CryoLife purchase orders made in accordance with the provisions of this Agreement prior to the date of the initial notice of such termination or expiration; (ii) CryoLife shall continue to have all rights necessary or appropriate to sell Products (including Products delivered pursuant to post-termination orders and any Products ordered by CryoLife prior to termination or expiration) for six (6) months following the date of termination or expiration, and Medafor shall continue to comply with all of its duties and obligations hereunder necessary or appropriate to facilitate such sales by CryoLife; (iii) Medafor shall continue to comply with all of its duties and obligations hereunder necessary or appropriate to permit CryoLife to fulfill its obligations to deliver Products pursuant to tenders or sales contracts outstanding at the time of such termination or expiration until such tenders or sales contracts have expired, including Medafor's obligation to fill any related CryoLife purchase orders, (iv) CryoLife shall continue to comply with its obligations under this Agreement; and (v) CryoLife shall make payments of all undisputed portions of invoices within ten (10) days of receipt of such invoice (provided that if CryoLife has not paid all other undisputed invoices, payment shall be made COD for such instruments). Termination of this Agreement shall not affect rights and obligations of either Party that may have accrued prior to the effective date of termination or any obligation that by its nature or express terms survives termination. Sections 1.1, 1.2, 2.1(c), 2.1(d), 2.1(e), 2.3, 2.4, 2.6, 3.2, 3.3, 3.4, 3.5, 4.1(e), 4.2, 4.3, 4.4 and Articles V-Article XI shall survive the termination or expiration of this Agreement.

10.4. Inventory Repurchases. Upon termination or expiration of this Agreement for any reason other than for CryoLife's material breach of its obligations hereunder, Medafor shall, at CryoLife's option, repurchase from CryoLife all Products that are commercially usable at the Transfer Price paid by CryoLife for such Products, and CryoLife shall return to Medafor any advertising or sales materials previously provided by Medafor, if any. Within thirty (30) calendar days after any such termination of this Agreement, CryoLife shall provide Medafor an inventory of Products in its possession, including samples of Products, and information relating to the transfer prices CryoLife paid for such Products. If Medafor disputes any information provided by CryoLife, it shall deliver a written notice thereof to CryoLife within fifteen (15) calendar days after receiving such information, in which case, the Parties shall negotiate in good faith to resolve such dispute; provided that in the event that they fail to resolve the dispute within thirty (30) days after Medafor's delivery of such notice of dispute, either party may take any judicial action it deems necessary or appropriate. CryoLife shall deliver to Medafor all remaining Products, including samples, promptly after the expiration of the fifteen (15) calendar day period if no dispute is raised by Medafor, or after the resolution of such dispute.

ARTICLE XI
MISCELLANEOUS

11.1. Agency. Neither Party is, nor shall be deemed to be, an employee, agent, partner or legal representative of the other Party for any purpose. Neither Party shall have the right, power or authority to enter into any contracts in the name of, or on behalf of, the other Party, nor shall either Party have the right, power or authority to pledge the credit of the other Party in any way or hold itself out as having the authority to do so.

11.2. Force Majeure. If the performance of any obligation under this Agreement is prevented, restricted or interfered with by reason of war, revolution, civil commotion, acts of terrorism, blockade, embargo, material changes in Applicable Laws, strikes or similar event which is beyond the reasonable control of the Party affected and could not have been avoided with the exercise of due care, then the Party so affected shall, upon giving prior written notice to the other Party, be excused from such performance to the extent of such prevention, restriction, or interference, provided that the Party so affected shall notify the other Party within ten (10) days of such occurrence, shall use its Commercially Reasonable Efforts to avoid or remove such causes of nonperformance, and shall continue performance hereunder with reasonable dispatch whenever such causes are removed. If such conditions inhibiting complete performance shall continue in excess of sixty (60) days, then the Party that is not affected by the force majeure event shall have the option, by delivery of written notice of termination to the affected Party, to terminate this Agreement.

11.3. Binding Assignment. This Agreement shall be binding on CryoLife, Medafor, and their respective successors and assigns. Neither Party may assign its obligations under this Agreement or in any way transfer its rights or obligations under this Agreement, directly or indirectly, without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

11.4. Set Off. The existence of any Claim by a Party against the other Party or any of its affiliates, whether predicated upon this Agreement or otherwise, shall not entitle the claiming Party to withhold or set-off any payments due to the other Party under this Agreement. If any governmental agency prevents performance of any duty of either Party under this Agreement, either Party may immediately suspend this Agreement and each Party will be excused from further performance of its obligations under this Agreement unless and until governmental approval is obtained

11.5. Entire Agreement; Amendments. Except for that certain Non-Disclosure Agreement referenced herein, this Agreement constitutes the entire agreement between the Parties hereto concerning its subject matter and supersedes all previous negotiations, agreements and commitments with respect thereto. This Agreement shall not be released, discharged, amended or modified in any manner except by a written instrument signed by duly authorized officers of each of the Parties hereto.

11.6. Partial Illegality. If any provision of this Agreement, or the application thereof to any Party or circumstances, shall be declared void, illegal or unenforceable, the remainder of this Agreement shall be valid and enforceable to the extent permitted by Applicable Laws. In such event, the Parties shall use their best efforts to replace the invalid or unenforceable provision by a provision that, to the extent permitted by Applicable Laws, achieves the purposes intended under the invalid or unenforceable provision. Any deviation by either Party from the terms and provisions of this Agreement in order to comply with Applicable Laws shall not be considered a breach of this Agreement.

11.7. Headings and Captions. Headings and captions used herein are for convenience only and shall not be deemed part of the Agreement.

11.8. Waiver of Compliance. No provision of this Agreement shall be waived by any act, omission or knowledge of a Party or its agents or employees, except by an instrument in writing expressly waiving such provision and signed by a duly authorized officer of the waiving Party, which waiver shall be effective only with respect to the specific obligation and instance described therein. A failure to exercise or a delay in exercising a right or remedy provided by this Agreement or by Applicable Law shall not constitute a wavier of that right or remedy.

11.9. Notices. All notices and other communications in connection with this Agreement, other than firm purchase orders which are governed by Section 3.2, shall be in writing and shall be sent to the respective Parties at the following addresses, or to such other addresses as may be designated by the Parties in writing from time to time in accordance with this Section, by registered or certified mail, postage prepaid, or by express courier service or service fee prepaid:

To Medafor:
Medafor, Inc.
2700 Freeway Blvd., Suite 800
Minneapolis, MN 55430
Attn: Gary J. Shope, CEO

To CryoLife:
CryoLife , Inc.
1655 Roberts Blvd NW
Kennesaw, GA 30144
Attn: General Counsel

All notices shall be deemed given and received (i) if delivered by hand, immediately, (ii) if sent by mail, three (3) Business Days after posting, or (iii) if delivered by express courier service, the next Business Day in the jurisdiction of the recipient.

11.10. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

11.11. Further Actions. Each Party agrees, subsequent to the execution and delivery of this Agreement and without any additional consideration, to execute, acknowledge and deliver such further documents and instruments, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

11.12. Jointly Prepared. This Agreement has been prepared jointly and shall not be strictly construed against either Party.

11.13. Third Party Rights. Except as otherwise expressly provided herein, this Agreement is not intended to confer any benefits upon, or create any rights in favor of any Person other than the Parties.

11.14. Expenses. Except as otherwise expressly provided in this Agreement, each Party shall be responsible for its own expenses incurred in connection with this Agreement and the transactions contemplated hereby.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK;
SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by its respective duly authorized representative as of the Effective Date.

MEDAFOR, INC.

By: /s/ Gary J. Shope

Name: Gary J. Shope

Title: Chief Executive Officer

CRYOLIFE INC.,

By: /s/ David Ashley Lee

Name: David Ashley Lee

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

[***] – CONFIDENTIAL PORTIONS OF THIS AGREEMENT WHICH HAVE BEEN REDACTED ARE MARKED WITH BRACKETS ("[***]"). THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

EXHIBIT A

Specifications

Product Packaging/Labeling:

- The Products will be individually contained within moisture impermeable foil pouches that are compatible with gamma irradiation sterilization. Foil product pouches along with product IFU(s) will be inserted into pre-printed dispensing boxes. Some product dispensing box may be individually shrink-wrapped prior to shipment for added environmental and shipping protection. All Products shall be boxed in containers as agreed to as of the date hereof by the Parties.

- Each Product foil pouch label, whether pre-printed onto or adhered to the pouch, will include and contain any and all applicable elements agreed to by the Parties as of the date hereof (including and required by Regulatory Authorities).

- All materials, including foil pouches, ink, labels, and dispensing box, will be smudge resistant and compatible with manufacturing, sterilization and shipping activities.

Product Sterilization and Stability:

- The Products and associated packaging/labeling materials will be subjected to the Method VD_{max} of radiation sterilization as described in AAMI TIR27, but will meet at least a minimum sterility assurance level of 10^{-6}. The Products and all materials used in the Products shall be shipped and stored at room temperature

In addition to the foregoing:

1) All Products shall meet the attached "**[***]** Specifications" attached hereto; and
2) The Bellows Applicator specifications shall be composed of two components as set forth on the attached documents labeled "LAMEPLAST CAP/TIP" and "Lamepast 9gm Bellows".

[***] – CONFIDENTIAL PORTIONS OF THIS AGREEMENT WHICH HAVE BEEN REDACTED ARE MARKED WITH BRACKETS ("[***]"). THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

MATERIAL SPECIFICATIONS [***]		
TEST	**LIMITS**	**METHOD**
CHEMICAL AND PHYSICAL TESTS		
Material Identity	Cross-linked starch particles matches authentic infrared spectra	IR of particles in KBR pellet[1,3]
Size	[***]% of particles with diameters between [***] [***] micrometers.	Laser scanner[1,3]
Residue on ignition	[***] %	USP <281>[3]
Phosphorous	[***] %	ICP-AES[1,3]
Boron	[***]ppm	ICP-AES[1,3]
Toluene	[***]ppm	Gas Chromatography[1,3]
Ethanol	[***] %	Gas Chromatography[1,3]
Total aerobic plate count	[***] cfu/gram	USP <61>[1]
Swollen Volume	[***] to [***] mL/gram	Medafor Protocol # [***] [1]
REQ'D ACCEPTANCE TESTS		
Contact angle with blood	<90 degrees	Medafor Protocol # [***] [2]
Loss on drying	<12.00%	Medafor Protocol # [***] [2]
Endotoxin	<10 IU/gram	USP<85>[2]
note[1]=PKC responsible for method details.		
note[2]=Medafor verifies these results for every LOT.		
note[3]=Medafor verifies these results a minimum of once annually.		

NOTE: HARMONIZED SYSTEM CODE # [***]

REVISIONS			
REV.	DESCRIPTION	DATE	APPROVED
A	INITIAL RELEASE	[***]	N TRAN
B	[***] MODIFICATIONS	[***]	N TRAN
C	[***] MODIFICATIONS	[***]	N TRAN
D	ADDITION OF [***]	[***]	N TRAN
E	[***] UPDATE	[***]	N TRAN
F	[***] CHANGE	[***]	N TRAN
G	REVERTED TO [***] SPECIFICATIONS [***]um - [***] um)	[***]	N TRAN
H	[***] SPECIFICATION	[***]	N TRAN
I	[***] CHANGED [***] TO [***] FOR TOTAL [***] [***] & [***]	[***]	B JOHNSON
J	[***] CHANGED METHOD FOR [***] & [***] TO [***] FOR [***] SHORTENED TO [***]	[***]	B JOHNSON
K	UPDATED TO INCLUDE [***] AS PER [***] AND UPDATE [***]	[***]	B. ROSENBERGER

[DIAGRAM OF THE HEMOSTASE MPH MATERIAL]

MATERIAL MUST BE KEPT DRY. DO NOT EXPOSE TO RH VALUES GREATER THAN 30%.

DIMENSIONS ARE IN INCHES
TOLERANCES:
FRACTIONAL ±
ANGULAR: MACH ± BEND ±
TWO PLACE DECIMAL ±
THREE PLACE DECIMAL ±

MATERIAL [***]

FINISH --

DO NOT SCALE DRAWING

	NAME	DATE
DRAWN	N TRAN	8-11-03
ENG APPR.	N TRAN	8-11-03
QA APPR.	G PAYMENT	8-11-03
RA APPR.	J MAY	8-11-03
QE APPR.	B JOHNSON	8-11-03

COMMENTS:

medafor

DESCRIPTION [***] SPECIFICATIONS

PART NO. 1000

SIZE A | DWG. TEMPLATE F-0026 | REV. K

SCALE: NA | WEIGHT: -- | SHEET 1 OF 1

[***] – CONFIDENTIAL PORTIONS OF THIS AGREEMENT WHICH HAVE BEEN REDACTED ARE MARKED WITH BRACKETS ("[***]"). THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

REVISIONS			
REV.	DESCRIPTION	DATE	APPROVED
A	INITIAL RELEASE	[***]	N TRAN
B	[***] PENDING RELEASE TO FURTHER [***]	[***]	J Manderfeld

OD MAX [***] ID MIN

[***]

ID MAX [***] OD MIN

[***]

[DIAGRAM OF THE LAMEPLAST CAP]

[***] TOTAL SLOPE [***]

[DIAGRAM OF THE LAMEPLAST CAP]

[***]

SECTION B-B
SCALE 2 : 1

DIMENSIONS ARE IN INCHES
TOLERANCES:
FRACTIONAL±
ANGULAR: MACH± [***] BEND ± [***]
TWO PLACE DECIMAL ± [***]
THREE PLACE DECIMAL ± [***]

MATERIAL WHITE PE

FINISH --

DO NOT SCALE DRAWING

	NAME	DATE
DRAWN	N TRAN	08-16-01
ENG APPR.	N TRAN	08-16-01
MFG APPR.	G PAYMENT	08-16-01
QE APPR.		
RA APPR.		

COMMENTS:

medafor

DESCRIPTION: LAMEPLAST CAP/TIP

PART NO. 1002

SIZE A | DWG. TEMPLATE F-0026 | REV. B

SCALE:1:1 | WEIGHT: -- | SHEET 1 OF 1

[***] – CONFIDENTIAL PORTIONS OF THIS AGREEMENT WHICH HAVE BEEN REDACTED ARE MARKED WITH BRACKETS ("[***]"). THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

	REVISIONS		
REV.	DESCRIPTION	DATE	APPROVED
A	INITIAL RELEASE	[***]	N TRAN
B	[***] MATERIAL WAS NOT SPECIFIED	[***]	B JOHNSON

[***]
[***]
[***]

[***]

[DIAGRAM OF THE LAMEPLAST 9 GM BELLOWS]

[DIAGRAM OF THE LAMEPLAST 9 GM BELLOWS]

[***]

PROPRIETARY AND CONFIDENTIAL THE INFORMATION CONTAINED IN THIS DRAWING IS THE SOLE PROPERTY OF Medafor, Inc. ANY REPRODUCTION IN PART OR AS A WHOLE WITHOUT THE WRITTEN PERMISSION OF Medafor, Inc. IS PROHIBITED.	DIMENSIONS ARE IN INCHES TOLERANCES: FRACTIONAL± ANGULAR: MACH± BEND ± TWO PLACE DECIMAL ±[***] THREE PLACE DECIMAL ±	NAME / DATE DRAWN: N TRAN 2-13-02 ENG APPR.: N TRAN 5-1-02 MFG APPR.: G PAYMENT 5-1-02 RA APPR.: P JARVI 5-1-02	medafor DESCRIPTION: Lameplast 9gm Bellows PART NO. 1005
	MATERIAL: Purell PE 1840H FINISH: -- DO NOT SCALE DRAWING	COMMENTS:	SIZE A · DWG. TEMPLATE F-0026 · REV. B SCALE:1:1 · WEIGHT: -- · SHEET 1 OF 1

[***] – CONFIDENTIAL PORTIONS OF THIS AGREEMENT WHICH HAVE BEEN REDACTED ARE MARKED WITH BRACKETS ("[***]"). THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

EXHIBIT B

Initial Exclusions from the Territory

Excluded United States Hospitals

The following United States hospitals shall not be deemed part of the Territory until the earlier of the date set forth across from such hospital, or the termination of the distributor by Medafor that is distributing to such hospital:

Distributor	Name of Hospital	CryoLife Start Date
[***]	[***]	October 1, 2008
[***]	[***]	October 1, 2008
[***]	[***]	October 1, 2008
[***]	[***]	October 1, 2008
[***]	[***]	October 1, 2008
[***]	[***]	October 1, 2008
[***]	[***]	October 1, 2008
[***]	[***]	October 1, 2008
[***]	[***]	October 1, 2008
[***]	[***]	October 1, 2008
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009

[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009
[***]	[***]	January 1, 2009

Exhibit C

United States
Transfer Prices:

Year	Transfer Price 3-gram	Transfer Price for 5-gram
Year 1 (May 1, 2008 – June 30, 2009)	$[***]	$[***]
Year 2 (July 1, 2009 – June 30, 2010)	$[***]	$[***]
Year 3 (July 1, 2010 – June 30, 2011)	$[***]	$[***]
Year 4 (July 1, 2011 – June 30, 2012)	$[***]	$[***]

Direct Sales Outside of United States (U.K. and Germany)
Transfer Prices:

Year	Transfer Price 3-gram	Transfer Price for 5-gram
Year 1 (May 1, 2008 – June 30, 2009)	$[***]	$[***]
Year 2 (July 1, 2009 – June 30, 2010)	$[***]	$[***]
Year 3 (July 1, 2010 – June 30, 2011)	$[***]	$[***]
Year 4 (July 1, 2011 – June 30, 2012)	$[***]	$[***]

Third Party Sales Outside of United States (Canada, EU (excluding U.K. and Germany) and ROW)
Transfer Prices:

Year	Transfer Price 3-gram	Transfer Price for 5-gram
Year 1 (May 1, 2008 – June 30, 2009)	$[***]	$[***]
Year 2 (July 1, 2009 – June 30, 2010)	$[***]	$[***]
Year 3 (July 1, 2010 – June 30, 2011)	$[***]	$[***]
Year 4 (July 1, 2011 – June 30, 2012)	$[***]	$[***]

All transfer prices in Years 5 and 6 shall be adjusted as follows:

The price shall increase, if at all based on the lesser of the following, (a) **[***]**% or (b) the increase in Federal Bureau of Labor Statistics, Consumer Price Index (CPI) for all Urban Consumers (or its successor if one is substituted in the future) from the month of April of the year prior to the current year in which the adjustment must be made until the month of March of the current year

SCHEDULE 2.1

[***] – CONFIDENTIAL PORTIONS OF THIS AGREEMENT WHICH HAVE BEEN REDACTED ARE MARKED WITH BRACKETS ("[***]"). THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

Current Distribution Agreements
(those United States distributors noted with a * will continue after the Effective Date in accordance with Section 2.1)

*[[***] – Pennsylvania]

*[[***] – Florida]

*[[***] – Ohio]

Schedule 2.2

"Baseball" Arbitration

In the event that one Party delivers the other Party an Annual Dispute Notice in accordance with Section 2.2 the parties hereby agree that the dispute over the amount of the reduction for the Annual Minimum reduction shall be settled by "Baseball" arbitration as follows:

(a) There shall be a single arbitrator selected in accordance with the then current rules of the American Arbitration Association (such arbitrator, the "Arbitrator")

(b) Arbitration shall be held in Chicago, Illinois

(c) Once the Arbitrator is selected, the Arbitrator shall direct the Parties to attend a hearing, and this hearing shall take place within twenty (20) calendar days of the appointment of the Arbitrator.

(d) Each Party shall have a maximum of one (1) hour in which to make oral submissions to the Arbitrator at the hearing and a maximum of three (3) 8 inch by 11 inch pages, single sided in which to make written submissions to the Arbitrator.

(e) Each Party shall submit to the arbitrator and exchange with each other in advance of the hearing, their last, best offer stating the name of the Party submitting such offer and the sum that constitutes their reduced Annual Minimum number. Such offer shall be delivered a minimum of forty-eight (48) hours before such hearing.

(f) The Arbitrator shall have five (5) Business Days from the date of the hearing to make a final and binding award, and the Arbitrator shall, in the making of such award be limited to awarding only one or the other of the two figures submitted in accordance with (e) above.

(g) Each Party shall bear its own costs and expenses for this "Baseball" arbitration and the costs of this "Baseball" arbitration shall be allocated between the parties. No attorneys' fees may be awarded.

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Exhibit 10.2

CRYOLIFE, INC.
2008 NON-EMPLOYEE DIRECTORS OMNIBUS STOCK PLAN
ARTICLE 1
General

This 2008 Non-Employee Directors Omnibus Stock Plan (the "Plan") is established to attract, retain and compensate for service as members of the Board of Directors highly qualified individuals who are not current employees of CryoLife, Inc (the "Corporation") and to enable them to increase their ownership in the Corporation's common stock. The Plan provides for the grant of Stock Options, Restricted Stock and Restricted Stock Units (all as defined herein, and collectively, "Awards"). Awards may be made pursuant to written agreements at the discretion of the Board.

Section 1.1 *Eligibility.* All members of the Corporation's Board of Directors who are not current employees of the Corporation or any of its subsidiaries ("Non-Employee Directors") are eligible to participate in this Plan.

Section 1.2 *Shares Available.*

(a) *Number of Shares Available.* There are reserved for issuance under this Plan 300,000 shares of the Corporation's Common Stock, $0.01 par value ("Common Stock"), which may be authorized but unissued shares, treasury shares, or shares purchased on the open market or privately. For purposes of applying the limitation in the preceding sentence and subject to the adjustment and replenishment provisions included in Sections 1.2(b) and (c) below:

(i) the maximum number of shares of Common Stock that may be issued pursuant to Stock Options shall be 300,000; and

(ii) the maximum number of shares of Common Stock that may be issued pursuant to Restricted Stock Awards and Restricted Stock Unit Awards shall be 300,000.

(b) *Recapitalization Adjustment.* In the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, rights offering, or any other change in the corporate structure or shares of the Corporation, adjustments in the number and kind of shares authorized by this Plan, in the number and kind of shares that may or are required to be issued hereunder pursuant to any type of award hereunder (including without limitation the maximum numbers set forth in Section 1.2(a) above), in the number and kind of shares covered by outstanding Stock Options under this Plan and in the Stock Option price thereof, and in the number and kind of shares subject to outstanding Restricted Stock Awards and/or Restricted Stock Unit Awards shall automatically be made if, and in the same manner as, similar adjustments are made to awards issued under the Corporation's incentive plans for management of the Corporation then in effect.

(c) *Replenishment.* To the extent any shares of Common Stock covered by a Stock Option, Restricted Stock Award or Restricted Stock Unit Award are forfeited by or are not delivered to a Non-Employee Director or his or her beneficiary because the Stock Option, Restricted Stock or Restricted Stock Unit is forfeited or canceled, or the shares of Common Stock are not delivered because they are used to satisfy any applicable tax withholding obligation, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Common Stock available for delivery with respect to the respective type of award and with respect to all grants under the Plan.

ARTICLE 2
Stock Option Awards

Section 2.1 *Stock Options.* Awards may be made under this Plan of options to purchase Common Stock ("Stock Options"). No Stock Options granted pursuant to this Plan may be "Incentive Stock Options" under Section 422 of the Internal Revenue Code of 1986, as amended. The grant of a Stock Option entitles the recipient to purchase shares of Common Stock at an exercise price established by the Board of Directors.

Section 2.2 *Exercise Price.* The exercise price of each Stock Option granted under this Article 2 shall be established by the Board of Directors or shall be determined by a method established by the Board of Directors at the time the Stock Option is granted. The exercise price shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date of grant of the Stock Option. For purposes of determining the "Fair Market Value" of a share of Common Stock as of any date, the "Fair Market Value" as of that date shall be the last closing price of the Common Stock on the first business day preceding that date on the New York Stock Exchange or, if the Common Stock is not listed on the New York Stock Exchange, on any other exchange or quotation system on which the Common Stock is listed or quoted. No Stock Option may be "repriced," as such term is used in rules established by the New York Stock Exchange.

Section 2.3 *Exercise.* Subject to the provisions of this Plan, a Stock Option shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Board of Directors; provided, however, that no Stock Option may be exercised more than seven years after its grant date and no Stock Option granted hereunder may vest in excess of 1/3 of the number of shares subject to the Stock Option per year for the first three years after the grant date.

Section 2.4 *Payment of Option Exercise Price.* The payment of the exercise price of a Stock Option granted under this Article 2 shall be subject to the following:

(a) Subject to the following provisions of this subsection 2.4, the full exercise price for shares of Common Stock purchased upon the exercise of any Stock Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Board of Directors and described in paragraph 2.4(c), payment may be made as soon as practicable after the exercise).

(b) The exercise price shall be payable in cash or by tendering shares of Common Stock acceptable to the Board of Directors and valued at Fair Market Value as of the day of exercise, or in any combination thereof, as determined by the Board of Directors.

(c) Subject to compliance with applicable law, the Board of Directors may permit a Stock Option recipient to elect to pay the exercise price upon the exercise of a Stock Option by irrevocably authorizing a third party to sell shares of Common Stock (or a sufficient portion of the shares) acquired upon exercise of the Stock Option and remit to the Corporation a sufficient portion of the sale proceeds to pay the entire exercise price resulting from such exercise.

Section 2.5 *Settlement of Award.* Shares of Common Stock delivered pursuant to the exercise of a Stock Option shall be subject to such conditions, restrictions and contingencies as the Board of Directors may establish in any applicable Option grant agreement. The Board of Directors, in its discretion, may impose such conditions, restrictions and contingencies with respect to shares of Common Stock acquired pursuant to the exercise of a Stock Option as the Board of Directors determines to be desirable.

Section 2.6 *Nontransferability of Stock Options.* Except as set forth below, no Stock Option granted under this Plan is transferable other than by will or the laws of descent and distribution. Except as set forth below, during the grantee's lifetime, a Stock Option may be exercised only by the grantee or the grantee's guardian or legal representative. Notwithstanding the foregoing, however, the grantee may transfer the Stock Option for no consideration to or for the benefit of the grantee's Immediate Family, defined below (including, without limitation, to a trust for the benefit of the grantee's Immediate Family or to a partnership or limited liability company for one or more members of the grantee's Immediate Family or to an IRA for the benefit of one or more members of his Immediate Family), subject to such limits as the Board may establish, and the transferee shall remain subject to all the terms and conditions applicable to such Stock Option prior to such transfer. The foregoing right to transfer the Stock Option shall apply to the right to consent to amendments to the grant agreement and shall also apply to the right to transfer ancillary rights associated with the Stock Option. The term "Immediate Family" shall mean the grantee's spouse, parents, children, stepchildren, adoptive relationships, sisters, brothers and grandchildren (and, for this purpose, shall also include the grantee).

ARTICLE 3
Restricted Stock and Restricted Stock Units

Section 3.1 *Grant of Restricted Stock or Restricted Stock Units.* Subject to the terms and provisions of the Plan, the Board of Directors, at any time and from time to time, may grant shares of Restricted Stock and/or Restricted Stock Units, as such terms are defined below, to participants in such amounts and upon such terms and conditions as the Board shall determine; provided, however, that no grant of Restricted Stock or of any Restricted Stock Unit shall in any event vest sooner than one year following the date of grant. "Restricted Stock" means an award of Common Stock subject to forfeiture based on the passage of time, the achievement of performance goals, and/or upon the occurrence of other events as determined by the Board in its discretion, granted subject to the terms of this Plan. "Restricted Stock Unit" means an award denominated in units whose value is derived from Common Stock and which is subject to forfeiture based on the passage of time, the achievement of performance goals, and/or upon the occurrence of other events as determined by the Board in its discretion, granted subject to the terms of this Plan.

Section 3.2 *Other Restrictions.*

(a) The Board shall impose, in an Award Agreement at the time of grant or any time thereafter, such other conditions and/or restrictions on any shares of Restricted Stock or Restricted Stock Units granted pursuant to this Plan as it may deem advisable including, without limitation, a requirement that participants pay a stipulated purchase price for each share of Restricted Stock or each Restricted Stock Unit, that specific performance goals be obtained, the imposition of time-based restrictions on vesting following the attainment of the performance goals, time-based restrictions, restrictions under applicable laws or under the requirements of any stock exchange or market upon which such shares are listed or traded, or holding requirements or sale restrictions placed on the shares by the Corporation upon vesting of such Restricted Stock or Restricted Stock Units. Except as otherwise provided in this Article 3 or the applicable award agreement, shares of Restricted Stock shall become freely transferable by the participant, subject to compliance with applicable laws, after all conditions and restrictions applicable to such shares have been satisfied or lapse.

(b) Common Stock subject to a Restricted Stock Award may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date it is vested, and except as otherwise specified by the Board, Restricted Stock Units may not be transferred.

(c) Each certificate, if any, issued in respect of Common Stock pursuant to a Restricted Stock Award shall be registered in the name of the Non-Employee Director and deposited with the Corporation until such time as all restrictions have lapsed.

Section 3.3 *Certificate Legend.* If certificated stock is issued, in addition to any other legends placed on the certificates, each certificate representing shares of Restricted Stock granted pursuant to the Plan may bear a legend such as the following:

"The sale or other transfer of the shares of stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer as set forth in the CryoLife, Inc. 2008 Non-Employee Directors Omnibus Stock Plan, and in the associated Award Agreement. A copy of the Plan and such Award Agreement may be obtained from CryoLife."

Section 3.4 *Voting Rights.* Except as otherwise determined by the Board or required by law, participants in whose names shares of Restricted Stock granted hereunder shall be issued, shall be granted the right to exercise full voting rights with respect to those shares during the period of restriction. A participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder.

Section 3.5 *Dividends and Other Distributions.* During the period of restriction, participants holding shares of Restricted Stock or Restricted Stock Units granted hereunder may, if the Board so determines or as otherwise required by law, be credited with dividends paid with respect to the underlying shares or dividend equivalents while they are so held in a manner determined by the Board in its sole discretion. The Board may apply any restrictions to the dividends or dividend equivalents that the Board deems appropriate. The Board, in its sole discretion, may determine the form of payment of dividends or dividend equivalents, including cash, unrestricted Common Stock, Restricted Stock, or Restricted Stock Units.

Section 3.6 *Payment in Consideration of Restricted Stock Units.* When and if Restricted Stock Units become payable, a participant having received the grant of such units shall be entitled to receive payment from the Corporation in cash, shares of Common Stock of equivalent value (based on the Fair Market Value thereof), in some combination thereof, or in any other form determined by the Board in its sole discretion. The Board's determination regarding the form of payout shall be set forth or reserved for later determination in the Award Agreement pertaining to the grant of the Restricted Stock Unit.

ARTICLE 4
Miscellaneous

Section 4.1 *Cessation of Service.* Except as set forth below and unless otherwise determined by the Board, upon cessation of service as a Non-Employee Director (for reasons other than death), all Stock Options, whether or not exercisable at the date of cessation of service, Restricted Stock and Restricted Stock Units shall be forfeited by the grantee; provided, however, that, unless otherwise determined by the Board, if any Non-Employee Director serves out his/her term but does not stand for re-election at the end thereof,or otherwise retires in good standing, as determined by the Board in its sole discretion, such grantee's Options, Restricted Stock and Restricted Stock Units shall remain in effect, vest, become exercisable and expire as if the grantee had remained a Non-Employee Director of the Corporation.

Section 4.2 *Death.* Upon the death of a Non-Employee Director, all unvested Stock Options held by him or her will vest immediately and may be exercised by his or her estate, or by the person to whom such right devolves from the Non-Employee Director by reason of his or her death, at any time within three years after the date of the Non-Employee Director's death, but in no event later than the original termination date of the Stock Option. In no event may a Stock Option be exercised after three years following the holder's death. In addition, all Restricted Stock and Restricted Stock Units shall vest upon the Non-Employee Director's death.

Section 4.3 *Administration.* This Plan shall be administered by the Board of Directors of the Corporation. This Plan may be terminated by the Board of Directors as they deem advisable. The Board may delegate its authority hereunder to the Non-Employee Directors, or to any two or more thereof.

Section 4.4 *Amendments.* This Plan may be amended by the Board of Directors at any time, except that the following actions may not be taken without stockholder approval:

(i) any increase in the number of shares that may be issued under this Plan (except by certain adjustments provided for under this Plan);

(ii) any change in the requirements of Section 2.2 regarding the exercise price of Stock Options; or

(iii) any repricing or cancellation and regrant of any Stock Option or, if applicable, other Award at a lower exercise, base or purchase price, whether in the form of an amendment, cancellation or replacement grant, or a cash-out of underwater options or any action that provides for Awards that contain a so-called "reload" feature under which additional Stock Options or other Awards are granted automatically to the grantee upon exercise of the original Stock Option or other Award;

(iv) any other amendment to this Plan that would require approval of the Corporation's stockholders under applicable law, regulation or rule or stock exchange listing requirement.

No amendment may revoke or alter in a manner unfavorable to the grantees any Stock Options, Restricted Stock or Restricted Stock Units then outstanding.

Section 4.5 *Term.* No Stock Option, Restricted Stock or Restricted Stock Unit may be issued under this Plan after May 1, 2013, but Stock Options granted prior to that date shall continue to become exercisable and may be exercised according to their terms. Restricted Stock and Restricted Stock Units granted prior to May 1, 2013 shall continue to vest in accordance with their terms and dividend equivalents awarded prior to May 1, 2013 may be paid in accordance with the terms thereof.

Section 4.6 *Uncertificated Stock.* Nothing contained in the Plan shall prohibit the issuance of Stock on an uncertificated basis, to the extent allowed by the Corporation's Certificate of Incorporation and Bylaws, by applicable law and by the applicable rules of any stock exchange.

Section 4.7 *No Other Rights.* Except as provided in this Plan, no Non-Employee Director shall have any claim or right to be granted or issued a Stock Option, Restricted Stock Award or Restricted Stock Unit Award under this Plan. Neither this Plan nor any actions hereunder shall be construed as giving any Director any right to be retained in the service of the Corporation.

Section 4.8 *Prior Plan.* This Plan supersedes the Corporation's 2004 Non-Employee Directors Stock Option Plan (the "2004 Directors Plan"), which was terminated on May 2, 2007. Options granted under the 2004 Directors Plan shall continue to be subject to the provisions thereof and shall continue to become exercisable and may be exercised according to their terms.

Exhibit 10.3

Your Name: _____
Total No. of Shares: _____

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. 2008 Non-Employee Directors Omnibus Stock Plan (the "Plan").

Grant Date: _____
Total Number of Shares of Stock Award: _____
Vesting Date: _____

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.

Most Recent Annual Report of CryoLife (not attached if you previously received the Most Recent 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.

By: _____

Name:
Its:
Date:

GRANTEE:
[Name and Address]

_____

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. Notwithstanding the foregoing, if you cease to be a member of the CryoLife Board of Directors as a result of your death or disability or because you have served out your full term but are not standing for re-election at the end thereof, your Stock Award shall immediately become fully vested on the date you cease to be a member of the Board. If you cease to be a member of the CryoLife Board of Directors for any other reason, and your Stock Award has not vested as of the date of termination of Board service, your Stock Award 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 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

To you: The address set forth in the Agreement

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 thus 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.

Exhibit 31.1

CERTIFICATIONS

I, Steven G. Anderson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CryoLife, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report:

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2008

/s/ STEVEN G. ANDERSON
Chairman, President, and
Chief Executive Officer

Exhibit 31.2

I, David Ashley Lee, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CryoLife, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report:

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2008

/s/ D. ASHLEY LEE
Executive Vice President,
Chief Operating Officer, and
Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CryoLife Inc. (the "Company") on Form 10-Q for the quarter ending June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of Steven G. Anderson, the Chairman, President, and Chief Executive Officer of the Company, and David Ashley Lee, the Executive Vice President, Chief Operating Officer, and Chief Financial Officer of the Company, hereby certifies, pursuant to and for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ STEVEN G. ANDERSON
STEVEN G. ANDERSON
Chairman, President, and
Chief Executive Officer
July 31, 2008

/s/ D. ASHLEY LEE
D. ASHLEY LEE
Executive Vice President,
Chief Operating Officer, and
Chief Financial Officer
July 31, 2008