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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, d.c. 20549**

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**FORM 8-K**

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

**Date of Report (Date of earliest event reported): February 19, 2008**

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**CRYOLIFE, INC.**

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## Section 5 Corporate Governance and Management

### Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

#### 2008 Grants Pursuant to the CryoLife, Inc. 2007 Executive Incentive Plan

On February 19, 2008, the Compensation Committee of the CryoLife, Inc. Board of Directors approved the 2008 bonus program and award agreements under the CryoLife, Inc. 2007 Executive Incentive Plan (the "Plan") to specified participants, including the named executive officers disclosed in the Summary Compensation Table in CryoLife's 2007 Proxy Statement. The range of potential bonuses for the participants varies. Subject to meeting minimum performance thresholds, CryoLife executive officers may earn bonuses as follows:

- Based on the Company's adjusted net income for 2008, from 12% to 39.9% of base salary for Mr. Anderson, from 12% to 39.9% of base salary for Mr. Lee, from 7% to 23.3% of base salary for Dr. Heacox, from 5.2% to 17.5% of base salary for Mr. Seery and from 6% to 19.9% of base salary for Mr. Fronk. Adjusted net income excludes interest expense, interest income, stock compensation (other than stock compensation related to the 2007 Executive Incentive Plan and the 2008 program under it), other income and expense, and income taxes;
- Based on the Company's adjusted annual revenues for 2008, from 12% to 36% of base salary for Mr. Anderson, from 12% to 36% of base salary for Mr. Lee, from 7% to 21% of base salary for Dr. Heacox, from 8.8% to 26.3% of base salary for Mr. Seery and from 6% to 18% of base salary for Mr. Fronk. The minimum adjusted revenue bonuses are earned at an adjusted revenue threshold of \$95,280,000, and the maximum adjusted revenue bonuses are earned at an adjusted revenue level of \$116,454,000. Adjusted annual revenues consist solely of revenues from cardiac and vascular allograft tissue processing, BioGlue and CardioWrap;
- Based on a subjective personal performance review, up to 15% of base salary for Mr. Anderson, up to 15% of base salary for Mr. Lee, up to 8.8% of base salary for Dr. Heacox, up to 8.8% of base salary for Mr. Seery and up to 7.5% of base salary for Mr. Fronk. In considering personal performance, the Committee will consider the recommendations of management for all officers other than Mr. Anderson, as well as its own subjective judgment.

Pursuant to the terms of the Plan, unless otherwise determined by the Committee, the bonus will be payable 70% in cash and 30% in unrestricted performance shares of common stock pursuant to the CryoLife 2004 Employee Stock Incentive Plan, valued in accordance with the provisions of that plan.

Additional performance bonuses of up to 20% of the participants' base salaries may be earned if specified additional adjusted net income targets, calculated as described above, are reached, which reflect performance improvements beginning at the top of the adjusted income range in the primary bonus plan and continuing upwards.

Option and Restricted Stock Grants and 2007 Bonus Payouts to Named Executive Officers

On February 19, 2008, the Compensation Committee also granted stock options and restricted stock under the 2004 Employee Stock Incentive Plan to the named executive officers, as follows:

- Steven G. Anderson: stock options to purchase 63,750 shares of CryoLife common stock and 10,625 shares of restricted CryoLife common stock;
- D. Ashley Lee: stock options to purchase 37,500 shares of CryoLife common stock and 6,250 shares of restricted CryoLife common stock;
- Albert E. Heacox, Ph.D.: stock options to purchase 22,500 shares of CryoLife common stock and 3,750 shares of restricted CryoLife common stock;
- Gerald B. Seery: stock options to purchase 22,500 shares of CryoLife common stock and 3,750 shares of restricted CryoLife common stock; and
- David M. Fronk: stock options to purchase 15,000 shares of CryoLife common stock and 2,500 shares of restricted CryoLife common stock.

The options and restricted stock are governed by the terms of the plan and separate option and restricted stock agreements. Options will be incentive stock options to the extent permissible under the Internal Revenue Code of 1986, as amended. The forms of incentive and non-qualified option grant agreements under the 2004 Employee Stock Incentive Plan are attached hereto as Exhibits 10.1 and 10.2. The form of restricted stock agreement is on file with the Commission.

The option agreements provide in part that the options will have an exercise price equal to the closing price of the Company's common stock on the New York Stock Exchange on February 25, 2008 and will become exercisable, subject to the employee remaining continuously employed by CryoLife, as follows: one-third of the shares will become exercisable on the first anniversary of February 25, 2008, and an additional one-third will become exercisable on each subsequent anniversary thereof until all shares (100%) of the option are exercisable (on the third anniversary, assuming continuous employment). The option has a term of seven years but the option may terminate earlier as stated in the option agreement.

The restricted stock will vest on February 19, 2011 if the grantee remains in the continuous employ of the Company. Any unvested portion of the grant will be forfeited upon the grantee's ceasing to serve as an employee of the Company for any reason.

On February 19, 2008, the Compensation Committee also approved payouts under the 2007 bonus awards under the 2007 Executive Incentive Plan. The awards were authorized to be paid in accordance with the previously authorized terms of the awards, as described in the CryoLife 2007 Proxy Statement and Form 8-K filed on February 20, 2007.

### Salary Increases for Named Executive Officers

On February 19, 2008, effective as of the beginning of the next payroll period, the Compensation Committee approved annual base salary increases for the named executive officers as follows:

- Mr. Lee, a 3.2049% cost of living salary increase based on the percentage increase in the Consumer Price Index, from \$340,000 to \$350,897;
- Dr. Heacox, a 6% salary increase, from \$265,650 to \$281,589;
- Mr. Seery, a 10% salary increase, from \$250,000 to \$275,000; and
- Mr. Fronk, a 6% salary increase, from \$240,000 to \$254,400.

Mr. Anderson also received a 3.2049% cost of living salary increase based on the percentage increase in the Consumer Price Index, from \$600,000 to \$619,229, in accordance with the terms of his amended and restated employment agreement.

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

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

(a) Financial Statements.  
Not applicable.

(b) Pro Forma Financial Information.  
Not applicable.

(c) Shell Company Transactions.  
Not applicable.

(d) Exhibits.

Exhibit Number	Description
10.1	Form of Incentive Employee Stock Option Agreement and Grant pursuant to the CryoLife, Inc. 2004 Employee Stock Incentive Plan.
10.2	Form of Non-Qualified Employee Stock Option Agreement and Grant pursuant to the CryoLife, Inc. 2004 Employee Stock Incentive Plan.

**SIGNATURES**

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

CRYOLIFE, INC.

Date: February 25, 2008

By: /s/ D.A. Lee

Name: D. Ashley Lee

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



**CryoLife, Inc.**  
**1655 Roberts Boulevard N.W.**  
**Kennesaw, Georgia 30144**

[Date]

Name  
 Address  
 Address

Re: **Grant of Incentive Stock Option**

Dear \_\_\_\_\_:

This letter sets forth the agreement (the "Agreement") between you and CryoLife, Inc., a Florida corporation (the "Company"), regarding your option to acquire shares of the Company's Common Stock.

1 . Grant of Option. Subject to the terms set forth below, the Company hereby grants to Employee the right, privilege, and option to purchase up to \_\_\_\_\_ shares (of Common Stock the "Option Shares") at the purchase price of \$ \_\_\_\_\_ per share. The date of grant ("Grant Date") of the option is \_\_\_\_\_. This option is intended to be and shall be treated as an "Incentive Stock Option", as that term is defined in Section 422 of the Internal Revenue Code of 1986, as amended ("Section 422"). Provided, however, that to the extent that the option fails for any reason to comply with the provisions of Section 422, it shall be treated as a "Non-Qualified Stock Option" (as defined in the Plan). The Company shall have no liability whatsoever to Employee in the event the option fails for any reason to satisfy the requirements for Incentive Stock Options set forth in Section 422. This option is granted pursuant to the CryoLife, Inc. 2004 Employee Stock Incentive Plan (the "Plan").

2 . Time of Exercise of Option. Prior to its termination as set forth in Section 5 below, this option shall vest, and the Employee may exercise the option granted herein on the following dates, or thereafter provided the option is exercised prior to its termination:

<u>Exercise Date</u>	<u>Number of Option Shares Exercisable</u>	<u>Cumulative Percentage of Option Shares Exercisable</u>
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3 . Method of Exercise. The option shall be exercised by written notice directed to the Compensation Committee (the "Committee"), at the Company's principal executive office, and except as set forth below, must be accompanied by payment of the option price for the number of Option Shares purchased in accordance with the Plan's requirements. The payment for the number of Option Shares purchased may be payable in cash or by tendering (by actual delivery of shares) shares of the Company's common stock in accordance with the Plan. To the extent permitted by applicable law, you may elect to pay for the number of Option Shares purchased by irrevocably authorizing a third party to sell shares of the Company's common stock acquired upon exercise of the Option Shares and remitting to the Company a sufficient portion of the sale proceeds as payment of the entire option price for the number of Option Shares purchased, including any tax withholding resulting from such exercise. The Company shall make delivery of such shares in accordance with the Plan provided that if any law or regulation requires the Company to take any action with respect to the shares specified in such notice before the issuance thereof, then the date of delivery of such shares shall be extended for the period necessary to take such action.

4 . The Plan. The Company's 2004 Employee Stock Incentive Plan, as amended from time to time by the Board of Directors of the Company, is hereby incorporated in this Agreement and to the extent that anything in this Agreement is inconsistent with the Plan, the terms of the Plan shall control. Employee acknowledges that the Company has provided a copy of the Plan to Employee.

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5 . Termination of Option. Except as herein otherwise stated, the option, to the extent not previously exercised, shall terminate in accordance with the Plan and upon the first to occur of the following events:

(a) Disability. The expiration of 36 months after the date on which Employee's employment by the Company is terminated, if such termination be by reason of Employee's permanent and total disability, provided, however, that (i) the option shall be exercisable only to the extent that Employee had the right to exercise the option at the time of termination and (ii) if the Employee dies within such 36 month period, any unexercised option held by such Employee shall thereafter be exercisable in accordance with the provisions of and shall terminate upon the first to occur of the events described in Sections 5(b) and (d);

(b) Death. In the event of Employee's death while in the employ of the Company, the expiration of 12 months following the date of his or her death, provided that the option shall be exercisable following the Employee's death only to the extent that Employee had the right to exercise the option at the time of his or her death.

(c) Retirement. In the event Employee's employment with the Company terminates by reason of normal or early retirement, any option held by such Employee may be exercised by the Employee for a period of 36 months from the date of such termination; provided, however, that if the Employee dies within such 36 month period any unexercised option held by Employee shall thereafter be exercisable in accordance with the provisions of and shall terminate upon the first to occur of the events described in Section 5(b) and (d); or

(d) Other. Upon the earlier to occur of (i) 84 months following the Grant Date, or (ii) upon termination of Employee's employment by the Company (except if such termination be by reason of death, disability, or normal or early retirement). It is in Compensation Committee's sole discretion to determine whether the Employee's employment with the Company terminates by reason of disability, normal or early retirement.

Except as set forth above, the option may not be exercised unless Employee, at the time he or she exercises the option, is, and has been at all times since the date of grant of the option, an employee of the Company. Employee shall be deemed to be employed by the Company if he or she is employed by the Company or any of its subsidiaries. Notwithstanding the above, in no event may the option be exercised after 84 months following the Grant Date.

6 . Reclassification, Consolidation, or Merger. The number of Option Shares may be adjusted in accordance with the Plan if certain events such as merger, reorganization, consolidation, recapitalization, stock dividends, stock splits, or other changes in the Company's corporate structure affecting its Common Stock occur.

7 . Rights Prior to exercise of Option. This Option is not transferrable by Employee, except by will or by the laws of descent and distribution or as otherwise set forth in the Plan, and during Employee's lifetime shall be exercisable only by Employee. This option shall confer no rights to the holder hereof to act as stockholder with respect to any of the Option Shares until payment of the option price and delivery of a share certificate has been made.

8. Employee's Representations and Warranties. By execution of this Agreement, Employee represents and warrants to the Company as follows:

(a) The entire legal and beneficial interest of the option and the Option Shares are for and will be held for the account of the Employee only and neither in whole nor in part for any other person.



(b) Employee resides at the following address:

\_\_\_\_\_  
\_\_\_\_\_

(c) Employee is familiar with the Company and its plans, operations, and financial condition. Prior to the acceptance of this option, Employee has received all information as he or she deems necessary and appropriate to enable an evaluation of the financial risk inherent in accepting the option and has received satisfactory and complete information concerning the business and financial condition of the Company in response to all inquiries in respect thereof.

9. Restricted Securities. Employee recognizes and understands that this option and the Option Shares are currently registered under the Securities Act of 1933, as amended (the "Act"), but may not remain so registered, and are not registered under any state securities law. Any transfer of the option (if otherwise permitted hereunder, and once exercised, the Option Shares) will not be recognized by the Company unless such transfer is registered under the Act, the Georgia Securities Act of 1973, as amended, (the "Georgia Act") and any other applicable state securities laws or effected pursuant to an exemption from such registration which may then be available. If the Option Shares are not registered, any share certificates representing the Option Shares may be stamped with legends restricting transfer thereof in accordance with the Company's policy with respect to unregistered shares of its Common Stock issued to employees as a result of exercise of options granted under the Plan. The Company may make a notation in its stock transfer records of the aforementioned restrictions on transfers and legends. Employee recognizes and understands that the Option Shares may be restricted securities within the meaning of Rule 144 promulgated under the Act; that the exemption from registration under Rule 144 may not be available under certain circumstances and that Employee's opportunity to utilize such Rule 144 to sell the Option Shares may be limited or denied. The Company shall be under no obligation to maintain or promote a public trading market for the class of shares for which the option is granted or to make provision for adequate information concerning the Company to be available to the public as contemplated under Rule 144. The Company will be under no obligation to recognize any transfer or sale of any Option Shares pursuant to Rule 144 unless the terms and conditions of Rule 144 are complied with by the Employee. By acceptance hereof, Employee agrees that no permitted disposition of any Option Shares shall be made unless and until (i) there is at the time of exercise of the option in effect a registration statement under the Act, or (ii) Employee shall have notified the Company of a proposed Option disposition and shall have furnished to the Company a detailed statement of the circumstances surrounding such disposition, together with an opinion of counsel acceptable in form and substance to the Company that such disposition will not require registration of the shares so disposed under the Act, the Georgia Act, and any applicable state securities laws. The Company shall be under no obligation to permit such transfer or disposition on its stock transfer books unless counsel for the Company shall concur as to such matters. Employee recognizes and understands that if and for so long as Employee is a designated Section 16 officer of the Company, and for up to six months thereafter, any sales of Option Shares will be subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the regulations promulgated thereunder. Employee also recognizes and understands that any sale of the Option Shares will also be subject to Rule 10b-5 promulgated under the Exchange Act. Employee agrees that any disposition of the Option Shares shall be made only in compliance with the Act, the Exchange Act, and the rules and regulations promulgated thereunder.

10. Tax Matters: The Employee hereby agrees to comply with any applicable federal, state, and local income and employment tax requirements which might arise with regard to a disposition of any Option Shares and to inform the Company of any such disposition which occurs prior to the expiration of (i) two years from the date of grant of the option, and (ii) one year from the date of transfer to him of Option Shares. No later than the date as of which an amount first becomes includable in the gross income of the Employee for federal income tax purposes with respect to the exercise of any option under the Plan, Employee shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any federal, state, or local taxes of any kind required by law to be withheld with respect to such amount. The obligations of the Company under the Plan are conditional on such payment or arrangements and the Company shall have the right to deduct any such taxes from any payment of any kind otherwise due to Employee.

11. Payment: Except as set forth below, the Option Exercise Price shall be paid in cash in U.S. Dollars at the time the Option is exercised or in shares of Common Stock of the Company held by the employee for at least six months and having an aggregate value equal to the Option Exercise Price. If the Option Exercise Price is paid by transfer of shares of Common Stock of the Company then the value of such shares will be the fair market value as of the day the shares are tendered, which is the closing sale price of the Stock on that day on the New York Stock Exchange. The Option Exercise Price may be paid by a combination of cash and Common Stock. Notwithstanding the foregoing, to the extent permitted by applicable law, Employee may elect to pay the Option Exercise Price by authorizing a third party to sell shares of stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire Option Exercise Price and any tax withholding resulting from such exercise.

12. Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors, and permissible assigns.

13. Miscellaneous. This Agreement shall be governed by and construed under the laws of the State of Georgia. If any term or provision hereof shall be held invalid or unenforceable, the remaining terms and provisions hereof shall continue in full force and effect. Any modification to this Agreement shall not be effective unless the same shall be in writing and such writing shall be signed by authorized representatives of both of the parties hereto. The terms of paragraphs 8 and 9 hereof shall survive exercise of the option by Employee and shall attach to the Option Shares. The option contained in this letter shall not confer upon Employee any right to continued employment with the Company, nor shall it interfere in any way with the right of the Company to terminate the employment of Employee at any time. This letter can be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

Please signify your acceptance of the option and your agreement to be bound by the terms hereof by promptly signing one of the two original letters provided to you and returning the same to the President of the Company.

Thank you for your good work and service.

(SEAL)

Sincerely,

**THE COMPANY:  
CRYOLIFE, INC.**

Attest:

\_\_\_\_\_  
Steven G. Anderson, President and CEO

\_\_\_\_\_  
Suzanne K. Gabbert, Secretary for the Company

**EMPLOYEE:**

\_\_\_\_\_  
Social Security #: \_\_\_\_\_



**CryoLife, Inc.**  
**1655 Roberts Boulevard N.W.**  
**Kennesaw, Georgia 30144**

[Date]

Name  
 Address  
 Address

Re: **Grant of Non-qualified Stock Option**

Dear \_\_\_\_\_:

This letter sets forth the agreement (the "Agreement") between you and CryoLife, Inc., a Florida corporation (the "Company"), regarding your option to acquire shares of the Company's Common Stock.

1 . Grant of Option. Subject to the terms set forth below, the Company hereby grants to Employee the right, privilege, and option to purchase up to \_\_\_\_\_ shares (of Common Stock the "Option Shares") at the purchase price of \$\_\_\_\_\_ per share. The date of grant ("Grant Date") of the option is \_\_\_\_\_. This option is intended to be and shall be treated as a "Non-qualified Stock Option," which is an option that is not intended to be an "incentive stock option" pursuant to Section 422 of the Internal Revenue Code of 1986, as amended. This option is granted pursuant to the CryoLife, Inc. 2004 Employee Stock Incentive Plan (the "Plan").

2 . Time of Exercise of Option. Prior to its termination as set forth in Section 5 below, this option shall vest, and the Employee may exercise the option granted herein on the following dates, or thereafter provided the option is exercised prior to its termination:

<u>Exercise Date</u>	<u>Number of Option Shares Exercisable</u>	<u>Cumulative Percentage of Option Shares Exercisable</u>
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3 . Method of Exercise. The option shall be exercised by written notice directed to the Compensation Committee (the "Committee"), at the Company's principal executive office, and except as set forth below, must be accompanied by payment of the option price for the number of Option Shares purchased in accordance with the Plan's requirements. The payment for the number of Option Shares purchased may be payable in cash or by tendering (by actual delivery of shares) shares of the Company's common stock in accordance with the Plan. To the extent permitted by applicable law, you may elect to pay for the number of Option Shares purchased by irrevocably authorizing a third party to sell shares of the Company's common stock acquired upon exercise of the Option Shares and remitting to the Company a sufficient portion of the sale proceeds as payment of the entire option price for the number of Option Shares purchased, including any tax withholding resulting from such exercise. The Company shall make delivery of such shares in accordance with the Plan provided that if any law or regulation requires the Company to take any action with respect to the shares specified in such notice before the issuance thereof, then the date of delivery of such shares shall be extended for the period necessary to take such action.

4 . The Plan. The Company's 2004 Employee Stock Incentive Plan, as amended from time to time by the Board of Directors of the Company, is hereby incorporated in this Agreement and to the extent that anything in this Agreement is inconsistent with the Plan, the terms of the Plan shall control. Employee acknowledges that the Company has provided a copy of the Plan to Employee.

5 . Termination of Option. Except as herein otherwise stated, the option, to the extent not previously exercised, shall terminate in accordance with the Plan and upon the first to occur of the following events:

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(a) Disability. The expiration of 36 months after the date on which Employee's employment by the Company is terminated, if such termination be by reason of Employee's permanent and total disability, provided, however, that (i) the option shall be exercisable only to the extent that Employee had the right to exercise the option at the time of termination and (ii) if the Employee dies within such 36 month period, any unexercised option held by such Employee shall thereafter be exercisable in accordance with the provisions of and shall terminate upon the first to occur of the events described in Sections 5(b) and (d);

(b) Death. In the event of Employee's death while in the employ of the Company, the expiration of 12 months following the date of his or her death, provided that the option shall be exercisable following the Employee's death only to the extent that Employee had the right to exercise the option at the time of his or her death.

(c) Retirement. In the event Employee's employment with the Company terminates by reason of normal or early retirement, any option held by such Employee may be exercised by the Employee for a period of 36 months from the date of such termination; provided, however, that if the Employee dies within such 36 month period any unexercised option held by Employee shall thereafter be exercisable in accordance with the provisions of and shall terminate upon the first to occur of the events described in Section 5(b) and (d); or

(d) Other. Upon the earlier to occur of (i) 84 months following the Grant Date, or (ii) upon termination of Employee's employment by the Company (except if such termination be by reason of death, disability, or normal or early retirement). It is in Compensation Committee's sole discretion to determine whether the Employee's employment with the Company terminates by reason of disability, normal or early retirement.

Except as set forth above, the option may not be exercised unless Employee, at the time he or she exercises the option, is, and has been at all times since the date of grant of the option, an employee of the Company. Employee shall be deemed to be employed by the Company if he or she is employed by the Company or any of its subsidiaries. Notwithstanding the above, in no event may the option be exercised after 84 months following the Grant Date.

6 . Reclassification, Consolidation, or Merger. The number of Option Shares may be adjusted in accordance with the Plan if certain events such as merger, reorganization, consolidation, recapitalization, stock dividends, stock splits, or other changes in the Company's corporate structure affecting its Common Stock occur.

7 . Rights Prior to exercise of Option. This Option is not transferrable by Employee, except by will or by the laws of descent and distribution or as otherwise set forth in the Plan, and during Employee's lifetime shall be exercisable only by Employee. This option shall confer no rights to the holder hereof to act as stockholder with respect to any of the Option Shares until payment of the option price and delivery of a share certificate has been made.

8. Employee's Representations and Warranties. By execution of this Agreement, Employee represents and warrants to the Company as follows:

(a) The entire legal and beneficial interest of the option and the Option Shares are for and will be held for the account of the Employee only and neither in whole nor in part for any other person.

(b) Employee resides at the following address:

\_\_\_\_\_  
\_\_\_\_\_

(c) Employee is familiar with the Company and its plans, operations, and financial condition. Prior to the acceptance of this option, Employee has received all information as he or she deems necessary and appropriate to enable an evaluation of the financial risk inherent in accepting the option and has received satisfactory and complete information concerning the business and financial condition of the Company in response to all inquiries in respect thereof.

9. Restricted Securities. Employee recognizes and understands that this option and the Option Shares are currently registered under the Securities Act of 1933, as amended (the "Act"), but may not remain so registered, and are not registered under any state securities law. Any transfer of the option (if otherwise permitted hereunder, and once exercised, the Option Shares) will not be recognized by the Company unless such transfer is registered under the Act, the Georgia Securities Act of 1973, as amended, (the "Georgia Act") and any other applicable state securities laws or effected pursuant to an exemption from such registration which may then be available. If the Option Shares are not registered, any share certificates representing the Option Shares may be stamped with legends restricting transfer thereof in accordance with the Company's policy with respect to unregistered shares of its Common Stock issued to employees as a result of exercise of options granted under the Plan. The Company may make a notation in its stock transfer records of the aforementioned restrictions on transfers and legends. Employee recognizes and understands that the Option Shares may be restricted securities within the meaning of Rule 144 promulgated under the Act; that the exemption from registration under Rule 144 may not be available under certain circumstances and that Employee's opportunity to utilize such Rule 144 to sell the Option Shares may be limited or denied. The Company shall be under no obligation to maintain or promote a public trading market for the class of shares for which the option is granted or to make provision for adequate information concerning the Company to be available to the public as contemplated under Rule 144. The Company will be under no obligation to recognize any transfer or sale of any Option Shares pursuant to Rule 144 unless the terms and conditions of Rule 144 are complied with by the Employee. By acceptance hereof, Employee agrees that no permitted disposition of any Option Shares shall be made unless and until (i) there is at the time of exercise of the option in effect a registration statement under the Act, or (ii) Employee shall have notified the Company of a proposed Option disposition and shall have furnished to the Company a detailed statement of the circumstances surrounding such disposition, together with an opinion of counsel acceptable in form and substance to the Company that such disposition will not require registration of the shares so disposed under the Act, the Georgia Act, and any applicable state securities laws. The Company shall be under no obligation to permit such transfer or disposition on its stock transfer books unless counsel for the Company shall concur as to such matters. Employee recognizes and understands that if and for so long as Employee is a designated Section 16 officer of the Company, and for up to six months thereafter, any sales of Option Shares will be subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the regulations promulgated thereunder. Employee also recognizes and understands that any sale of the Option Shares will also be subject to Rule 10b-5 promulgated under the Exchange Act. Employee agrees that any disposition of the Option Shares shall be made only in compliance with the Act, the Exchange Act, and the rules and regulations promulgated thereunder.

10. Tax Matters. The Employee hereby agrees to comply with any applicable federal, state, and local income and employment tax requirements which might arise with regard to a disposition of any Option Shares and to inform the Company of any such disposition which occurs prior to the expiration of (i) two years from the date of grant of the option, and (ii) one year from the date of transfer to him of Option Shares. No later than the date as of which an amount first becomes includable in the gross income of the Employee for federal income tax purposes with respect to the exercise of any option under the Plan, Employee shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any federal, state, or local taxes of any kind required by law to be withheld with respect to such amount. The obligations of the Company under the Plan are conditional on such payment or arrangements and the Company shall have the right to deduct any such taxes from any payment of any kind otherwise due to Employee.

11. Payment. Except as set forth below, the Option Exercise Price shall be paid in cash in U.S. Dollars at the time the Option is exercised or in shares of Common Stock of the Company held by the employee for at least six months and having an aggregate value equal to the Option Exercise Price. If the Option Exercise Price is paid by transfer of shares of Common Stock of the Company then the value of such shares will be the fair market value as of the day the shares are tendered, which is the closing sale price of the Stock on that day on the New York Stock Exchange. The Option Exercise Price may be paid by a combination of cash and Common Stock. Notwithstanding the foregoing, to the extent permitted by applicable law, Employee may elect to pay the Option Exercise Price by authorizing a third party to sell shares of stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire Option Exercise Price and any tax withholding resulting from such exercise.

12. Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors, and permissible assigns.

13. Miscellaneous. This Agreement shall be governed by and construed under the laws of the State of Georgia. If any term or provision hereof shall be held invalid or unenforceable, the remaining terms and provisions hereof shall continue in full force and effect. Any modification to this Agreement shall not be effective unless the same shall be in writing and such writing shall be signed by authorized representatives of both of the parties hereto. The terms of paragraphs 8 and 9 hereof shall survive exercise of the option by Employee and shall attach to the Option Shares. The option contained in this letter shall not confer upon Employee any right to continued employment with the Company, nor shall it interfere in any way with the right of the Company to terminate the employment of Employee at any time. This letter can be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

Please signify your acceptance of the option and your agreement to be bound by the terms hereof by promptly signing one of the two original letters provided to you and returning the same to the President of the Company.

(SEAL)

Sincerely,

**THE COMPANY:  
CRYOLIFE, INC.**

Attest:

\_\_\_\_\_  
Steven G. Anderson, President and CEO

\_\_\_\_\_  
Suzanne K. Gabbert, Secretary for the Company

**EMPLOYEE:**

\_\_\_\_\_  
\_\_\_\_\_

