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

FORM 10-Q

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

For the quarterly period ended June 30, 2009

OR

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

For the transition 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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.

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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Outstanding at July 24, 2009**
Common Stock, $0.01 par value per share	28,390,809 shares

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,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Revenues:				
Preservation services	$14,091	$13,725	$27,639	$27,149
Products	13,918	13,280	26,863	25,260
Other	154	150	349	314
Total revenues	**28,163**	**27,155**	**54,851**	**52,723**
Costs of preservation services and products:				
Preservation services	8,027	7,449	15,518	14,767
Products	2,241	1,840	4,203	3,832
Total cost of preservation services and products	**10,268**	**9,289**	**19,721**	**18,599**
Gross margin	**17,895**	**17,866**	**35,130**	**34,124**
Operating expenses:				
General, administrative, and marketing	12,306	12,358	25,054	24,425
Research and development	1,367	1,307	2,393	2,752
Total operating expenses	**13,673**	**13,665**	**27,447**	**27,177**
Operating income	**4,222**	**4,201**	**7,683**	**6,947**
Interest expense	61	69	110	139
Interest income	(20)	(71)	(63)	(193)
Other (income) expense, net	(60)	55	92	(27)
Income before income taxes	**4,241**	**4,148**	**7,544**	**7,028**
Income tax expense	1,739	260	3,093	375
Net income	**$ 2,502**	**$ 3,888**	**$ 4,451**	**$ 6,653**
Income per common share:				
Basic	$ 0.09	$ 0.14	$ 0.16	$ 0.24
Diluted	$ 0.09	$ 0.14	$ 0.16	$ 0.24
Weighted average common shares outstanding:				
Basic	28,067	27,756	28,038	27,661
Diluted	28,174	28,381	28,204	28,211

See accompanying Notes to Summary Consolidated Financial Statements.

Item 1. Financial Statements

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

	June 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,135	$ 17,201
Restricted securities	565	562
Receivables, net	15,548	13,999
Deferred preservation costs	37,029	34,913
Inventories	6,621	7,077
Deferred income taxes	5,284	4,896
Prepaid expenses and other current assets	2,890	1,719
Total current assets	**89,072**	**80,367**
Property and equipment, net	15,544	16,438
Patents, net	4,001	3,771
Trademarks and other intangibles, net	2,849	2,952
Deferred income taxes	13,514	16,499
Restricted money market funds	5,000	5,000
Other long-term assets	869	968
TOTAL ASSETS	**$130,849**	**$ 125,995**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,323	$ 3,270
Accrued compensation	3,016	3,850
Accrued procurement fees	3,760	4,473
Deferred income	2,515	1,592
Deferred income taxes	377	391
Accrued expenses and other current liabilities	6,794	7,421
Total current liabilities	**19,785**	**20,997**
Deferred income taxes	868	919
Line of credit	315	315
Other long-term liabilities	4,218	4,438
Total liabilities	**25,186**	**26,669**
Shareholders' equity:		
Preferred stock	—	—
Common stock (issued shares of 29,327 in 2009 and 29,102 in 2008)	293	291
Additional paid-in capital	126,602	124,744
Retained deficit	(15,622)	(20,073)
Accumulated other comprehensive loss	(34)	(80)
Treasury stock at cost (shares of 958 in 2009 and 955 in 2008)	(5,576)	(5,556)
Total shareholders' equity	**105,663**	**99,326**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$130,849**	**$ 125,995**

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,	
	2009	2008
	(Unaudited)	
Net cash from operating activities:		
Net income	$ 4,451	$ 6,653
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	2,093	2,199
Write-down of deferred preservation costs and inventories	372	1,066
Excess tax benefit from stock-based compensation	(121)	—
Deferred income taxes	2,532	77
Non-cash compensation	1,375	1,434
Other non-cash adjustments to income	105	15
Changes in operating assets and liabilities:		
Trade and other receivables	(1,688)	(1,817)
Income taxes	238	234
Deferred preservation costs and inventories	(2,032)	(6,253)
Prepaid expenses and other assets	(1,142)	(918)
Accounts payable, accrued expenses and other liabilities	(2,199)	145
Net cash flows provided by operating activities	**3,984**	**2,835**
Net cash from investing activities:		
Capital expenditures	(975)	(763)
Restricted money market funds, long-term	—	(5,000)
Purchases of marketable securities	(564)	(559)
Sales and maturities of marketable securities	565	3,000
Other	(388)	103
Net cash flows used in investing activities	**(1,362)**	**(3,219)**
Net cash from financing activities:		
Proceeds from debt issuance	—	428
Principal payments of debt	—	(4,582)
Proceeds from financing of insurance policies	1,272	1,300
Principal payments on capital leases and short-term notes payable	(447)	(450)
Excess tax benefit from stock-based compensation	121	—
Proceeds from exercise of stock options and issuance of common stock	364	1,090
Purchase of treasury stock	(20)	(159)
Net cash flows provided by (used in) financing activities	**1,290**	**(2,373)**
Increase (decrease) in cash and cash equivalents	**3,912**	**(2,757)**
Effect of exchange rate changes on cash	22	16
Cash and cash equivalents, beginning of period	17,201	14,460
Cash and cash equivalents, end of period	**$21,135**	**$11,719**

See accompanying Notes to Summary Consolidated Financial Statements.

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, 2008 has been derived from audited financial statements and the accompanying unaudited summary consolidated financial statements as of and for the three and six months ended June 30, 2009 and 2008 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 a normal, recurring nature) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. 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 year ended December 31, 2008.

2. Cash Equivalents and Marketable Securities

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

	Cost Basis	Unrealized Holding Gains (Losses)	Estimated Market Value
June 30, 2009 (Unaudited):			
Cash equivalents:			
Money market funds	$12,716	$ —	$12,716
U.S. Treasury debt securities	$ 4,099	$ —	$ 4,099
Marketable securities:			
Restricted government entity sponsored debt securities	$ 565	$ —	$ 565
Restricted money market funds, long-term	$ 5,000	$ —	$ 5,000
December 31, 2008:			
Cash equivalents:			
Money market funds	$14,372	$ —	$14,372
Marketable securities:			
Restricted government entity sponsored debt securities	$ 562	$ —	$ 562
Restricted money market funds, long-term	$ 5,000	$ —	$ 5,000

There were no gross realized gains or losses on sales of available-for-sale securities for the three and six months ended June 30, 2009 and 2008. As of June 30, 2009 all of the Company's marketable securities had a maturity date within 90 days. As of December 31, 2008 all of the Company's marketable securities had a maturity date between 90 days and one year.

As of June 30, 2009 approximately $17.4 million of the Company's money market funds and restricted money market funds were guaranteed under the U.S. Treasury's Temporary Guarantee Program for Money Market Funds. In this program the U.S. Treasury guarantees that the value of the participating money market fund shares will not fall below $1 per share through September 18, 2009 for shares held as of close of business on September 19, 2008.

3. Inventories

Inventories are comprised of the following (in thousands):

	June 30, 2009	December 31, 2008
	(Unaudited)	
Raw materials	$ 4,141	$ 4,418
Work-in-process	520	616
Finished goods	1,960	2,043
Total inventories	$ 6,621	$ 7,077

4. 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 tissue processing and product liability claims, and operating losses.

The Company periodically assesses the recoverability of its deferred tax assets, 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 against its deferred tax assets when, as a result of this analysis, management believes it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company assessed the recoverability of its deferred tax assets and the appropriate level of its valuation allowance as of December 31, 2008. In conducting this assessment, management considered a variety of factors, including the Company's operating profits for the years ended December 31, 2008 and 2007, the reasons for the Company's operating losses in prior years, management's judgment as to the likelihood of continued profitability and expectations of future performance, as well as other factors. Based on this analysis, as of December 31, 2008 the Company determined that maintaining a full valuation allowance on its deferred tax assets was no longer appropriate.

As a result, on December 31, 2008 the Company recorded a tax benefit and a net deferred tax asset of $20.1 million to reverse substantially all of the valuation allowance on its deferred tax assets and continued to maintain valuation allowances of $2.8 million on a portion of its deferred tax assets, primarily related to state tax net operating loss carryforwards that the Company does not believe it will be able to utilize based on its projections of profitability in certain states and state carryforward rules and limitations. In future periods, the Company will assess the recoverability of its deferred tax assets as necessary when the Company experiences changes that could materially affect its prior determination of the recoverability of its deferred tax assets.

During the six months ended June 30, 2009, the Company did not experience any changes that caused it to reassess the recoverability of its deferred tax assets. As of June 30, 2009 the Company had a total of $2.8 million in valuation allowances against deferred tax assets, primarily related to state net operating loss carryforwards, and a net deferred tax asset of $17.6 million.

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 2005 through 2008 remain open to examination by the major taxing jurisdictions to which the Company is subject.

5. Debt

On March 26, 2008 CryoLife 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. In the second quarter of 2009, as requested by the German courts, the Company obtained a letter of credit subfacility relating to the Company's patent infringement legal proceeding against Tenaxis, Inc. in Germany. This reduced the aggregate borrowing capacity to $14.8 million. While the Company currently expects that its aggregate borrowing capacity under the GE Credit Agreement will equal $14.8 million, there can be no assurance that

the borrowing capacity will remain at this level. Also, if the current global financial and credit liquidity crisis continues, GE Capital may be unable or unwilling to lend money pursuant to this agreement.

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 minimum earnings subject to defined adjustments as of specified dates, and (iii) not make or commit capital expenditures in excess of a defined limitation. Further, since 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 Sheets, as they are restricted for the term of the GE Credit Agreement. 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, 2009 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, 2009 the outstanding balance of the GE Credit Agreement was $315,000, the aggregate interest rate was 5.50%, and the remaining availability was $14.5 million. As of December 31, 2008 the outstanding balance of the GE Credit Agreement was $315,000, the aggregate interest rate was 5.50%, 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 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.

The Company routinely enters into agreements to finance insurance premiums for periods not to exceed the terms of the related insurance policies. In April 2009 the Company entered into an agreement to finance approximately $1.3 million in insurance premiums at a 3.695% annual interest rate, which is payable in equal monthly payments over a nine month period. In April 2008 the Company entered into an agreement to finance approximately $1.3 million in insurance premiums at a 4.632% annual interest rate, which was payable in equal monthly payments over a nine month period. As of June 30, 2009 and December 31, 2008 the aggregate outstanding balances under these agreements were $852,000 and zero, respectively.

The Company had an irrevocable standby letter of credit of $500,000 outstanding as of June 30, 2009 and December 31, 2008. The letter of credit is maintained as collateral for the deductible related to one of the Company's tissue processing and product liability insurance policies and is secured by certain marketable securities.

6. Comprehensive Income

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Net income	$ 2,502	$ 3,888	$4,451	$6,653
Change in unrealized loss on investments	—	—	—	(3)
Translation adjustment	34	33	46	12
Comprehensive income	$ 2,536	$ 3,921	$4,497	$6,662

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

The accumulated other comprehensive loss of $34,000 and $80,000 as of June 30, 2009 and December, 31, 2008, respectively, consisted of currency translation adjustments.

7. 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):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Basic income per common share:				
Net income	$ 2,502	$ 3,888	$ 4,451	$ 6,653
Basic weighted-average common shares outstanding	28,067	27,756	28,038	27,661
Basic income per common share	$ 0.09	$ 0.14	$ 0.16	$ 0.24
Diluted income per common share:				
Net income	$ 2,502	$ 3,888	$ 4,451	$ 6,653
Basic weighted-average common shares outstanding	28,067	27,756	28,038	27,661
Effect of dilutive stock options	37	545	91	475
Effect of dilutive restricted stock awards	70	55	75	47
Effect of contingent stock awards [a]	—	25	—	28
Diluted weighted-average common shares outstanding	28,174	28,381	28,204	28,211
Diluted income per common share	$ 0.09	$ 0.14	$ 0.16	$ 0.24

[a] Contingent stock awards in 2008 included shares that were expected to be issued pursuant to performance-based bonus plans that were approved by the Compensation Committee of the Company's Board of Directors. There are no contingent stock awards expected to be issued in 2009 due to the current intent of the Company's Board of Directors to pay 2009 performance-based bonuses in cash.

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, and restricted stock awards.

8. Stock Compensation

Overview

The Company has stock option and stock incentive plans for employees and non-employee Directors that provide for grants of restricted stock awards 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.

Stock Awards

During the six months ended June 30, 2009 the Compensation Committee of the Company's Board of Directors authorized awards of stock from approved stock incentive plans to non-employee Directors and certain Company executives and officers totaling 160,000 shares of common stock, which had an aggregate value of $1.1 million.

During the six months ended June 30, 2008 the Compensation Committee of the Company's Board of Directors authorized awards of stock from approved stock incentive plans to non-employee Directors and certain Company executives, officers, and managers totaling 170,000 shares of common stock, which had an aggregate value of $1.6 million. These stock awards included 81,000 shares of common stock valued at $786,000 issued as part of the 2007 performance-based bonus plans for certain Company executives, officers, and managers. The Company recorded the expense related to the 2007 performance-based bonus plans during the year ended December 31, 2007.

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 438,000 and 333,000 shares during the six months ended June 30, 2009 and 2008, respectively, with exercise prices equal to the stock prices on the respective grant dates.

Employees purchased common stock totaling 35,000 and 26,000 shares during the six months ended June 30, 2009 and 2008, respectively, through the Company's ESPP.

Stock Compensation Expense

The Company uses a Black-Scholes model to value its stock option grants and expenses the related compensation cost using the straight-line method over the vesting period. 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. Stock awards and stock options are valued based on the stock price as of each grant date and are recorded as an expense on the Company's Summary Consolidated Statements of Operations over the respective vesting periods. The fair value of the Company's ESPP options is also determined using a Black-Scholes model and is expensed over the three month vesting period.

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

	Three Months Ended June 30, 2009		Six Months Ended June 30, 2009	
	Stock Options	ESPP Options	Stock Options	ESPP Options
	(Unaudited)		(Unaudited)	
Expected life of options	N/A	.25 Years	4.0 Years	.25 Years
Expected stock price volatility	N/A	.60	.65	.81
Risk-free interest rate	N/A	.21%	1.51%	.15%

	Three Months Ended June 30, 2008		Six Months Ended June 30, 2008	
	Stock Options	ESPP Options	Stock Options	ESPP Options
	(Unaudited)		(Unaudited)	
Expected life of options	N/A	.25 Years	3.5 Years	.25 Years
Expected stock price volatility	N/A	0.46	.60	.62
Risk-free interest rate	N/A	1.40%	2.26%	2.42%

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Stock award expense	$ 233	$ 444	$ 451	$ 839
Stock option expense	476	335	924	595
Total stock compensation expense	$ 709	$ 779	$1,375	$1,434

Included in this total stock compensation expense were expenses related to common stock awards and stock options issued in the current year as well as those issued in prior years that continue to vest during the period, and compensation expense 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 $62,000 and $30,000 in the three months ended June 30, 2009 and 2008, respectively, and $121,000 and $49,000 in the six months ended June 30, 2009 and 2008, respectively, of the stock compensation expense into its deferred preservation costs and inventory costs.

As of June 30, 2009 the Company had a total of $1.4 million in total unrecognized compensation costs related to unvested stock awards, before considering the effect of expected forfeitures. As of June 30, 2009 this expense is expected to be recognized over a weighted average period of 1.6 years. As of June 30, 2009 there was approximately $2.1 million in total unrecognized compensation costs related to unvested stock options, before considering the effect of expected forfeitures. As of June 30, 2009 this expense is expected to be recognized over a weighted average period of 2.0 years.

9. Segment Information

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

The Preservation Services segment includes external services revenues from the preservation of cardiac and vascular tissues and from shipments of previously preserved orthopaedic tissues. The Medical Devices segment includes external revenues from product sales of BioGlue and HemoStase as well as sales of other medical devices. 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,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Revenues:				
Preservation services	$14,091	$13,725	$27,639	$27,149
Medical devices	13,918	13,280	26,863	25,260
Other [a]	154	150	349	314
	28,163	27,155	54,851	52,723
Costs of preservation services and products:				
Preservation services	8,027	7,449	15,518	14,767
Medical devices	2,241	1,840	4,203	3,832
	10,268	9,289	19,721	18,599
Gross margin:				
Preservation services	6,064	6,276	12,121	12,382
Medical devices	11,677	11,440	22,660	21,428
Other [a]	154	150	349	314
	$17,895	$17,866	$35,130	$34,124

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Preservation services:				
Cardiac tissue	$ 6,470	$ 6,348	$12,062	$12,586
Vascular tissue	7,577	7,080	15,448	13,939
Orthopaedic tissue	44	297	129	624
Total preservation services	14,091	13,725	27,639	27,149
Products:				
BioGlue	12,379	12,972	24,143	24,859
HemoStase	1,467	177	2,577	177
Other medical devices	72	131	143	224
Total products	13,918	13,280	26,863	25,260
Other [a]	154	150	349	314
Total revenues	$28,163	$27,155	$54,851	$52,723

[a] For the three and six months ended June 30, 2009 and the three months ended June 30, 2008, the "Other" designation includes grant revenue. For the six months ended June 30, 2008, the "Other" designation includes 1) grant revenue and 2) revenues related to the licensing of the Company's technology to a third party.

10. Commitments and Contingencies

Liability Claims

In the normal course of business we are made aware of adverse events involving our tissue and products. Any adverse event could ultimately give rise to a lawsuit against us. In addition tissue processing and liability claims may be asserted against us in the future based on events we are not aware of at the present time. As of July 24, 2009 there are no pending tissue processing or product liability lawsuits filed against the Company.

On April 1, 2009 the Company bound liability coverage for the 2009/2010 insurance policy year. This policy is a seven-year claims-made insurance policy, i.e. claims incurred during the period April 1, 2003 through March 31, 2010 and reported during the period April 1, 2009 through March 31, 2010 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 tissue processing and product 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 estimated that its liability for unreported tissue processing and product liability claims was $3.8 million as of June 30, 2009. The $3.8 million balance is included as a component of accrued expenses of $1.9 million and other long-term liabilities of $1.9 million on the June 30, 2009 Summary Consolidated Balance Sheet. Further analysis indicated that the liability could be estimated to be as high as $8.1 million, after including a reasonable margin for statistical fluctuations calculated based on actuarial simulation techniques. The Company estimated that as of June 30, 2009, $1.4 million of the accrual for unreported liability claims would be recoverable under the Company's insurance policies. The $1.4 million insurance recoverable is included as a component of receivables of $700,000 and other long-term assets of $700,000 on the June 30, 2009 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, 2009. Actual results may differ from this estimate.

The Company believes that the assumptions it uses to determine its unreported loss liability provide a reasonable basis for its calculation. However, the accuracy of the 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.

As of December 31, 2008 the Company accrued $4.4 million for unreported tissue processing and product liability claims and recorded a receivable of $1.5 million for unreported liability claims estimated to be recoverable under the Company's insurance policies. This $4.4 million accrual was included as a component of accrued expenses and other current liabilities of $2.2 million and other long-term liabilities of $2.2 million on the December 31, 2008 Summary Consolidated Balance Sheet. The $1.5 million insurance recoverable was included as a component of receivables of $700,000 and other long-term assets of $800,000 on the December 31, 2008 Summary Consolidated Balance Sheet.

11. New Accounting Pronouncements

The Company was required to adopt Statement of Financial Accounting Standards ("SFAS") statement No. 165, "Subsequent Events" ("SFAS 165") as of June 30, 2009. This statement establishes general standards of accounting and disclosure for events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The adoption of SFAS 165 did not have an effect on the financial position, profitability, or cash flows of the Company upon adoption.

The Company was required to adopt SFAS No. 141R, "Business Combinations" ("SFAS 141R"), on January 1, 2009. SFAS 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 adoption of SFAS 141R did not have an effect on the financial position, profitability, or cash flows of the Company upon adoption.

PART I – FINANCIAL INFORMATION

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

Overview

CryoLife, Inc. ("CryoLife," the "Company," "we," or "us"), incorporated January 19, 1984 in Florida, preserves and distributes human tissues for cardiac and vascular transplant applications and develops and commercializes medical devices. The human tissue distributed by the Company includes the CryoValve® SG pulmonary heart valve ("CryoValve SG"), processed using CryoLife's proprietary SynerGraft® technology. The Company's medical devices include BioGlue® Surgical Adhesive ("BioGlue") and HemoStase™, which the Company distributes for a third party, as well as other medical devices.

In June 2009 CryoLife announced that BioGlue has now been used in more than 500,000 surgical procedures throughout the world since its introduction into the international market in 1998 and in the U.S. in 2001. For the quarter ended June 30, 2009 CryoLife's revenues exceeded $28 million, a new quarterly record, increasing 6% over the first quarter of 2009 and 4% over the prior year quarter. Revenues in the second quarter of 2009 improved over the first quarter of 2009, due in large part to revenues from the distribution of cardiac tissues, which were $6.5 million, increasing 16% over the first quarter of 2009, and revenues from the sale of HemoStase, which were a record $1.5 million, increasing 32% over the first quarter of 2009. See the "Results of Operations" section below for additional analysis of the second quarter 2009 results.

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 year ended December 31, 2008. 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 Company did not experience any significant changes during the quarter ended June 30, 2009 in its Critical Accounting Policies from those contained in the Company's Form 10-K for the year ended December 31, 2008.

New Accounting Pronouncements

The Company was required to adopt Statement of Financial Accounting Standards ("SFAS") statement No. 165, "Subsequent Events" ("SFAS 165") as of June 30, 2009. This statement establishes general standards of accounting and disclosure for events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The adoption of SFAS 165 did not have an effect on the financial position, profitability, or cash flows of the Company upon adoption.

The Company was required to adopt SFAS No. 141R, "Business Combinations" ("SFAS 141R"), on January 1, 2009. SFAS 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 adoption of SFAS 141R did not have an effect on the financial position, profitability, or cash flows of the Company upon adoption.

Results of Operations
(Tables in thousands)

Revenues

	Revenues for the Three Months Ended June 30,		Revenues as a Percentage of Total Revenues for the Three Months Ended June 30,	
	2009	2008	2009	2008
Preservation services:				
Cardiac tissue	$ 6,470	$ 6,348	23%	23%
Vascular tissue	7,577	7,080	27%	26%
Orthopaedic tissue	44	297	—%	1%
Total preservation services	14,091	13,725	50%	50%
Products:				
BioGlue	12,379	12,972	44%	48%
HemoStase	1,467	177	5%	1%
Other medical devices	72	131	—%	—%
Total products	13,918	13,280	49%	49%
Other	154	150	1%	1%
Total	$28,163	$27,155	100%	100%

	Revenues for the Six Months Ended June 30,		Revenues as a Percentage of Total Revenues for the Six Months Ended June 30,	
	2009	2008	2009	2008
Preservation services:				
Cardiac tissue	$12,062	$12,586	22%	24%
Vascular tissue	15,448	13,939	28%	26%
Orthopaedic tissue	129	624	—%	1%
Total preservation services	27,639	27,149	50%	51%
Products:				
BioGlue	24,143	24,859	44%	47%
HemoStase	2,577	177	5%	—%
Other medical devices	143	224	—%	1%
Total products	26,863	25,260	49%	48%
Other	349	314	1%	1%
Total	$54,851	$52,723	100%	100%

Revenues increased 4% for the three and six months ended June 30, 2009 as compared to the three and six months ended June 30, 2008. A detailed discussion of the change in preservation services revenues for each of the major tissue types distributed by the Company, the change in BioGlue revenues, and the change in HemoStase revenues for the three and six months ended June 30, 2009 is presented below.

Cardiac Preservation Services

Revenues from cardiac preservation services increased 2% for the three months ended June 30, 2009 as compared to the three months ended June 30, 2008. This increase was primarily due to the aggregate impact of a 2% increase in unit shipments of cardiac tissues and the favorable effect of tissue mix, which together increased revenues by 3%, partially offset by a decrease in average service fees, which decreased revenues by 1%.

Revenues from cardiac preservation services decreased 4% for the six months ended June 30, 2009 as compared to the six months ended June 30, 2008. This decrease was primarily due to the aggregate impact of a 9% decrease in unit shipments of cardiac tissues, partially offset by the favorable effect of tissue mix, which together decreased revenues by 4%.

The increase in revenues from the net effect of volume and tissue mix for the three months ended June 30, 2009 was primarily due to an increase in shipments of aortic valves and CryoValve SG pulmonary valves, and to a lesser extent, an increase in

shipments of non-valved cardiac tissues. These increases were partially offset by a decrease in shipments of standard processed pulmonary valves. The Company believes that the increase in shipments of cardiac tissues in the three months ended June 30, 2009 was due to the Company's physician training efforts, including the 2008 Ross Summit and monthly Aortic Allograft Workshops, which have resulted in additional physicians implanting the Company's tissues, the efforts of the Company's new cardiac tissue focused sales force, the cardiac specialist program, which was implemented throughout the second half of 2008 and the beginning of 2009, and previously anticipated seasonal increases in the Company's cardiac tissue business.

The decrease in revenues from the net effect of volume and tissue mix for the six months ended June 30, 2009 was primarily due to a decrease in shipments of standard processed pulmonary valves, largely offset by an increase in shipments of the CryoValve SG pulmonary valve. The remaining decrease was due to a decrease in shipments of non-valved cardiac tissues, partially offset by an increase in shipments of aortic valves. The Company believes that this decrease was primarily due to the first quarter impact of hospitals decreasing the number of valved cardiac tissues they keep on hand for urgent procedures as a result of the current economic conditions and their constraining effect on hospital budgets, partially offset by increases in second quarter tissue shipments as discussed above.

The decrease in average service fees for the three months ended June 30, 2009 was primarily due to fee decreases on the Company's aortic and pulmonary valves, due to the negotiation of fee contracts with certain customers.

The Company's procurement of cardiac tissues, from which heart valves and non-valved cardiac tissues are processed, decreased 8% for the three months and 14% for the six months ended June 30, 2009 as compared to the three and six months ended June 30, 2008, respectively. As a part of the normal course of business, CryoLife routinely adjusts its criteria for accepting incoming tissue based on certain variables. These variables include changes in demand for certain types of tissues processed by the Company, the level of tissues currently available for shipment, changes in incoming tissue availability, and the likelihood that certain tissues will pass the Company's quality controls and testing processes. The decrease in cardiac procurement for the three and six months ended June 30, 2009 was primarily the result of changes in tissue acceptance criteria made during 2008. Based on these changes and additional changes planned for the remainder of 2009, the Company believes that cardiac procurement will continue at a lower level for the remainder of 2009 than seen in comparable prior year periods and in the first half of 2009. The Company may continue to make changes in incoming tissue acceptance criteria, and as a result, the Company's level of procurement may continue to vary from quarter-to-quarter and year-to-year. The Company believes that its existing cardiac tissues available for shipment and current procurement levels are sufficient to support anticipated future demand for cardiac tissues for the reasonably foreseeable future.

Although cardiac tissue shipments increased for the three months ended June 30, 2009 as compared to the prior year period, the Company's cardiac tissue shipments may be negatively impacted by current economic conditions and their constraining effect on hospital budgets in the second half of 2009.

Vascular Preservation Services

Revenues from vascular preservation services increased 7% for the three months ended June 30, 2009 as compared to the three months ended June 30, 2008. This increase was primarily due to a 7% increase in unit shipments of vascular tissues.

Revenues from vascular preservation services increased 11% for the six months ended June 30, 2009 as compared to the six months ended June 30, 2008. This increase was primarily due to an 11% increase in unit shipments of vascular tissues.

The increase in vascular volume for the three and six months ended June 30, 2009 was due to increases in shipments of each of the types of vascular tissues processed by the Company. The largest volume increases were in saphenous veins, which increased due to the strong demand for these tissues, primarily for use in peripheral vascular reconstruction surgeries to avoid limb amputations, and aortoiliac grafts, primarily for use in treating abdominal aortic infection.

The Company's procurement of vascular tissues decreased 23% for the three months and 21% for the six months ended June 30, 2009 as compared to the three and six months ended June 30, 2008, respectively. As a part of the normal course of business, CryoLife routinely adjusts its criteria for accepting incoming tissue based on certain variables. These variables include changes in demand for certain types of tissues processed by the Company, the level of tissues currently available for shipment, changes in incoming tissue availability, and the likelihood that certain tissues will pass the Company's quality controls and testing processes. The decrease in vascular procurement for the three and six months ended June 30, 2009, was primarily the result of changes in tissue acceptance criteria made during 2008 and 2009. Based on these changes and additional changes planned for the remainder of 2009, the Company believes that vascular procurement will continue at a lower level for the remainder of 2009 than seen in comparable prior year periods and in the first half of 2009. The Company may continue to make changes in incoming tissue acceptance criteria, and as a result, the Company's level of procurement may continue to vary from quarter-to-quarter and year-to-

year. 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 for the reasonably foreseeable future.

BioGlue

Revenues from the sale of BioGlue decreased 5% for the three months ended June 30, 2009 as compared to the three months ended June 30, 2008. This decrease was primarily due to a 5% decrease in the volume of BioGlue milliliters sold, which decreased revenues by 6% and the unfavorable impact of foreign exchange, which reduced revenues by 3%, partially offset by an increase in average selling prices, which increased revenues by 4%.

Revenues from the sale of BioGlue decreased 3% for the six months ended June 30, 2009 as compared to the six months ended June 30, 2008. This decrease was primarily due to a 2% decrease in the volume of BioGlue milliliters sold, which decreased revenues by 4% and the unfavorable impact of foreign exchange, which reduced revenues by 3%, partially offset by an increase in average selling prices, which increased revenues by 4%.

The decrease in BioGlue sales volume for the three and six months ended June 30, 2009 was primarily due to a decrease in shipments of BioGlue in domestic markets, as a result of the current economic conditions and their constraining effect on hospital budgets. Management believes that hospitals are attempting to control costs by reducing spending on items, such as BioGlue, that are consumed during surgical procedures.

The unfavorable impact of foreign exchange for the three and six months ended June 30, 2009 was due to changes in the exchange rates between the U.S. Dollar and both the British Pound and the Euro in the three and six months ended June 30, 2009 as compared to the same period in 2008. The Company's sales of BioGlue through its direct sales force to United Kingdom hospitals are denominated in British Pounds and its sales to German hospitals and certain distributors are denominated in Euros.

The increase in average selling prices for the three and six months ended June 30, 2009 was primarily due to list price increases on certain BioGlue products that went into effect during 2009 and the negotiation of pricing contracts with certain customers.

Domestic revenues accounted for 68% and 70% of total BioGlue revenues in the three months ended June 30, 2009 and 2008, respectively. Domestic revenues accounted for 70% and 71% of total BioGlue revenues in the six months ended June 30, 2009 and 2008, respectively.

The Company believes that domestic hospital cost cutting practices are likely to continue in the second half of 2009. Should these attempts to control costs continue, BioGlue revenues could be materially adversely affected.

The majority of the Company's international BioGlue revenues are denominated in British Pounds and Euros, and as such are sensitive to changes in exchange rates. If these exchange rates decrease in the second half of 2009 when compared to the weighted average exchange rates experienced by the Company in the prior year periods, the Company's revenues could be materially adversely affected. In addition a portion of the Company's U.S. Dollar-denominated BioGlue sales are made to customers in other countries who must convert local currencies into U.S. Dollars in order to purchase BioGlue. The Company's revenues in 2009 could be materially adversely affected by declining demand from foreign customers who may be impacted by the higher price of BioGlue in their native currencies caused by the changes in exchange rates.

HemoStase

Revenues from the sale of HemoStase for the three and six months ended June 30, 2009 are a result of CryoLife's marketing and distribution of HemoStase, which began in the second quarter of 2008. The Company believes that HemoStase revenues will increase in the second half of 2009 as compared to the second half of 2008, as this product is in an early growth phase associated with the recent launch of distribution efforts for this product. However, revenues from HemoStase could be adversely impacted by the Company's lawsuit with Medafor. See Part II, Item 1, "Legal Proceedings."

Other Revenues

Other revenues for the three and six months ended June 30, 2009 and the three months ended June 30, 2008 included revenues from research grants. Other revenues for the six months ended June 30, 2008 included revenues from research grants and revenues related to the licensing of the Company's technology to a third party.

As of June 30, 2009 CryoLife has been awarded a total of $5.4 million in funding allocated from U.S. Congress Defense Appropriations Conference Reports in 2005 through 2008, collectively the ("DOD Grants"), which includes $1.7 million awarded in March of 2009. The DOD Grants were awarded to CryoLife for the development of protein hydrogel technology, which the Company is currently developing for use in organ sealing. Grant revenues in 2009 and 2008 are related to funding under the DOD Grants.

Through June 30, 2009 CryoLife has received cash payments totaling $4.6 million for the DOD Grants and expects to receive the remaining $849,000 in cash payments over the next 12 months. The Company had $2.5 million remaining in unspent cash advances recorded as cash and cash equivalents and deferred income on the Company's Summary Consolidated Balance Sheet as of June 30, 2009.

Costs and Expenses

Cost of Preservation Services

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Cost of preservation services	$ 8,027	$ 7,449	$15,518	$14,767
Cost of preservation services as a percentage of preservation services revenues	57%	54%	56%	54%

Cost of preservation services increased 8% for the three months and 5% for the six months ended June 30, 2009, as compared to the three and six months ended June 30, 2008, respectively.

The increase in cost of preservation services in the three and six months ended June 30, 2009 was primarily due to an increase in vascular tissues shipped as discussed above and due to an increase in the per unit costs of processing tissues. During the six months ended June 30, 2009 these increases were partially offset by a decrease in shipments of cardiac tissues.

The increase in cost of preservation services as a percentage of preservation services revenues for the three and six months ended June 30, 2009 was primarily due to the increase in the per unit costs of processing tissues. The Company expects this higher cost of preservation services as a percentage of preservation services revenues to continue for the remainder of 2009.

Cost of Products

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Cost of products	$ 2,241	$ 1,840	$4,203	$3,832
Cost of products as a percentage of product revenues	16%	14%	16%	15%

Cost of products increased 22% for the three months and 10% for the six months ended June 30, 2009, as compared to the three and six months ended June 30, 2008, respectively.

The increase in cost of products in the three and six months ended June 30, 2009 was primarily due to the increase in shipments of HemoStase, which the Company began distributing in the second quarter of 2008. Cost of products for the three and six months ended June 30, 2008 was negatively impacted by the write-down of other medical device inventory.

Cost of products as a percentage of product revenues increased for the three and six months ended June 30, 2009 as compared to the three and six months ended June 30, 2008, respectively. This increase was primarily due to the change in product mix during 2009, as HemoStase, a product with lower margins than BioGlue, comprises a larger percentage of product sales in 2009 than in the corresponding periods in 2008.

The Company expects that cost of products and cost of products as a percentage of product revenues will continue to be impacted by an increased volume of HemoStase revenues in the second half of 2009 when compared to the prior year periods.

General, Administrative, and Marketing Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
General, administrative, and marketing expenses	$12,306	$12,358	$25,054	$24,425
General, administrative, and marketing expenses as a percentage of total revenues	44%	46%	46%	46%

General, administrative, and marketing expenses were comparable for the three months and increased 3% for the six months ended June 30, 2009, as compared to the three and six months ended June 30, 2008, respectively.

The increase in general, administrative, and marketing expenses for the six months ended June 30, 2009 was primarily due to increases in marketing expenses, including increased personnel costs, partially related to an increase in sales force, and other marketing expenses to support the Company's efforts to increase its tissue preservation service and product offerings and current revenue growth.

The Company's expenses related to the grant of stock options and restricted stock awards were $579,000 and $702,000 and for the three months ended June 30, 2009 and 2008, respectively, and $1.1 million and $1.3 million for the six months ended June 30, 2009 and 2008, respectively. The Company's general, administrative, and marketing expenses included benefits for the reduction of tissue processing and product liability accruals of $495,000 and $610,000 for the three months ended June 30, 2009 and 2008, respectively, and $460,000 and $530,000 for the six months ended June 30, 2009 and 2008, respectively.

Research and Development Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Research and development expenses	$ 1,367	$ 1,307	$2,393	$2,752
Research and development expenses as a percentage of total revenues	5%	5%	4%	5%

Research and development expenses for the three months ended June 30, 2009 were comparable to the three months ended June 30, 2008. The decrease in research and development expenses for the six months ended June 30, 2009 compared to the six months ended June 30, 2008 was primarily due to a decrease in spending on external research studies with third party research companies and academic organizations in the first quarter of 2009. Research and development spending in 2009 and 2008 was primarily focused on the Company's tissue preservation, SynerGraft products and tissues, and Protein Hydrogel Technologies ("PHT"). SynerGraft products and tissues include the Company's CryoValve SG pulmonary and aortic heart valves, CryoPatch SG non-valved cardiac tissues, and xenograft SynerGraft tissue products. PHT includes BioGlue, BioFoam®, BioDisc®, and related products.

Other Costs and Expenses

Interest expense was $61,000 and $69,000 for the three months ended June 30, 2009 and 2008, respectively, and $110,000 and $139,000 for the six months ended June 30, 2009 and 2008, respectively. Interest expense for the three and six months ended June 30, 2009 and 2008 included interest incurred related to the Company's debt as discussed in Note 5 of the "Notes to Summary Consolidated Financial Statements," capital leases, and interest related to uncertain tax positions.

Interest income was $20,000 and $71,000 for the three months ended June 30, 2009 and 2008, respectively, and $63,000 and $193,000 for the six months ended June 30, 2009 and 2008, respectively. Interest income for the three and six months ended June 30, 2009 and 2008 was primarily due to interest earned on the Company's cash, cash equivalents, and marketable securities. The decrease in interest income in 2009 was primarily due to a decline in interest rates paid on the Company's cash and cash equivalents and restricted securities, partially offset by an increase in the balance in these accounts.

The Company's income tax expense was $1.7 million and $260,000 for the three months ended June 30, 2009 and 2008, respectively, and $3.1 million and $375,000 for the six months ended June 30, 2009 and 2008, respectively. Income tax expense during 2009 was recorded at the Company's effective tax rate of 41%. Income tax expense during 2008 was primarily due to estimated alternative minimum tax on the Company's U.S. taxable income that could not be offset by the Company's net operating loss carryforwards and estimated foreign taxes on income of the Company's wholly owned European subsidiary.

The Company's income tax expense is expected to continue to be significantly higher for the remainder of 2009 as compared to 2008, as the Company records income tax expense based on its estimated combined federal, state, and foreign effective tax rate. The Company did not record income tax expense based on its effective tax rate in 2008 due to the valuation allowance on the Company's deferred tax assets during that year. Due to the Company's federal and state net operating loss carryforwards, the Company expects that cash paid for taxes will continue to be significantly less than the tax expense recorded during 2009.

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. Due to the growth rate of the Company's cardiac business in recent years coupled with the deterioration in recent quarters in the U.S. and global economies, the seasonal nature of the Company's cardiac preservation service business has been somewhat obscured.

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 is uncertain whether demand for HemoStase will be seasonal. As HemoStase is in a growth phase generally associated with a recently introduced product that has not fully penetrated the marketplace, the nature of any seasonal trends in HemoStase sales may be obscured.

Liquidity and Capital Resources

Net Working Capital

As of June 30, 2009 net working capital (current assets of $89.1 million less current liabilities of $19.8 million) was $69.3 million, with a current ratio (current assets divided by current liabilities) of 5 to 1, compared to net working capital of $59.4 million, with a current ratio of 4 to 1 at December 31, 2008.

Overall Liquidity and Capital Resources

The Company's primary cash requirements for the six months ended June 30, 2009 arose out of general working capital needs, including the annual payment of bonuses and royalties 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 $15.0 million in revolving credit for working capital, acquisitions, and other corporate purposes, of which $14.5 million is currently available for borrowing. If the current global financial and credit liquidity crisis continues, GE may be unable or unwilling to lend money pursuant to this agreement. As of June 30, 2009 the outstanding balance under this agreement was $315,000. 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 will not be available to meet the Company's liquidity needs during the term of the GE Credit Agreement, 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 DOD Grants for the continued development of protein hydrogel technology. As of June 30, 2009 $2.5 million of cash equivalents were recorded on the Company's Summary Consolidated Balance Sheet related to the DOD Grants. These funds must be used for the specified purposes.

As of June 30, 2009 approximately $17.4 million of the Company's money market funds and restricted money market funds were guaranteed under the U.S. Treasury's Temporary Guarantee Program for Money Market Funds. In this program the U.S. Treasury guarantees that the value of the participating money market fund shares will not fall below $1 per share through September 18, 2009 for shares held as of close of business on September 19, 2008.

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

Liability Claims

As of June 30, 2009 the Company had accrued a total $3.8 million for the estimated costs of unreported tissue processing and product liability claims related to services performed and products sold prior to June 30, 2009 and had recorded a receivable of $1.4 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 $8.1 million, after including a reasonable margin for statistical fluctuations calculated based on actuarial simulation techniques. The $3.8 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 $4.0 million for the six months ended June 30, 2009 as compared to $2.8 million for the six months ended June 30, 2008. The current year cash provided was primarily due to net income generated during the period, partially offset by the net effect of non-cash items and increases in working capital needs due to the timing of receipts and payments in the ordinary course of business.

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, 2009 these non-cash items included a favorable $2.1 million in depreciation and amortization expense, $2.5 million in deferred income taxes, and $1.4 million in non-cash stock based compensation.

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, 2009 these changes included an unfavorable $2.0 million due to increases in deferred preservation costs and inventory balances, for which vendors and employees have already been paid, $2.2 million due to the timing differences between the recording of accounts payable, accrued expenses, and other current liabilities and the actual payment of cash, and $1.7 million due to the increase in receivables, and $1.1 million due to the timing difference between making cash payments and the expensing of assets, including prepaid insurance policy premiums.

Net Cash from Investing Activities

Net cash used in investing activities was $1.4 million for the six months ended June 30, 2009, as compared to $3.2 million for the six months ended June 30, 2008. The current year cash used was primarily due to $975,000 in capital expenditures.

Net Cash from Financing Activities

Net cash provided by financing activities was $1.3 million for the six months ended June 30, 2009, as compared to net cash used of $2.4 million for the six months ended June 30, 2008. The current year cash provided was primarily due to $1.3 million in proceeds from the financing of insurance policies, and $364,000 in proceeds from the exercise of options and the issuance of common stock under the Company's employee stock purchase plan, partially offset by $447,000 in principal payments on capital leases and short-term notes payable.

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, 2009 are as follows (in thousands):

	Total	Remainder of 2009	2010	2011	2012	2013	Thereafter
Operating leases	$15,421	$ 1,261	$2,405	$2,369	$2,322	$2,358	$ 4,706
Compensation payments	3,885	—	1,900	993	992	—	—
Research obligations	2,996	570	743	755	684	244	—
Insurance premium obligations	1,271	1,271	—	—	—	—	—
Purchase commitments	675	556	119	—	—	—	—
Royalty payments	406	—	406	—	—	—	—
Line of credit	315	—	—	315	—	—	—
Other obligations	554	476	65	10	3	—	—
Total contractual obligations	$25,523	$ 4,134	$5,638	$4,442	$4,001	$2,602	$ 4,706

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 2009 performance-based bonus plans and estimated payments for post employment benefits for the Company's Chief Executive Officer ("CEO"). The timing of the CEO's post employment benefits is based on the December 2010 expiration date of the CEO's employment agreement. Payment of this benefit may be accelerated by a change in control or by the voluntary retirement of the CEO.

The Company's research obligations represent commitments for ongoing studies and payments to support research and development activities, the majority of which will be funded by the advances received under the DOD Grants.

The Company's insurance premium obligations represent the 2009 renewal of certain of the Company's insurance policies. 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 royalty payments are 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 other obligations contain various items including capital lease obligations, estimated real and personal property tax payments, and other items as appropriate.

The schedule of contractual obligations above excludes obligations for estimated tissue processing and product liability claims unless they are due as a result of a pending settlement agreement or other contractual obligation and any estimated liability for uncertain tax positions and interest and penalties, currently estimated to be $1.1 million, because the Company could not 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.

Capital Expenditures

Capital expenditures for the six months ended June 30, 2009 were $975,000 compared to $763,000 for the six months ended June 30, 2008. Planned capital expenditures for 2009 are primarily related to routine purchases of tissue processing, manufacturing, computer, and office equipment and renovations to the Company's corporate headquarters 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. 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:

- Expectations regarding our assessments and treatment of our deferred tax assets, including the recoverability thereof;
- The expectation that contingent stock awards will not be issued in 2009 and that 2009 performance-based bonuses will be paid in cash;
- Expectations regarding influences on basic and diluted earnings per common share in future periods;
- Expectations regarding the recognition of certain expenses related to stock compensation in future periods;
- Management's belief that future cardiac tissue shipments may be negatively impacted by current economic conditions and their constraining effect on hospital budgets;
- Management's belief that future BioGlue revenues may be negatively impacted by current economic conditions and their constraining effect on hospital budgets;
- Expectations regarding future HemoStase revenues;
- Expectations regarding, and possible increases in the cost and retention of, future insurance coverage;
- Expectations regarding future cardiac and vascular tissue procurement levels;
- Management's belief that current cardiac and vascular tissue procurement levels are sufficient to support future demand;
- Expectations regarding the timing of payments with respect to government grants;
- Expectations regarding the Company's future income tax expense and cash outlay for taxes;
- Expectations regarding the Company's aggregate borrowing capacity under its credit agreement with GE Capital;
- The impact of the current global financial and credit liquidity crisis on the Company and its credit agreement with GE Capital;
- Expectations regarding capital expenditures;
- The adequacy of the Company's insurance coverage;
- The expected outcome of lawsuits filed by or against the Company and the impact of such lawsuits on the Company's relationships and future sales;
- The Company's estimated future liability for tissue processing and product liability claims incurred but not yet reported and the source of payment and timing of payment for any such claims;
- Expected seasonality trends;
- Anticipated impact of changes in interest rates and foreign currency exchange rates;
- The Company's ability to meet its operational liquidity needs during the next twelve months;
- The adequacy of the Company's financial resources; 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 Part II, Item 1A, of this Form 10-Q and the Company's Form 10-Q for the quarter ended March 31, 2009 and under "Risk Factors" in Part I, Item 1A, of the Company's Form 10-K for the year ended December 31, 2008 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:

- We are significantly dependent on our revenues from BioGlue and are subject to a variety of risks affecting this product;
- We may receive a Form 483 notice of observations, a warning letter, or other similar communication from the FDA, and we may be unable to address the concerns raised by the FDA in such correspondence or communication, or addressing the concerns may be costly or could materially and adversely affect our operations;
- Our CryoValve SG pulmonary heart valves and other SynerGraft tissues and products may not be accepted by the marketplace;
- Our CryoValve SG pulmonary heart valves have a one year shelf life;
- We are dependent on the availability of sufficient quantities of tissue from human donors;
- Our CryoValve SG pulmonary heart valve post-clearance study may not provide expected results;
- 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;
- 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 liability claims and additional regulatory scrutiny as a result;
- Uncertainties related to patents and protection of proprietary technology may adversely affect the value of our intellectual property;
- Uncertainties related to patents and protection of proprietary technology for products we distributed may adversely affect our ability to distribute those products;
- 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;
- We may be unable to successfully market HemoStase;
- The lawsuit we filed against Medafor regarding our distribution agreement with Medafor may adversely impact our relationship with Medafor and could hinder our distribution of HemoStase or prevent us from distributing HemoStase;
- Our credit facility could limit our ability to pursue significant acquisitions;
- Our failure to adequately comply with government regulations could result in loss of revenues and customers as well as additional compliance expense;
- Continued deflation of foreign currencies relative to the U.S. Dollar could materially and adversely impact our business;
- The financial and credit liquidity crisis may adversely affect our ability to borrow money or raise capital;
- Current economic conditions may impact demand for our products and tissues;
- Intense competition may affect our ability to operate profitably;
- There are limitations on the use of our net operating loss carryforwards;
- Key growth strategies identified as a result of our strategic review may not generate the anticipated benefits;
- Our ability to borrow under our credit facility may be limited;
- 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;
- Regulatory action outside of the U.S. has affected our business in the past and may also affect our business in the future;
- Physicians have been and may continue to be reluctant to implant our preserved tissues or use our other products;
- In the past, we have experienced operating losses and negative cash flows, and we must continue to address the underlying causes in order to continue to operate profitably and generate positive cash flows;
- 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 be unable to increase our revenues;
- 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;
- Extensive government regulation may adversely affect our ability to develop and sell products and services;
- We are dependent on our key personnel;
- Trading prices for our common stock, and for the securities of biotechnology companies in general, have been, and may continue to be, volatile;
- Anti-takeover provisions may discourage or make more difficult an attempt to obtain control of us; and
- We may not 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 or contractual restrictions.

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 $21.1 million and restricted money market funds of $5.0 million and interest paid on the Company's variable rate line of credit as of June 30, 2009. A 10% adverse change in interest rates as compared to the rates experienced by the Company in the three months ended June 30, 2009, affecting the Company's cash and cash equivalents, restricted money market funds, and line of credit would not have a material impact on the Company's financial position, profitability, 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 denominated balances 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.

The Company has revenues and expenses that are denominated in foreign currencies. Specifically, a majority of the Company's international BioGlue revenues are denominated in British Pounds and Euros and a portion of the Company's general, administrative, and marketing expenses are denominated in British Pounds and Euros. 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 net income from transactions conducted in other currencies. As a result, the Company could recognize a reduction in revenues or an increase in expenses related to a change in exchange rates. In the fourth quarter of 2008 and in the first half of 2009 the Company experienced a decrease in revenues when compared to the respective prior year periods due to changes in exchange rates. The Company expects these decreases in revenues when compared to the respective prior year periods to continue in the third quarter of 2009.

Changes in exchange rates which occurred during the six months ended June 30, 2009 as well as any future material adverse fluctuations in exchange rates could have a material and adverse effect on the Company's revenues, profitability, and cash flows during the remainder of 2009. An additional 10% adverse change in exchange rates from the exchange rates in effect on June 30, 2009 affecting the Company's balances denominated in foreign currencies would not have had a material impact on the Company's financial position or cash flows. An additional 10% adverse change in exchange rates from the exchange rates in effect on June 30, 2009 as compared to the weighted average exchange rates experienced by the Company for the six months ended June 30, 2009 affecting the Company's revenue and expense transactions denominated in foreign currencies, would not have had a material impact on the Company's financial position, profitability, or cash flows.

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures ("Disclosure Controls") as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934. These Disclosure Controls are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the Commission's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosures.

The Company's management, including the Company's President and CEO and the Company's Executive Vice President, Chief Operating Officer, and 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 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 most recent Disclosure Controls evaluation conducted by management, with the participation of the CEO and CFO, as of June 30, 2009 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, 2009 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.

With respect to the lawsuit filed in the State Court of Cobb County, Georgia, by Michael Hohenbery, an individual who underwent surgery in December 2006 for implantation of a meniscal allograft tissue preserved by the Company, previously discussed in Part I, Item 3, "Legal Proceedings" of the Company's Form 10-K for the year ended December 31, 2008, the Company settled the case with plaintiff on June 1, 2009 within the limits of the Company's insurance coverage and the case has been dismissed.

With respect to the patent nullity action filed by Tenaxis, Inc. in Germany, previously discussed in the Company's Form 10-K for the year ended December 31, 2008 and Form 10-Q for the quarter ended March 31, 2009, that seeks to invalidate CryoLife's main European BioGlue patent in Federal Patent Court in the State of Bavaria in the Federal Republic of Germany, the Federal Patent Court has set the hearing date for November 24, 2009.

With respect to the patent infringement action filed by the Company against Tenaxis, Inc. in Germany, previously discussed in the Company's Form 10-K for the year ended December 31, 2008 and Form 10-Q for the quarter ended March 31, 2009, in the Regional Court having exclusive competence in patent infringement cases in the State of North Rhine -Westphalia in the Federal Republic of Germany, the Regional Court has set the hearing date for March 30, 2010. The previously reported discovery being conducted by the Company pursuant to a so called 28 USC 1782 petition filed in conjunction with this patent infringement action in the U.S. Northern District of California is complete.

With respect to the lawsuit previously discussed in the Company's Form 10-Q for the quarter ended March 31, 2009 filed by the Company against Medafor, Inc. ("Medafor") in the U.S. District Court for the Northern District of Georgia alleging claims for, among other things, breach of contract, fraud, negligent misrepresentation, and violations of Georgia Racketeer Influenced and Corrupt Organizations Act ("Georgia RICO"), Medafor has filed with the Court a motion to dismiss the Company's claims for fraud, negligent misrepresentation, and violations of Georgia RICO. The Court has not set a date for a hearing on the motion, nor has it stated that it will hold a hearing or when it will rule on Medafor's dismissal motion. While the motion to dismiss is pending, no discovery can commence.

Item 1A. Risk Factors.

Other than the risk factors included below, there have been no material changes to the Risk Factors as previously disclosed in Part I, Item IA, "Risk Factors" in our Form10-K for the year ended December 31, 2008, as updated by Part II, Item 1A, "Risk Factors" in our Form 10-Q for the quarter ended March 31, 2009.

Healthcare Policy Changes, Including Pending Proposals to Reform the U.S. Healthcare System, May Have a Material Adverse Effect On Us.

Healthcare costs have risen significantly over the past decade. There have been and continue to be proposals by legislators, regulators, and third-party payors to keep these costs down. Certain proposals, if passed or implemented, would impose limitations on the prices we will be able to charge for our services and products, or the amounts of reimbursement available for our services and products from governmental agencies or third-party payors. These limitations could have a material adverse effect on our revenues, financial condition, profitability, and cash flows.

Recently, President Obama and members of Congress have proposed significant reforms to the U.S. healthcare system. Both the U.S. Senate and House of Representatives have conducted hearings about U.S. healthcare reform. In the Obama administration's fiscal year 2010 federal budget proposal, the administration emphasized maintaining patient choice, reducing inefficiencies and costs, increasing prevention programs, increasing coverage portability and universality, improving quality of care, and maintaining fiscal sustainability. The Obama administration's fiscal year 2010 budget included proposals to limit Medicare payments, reduce drug spending, and increase taxes. In addition members of Congress have proposed a single-payer healthcare system, a government health insurance option to compete with private plans, and other expanded public healthcare measures. Various healthcare reform proposals have also emerged at the state level. We cannot predict what healthcare initiatives, if any, will be implemented at the federal or state level, or the effect any future legislation or regulation will have on us. However, an expansion in government's role in the U.S. healthcare industry may lower reimbursements for our services and products, reduce medical procedure volumes, and adversely affect our revenues, financial condition, profitability, and cash flows, possibly materially.

The Current and Future Economic and Credit Crisis May Adversely Affect Our Business and Financial Condition.

Current and future economic conditions may adversely affect the financial condition of our customers, including their ability to pay for our products and services, and the amount spent on healthcare generally. This could result in a decrease in the demand for our products and services, the inability of our customers to make payments when due, longer sales cycles, slower adoption of new technologies, and increased price and fee competition, which could adversely affect our revenues, financial condition, profitability, and cash flows, possibly materially.

Due to the current economic conditions, the Company believes our customers have reviewed or are in the process of reviewing all products used in medical procedures and have reduced or may reduce purchases of these products, including our products, where they feel they can do so. We believe this process was a contributing factor to the decrease in domestic BioGlue revenues for the second quarter of 2009, as compared to the second quarter of 2008. If the current economic crisis continues or worsens, our customers could further reduce purchases of our products, which could adversely affect our revenues, financial condition, profitability, and cash flows, possibly materially.

Demand for Our Tissues and Products Could Decrease in The Future, Which Could Have a Material Adverse Effect on Our Business.

The demand for our tissues and BioGlue has fluctuated recently and may continue to fluctuate. We believe that our tissues and products will continue to be in demand for the foreseeable future. However, if the economic crisis continues, changes occur in healthcare policies that force or encourage our customers to limit their use of our tissues and products or if new competitive products are introduced, demand for our tissues and products could decrease in the future. If demand for our tissues or products decreases significantly in the future, our revenues would likely decrease, possibly materially. In addition our processing throughput of tissue and our manufacturing throughput of BioGlue would necessarily need to decrease, which would be likely to adversely affect our margins, and therefore our results of operations, possibly materially. In addition if demand for our tissues decreases in the future, we may not be able to ship our tissues before they expire, which would cause us to write down our deferred preservation costs. This could materially and adversely affect our financial condition, profitability, and results of operations.

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, 2009 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
04/01/09 – 04/30/09	1,565	$ 5.43	—	—
05/01/09 – 05/31/09	—	—	—	—
06/01/09 – 06/30/09	—	—	—	—
Total	1,565	$ 5.43	—	—

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 19, 2009.

The following table shows the results of voting:

Matter Voted Upon	Shares Voted For	Authority Withheld
Election of Directors:		
Steven G. Anderson	25,513,515	1,099,660
Thomas F. Ackerman	25,186,148	1,427,027
James S. Benson	25,585,029	1,028,146
Daniel J. Bevevino	25,582,262	1,030,913
John M. Cook	25,456,664	1,156,511
Ronald C. Elkins, M.D.	25,114,613	1,498,562
Ronald D. McCall, Esq.	25,410,626	1,202,549
Harvey Morgan	25,553,776	1,059,399

Matter Voted Upon	Shares Voted For	Shares Voted Against	Abstained	Broker Non-Votes
Approval of the CryoLife, Inc. 2009 Employee Stock Incentive Plan	17,538,690	2,095,128	373,824	6,605,533
Ratification of Deloitte & Touche LLP	26,199,767	265,648	147,760	—

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 3.1 to the Registrant's Amended Current Report on Form 8-K/A filed March 5, 2009.)
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 year ended December 31, 1997.)
4.2	First Amended and Restated Rights Agreement, dated as of November 2, 2005, between CryoLife, Inc. and American Stock Transfer & Trust Company. (Incorporated herein by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed November 3, 2005.)
10.1*	CryoLife, Inc. 2009 Employee Stock Incentive Plan.
10.2	Change of Control Agreement, by and between the Company and Albert E. Heacox, Ph.D., dated May 5, 2009. (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Form 8-K filed May 8, 2009.)
10.3	Change of Control Agreement, by and between the Company and David M. Fronk, dated May 5, 2009. (Incorporated herein by reference to Exhibit 10.2 to the Registrant's Form 8-K filed May 8, 2009.)
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
STEVEN G. ANDERSON
Chairman, President, and
Chief Executive Officer
(Principal Executive Officer)

/s/ D. ASHLEY LEE
D. ASHLEY LEE
Executive Vice President,
Chief Operating Officer, and
Chief Financial Officer
(Principal Financial and Accounting Officer)

July 30, 2009
DATE

Exhibit 10.1

CRYOLIFE, INC.
2009 EMPLOYEE STOCK INCENTIVE PLAN

SECTION 1

GENERAL

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

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

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

SECTION 2

OPTIONS AND SARS

2.1 Definitions.

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

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

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

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

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

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

(b) The Exercise Price shall be payable in cash or by tendering (by actual delivery of shares) unrestricted shares of Stock that are acceptable to the Committee, valued at Fair Market Value as of the day the shares are tendered, or in any combination of cash or shares, as determined by the Committee.

(c) To the extent permitted by applicable law, a Participant may elect to pay the Exercise Price upon the exercise of an Option by irrevocably authorizing a third party to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise.

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

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

(a) The term of any Option or SAR granted under the Plan shall not exceed seven years from the date of grant.

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

(c) The Committee may designate whether any such Awards being granted to any Participant are intended to be "performance-based compensation" as that term is used in Section 162(m) of the Code. Any such Awards designated as intended to be "performance-based compensation" shall be conditioned on the achievement of one or more "Performance Measures." The Performance Measures that may be used by the Committee for such Awards shall be based on any one or more of the following, which shall not be required to be calculated in accordance with GAAP, as selected by the Committee: return on capital or increase in pretax earnings of the Company and/or one or more divisions and/or subsidiaries, return on stockholders' equity of the Company, increase in earnings per share of the Company, sales of the Company and/or one or more products or service offerings, divisions and/or subsidiaries, pretax earnings of the Company and/or one or more divisions and/or subsidiaries, net earnings of the Company and/or one or more divisions and/or subsidiaries, control of operating and/or non-operating expenses of the Company and/or one or more divisions and/or subsidiaries, margins of the Company and/or one or more divisions and/or subsidiaries, market price of the Company's securities, and, solely for an Award not intended to constitute "performance-based compensation" under Section 162(m) of the Code, other factors directly tied to the

performance of the Company and/or one or more divisions and/or subsidiaries or other performance criteria. For Awards intended to be "performance-based compensation," the grant of the Awards and the establishment of the Performance Measures shall be made during the period required under Code Section 162(m).

SECTION 3

OTHER STOCK AWARDS

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

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

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

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

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

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

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

SECTION 4

STOCK SUBJECT TO THE PLAN

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

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

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

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

example, if only grants of Other Stock Awards are made under the Plan, the maximum number of shares that may be issued is 1,500,000.

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

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

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

4.3 Certain Mergers and Other Extraordinary Events. If the Company merges or consolidates with another corporation, or if the Company is liquidated or sells or otherwise disposes of substantially all of its assets while unexercised Options or other Awards remain outstanding under this Plan, (A) subject to the provisions of clause (C) below, after the effective date of the merger, consolidation, liquidation, sale or other disposition, as the case may be, whether or not the Company is the surviving corporation, each holder of an outstanding Option or other Award shall be entitled, upon exercise of that Option or Award or in place of it, as the case may be, to receive, at the option of the Committee and in lieu of shares of Stock, (i) the number and class or classes of shares of Stock or other securities or property to which the holder would have been entitled if, immediately prior to the merger, consolidation, liquidation, sale or other disposition, the holder had been the holder of record of a number of shares of Stock equal to the number of shares of Stock as to which that Option may be exercised or are subject to the Award or (ii) shares of stock of the company that is the surviving corporation in such merger, consolidation, liquidation, sale or other disposition having a value, as of the date of payment under Subsection 4.3(i) as determined by the Committee in its sole discretion, equal to the value of the shares of Stock or other securities or property otherwise payable under Subsection 4.3(i); (B) whether or not the Company is the surviving corporation, if Options or other Awards have not already become exercisable, the Board of Directors may waive any limitations set forth in

or imposed pursuant to this Plan so that all Options or other Awards, from and after a date prior to the effective date of that merger, consolidation, liquidation, sale or other disposition, as the case may be, specified by the Board of Directors, shall be exercisable in full; and (C) all outstanding Options or SARs may be cancelled by the Board of Directors as of the effective date of any merger, consolidation, liquidation, sale or other disposition, provided that with respect to a merger or consolidation the Company is not the surviving company, and provided further that any optionee or SAR holder shall have the right immediately prior to such event to exercise his or her Option or SAR to the extent such optionee or holder is otherwise able to do so in accordance with this Plan or his individual Option or SAR agreement; provided, further, that any such cancellation pursuant to this Section 4.3 shall be contingent upon the payment to the affected Participants of an amount equal to (i) in the case of any out-of-the-money Option or SAR, cash, property or a combination thereof having an aggregate value equal to the value of such Option or SAR, as determined by the Committee or the Board of Directors, as applicable, in its sole discretion, and (ii) in the case of an in-the-money Option or SAR, cash, property or a combination thereof having an aggregate value equal to the excess of the value of the per-share amount of consideration paid pursuant to the merger, consolidation, liquidation, sale or other disposition, as the case may be, giving rise to such cancellation, over the exercise price of such Option or SAR multiplied by the number of shares of Stock subject to the Option or SAR.

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

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

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

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

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

SECTION 5

OPERATION AND ADMINISTRATION

5.1 Effective Date; Duration. The Plan shall be effective as of the date of its approval by the stockholders of the Company (the "Effective Date"). The Plan shall have a duration of seven years from the Effective Date; provided that in the event of Plan termination, the Plan shall remain in effect as long as any Awards under it are outstanding; provided further, however, that no Award may be granted under the Plan on a date that is more than seven years from the Effective Date.

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

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

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

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

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

5.7 Payments. Awards may be settled through cash payments, the delivery of shares of Stock, the granting of replacement Awards, or any combination thereof as the Committee shall determine. Any Award settlement, including payment deferrals, may be subject to such conditions, restrictions and contingencies as the Committee shall determine. The Committee may permit or require the deferral of any Award payment, subject to such rules and procedures as it may establish.

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

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

5.10 Agreement With Company. An Award under the Plan shall be subject to such terms and conditions, not inconsistent with the Plan, as the Committee shall, in its sole discretion, prescribe. The terms and conditions of any Award to any Participant shall be reflected in such form of written document as is determined by the Committee. A

copy of such document shall be provided to the Participant, and the Committee may, but need not, require that the Participant sign a copy of such document. Such document is referred to in the Plan as an "Award Agreement" regardless of whether any Participant signature is required.

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

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

5.13 Limitation of Implied Rights.

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

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

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

5.15 Termination of Employment Following Change In Control. In the event that the employment of a Participant who is an employee of the Company or a Subsidiary is terminated by the Company during the six-month period following a Change in Control, all of such Participant's outstanding Options and SARs may thereafter be exercised by the Participant, to the extent that such Options and SARs were exercisable as of the date of such termination of employment (x) for a period of six months from such date of termination or (y) until expiration of the stated term of such Option or SAR, whichever period is the shorter.

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

5.17 Regulations and Other Approvals.

(a) The obligation of the Company to sell or deliver Stock with respect to any Award granted under the Plan or make any other distribution of benefits under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws (including, without limitation, the requirements of the Securities Act of 1933) and all applicable requirements of any securities exchange or similar entity, and the

obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.

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

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

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

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

SECTION 6

COMMITTEE

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

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

(a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select from among the Eligible Grantees those persons who shall receive Awards, to determine the time or times of receipt, to determine the types of Awards and the number of shares covered by the Awards, to establish the terms, conditions, performance criteria, restrictions, and other provisions of such Awards, and (subject to the restrictions imposed by Section 7) to cancel or suspend Awards, and to waive or otherwise modify any vesting or other restrictions contained in awards. The Committee may also, without obtaining stockholder approval, amend any outstanding award to provide the holder thereof with additional rights or benefits of the type otherwise permitted by the Plan, including without limitation, extending the term thereof; provided, however, that in no event may the term of any Option or SAR exceed seven years.

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

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

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

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

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

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

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

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

SECTION 7

AMENDMENT AND TERMINATION

(a) The Plan may be terminated or amended by the Board of Directors at any time, except that the following actions may not be taken without stockholder approval:

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

(ii) any change in the class of persons eligible to receive Awards under the Plan;

(iii) any change in the requirements of Section 2.2 hereof regarding the Exercise Price of Options and SARs;

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

(v) any other amendment to the Plan that would require approval of the Company's stockholders under applicable law, regulation or rule.

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

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

SECTION 8

CHANGE IN CONTROL

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

(a) All outstanding Options (regardless of whether in tandem with SARs) shall become fully exercisable.

(b) All outstanding SARs (regardless of whether in tandem with Options) shall become fully exercisable.

(c) All Stock Units, Restricted Stock, Restricted Stock Units, Performance Shares and other Awards shall become fully vested.

SECTION 9

DEFINED TERMS

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

(a) Affiliated Company. The term "Affiliated Company" means any company controlled by, controlling or under common control with the Company.

(b) Award. The term "Award" shall mean any award or benefit granted under the Plan, including, without limitation, the grant of Options, SARs, Stock Unit Awards, Restricted Stock Awards, Restricted Stock Unit Awards and Performance Share Awards.

(c) Board. The term "Board" shall mean the Board of Directors of the Company.

(d) Change in Control. "Change of Control" means a change in the ownership or effective control of, or in the ownership of a substantial portion of the assets of, the Company, as described in paragraphs (i) through (iii) below.

(i) Change in Ownership of the Company. A change in the ownership of the Company shall occur on the date that any one person, or more than one person acting as a group (within the meaning of paragraph (iv)), acquires ownership of the Company stock that, together with the Company stock held by such person or group, constitutes more than 50% of the total voting power of the stock of the Company.

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

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

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

(ii) Change in Effective Control of the Company.

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

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

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

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

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

(iii) Change in Ownership of a Substantial Portion of the Company's Assets. A change in the ownership of a substantial portion of the Company's assets shall occur on the date that any one person, or more than

one person acting as a group (within the meaning of paragraph (iv)), acquires (or has acquired during the 12 month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value (within the meaning of paragraph (iii)(B)) equal to or more than 40% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions.

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

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

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

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

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

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

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

(iv) For purposes of this Section 9(d), persons shall be considered to be acting as a group if they are owners of an entity that enters into a merger, consolidation, purchase, or acquisition of assets, or similar business transaction with the Company. If a person, including an entity shareholder, owns stock in the Company and another entity with which the Company enters into a merger, consolidation, purchase, or acquisition of stock, or similar business transaction, such shareholder shall be considered to be acting as a group with the other shareholders in a corporation only to the extent of the ownership in that corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the other corporation. Persons shall not be considered to be acting as a group solely because they purchase or own stock of the Company at the same time, or as a result of the same public offering of the Company's stock.

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

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

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

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

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

SECTION 10

GOVERNING LAW

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

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 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 30, 2009

/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 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 30, 2009

/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, 2009, 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 30, 2009

/s/ D. ASHLEY LEE
D. ASHLEY LEE
Executive Vice President,
Chief Operating Officer, and
Chief Financial Officer
July 30, 2009