Cardiogenesis Corp /CA
Form DEFM14A
May 05, 2011

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

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Under Rule 14a-12

Cardiogenesis Corporation

(Name of Registrant as Specified in its Charter)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

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

(1) Title of each class of securities to which transaction applies:
Cardiogenesis Corporation common shares, no par value (**Common Shares**)

(2) Aggregate number of securities to which transaction applies:
52,425,784 Common Shares

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
The proposed maximum aggregate value of the transaction for purposes of calculating the filing fee is $12,003,250.33. The filing fee was based upon (A) 26,265,318 shares of our common stock (including shares of unvested restricted stock) owned by persons other than CryoLife, Inc. or CL Falcon, Inc. and outstanding on May 4, 2011, multiplied by $0.457 per share, plus (B) 2,142,440 options to acquire common stock with an exercise price below $0.457 multiplied by $0.457 per share minus such exercise price (which amount equals $434,199.88) (the **Total Consideration**). The filing fee equals the product of 0.0001161 multiplied by the Total Consideration.

(4) Proposed maximum aggregate value of transaction:
$12,437,450.21

(5) Total fee paid:
$1,443.99

o Fee paid previously with preliminary materials.

þ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid: $2,891.15

(2) Form, Schedule or Registration proxy No: Schedule TO

(3) Filing party: CryoLife, Inc. and CL Falcon, Inc.

(4) Date Filed: April 5, 2011

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CARDIOGENESIS CORPORATION
11 Musick
Irvine, CA 92618
(949) 420-1800

May 6, 2011

Dear Shareholders:

You are cordially invited to attend a special meeting of shareholders (the **Special Meeting**) of Cardiogenesis Corporation, a California corporation (**Cardiogenesis**, **we**, **us** or **our**) to be held on Monday, May 16, 2011 at 8:30 a.m., Pacific Time, at Cardiogenesis principal offices, 11 Musick, Irvine, California 92618.

On March 28, 2011, we entered into an Agreement and Plan of Merger with CryoLife, Inc. (**CryoLife**) and CL Falcon, Inc. (**Merger Sub**), a wholly-owned subsidiary of CryoLife, which we subsequently amended and restated on April 14, 2011, (as amended and restated, the **Merger Agreement**). At the Special Meeting, we will ask you to approve and adopt the Merger Agreement. The Merger is the second and final step of the acquisition of Cardiogenesis by CryoLife. The first step was a tender offer by Merger Sub for 49.9% of the outstanding common shares of Cardiogenesis at a price of $0.457 per share, which was completed on May 2, 2011. The second, and final, step of CryoLife s acquisition of us consists of the merger of Merger Sub with and into Cardiogenesis pursuant to the Merger Agreement (the **Merger**). As a result of the Merger, Cardiogenesis will become a wholly-owned subsidiary of CryoLife.

If the Merger is completed, you will be entitled to receive $0.457 in cash, without interest thereon and less any required withholding taxes, for each share of Cardiogenesis common stock you own.

Our board of directors unanimously approved the Merger Agreement and the Merger and related transactions and unanimously determined that the Merger is advisable and fair to, and in the best interests of Cardiogenesis shareholders. **Our board of directors unanimously recommends that you vote FOR the proposal to approve and adopt the Merger Agreement**.

The Merger cannot be completed unless shareholders holding at least a majority of the outstanding common shares on the record date approve and adopt the Merger Agreement. **Your vote is very important.** Whether or not you plan to attend the Special Meeting, please complete, date, sign and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid reply envelope. If you attend the Special Meeting and vote in person, your vote by ballot will revoke any proxy previously submitted. **The failure to vote your shares of our common stock will have the same effect as a vote AGAINST approval of the proposal to adopt the Merger Agreement.**

If your shares of our common stock are held in street name by your bank, brokerage firm or other nominee, your bank, brokerage firm or other nominee will be unable to voter your shares of our common stock without instructions from you. You should instruct your bank, brokerage firm or other nominee to vote your shares of our common stock in accordance with the procedures provided by your bank, brokerage firm or other nominee. **The failure to instruct your bank, brokerage firm or other nominee to vote your shares of our common stock FOR approval of the proposal to adopt the Merger Agreement will have the same effect as voting AGAINST the proposal to adopt the Merger Agreement.**

The accompanying proxy statement provides you with detailed information about the Special Meeting, the Merger Agreement and the Merger. A copy of the Merger Agreement is attached as **Annex A** to the proxy statement. We encourage you to read the accompanying proxy statement in its entirety because it explains the proposed Merger, the documents related to the Merger and other related matters.

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Whether or not you plan to attend the Special Meeting, please take the time to submit a proxy by following the instructions on your proxy card as soon as possible. If your shares of our common stock are held in an account at a broker, dealer, commercial bank, trust company or other nominee, you should instruct your broker, dealer, commercial bank, trust company or other nominee how to vote in accordance with the voting instruction form furnished by your broker, dealer, commercial bank, trust company or other nominee.

On behalf of our board of directors and management of Cardiogenesis, we thank you for your support.

Best Regards,

Paul McCormick
Executive Chairman

This transaction has not been approved or disapproved by the Securities and Exchange Commission or any state securities commission. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the merits or fairness of this transaction or upon the adequacy or accuracy of the information contained in this proxy statement. Any representation to the contrary is a criminal offense.

The accompanying proxy statement is dated May 5, 2011 and is first being mailed to shareholders on or about May 6, 2011.

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CARDIOGENESIS CORPORATION
11 Musick
Irvine, CA 92618
(949) 420-1800

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
To Be Held May 16, 2011

NOTICE IS HEREBY GIVEN that the Special Meeting of Shareholders (the **Special Meeting**) of Cardiogenesis Corporation, a California corporation, will be held on Monday, May 16, 2011 at 8:30 a.m. Pacific Time at our principal executive offices, located at 11 Musick, Irvine, California, 92618 for the following purposes:

(1) To approve and adopt the Agreement and Plan of Merger, dated as of March 28, 2011, and as amended and restated on April 14, 2011 (as amended and restated, the **Merger Agreement**) by and among Cardiogenesis Corporation, a California corporation (**Cardiogenesis**, **we**, **us** or **our**), CryoLife, Inc., a Florida corporation (**CryoLife**), and CL Falcon, Inc., a Florida corporation and a wholly-owned subsidiary of CryoLife (**Merger Sub**).

(2) To consider and vote on a proposal to adjourn the Special Meeting, if necessary or appropriate, to do so.

(3) To transact any other business as may properly come before the Special Meeting or any reconvened meeting after any adjournment or postponement of the Special Meeting.

For more information about the Merger and the other transactions contemplated by the Merger Agreement, please review the accompanying proxy statement and the Merger Agreement attached as **Annex A**.

Our board of directors has fixed the close of business of May 4, 2011 as the record date for the determination of shareholders entitled to notice of and to vote and this Special Meeting and at any adjournment or postponement thereof. For ten days prior to the Special Meeting, a complete list of shareholders entitled to vote at the Special Meeting will be available for examination by any shareholder, for any purpose relating to the Special Meeting, during ordinary business hours at our principal offices located at 11 Musick, Irvine, California, 92618.

Please submit your proxy or voting instructions as soon as possible to make sure that your shares are represented and voted at the Special Meeting, whether or not you plan to attend the Special Meeting. Whether you attend the Special Meeting or not, you may revoke a proxy at any time before it is voted by filing with our corporate secretary a duly executed revocation of proxy, by properly submitting a proxy by mail with a later date or by appearing at the Special Meeting and voting in person. You may revoke a proxy by any of these methods, regardless of the method used to deliver your previous proxy. Attendance at the Special Meeting without voting will not itself revoke a proxy. If your shares are held in an account at a broker, dealer, commercial bank, trust company or other nominee, you must contact your broker, dealer, commercial bank, trust company or other nominee to revoke your proxy.

Cardiogenesis shareholders who do not vote in favor of approval and adoption of the Merger Agreement will have the right to seek appraisal and the fair value of their shares but only if they perfect their dissenters rights by complying with the required procedures under California law. See Approval of the Merger Agreement Dissenters Rights beginning on page 42 of the accompanying proxy statement.

After careful consideration, our board of directors has unanimously determined that the Merger is advisable, fair to and in the best interests of the shareholders of Cardiogenesis, and approved the Merger Agreement, the Merger and

other transaction contemplated by the Merger Agreement. **Accordingly, Cardiogenesis board of**

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directors recommends that you vote FOR approval of the proposal to adopt the Merger Agreement and FOR approval of the proposal to adjourn the Special Meeting, if necessary.

All shareholders are cordially invited to attend the Special Meeting.

YOUR VOTE IS VERY IMPORTANT TO US WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON. SHAREHOLDERS ARE URGED TO VOTE THEIR SHARES PROMPTLY BY MAIL, INTERNET, OR TELEPHONE AS INSTRUCTED ON THE ENCLOSED PROXY CARD OR VOTING INSTRUCTION CARD. PROXIES FORWARDED BY OR FOR BROKERS OR FIDUCIARIES SHOULD BE RETURNED AS REQUESTED BY THEM.

By Order of Our Board of Directors,

Paul McCormick
Executive Chairman

Irvine, California
May 5, 2011

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SUMMARY VOTING INSTRUCTIONS

Ensure that your shares of Cardiogenesis common stock can be voted at the Special Meeting by submitting your proxy or contacting your broker, dealer, commercial bank, trust company or other nominee.

If your shares of Cardiogenesis common stock are registered in the name of a broker, dealer, commercial bank, trust company or other nominee: check the voting instruction card forwarded by your broker, dealer, commercial bank, trust company or other nominee to see which voting options are available or contact your broker, dealer, commercial bank, trust company or other nominee in order to obtain directions as to how to ensure that your shares of our common stock are voted in favor of the proposals at the Special Meeting.

If your shares of Cardiogenesis common stock are registered in your name: submit your proxy as soon as possible by telephone, via the Internet, or signing, dating and returning the enclosed proxy card in the enclosed postage-paid envelope, so that your shares of our common stock can be voted in favor of the proposals at the Special Meeting.

Instructions regarding telephone and Internet voting are included on the proxy card.

For additional questions about the Merger, assistance in submitting proxies or voting shares of Cardiogenesis common stock, or to request additional copies of the proxy statement or the enclosed proxy card, please contact William R. Abbott, our Chief Financial Officer, at 11 Musick, Irvine, California, 92618, or via telephone at (949) 420-1800.

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CARDIOGENESIS CORPORATION
11 Musick
Irvine, CA 92618
(949) 420-1800

PROXY STATEMENT

This proxy statement contains information related to a Special Meeting of shareholders of Cardiogenesis Corporation, a California corporation, or Cardiogenesis, we, us or our, to be held on Monday, May 16, 2011, at 8:30 a.m., Pacific Time, at Cardiogenesis principal executive offices, 11 Musick, Irvine, CA 92618 and at any adjournments or postponements thereof. We are furnishing this proxy statement to shareholders of Cardiogenesis as part of the solicitation of proxies by Cardiogenesis board of directors for use at the Special Meeting. This proxy statement is dated May 5, 2011 and is first being mailed to shareholders on or about May 6, 2011.

SUMMARY TERM SHEET

This summary highlights selected information in this proxy statement and may not contain all the information about the Merger that is important to you. We have included page references in parentheses to direct you to more complete descriptions of the topics presented in this summary term sheet. You should carefully read this proxy statement in its entirety, including the annexes and the other documents to which we have referred you, for a more complete understanding of the matters being considered at the Special Meeting.

Parties to the Merger

Cardiogenesis Corporation
11 Musick,
Irvine, CA 92618
(949) 420-1800

We are a California corporation and we develop and market surgical products for the treatment of refractory angina in patients with chronic cardiac ischemia caused by coronary artery disease, or CAD, which remains a leading cause of death for persons over the age of 65. Our products are used to create transmural laser channels into the myocardium, commonly referred to as transmyocardial revascularization, or TMR, which has proven effective in reducing symptoms in patients with refractory angina compared to optimal medical management. We are also currently developing proprietary catheter-based systems for the delivery of biologics, such as stem cells, as an adjunctive therapy. Our PHOENIX Combination Delivery System™, for which we have received an Investigational Device Exemption, or IDE, is the first device developed for this purpose.

CryoLife, Inc.
1655 Roberts Boulevard, NW
Kennesaw, GA 30144

Incorporated in Florida in 1984, CryoLife, Inc., which we refer to as CryoLife, is a leader in the processing and distribution of implantable living human tissues for use in cardiac and vascular surgeries throughout the U.S. and Canada. CryoLife s CryoValve® SG pulmonary heart valve, processed using CryoLife s proprietary SynerGraft®

technology, has FDA 510(k) clearance for the replacement of diseased, damaged, malformed, or malfunctioning native or prosthetic pulmonary valves. CryoLife s CryoPatch® SG pulmonary cardiac patch has FDA 510(k) clearance for the repair or reconstruction of the right ventricular outflow tract (RVOT), which is a surgery commonly performed in children with congenital heart defects, such as Tetralogy of Fallot, Truncus Arteriosus, and Pulmonary Atresia. CryoPatch SG is distributed in three anatomic configurations: pulmonary hemi-artery, pulmonary trunk, and pulmonary branch. CryoLife s BioGlue® Surgical Adhesive is FDA approved as an adjunct to

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sutures and staples for use in adult patients in open surgical repair of large vessels. BioGlue is also CE marked in the European Community and approved in Canada and Australia for use in soft tissue repair and was recently approved in Japan for use in the repair of aortic dissections. CryoLife s BioFoam™ Surgical Matrix is CE marked in the European Community for use as an adjunct in the sealing of abdominal parenchymal tissues (liver and spleen) when cessation of bleeding by ligature or other conventional methods is ineffective or impractical. CryoLife also distributes PerClot®, an absorbable powder hemostat that has CE Mark designation allowing commercial distribution into the European Community. PerClot is also distributed in other countries outside of the European Community.

CL Falcon, Inc.
1655 Roberts Boulevard, NW
Kennesaw, GA 30144

CL Falcon, Inc., which we refer to as Merger Sub, is a Florida corporation and a wholly-owned subsidiary of CryoLife that was formed by CryoLife solely for the purpose of facilitating the acquisition of Cardiogenesis. To date, Merger Sub has not carried on any activities other than those related to its formation and completing the transaction contemplated by the Merger Agreement. Merger Sub currently owns 23,221,166 shares of our common stock, representing approximately 49.9% of our outstanding shares of common stock. Upon consummation of the proposed Merger, Merger Sub will merge with and into Cardiogenesis and will cease to exist with Cardiogenesis continuing as the surviving corporation and a wholly-owned subsidiary of CryoLife.

Overview of the Transaction
(page 14)

Cardiogenesis, CryoLife and Merger Sub entered into the Merger Agreement on March 28, 2011, and subsequently amended and restated the Merger Agreement on April 14, 2011. In the Merger Agreement, CryoLife agreed to acquire Cardiogenesis through a two-step process. The first step was a tender offer by Merger Sub for 49.9% of the outstanding shares of our common stock at a price of $0.457 per share, net to the seller in cash without interest thereon and less any applicable withholding tax, which was completed on May 2, 2011 and resulted in Merger Sub acquiring 49.9% of the outstanding shares of our common stock. The second step is a merger of Merger Sub with and into Cardiogenesis, with Cardiogenesis surviving as a wholly-owned subsidiary of CryoLife. The following will occur in connection with the Merger:

each outstanding common share issued and outstanding immediately prior to the effective time of the Merger (other than shares of our common stock held by us, CryoLife, or Merger Sub, or by any direct or indirect wholly-owned subsidiary of CryoLife, Merger Sub or Cardiogenesis or held by shareholders who are entitled to demand and properly demand and perfect appraisal of such shares of our common stock pursuant to, and who comply in all material respects with, Sections 1300-1313 of the California General Corporation Law (which shall be treated as described under Dissenters Rights beginning on page 41)) will by virtue of the Merger, and without action by the holder thereof, be canceled and converted into the right to receive $0.457 per common share;

all shares of our common stock so converted will, by virtue of the Merger, be canceled, and each holder of a certificate representing any shares of Cardiogenesis common stock will cease to have any rights with respect thereto, except the right to receive the $0.457 per share upon surrender of such certificate;

all shares of our common stock held in the treasury of Cardiogenesis or owned, directly or indirectly, by CryoLife, Merger Sub or any wholly-owned Subsidiary of Cardiogenesis immediately prior to the effective time shall be canceled and shall cease to exist, and no consideration shall be delivered in exchange

therefore; and

each outstanding common share of Merger Sub will be converted into one fully paid and non-assessable share of common stock, no par value, of the surviving corporation.

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Following and as a result of the Merger:

Cardiogenesis shareholders (other than CryoLife and its affiliates) will no longer have any interest in, and no longer be shareholders of, Cardiogenesis, and will not participate in any future earnings or growth;

our shares of common stock will no longer be quoted on the OTCQB; and

the registration of shares of our common stock under the Securities Exchange Act of 1934, as amended, will be terminated.

The Special Meeting
(page 11)

The Special Meeting will be held on Monday, May 16, 2011 at 8:30 a.m. Pacific Time at Cardiogenesis principal executive offices, 11 Musick, Irvine, California 92618. At the Special Meeting, you will be asked to, among other things, approve and adopt the Merger Agreement. Please see the section of this proxy statement captioned Questions and Answers About the Special Meeting and the Merger beginning on page 7 for additional information on the Special Meeting, including how to vote your shares of our common stock.

Shareholders Entitled to Vote
(page 11)

You may vote at the Special Meeting if you owned shares of our common stock at the close of business on May 4, 2011, the record date for the Special Meeting. On that date, there were 46,564,910 shares of our common stock outstanding and entitled to vote. Approval and adoption of the Merger Agreement requires the affirmative vote of the holders of at least a majority of the shares of our common stock outstanding and entitled to vote at the Special Meeting. Merger Sub owns 49.9% of the shares of our common stock as a result of the tender offer made pursuant to the Merger Agreement and will vote such shares in favor of approving and adopting the Merger Agreement.

Vote Required to Approve and Adopt the Merger Agreement
(page 12)

You may vote at the special meeting if you owned shares of our common stock at the close of business on May 4, 2011, the record date for the special meeting. On that date, there were 46,564,910 shares of our common stock outstanding and entitled to vote. You may cast one vote for each Cardiogenesis common share that you owned on that date. Approval and adoption of the Merger Agreement requires the affirmative vote of the holders of at least a majority of the shares of our common stock outstanding and entitled to vote at the special meeting. CryoLife, either directly or indirectly through Merger Sub, owns 49.9% of the shares of our common stock as a result of the tender offer made pursuant to the Merger Agreement and will vote such shares in favor of approving and adopting the Merger Agreement. These shares, together with shares held by the parties to the Support Agreement constitute a majority of the shares of Cardiogenesis common stock outstanding; as a result, we believe that approval of the Merger by Cardiogenesis shareholders is assured. See Support Agreement at page 60.

Payment for Common Shares
(page 50)

Computershare Inc. has been appointed as the Paying Agent to coordinate the payment of the Merger consideration to our shareholders. The Paying Agent will send written instructions for surrendering your Cardiogenesis common share

certificates, if your shares of our common stock are certificated, and obtaining the Merger consideration after we have completed the Merger. Do not return your stock certificates with your proxy card and do not forward your stock certificates to the Paying Agent prior to receipt of the written instructions. If you hold uncertificated shares of our common stock (i.e., you hold your shares in book entry form), you will receive your cash consideration once you send in your letter of transmittal and any other documents requested in the Paying Agent s instructions.

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Our Share Price
(page 64)

The shares of our common stock are currently quoted on the OTCQB under the symbol CGCP.PK. On March 28, 2011, the trading day prior to announcement of the signing of the Merger Agreement, the last sale price per common share was $0.32. The $0.457 per share to be paid for each Cardiogenesis common share in the Merger represents a premium of approximately 43% to the closing price on March 28, 2011. On May 5, 2011, the last trading day before the mailing of this proxy statement, the closing price per share was $0.45.

Recommendation of Our Board of Directors; Reasons for Recommending the Approval and Adoption of the Merger Agreement
(page 20)

On March 22, 2011, our board of directors (all of whom were unaffiliated with CryoLife at the time) unanimously determined that the Merger Agreement and the transactions contemplated thereby, including the tender offer and the Merger, are advisable and in the best interests of and are fair to Cardiogenesis and its shareholders and approved the Merger Agreement and the transactions contemplated thereby, including the tender offer and the Merger. Accordingly, our board of directors recommends that our shareholders vote **FOR** approval and adoption of the Merger Agreement.

In adopting the Merger Agreement and making the determination to recommend that the Merger Agreement be approved and adopted, Cardiogenesis board of directors consulted with Cardiogenesis management, as well as its financial and legal advisors, and considered a number of factors that the board members believed supported their decision. In particular, Cardiogenesis board of directors reviewed the possible alternatives to an acquisition by CryoLife and perceived risks of those alternatives, the range of potential benefits to shareholders of these alternatives and the timing and the likelihood of accomplishing the goals of such alternatives, and concluded that none of these alternatives were reasonably likely to present superior opportunities for Cardiogenesis to create greater value for shareholders, taking into account risks to the successful completion of a transaction as well as business, competitive, industry and market risks.

Background of the Merger
(pages 14 and 20)

For a description of the events leading to the adoption of the Merger Agreement by our board of directors, you should refer to Approval of the Merger Agreement Background of the Merger and Recommendation of Our Board of Directors; Reasons for Recommending the Approval of the Merger Agreement.

Opinion of Our Financial Advisor
(page 24)

B. Riley & Co., LLC, or B. Riley, on March 22, 2011 as updated and confirmed in writing on March 28, 2011, rendered its oral opinion to our board of directors to the effect that, as of such dates, the $0.457 per share to be received by Cardiogenesis shareholders pursuant to the Merger Agreement was fair, from a financial point of view, to such shareholders.

The full text of the written opinion of B. Riley is attached to this proxy statement as **Annex B**. We encourage you to read this opinion carefully in its entirety for a complete description of the procedures followed, assumptions made, matters considered, qualifications and limitations on review undertaken and other matters considered by B. Riley in

preparing its opinion. The opinion is directed to our board of directors and only addresses the fairness from a financial point of view of the per share consideration to be received by shareholders pursuant to the Merger and does not address any other aspect or implication of the transactions or any other agreement, arrangement or understanding entered into in connection with the Merger Agreement, including, without limitation, the support agreement, which we refer to as the **Support Agreement**.

B. Riley acted as a financial advisor to Cardiogenesis in connection with the tender offer and the Merger and will receive an estimated fee of approximately $192,000 from Cardiogenesis, of which approximately $146,000 is

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contingent upon the consummation of the tender offer and the Merger. B. Riley also received a fee of $100,000 for rendering its written opinion. The written opinion fee was not contingent upon the consummation of the tender offer and the Merger or the conclusions reached in B. Riley s written opinion. Cardiogenesis has also agreed to indemnify B. Riley against certain liabilities and reimburse B. Riley for certain expenses in connection with its services. The written opinion has been approved by the Fairness Opinion Committee of B. Riley. In the ordinary course of its business, B. Riley and its affiliates may actively trade securities of Cardiogenesis and CryoLife for its own account or the account of its customers and, accordingly, may at any time hold a long or short position in such securities. B. Riley may also, in the future, provide investment banking and financial advisory services to Cardiogenesis or CryoLife or entities that are affiliated with Cardiogenesis or CryoLife, for which B. Riley would expect to receive compensation.

Financing of the Tender Offer and the Merger
(page 33)

Consummation of the Merger and the other transactions contemplated by the Merger Agreement are not conditioned upon CryoLife or Merger Sub obtaining any financing. As of the date of this proxy statement, CryoLife has sufficient funds to complete the Merger.

Interests of Cardiogenesis Directors and Executive Officers in the Merger
(page 34)

Members of our board of directors and our executive officers may have interests in the transactions contemplated by the Merger Agreement that differ from, or are in addition to, those of our other shareholders. For example:

- as of March 25, 2011, Cardiogenesis directors and executive officers owned in the aggregate 911,561 shares of our common stock (excluding shares of our common stock issuable upon the exercise of options to purchase shares of our common stock and unvested shares of restricted stock);

- as of March 25, 2011, Cardiogenesis directors and executive officers held options to purchase 1,939,384 shares of our common stock in the aggregate, with exercise prices ranging from $0.13 to $2.57 per share. At the effective time of the Merger, each holder of an option will be entitled to receive an amount equal to the excess, if any, of $0.457, without interest, over the exercise price per share of such option, less any required withholding taxes. Cardiogenesis directors and executive officers will receive an aggregate of approximately $289,599 as a result of the option payments;

- as of March 25, 2011, Cardiogenesis executive officers held 365,318 shares of restricted stock subject to vesting. Pursuant to the terms of the Merger agreement, each share of restricted stock held by Cardiogenesis executive officers vested in full immediately prior to the date of the successful completion of the tender offer, which we refer to as the Acceptance Date. Thereafter, immediately prior to the effective time of the Merger, such shares of our common stock will convert into the right to receive $0.457 per share;

- if the Merger is consummated, our current officers may receive severance payments up to the following amounts: Mr. Lanigan, $241,875; Mr. McCormick, $37,272; and Mr. Abbott, $215,000, as described in the section Summary of Aggregate Proceeds that May be Received by Cardiogenesis Directors and Executive Officers beginning on page 41;

- our current and former directors and officers will continue to be indemnified and will have the benefit of liability insurance until six years after the effective time of the Merger;

in connection with the execution of the Merger Agreement, our directors and executive officers entered into the Support Agreement, pursuant to which such directors and executive officers agreed to tender their 911,561 shares of our common stock and 365,318 shares of restricted stock, for a total of 1,276,879 shares, into the tender offer at the request of CryoLife and to vote such shares, if any remain, in favor of the Merger;

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if the Merger is consummated, any shareholder derivative claims that are currently pending or that could be brought against the directors and officers of Cardiogenesis by current shareholders would likely be extinguished; and

CryoLife has agreed to a two-year employment agreement with Richard Lanigan. Certain of our other officers may receive employment agreements from CryoLife for employment, on an as-needed basis, after the consummation of the Merger.

Conditions to the Merger
(page 59)

We are working to complete the Merger as soon as possible. The Merger is subject to the satisfaction of several conditions, including the conditions described immediately below. As such, we cannot predict the exact time of the Merger s completion.

The completion of the Merger depends on satisfaction of the conditions below:

the Merger Agreement must have been approved and adopted by the affirmative vote of at least a majority of the votes entitled to be cast by the holders of the outstanding shares of our common stock; and

no judgment, ruling, order, writ, injunction or decree issued by a court of competent jurisdiction or any statute, law, ordinance, rule or regulation or other legal restraint or prohibition of any governmental authority shall be in effect that would make the Merger illegal or otherwise prevent the consummation thereof provided that the party seeking to assert this condition shall have used those efforts required under the Merger Agreement to resist, lift or resolve such judgment, ruling, order, writ, injunction or decree, statute, law, ordinance, rule or regulation or other legal restraint or prohibition.

Where legally permissible, a party may waive a condition to its obligation to complete the Merger even though that condition has not been satisfied, although the shareholder approval condition cannot be waived. None of Cardiogenesis, CryoLife or Merger Sub, however, has any intention to waive any condition as of the date of this proxy statement.

Dissenters Rights
(pages 42 and C-1)

If the Merger is consummated, persons who are then shareholders will have certain rights under California law to dissent and demand appraisal of, and payment in cash of the fair value of, their shares of our common stock. Any shares of our common stock held by a person who demands appraisal of such shares and who complies with the applicable provisions of California law shall not be converted into the right to receive Merger consideration. Such dissenters rights, if the statutory procedures were complied with, will lead to a judicial determination of the fair value (excluding any element of value arising from the accomplishment or expectation of the Merger) required to be paid in cash to such dissenting shareholders for their shares of our common stock. The value so determined could be more or less than, or the same as, the purchase price per share pursuant to the tender offer or the consideration per share to be paid in the Merger.

You should read Approval of the Merger Agreement Dissenters Rights beginning on page 42 for a more complete discussion of the dissenters rights in relation to the Merger as well as **Annex C** which contains a full text of the

applicable California statutes.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

Q: What matters will be voted on at the Special Meeting?

A: You will be voting on the following:

To consider and vote on a proposal to approve and adopt the Merger Agreement. The Merger is the second and final step of the acquisition of Cardiogenesis by CryoLife. The first step was a tender offer by Merger Sub for 49.9% of the outstanding shares of our common stock at a price of $0.457 per share, net to the seller in cash without interest thereon and less any withholding taxes, which was completed on May 2, 2011 and resulted in Merger Sub acquiring 49.9% of our outstanding common stock.

To consider and vote on a proposal to adjourn the Special Meeting, if necessary or appropriate, to do so.

Q: As a shareholder, what will I receive in the Merger?

A: You will be entitled to receive $0.457 in cash, without interest thereon and less any applicable withholding tax, for each Cardiogenesis common share that you own immediately prior to the effective time of the Merger as described in the Merger Agreement. For example, if you own 100 shares of Cardiogenesis common stock, you will receive $45.70 in cash in exchange for your shares of common stock, without interest and less any applicable withholding taxes. You will not own any shares of the capital stock in the surviving corporation.

Q: When and where is the Special Meeting of our shareholders?

A: The Special Meeting of shareholders will be held on Monday, May 16, 2011, at 8:30 a.m., Pacific Time, at Cardiogenesis principal executive offices, 11 Musick, Irvine, California 92618.

Q: What vote of our shareholders is required to approve and adopt the Merger Agreement?

A: For us to complete the Merger, shareholders holding at least a majority of the shares of our common stock outstanding at the close of business on the record date must vote **FOR** the proposal to approve and adopt the Merger Agreement. As a result of the tender offer, CryoLife beneficially owns a total of approximately 49.9% of the outstanding shares of our common stock as a result of the tender offer made pursuant to the Merger Agreement and will cause Merger Sub to vote all such shares in favor of approving and adopting the Merger Agreement. The shares held by CryoLife, together with the shares subject to the Support Agreement, represent a majority of our outstanding shares, so we believe that shareholder approval is assured.

Q: Who can attend and vote at the Special Meeting?

A: All shareholders of record as of the close of business on May 4, 2011, the record date for the Special Meeting, are entitled to receive notice of and to attend and vote at the Special Meeting, or any postponement or adjournment thereof. If you wish to attend the Special Meeting and your shares are held in an account at a broker, dealer, commercial bank, trust company or other nominee (i.e., in street name), you will need to bring a copy of your voting instruction card or statement reflecting your share ownership as of the record date. Street name holders who wish to vote at the Special Meeting will need to obtain a proxy from the broker, dealer, commercial bank, trust company or other nominee that holds their shares of our common stock. Seating will be limited at the Special Meeting. Shareholders of record will be verified against an official list available in the registration area at the meeting. We reserve the right to deny admittance to anyone who cannot adequately show proof of share ownership as of the record date.

Q: When will the shareholders list be available for examination?

A: A complete list of the shareholders of record as of the record date will be available for examination by shareholders of record beginning on May 6, 2011 at the Company s headquarters and will continue to be available through and during the Special Meeting.

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Q: How does our board of directors recommend that I vote?

A: Our board of directors unanimously recommends that our shareholders vote **FOR** the proposal to approve and adopt the Merger Agreement.

Q: Am I entitled to exercise dissenters rights instead of receiving the Merger consideration for my shares?

A: Yes. Cardiogenesis shareholders who do not vote in favor of approval and adoption of the Merger Agreement will have the right to seek appraisal and the fair value of their shares if the Merger closes but only if they perfect their dissenters rights by complying with the required procedures under the California General Corporation Law, or CGCL. See Approval of the Merger Agreement Dissenters Rights beginning on page 42 of the accompanying proxy statement. For the full text of Sections 1300-1313 of the CGCL, please see **Annex C** hereto.

Q: How do I cast my vote if I am a holder of record?

A: If you were a holder of record on May 4, 2011, you may vote in person at the Special Meeting or by submitting a proxy for the Special Meeting. You can submit your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed, postage paid envelope. Holders of record may also vote by telephone or the Internet by following the instructions on the proxy card.

If you properly transmit your proxy, but do not indicate how you want to vote, your proxy will be voted FOR the approval and adoption of the Merger Agreement.

Q: How do I cast my vote if my Cardiogenesis shares are held in street name by my broker, dealer, commercial bank, trust company or other nominee?

A: If you hold your shares in street name, which means your shares of our common stock are held of record on May 4, 2011 by a broker, dealer, commercial bank, trust company or other nominee, you must provide the record holder of your shares of our common stock with instructions on how to vote your shares of our common stock in accordance with the voting directions provided by your broker, dealer, commercial bank, trust company or other nominee. **If you do not provide your broker, dealer, commercial bank, trust company or other nominee with instructions on how to vote your shares, your shares of our common stock will not be voted, which will have the same effect as voting AGAINST the approval and adoption of the Merger Agreement.** Please refer to the voting instruction card used by your broker, dealer, commercial bank, trust company or other nominee to see if you may submit voting instructions using the Internet or telephone.

Q: What will happen if I abstain from voting or fail to vote on the proposal to approve and adopt the Merger Agreement?

A: If you abstain from voting, fail to cast your vote in person or by proxy or fail to give voting instructions to your broker, dealer, commercial bank, trust company or other nominee, it will have the same effect as a vote **AGAINST** approval and adoption of the Merger Agreement.

Q: Can I change my vote after I have delivered my proxy?

A: Yes. If you are a record holder, you can change your vote at any time before your proxy is voted at the Special Meeting by properly delivering a later-dated proxy either by mail, the Internet, or telephone, or attending the Special Meeting in person and voting. You also may revoke your proxy by delivering a notice of revocation to

Cardiogenesis corporate secretary prior to the vote at the Special Meeting. If your shares are held in street name, you must contact your broker, dealer, commercial bank, trust company or other nominee to revoke your proxy.

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Q: What should I do if I receive more than one set of voting materials?

A. You may receive more than one set of voting materials, including multiple copies of this proxy statement or multiple proxy or voting instruction cards. For example, if you hold your shares of our common stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares of our common stock. If you are a holder of record and your shares of our common stock are registered in more than one name, you will receive more than one proxy card. **Please submit each proxy and voting instruction card that you receive**.

Q: If I am a holder of certificated Cardiogenesis common shares, should I send in my share certificates now?

A: No. Promptly after the Merger is completed, each holder of record as of the time of the Merger will be sent a letter of transmittal and written instructions for exchanging their share certificates for the Merger consideration. These instructions will tell you how and where to send in your certificates for your cash consideration. You will receive your cash payment after the Paying Agent receives your share certificates, your letter of transmittal and any other documents requested in the instructions. Please do not send certificates with your proxy. Holders of uncertificated shares of our common stock (i.e., holders whose shares are held in book entry) will receive their cash consideration after the paying agent receives their letter of transmittal and any other documents requested in the Paying Agent s instructions.

Q: When is the Merger expected to be completed?

A: We are working to complete the Merger as quickly as possible. We cannot, however, predict the exact timing of the Merger. In order to complete the Merger, we must obtain shareholder approval and the other closing conditions under the Merger Agreement must be satisfied or waived.

Q: Who can help answer my questions?

A: If you have any questions about the Merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card, you should contact William R. Abbott, our Chief Financial Officer, at 11 Musick, Irvine, California, 92618, or via telephone at (949) 420-1800.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement, and the documents to which we refer you in this proxy statement, as well as information included in oral statements or other written statements made or to be made by us, contain statements that, in our opinion, may constitute forward-looking statements that are not historical facts.

Cardiogenesis has identified some of these forward-looking statements with words like believe, may, could, would, might, possible, potential, will, should, expect, intend, plan, anticipate, estimate, approximate the negative of these words, other terms of similar meaning or the use of future dates. Forward-looking statements in this proxy statement include without limitation statements regarding the anticipated timing of filings and approvals relating to the Merger; statements regarding the expected timing of the completion of the Merger; statements regarding the ability to complete the Merger considering the various closing conditions; statements regarding expected tax treatment for the Merger; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. Investors and security holders are cautioned not to place undue reliance on these forward-looking statements. Actual results could differ materially from those currently anticipated due to a number of risks and uncertainties. Risks and uncertainties that could cause results to differ from expectations include: uncertainties as to the timing of the Merger; uncertainties as to how many of Cardiogenesis shareholders will vote their shares of our common stock in favor of the Merger; the risk that competing offers will be made; the possibility that various closing conditions for the transactions contemplated by the Merger Agreement may not be satisfied or waived, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of such transactions; the effects of disruption from the transactions contemplated by the Merger Agreement making it more difficult to maintain relationships with employees, customers, vendors and other business partners; the risk that shareholder litigation in connection with the Merger may result in significant costs of defense, indemnification and liability or otherwise delay or prevent the Merger; other business effects, including the effects of industry, economic or political conditions outside of Cardiogenesis control; transaction costs; actual or contingent liabilities; and other risks and uncertainties discussed in Cardiogenesis filings with the SEC, including the Risk Factors sections of Cardiogenesis most recent annual report on Form 10-K and subsequent quarterly reports on Form 10-Q, as well as the Risk Factors set forth in the Offer to Purchase previously mailed to Cardiogenesis shareholders.

Copies of Cardiogenesis filings with the U.S. Securities and Exchange Commission, or the SEC, may be obtained at the Investors section of Cardiogenesis website at http://www.cardiogenesis.com under the caption SEC Filings. Cardiogenesis does not undertake any obligation to update any forward-looking statements as a result of new information, future developments or otherwise, except as expressly required by law. All forward-looking statements in this proxy statement are qualified in their entirety by this cautionary statement.

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THE CARDIOGNESIS SPECIAL MEETING

We are furnishing this proxy statement to Cardiogenesis shareholders as part of the solicitation of proxies by the Cardiogenesis board of directors for use at the Special Meeting.

Date, Time and Place

We will hold the Special Meeting on Monday, May 16, 2011, at 8:30 a.m., Pacific Time, at Cardiogenesis principal executive offices, 11 Musick, Irvine, California 92618. Seating will be limited to shareholders. Admission to the Special Meeting will be on a first-come, first-served basis.

Purpose of the Special Meeting

The Special Meeting is being held for the following purposes:

- to approve and adopt the Merger Agreement (see Approval of the Merger Agreement beginning on page 14);
- to consider and vote on a proposal to adjourn the Special Meeting, if necessary or appropriate to do so; and
- to transact any other business that is properly brought before the Special Meeting or any reconvened meeting after any adjournment or postponement of the Special Meeting.

Recommendation of Our Board of Directors

Cardiogenesis board of directors unanimously recommends that our shareholders vote **FOR** the approval and adoption of the Merger Agreement, and, if necessary, **FOR** an adjournment of the Special Meeting.

Record Date; Shareholders Entitled to Vote; Quorum

Only holders of record of shares of our common stock at the close of business on May 4, 2011, the record date, are entitled to notice of and to vote at the Special Meeting. On the record date, 46,564,910 shares of our common stock were issued and outstanding and held by 191 holders of record. Holders of record of shares of our common stock on the record date are entitled to one vote per common share at the Special Meeting on each proposal. For ten days prior to the Special Meeting, a complete list of shareholders entitled to vote at the Special Meeting will be available for examination by any shareholder, for any purpose relating to the Special Meeting, during ordinary business hours at our principal offices located at 11 Musick, Irvine, California 92618.

A quorum is necessary to hold a valid Special Meeting. A quorum will be present at the Special Meeting if the holders of a majority of shares of our common stock outstanding and entitled to vote on the record date are present, in person or by proxy.

Voting Procedures

Voting by Proxy or in Person at the Special Meeting

Holders of record can ensure that their shares of our common stock are voted at the Special Meeting by completing, signing, dating and delivering the enclosed proxy card in the enclosed postage-paid envelope. Submitting by this

method will not affect your right to attend the Special Meeting and to vote in person. If you plan to attend the Special Meeting and wish to vote in person, you will be given a ballot at the Special Meeting. Please note, however, that if your shares of our common stock are held in street name by a broker, dealer, commercial bank, trust company or other nominee and you wish to vote at the Special Meeting, you must bring to the Special Meeting a proxy from the record holder of the shares of our common stock authorizing you to vote at the Special Meeting.

Electronic Voting

Our holders of record and many shareholders who hold their common shares through a broker, dealer, commercial bank, trust company or other nominee will have the option to submit their proxy cards or voting

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instruction cards electronically by telephone or the Internet. Please note that there are separate arrangements for using the telephone depending on whether your common shares are registered in our records in your name or in the name of a broker, dealer, commercial bank, trust company or other nominee. Some brokers, dealers, commercial banks, trust companies or other nominees may also allow voting through the Internet. If you hold your common shares through a broker, bank or other nominee, you should check your voting instruction card forwarded by your broker, dealer, commercial bank, trust company or other nominee to see which options are available.

Abstentions

When an eligible voter attends the Special Meeting but decides not to vote, his or her decision not to vote is called an abstention. Properly executed proxy cards that are marked abstain or withhold authority on any proposal will be treated as abstentions for that proposal. Abstention shares will have the same effect as votes **AGAINST** a proposal if the minimum vote required for approval of the proposal is a majority of (i) the shares present and entitled to vote, or (ii) all shares outstanding and entitled to vote.

Broker Non-Votes

Broker non-votes occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal because (i) the broker does not receive voting instructions from the beneficial owner, and (ii) the broker lacks discretionary authority to vote the shares. Broker non-votes will not be treated as shares present and entitled to vote for purposes of any matter requiring the affirmative vote of a majority or other proportion of the shares present and entitled to vote (even though the same shares may be considered present for quorum purposes and may be entitled to vote on other matters). Thus, a broker non-vote will have the same effect as a vote **AGAINST** a proposal the passage of which requires an affirmative vote of the holders of a majority of the outstanding shares entitled to vote on such proposal. The inspector of elections appointed for the Special Meeting will determine whether a quorum is present, and will tabulate affirmative and negative votes, abstentions and broker non-votes.

Vote Required

Approval of the Merger Agreement

The approval and adoption of the Merger Agreement by our shareholders requires the affirmative vote of the holders of at least a majority of the shares of our common stock present in person or represented by proxy and entitled to vote at the Special Meeting as of the record date, either in person or by proxy. Merger Sub already owns 49.9% of the shares of our common stock as a result of the tender offer made pursuant to the Merger Agreement and will vote such shares for the approval and adoption of the Merger Agreement. The shares held by CryoLife, together with the shares subject to the Support Agreement, represent a majority of our outstanding shares, so we believe that shareholder approval is assured. Abstentions and broker non-votes will have the same effect as a vote **AGAINST** the proposal to adopt the Merger Agreement.

Approval of the Adjournment of the Special Meeting

If necessary, the approval of an adjournment to the Special Meeting requires the affirmative vote of the holders of at least a majority of the shares of our common stock outstanding and entitled to vote at the Special Meeting as of the record date, either in person or by proxy. Merger Sub already owns 49.9% of the shares of our common stock as a result of the tender offer made pursuant to the Merger Agreement and will vote such shares for an approval of the adjournment of the Special Meeting. The shares held by CryoLife, together with the shares subject to the Support Agreement, represent a majority of our outstanding shares, so we believe that shareholder approval is assured. Abstentions will have the same effect as a vote **AGAINST** the proposal to approve any adjournment. Broker

non-votes will not be relevant to the outcome.

Revocation of Proxies

Submitting a proxy on the enclosed form does not preclude a shareholder from voting in person at the Special Meeting. A shareholder of record may revoke a proxy at any time before it is voted by filing with our corporate secretary a duly executed revocation of proxy, by properly submitting a proxy by mail, the Internet or telephone with

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a later date or by appearing at the Special Meeting and voting in person. A shareholder of record may revoke a proxy by any of these methods, regardless of the method used to deliver the shareholder s previous proxy. Attendance at the Special Meeting without voting will not itself revoke a proxy. If the shares of our common stock you own are held in street name, you must contact your broker, dealer, commercial bank, trust company or other nominee to revoke your proxy.

Solicitation of Proxies

Cardiogenesis directors, officers and employees may solicit proxies by personal interview, mail, e-mail, telephone, facsimile or other means of communication. These persons will not be paid additional remuneration for their efforts. Cardiogenesis will also request brokers and other fiduciaries to forward proxy solicitation material to the beneficial owners of shares of Cardiogenesis common stock that the brokers and fiduciaries hold of record. Upon request, Cardiogenesis will reimburse them for their reasonable out-of-pocket expenses. The expense of the solicitation of proxies will be borne by Cardiogenesis.

Assistance

If you need assistance in completing your proxy card or have questions regarding the Special Meeting, please contact William R. Abbott, our Chief Financial Officer, at (949) 420-1800 or at 11 Musick, Irvine, California, 92618.

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APPROVAL OF THE MERGER AGREEMENT

The following is a description of the material aspects of the Merger. While we believe that the following description covers the material terms of the Merger, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire document, including the Merger Agreement attached to this proxy statement as ***Annex A****, for a more complete understanding of the Merger. The following description is subject to, and is qualified in its entirety by reference to, the Merger Agreement.*

Overview of the Transaction

Cardiogenesis, CryoLife and Merger Sub entered into the Merger Agreement on March 28, 2011 and amended and restated the Merger Agreement on April 14, 2011. In the Merger Agreement, CryoLife agreed to acquire Cardiogenesis through a two-step process. The first step was a tender offer by Merger Sub for 49.9% of the outstanding shares of our common stock at a price of $0.457 per share, net to the seller in cash without interest thereon and less any applicable withholding tax, which was completed on May 2, 2011, resulting in Merger Sub acquiring 49.9% of our outstanding common stock. The second step is a Merger of Merger Sub with and into Cardiogenesis, with Cardiogenesis surviving as a wholly-owned subsidiary of CryoLife. The following will occur in connection with the Merger:

- each outstanding common share issued and outstanding immediately prior to the effective time of the Merger (other than shares of our common stock held by us, CryoLife or Merger Sub, or by any direct or indirect wholly-owned subsidiary of CryoLife, Merger Sub or Cardiogenesis or held by shareholders who are entitled to demand and properly demand and perfect appraisal of such shares of our common stock pursuant to, and who comply in all material respects with, Sections 1300-1313 of the California General Corporation Law (which shall be treated as described under Dissenters Rights beginning on page 42)) will by virtue of the Merger, and without action by the holder thereof, be canceled and converted into the right to receive $0.457 per common share;

- all shares of our common stock so converted will, by virtue of the Merger be canceled, and each holder of a certificate representing any shares of Cardiogenesis common stock shall cease to have any rights with respect thereto, except the right to receive the $0.457 per share upon surrender of such certificate;

- all shares of our common stock held in the treasury of Cardiogenesis or owned, directly or indirectly, by CryoLife, Merger Sub or any wholly-owned subsidiary of Cardiogenesis immediately prior to the effective time of the Merger shall be canceled and shall cease to exist, and no consideration shall be delivered in exchange therefore; and

- each outstanding common share of Merger Sub will be converted into one fully paid and nonassessable share of common stock, no par value, of the surviving corporation.

Following and as a result of the Merger:

- Cardiogenesis shareholders (other than CryoLife and its affiliates) will no longer have any interest in, and no longer be shareholders of, Cardiogenesis, and will not participate in any of our future earnings or growth;

- our shares of common stock will no longer be quoted on the OTCQB; and

the registration of the shares of our common stock under the Securities Exchange Act of 1934, as amended, will be terminated.

Management and Board of Directors of the Surviving Corporation

The directors and officers of Merger Sub immediately prior to the effective time will be the initial directors and officers of the surviving corporation.

Background of the Merger

The following chronology summarizes the key meetings, conversations and events that led to the signing of the Merger Agreement. This chronology covers only key events leading up to the Merger Agreement and does not

purport to catalogue every communication between representatives of Cardiogenesis, CryoLife, Merger Sub and other parties.

As part of the ongoing evaluation of Cardiogenesis business, Cardiogenesis board and our senior management regularly review and assess opportunities to achieve long-term strategic goals and to maximize shareholder value, including potential opportunities for business combinations, acquisitions, dispositions, internal restructurings and other strategic alternatives. In July 2009, Cardiogenesis board discussed potential strategies capable of supporting Cardiogenesis future prospects while maximizing shareholder value. The strategies included (i) identifying privately-held companies with synergistic technologies with Cardiogenesis products with which a merger would provide a partial liquidity event for the shareholders of the private company while Cardiogenesis could acquire a pathway to regain a listing on a national exchange, (ii) a merger of equals with a candidate focused on regenerative medicine in which Cardiogenesis would represent the combined company s cardiovascular application, (iii) a sale of Cardiogenesis, and (iv) a financing transaction to provide Cardiogenesis with adequate resources to fund its research and development initiatives, increase product sales and to regain a listing on a national exchange. Although our board of directors did not determine that Cardiogenesis was for sale at such time, our board authorized Paul McCormick, Cardiogenesis Executive Chairman, to proceed with contacting those potential candidates who met the criteria described above.

Based on his extensive industry experience, Mr. McCormick identified the companies that would possibly satisfy the criteria discussed with our board of directors. In addition, Mr. McCormick had several informal discussions with representatives of investment banks that had experience in the medical device industry regarding alternative strategies, including the possibility of raising equity or debt capital under current market conditions, and identities of companies that might be interested in a strategic transaction with Cardiogenesis. Cardiogenesis did not engage a financial advisor at that time. Between July 2009 and July 2010, Mr. McCormick participated in multiple discussions with 23 strategic and financial parties to ascertain their potential interest in a transaction with Cardiogenesis. This resulted in Cardiogenesis presenting a summary of its publicly available information to 14 parties and entering into non-disclosure agreements with three parties, including CryoLife, to further discuss a potential transaction.

On October 6, 2009, Cardiogenesis entered into the 2009 NDA and the management of CryoLife attended a meeting with Cardiogenesis senior management to gain better understanding of Cardiogenesis business. Attending for CryoLife were Steven G. Anderson, Chief Executive Officer, D. Ashley Lee, Chief Operating Officer and Chief Financial Officer, Gerald B. Seery, Senior Vice President of Sales and Marketing, Scott B. Capps, Vice President of Clinical Research, Timothy M. Neja, Vice President of Laboratory Operations and William F. Northrup III, MD, Vice President of Physician Relations and Education, and for Cardiogenesis were Messrs. McCormick and Lanigan.

On October 16, 2009, Mr. Lee called Mr. McCormick to provide feedback on the October 14, 2009 meeting. Mr. Lee indicated that while CryoLife had interest in a transaction with Cardiogenesis, it had other opportunities that were of a higher priority at that time to CryoLife.

Of the 23 strategic and financial parties approached between July 2009 and July 2010, one candidate other than CryoLife expressed preliminary interest in discussing a potential transaction with Cardiogenesis. Company A expressed an interest in exploring a potential merger transaction with Cardiogenesis. During the summer and fall of 2010, Mr. McCormick had several in-person meetings and engaged in intermittent discussions with, and provided requested information to, representatives of Company A.

On August 12, 2010, Mr. Lee contacted Mr. McCormick to express CryoLife s renewed interest in evaluating a potential acquisition of Cardiogenesis, and requested additional information about Cardiogenesis business. On August 24, 2010, Cardiogenesis senior management met with representatives of Company A to discuss the scope and process of conducting due diligence. In addition, Cardiogenesis was presented with information about Company A s

current business and technology and the potential strategic advantages of a transaction between Cardiogenesis and Company A. Senior management of Company A provided Mr. McCormick with an outline of the process they believed would be required to complete a transaction with Cardiogenesis in a timely manner.

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On September 13, 2010, at a regularly scheduled meeting of our board of directors, Mr. McCormick updated our board of directors on discussions with Company A. A representative of K&L Gates LLP, which we refer to as K&L Gates, Cardiogenesis outside counsel, counseled our board of directors on its fiduciary duties in connection with a potential strategic transaction and outlined the process our board of directors should implement to properly evaluate a potential offer, including the retention of a financial advisor. In order to be in a better position to properly evaluate a potential transaction, our board of directors instructed Cardiogenesis senior management to interview and retain an investment bank to act as Cardiogenesis financial advisor.

In mid-September 2010, Mr. McCormick began discussions with representatives of Company A regarding the terms of a non-binding letter of intent which would set forth the general business terms of a proposed strategic transaction. Mr. McCormick continued to negotiate the terms of a potential transaction with Company A through October. Company A s verbal proposals involved a merger of equals transaction, but no formal offer was presented to Cardiogenesis. Mr. McCormick continued to interview investment banks as possible financial advisors.

On September 15, 2010, Mr. Lee held a telephone conference with Mr. McCormick to continue gathering information regarding Cardiogenesis business as CryoLife evaluated the potential acquisition of Cardiogenesis.

On September 29, 2010, Cardiogenesis entered into the 2010 NDA.

On October 1, 2010, Messrs. Anderson, Lee, Capps, Seery and David Fronk, Vice President, Regulatory Affairs and Quality Assurance, of CryoLife and Messrs. McCormick and Lanigan of Cardiogenesis held a telephone conference to continue CryoLife s evaluation of the potential acquisition and to gain more insight into Cardiogenesis business.

On October 6 and 7, 2010, members of CryoLife s management, with the assistance of Cardiogenesis management, participated in customer calls to discuss Cardiogenesis products.

On October 13, 2010, Mr. Lee had a telephone conference with Mr. McCormick to continue discussions about Cardiogenesis financial and operating performance and gather further information to aid in the evaluation of Cardiogenesis business. Mr. McCormick notified Mr. Lee that he was in discussions with Company A and expected to receive a draft letter of intent shortly that would include an exclusivity provision in the event CryoLife was interested in making a formal proposal.

On October 20, 2010, representatives of Piper Jaffray & Co., which we refer to as Piper Jaffray, financial advisor to CryoLife, sent a letter, on behalf of CryoLife, to Mr. McCormick which set forth the terms of a proposed strategic transaction. This indication of interest expressed CryoLife s preliminary interest in exploring a potential transaction involving Cardiogenesis at a range of between $0.36 and $0.40 per Share; was non-binding in nature and could be withdrawn or modified by CryoLife at any time, and was subject to due diligence conducted by CryoLife. Mr. McCormick discussed the indication of interest with a representative of K&L Gates. Mr. McCormick also had separate informal discussions with members of our board of directors regarding the indication of interest.

On October 22, 2010, Mr. Lee received a call from Mr. McCormick indicating that he did not think the proposal represented fair value based on revenues in comparable deals and did not believe the tender offer would be of interest to our board of directors. Mr. Lee indicated to Mr. McCormick that a portion of the consideration could be paid in CryoLife s stock, which CryoLife believed was undervalued. Mr. Lee suggested that senior management of CryoLife meet with our board of directors to provide more detail regarding CryoLife s business. Our board of directors agreed to a meeting with CryoLife s senior management and CryoLife s financial advisor, Piper Jaffray.

Our board of directors decided not to contact other potential purchasers at that time, since CryoLife s proposal was only preliminary, the range of consideration in the proposal to move forward with a transaction and our board of

directors had not otherwise determined that Cardiogenesis was for sale. Our board of directors was also concerned with the potential risks of contacting other parties at that time, including market communication risk and risks of disruption to its relationships with its stakeholders. However, Mr. McCormick continued to have discussions with representatives of Company A regarding a potential transaction.

Cardiogenesis entered into an engagement letter with B. Riley, dated November 7, 2010, to act as Cardiogenesis financial advisor in connection with evaluating potential transactions. Our board of directors selected B. Riley based on its experience and reputation with respect to business combination transactions, as well as its

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familiarity with Cardiogenesis business, products and pipeline. B. Riley had not been engaged to provide financial advisory services to Cardiogenesis in at least the prior three years. Following our board of directors decision to engage B. Riley, neither Cardiogenesis nor CryoLife held discussions with B. Riley regarding possible future engagements of B. Riley following this engagement by our board of directors. B. Riley immediately assisted Cardiogenesis in reviewing the indication of interest received from CryoLife and the status of the negotiations with Company A. In order to efficiently manage the process of reviewing potential proposals from third parties, our board of directors authorized Cardiogenesis senior management to review, analyze, and negotiate proposals from third parties, but no definitive steps relating to any such proposal could be made without the approval of our board of directors.

On November 9, 2010, CryoLife s senior management met in-person with our board of directors at the offices of K&L Gates to discuss the transaction proposed by the indication of interest and to provide information regarding CryoLife s current business and technology. Representatives from Piper Jaffray, B. Riley and K&L Gates were present at the meeting. Following the departure of CryoLife s senior management, representatives of B. Riley provided our board of directors a valuation overview of Cardiogenesis and metrics to consider when evaluating the alternatives presented by CryoLife and Company A. Our board of directors requested B. Riley to provide a more detailed valuation analysis of Cardiogenesis for our board of directors to consider. Our board of directors also engaged in extensive discussion regarding the benefits and risks of receiving stock consideration from either CryoLife or Company A.

On November 12, 2010, representatives of B. Riley contacted representatives of Piper Jaffray to indicate that Cardiogenesis may be interested in discussing a possible transaction with CryoLife, but would need review a financial analysis of Cardiogenesis by B. Riley to better understand CryoLife s offer.

On November 18, 2010, at a regular meeting of our board of directors, B. Riley made a presentation that analyzed the results and effect of a potential transaction with either CryoLife or Company A. B. Riley also presented to our board of directors information regarding Cardiogenesis current valuation. A representative from K&L Gates also attended the meeting. After considering, among other things, B. Riley s analysis, our board of directors concluded that, while the proposed price range in CryoLife s preliminary offer was insufficient, there was a potential opportunity to generate higher value through engaging in negotiations with CryoLife. Following this meeting, our board of directors instructed B. Riley to propose a counter-offer to CryoLife s previous indication of interest including the issuance of CryoLife s stock as part of the consideration, increasing the value of the total consideration to $0.50 per Share and requesting a go-shop period to allow Cardiogenesis to solicit competing bids after announcement of a transaction.

Between November 18, 2010 and late November, Mr. McCormick continued to negotiate with each of CryoLife and Company A. In late November, 2010, representatives of B. Riley approached 18 strategic partners, many of whom had already been previously contacted by Mr. McCormick, in order to gauge their interest in a potential transaction with Cardiogenesis. However, other than Company A, there was no additional interest in a potential transaction from any of the parties contacted. Company A sent a draft proposal to Cardiogenesis regarding a merger of equals transaction. However, our board of directors believed that a transaction with Company A was not desirable due to the impending delisting of Company A from its national securities exchange, Company A s uncertain capital resources and the integration risks of the combined company.

On November 26, 2010, representatives of B. Riley contacted representatives of Piper Jaffray to indicate that Cardiogenesis was interested in a potential transaction with CryoLife, but that the terms of the indication of interest would be insufficient. Representatives of B. Riley indicated Cardiogenesis may be interested in a transaction in which the consideration would be all stock and the consideration for each Share would be valued at $0.50.

On November 29, 2010, Cardiogenesis received a letter of intent from Piper Jaffray on behalf of CryoLife. Among other terms revised by CryoLife, the letter of intent proposed merger consideration consisting of both cash and stock consideration. CryoLife s letter of intent also increased the consideration for each Share to $0.50, required a $1 million

termination fee, did not allow our board of directors to have a go-shop period to solicit higher bids for a transaction, and required both parties to enter into a thirty-day exclusivity period whereby Cardiogenesis would be required to break off discussions with all other parties to allow for due diligence and the negotiation of a definitive Merger Agreement.

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On December 3, 2010, our board of directors held a special meeting to discuss the letter of intent from CryoLife. Representatives from K&L Gates and B. Riley also participated in the meeting. K&L Gates reviewed the legal terms of the letter of intent as well as discussed with our board of directors their fiduciary duties owed to Cardiogenesis shareholders under applicable state law when considering the proposed transaction. B. Riley then reviewed with our board of directors the discussions to date with CryoLife and the terms of the letter of intent. B. Riley then presented an update regarding the status of discussions with Company A. Our board of directors then extensively discussed, among other things, the prospects for Cardiogenesis remaining as an independent company, and whether a possible sale of Cardiogenesis would maximize value for Cardiogenesis shareholders. B. Riley was instructed to communicate to Piper Jaffray that our board of directors requested a 45-day go-shop provision.

On December 4, 2010, Mr. Lee notified Mr. McCormick that CryoLife was willing to agree to a 20 day go-shop provision, but the break up fee after the 20 day go-shop expired would increase to $1.5 million. CryoLife provided a letter of intent reflecting those additional terms.

On December 6, 2010, at a special meeting, our board of directors continued its review and discussion of CryoLife s letter of intent. Our board of directors considered the positive and negative factors and risks in connection with the proposed transaction, as discussed in the section entitled Recommendation of Our Board of Directors; Reasons for Recommending the Approval of the Merger Agreement beginning on page 20. K&L Gates reviewed our board of directors fiduciary duties owed to Cardiogenesis shareholders under applicable state law. Following such review and discussion, our board of directors authorized Mr. McCormick to execute the revised letter of intent and move forward with finalizing due diligence and preparing a definitive Merger Agreement. Cardiogenesis subsequently informed Company A that, as a result of the 30 day exclusivity period contained in the letter of intent, it was prohibited from engaging in further discussions with Company A due to contractual requirements.

On December 14, 2010, CryoLife commenced its confirmatory due diligence review of Cardiogenesis, including access to Cardiogenesis online data room.

In December 2010, CryoLife continued its due diligence efforts. On December 22, 2010, Cardiogenesis received a first draft of the Merger Agreement from Arnall Golden Gregory, LLP, which we refer to as AGG, CryoLife s outside counsel. K&L Gates immediately began to negotiate the Merger Agreement with AGG.

Several due diligence meetings between members of the management teams of Cardiogenesis and CryoLife were held from October 2010 through March 2011. These meetings covered numerous business, regulatory, legal and financial topics. The due diligence process also included telephonic due diligence discussions between Cardiogenesis and CryoLife s respective management and outside financial, legal and accounting advisors, and in-person due diligence review sessions, on-site due diligence visits to Cardiogenesis facilities and access to Cardiogenesis on-line data room containing financial, operational, regulatory, intellectual property, human resource, legal and other information concerning Cardiogenesis.

On January 4, 2011, Piper Jaffray informed B. Riley that, based upon the results of CryoLife s due diligence, CryoLife desired to revise the terms of its letter of intent. CryoLife now proposed, on a non-binding basis, an offer of either $0.50 per Share in all-cash consideration, or $0.45 per Share in an unspecified combination of cash and common stock of CryoLife. Cardiogenesis rejected such offer, which resulted in CryoLife submitting a new letter of intent on January 5, 2011 of either $0.50 per Share in all-cash consideration, or $0.47 per Share in 60% cash and 40% in common stock of CryoLife.

Our board of directors continued to discuss and review the revised proposal with the assistance of K&L Gates and B. Riley. On January 10, 2011, our board of directors unanimously agreed to accept the all-cash consideration offer of $0.50 per Share.

CryoLife continued its due diligence efforts through January and February 2011. During March 2011, CryoLife informed Cardiogenesis that, based on the completion of its final diligence review, it was willing to pay $0.45 per Share in the transaction. On March 4, 2011, our board of directors met to review the open issues identified from the diligence review and the revised offer. Mr. McCormick and B. Riley continued negotiating with CryoLife throughout March while K&L Gates and AGG continued their negotiation of the terms of the Merger Agreement.

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On March 21, 2011, CryoLife responded to the negotiation efforts with a final, all-cash offer of $0.457 per share, subject to our board of directors approval. On March 22, 2011, our board of directors met to consider the proposed transaction at the price of $0.457 per share. Representatives of K&L Gates and B. Riley also attended the meeting. Representatives of B. Riley reviewed with our board of directors its financial analysis of the proposed transaction. Representatives of K&L Gates reviewed with our board of directors the current status and terms of the proposed Merger Agreement including the mechanics of the Top-Up Option, CryoLife and Cardiogenesis respective termination rights, CryoLife s match rights, the Support Agreement, and the two-tier termination fee, as well as the fiduciary duties of directors in connection with their consideration of the transaction. Our board of directors discussed positive and negative factors relating to the proposed transaction, including the terms of the Top-Up Option, as well as the prospects of Cardiogenesis if it remained independent, including potential challenges, the timing and likelihood of accomplishing performance goals associated with success as an independent company, and the shareholders ability to gain or lose from Cardiogenesis future prospects as an independent company versus their ability to receive cash for their shares of our common stock in the proposed transaction. Representatives of B. Riley made a financial presentation and rendered to our board of directors its oral opinion on March 22, 2011 and confirmed by delivery of a written opinion, dated the same day, which opinion was subsequently updated on March 28, 2011 and confirmed by delivery of a written opinion, dated March 28, 2011, to the effect that the $0.457 per Share in cash to be paid to the holders of the shares of our common stock pursuant to the Merger Agreement was fair, from a financial point of view, to such holders as discussed in the section entitled Opinion of Our Financial Advisor beginning on page 24. B. Riley s written opinion, dated March 22, 2011 is attached hereto as **Annex B** and is incorporated by reference herein.

Between March 21, 2011 and March 28, 2011, representatives of K&L Gates and AGG finalized the Merger Agreement and the other definitive transaction agreements.

Our board of directors considered whether Cardiogenesis should spend additional time negotiating with CryoLife in an attempt to gain improved transaction terms and whether Cardiogenesis should seek negotiations with other potential acquirers, but believed that CryoLife would be unlikely to improve its price or other transaction terms and would be unlikely to keep its offer open while Cardiogenesis sought to solicit other parties, and that any delay would jeopardize the possibility of closing a transaction. In addition, as our board of directors had previously determined in the negotiations leading up to execution of the letter of intent, any attempt to solicit other potential acquirers would likely result in CryoLife withdrawing its proposal, and our board of directors believed that there may be no likely strategic acquirer of Cardiogenesis at this time who would offer a higher price than CryoLife. Our board of directors also considered that, if there were any other potential acquirers that would offer a higher price, the termination provisions in both the Merger Agreement and Support Agreement would enable such a superior transaction to be successfully pursued. Our board of directors believed that any continuation or expansion of the negotiation process at this time would provide a further distraction to Cardiogenesis senior management from running the business and would risk the confidentiality of the process as more parties potentially became involved over a longer period of time, which could result in disruption to Cardiogenesis relationships with employees, customers, vendors, distributors and others and require early disclosure of negotiations in the marketplace, which in turn could jeopardize Cardiogenesis bargaining position in any such negotiations.

After consideration of all of the factors discussed at this meeting and prior meetings, and the advice of its legal and financial advisors, our board of directors considered whether to accept CryoLife s offer and enter into the Merger Agreement at this time or to remain an independent company. Cardiogenesis senior management and Cardiogenesis financial and legal advisors answered questions from the members of our board of directors. B. Riley rendered an oral opinion to our board of directors, which was updated and confirmed in writing on March 28, 2011, to the effect that, based upon and subject to the matters described in the opinion, the consideration to be received by Cardiogenesis shareholders in the tender offer and related Merger was fair from a financial point of view. Following further discussion, our board of directors voted unanimously to approve and adopt the Merger Agreement with CryoLife and recommend that Cardiogenesis shareholders accept the tender offer.

On March 28, 2011, subsequent to the close of trading on the OTCQB and NYSE, CryoLife, Merger Sub and Cardiogenesis executed the Merger Agreement. Concurrently, Messrs. McCormick, Lanigan and Abbott and Cardiogenesis directors who together held approximately 2.7% of the outstanding shares of our common stock

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entered into the Support Agreement, by which they agreed to tender all of their shares of our common stock into the tender offer and/or vote them in favor of the Merger, subject to the terms and conditions set forth in such agreement.

On March 29, 2011, before the opening of trading on the OTCQB and NYSE, Cardiogenesis and CryoLife issued a joint press release announcing the execution of the Merger Agreement.

Also beginning on March 29, 2011, the day following the execution of the Merger Agreement, at the direction of our board of directors and under the supervision of Cardiogenesis senior management, representatives of B. Riley began the process of contacting parties to determine whether they might be interested in pursuing a transaction that would be superior to the proposed transaction with CryoLife.

On April 5, 2011, CryoLife and Merger Sub commenced the tender offer, which had an initial expiration date of May 2, 2011.

On April 14, 2011, subsequent to the close of trading on the OTCQB and NYSE, we executed the Amended and Restated Merger Agreement with CryoLife.

On April 15, 2011, we and CryoLife announced the Amended and Restated Merger Agreement and the proposed transaction with a joint press release before the opening of trading on the OTCQB and NYSE. The amendment reduced the number of shares subject to the tender offer to 49.9% of our outstanding shares of common stock, and also reduced the minimum condition to forty-nine and nine tenths percent (49.9%) of the then issued and outstanding shares.

As of April 18, 2011, none of the parties contacted during the go-shop process, on behalf of Cardiogenesis and at the direction of our board of directors, had submitted an acquisition proposal for Cardiogenesis, and there can be no assurance that such efforts will result in an alternative transaction being proposed or in a definitive agreement for such a transaction being entered into. We do not intend to announce further developments with respect to the solicitation process until our board of directors has made a decision regarding an alternative proposal, if any. On May 3, 2011, Merger Sub accepted for payment 23,221,166 shares of our common stock that were validly tendered into, and not withdrawn from the tender offer.

The portions of the history of the transaction set forth above that relate solely to CryoLife are based on statements made by CryoLife in the Offer to Purchase and Schedule TO, and have not been independently verified by Cardiogenesis.

Recommendation of Our Board of Directors; Reasons for Recommending the Approval of the Merger Agreement

Our Board of Directors Recommendation

At a special meeting of our board of directors convened on March 22, 2011, our board of directors (all of whom were unaffiliated with CryoLife or Merger Sub at that time) unanimously adopted and declared advisable the Merger Agreement, the tender offer and the Merger and unanimously determined that the Merger is in the best interests of Cardiogenesis and its shareholders. Accordingly, our board of directors recommends that our shareholders vote **FOR** approval and adoption of the Merger Agreement.

Reasons for the Recommendation of Cardiogenesis Board

In evaluating the Merger Agreement and the other transactions contemplated thereby, including the tender offer and the Merger, our board of directors consulted with Cardiogenesis senior management and legal counsel and financial advisor, and considered a number of positive and negative factors in recommending that all shareholders vote for the approval and adoption of the Merger Agreement:

Cardiogenesis Operating and Financial Condition; Prospects of Cardiogenesis

Our board of directors considered the current and historical financial condition, results of operations, and business of Cardiogenesis, as well as Cardiogenesis financial plan and prospects, if it were to remain an independent company. Our board of directors evaluated Cardiogenesis financial plan, including the execution

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risks and uncertainties, and the potential impact on the trading price of the shares of our common stock (which is not feasible to quantify in a definitive manner), if Cardiogenesis were to execute or fail to execute upon its financial plan. In particular, our board of directors considered the probability that Cardiogenesis would have to obtain additional debt or equity financing to complete its clinical trials for its PHOENIX Combination Delivery System and the potential difficulty in obtaining any financing. Our board of directors also considered the difficulty in expanding the market for transmyocardial revascularization with Cardiogenesis limited resources, and the fact that Cardiogenesis would need to seek additional capital resources to operate and grow its existing business as an independent company.

Available Alternatives; Results of Discussions with Third Parties

Our board of directors considered the possible alternatives to the acquisition by CryoLife and perceived risks of those alternatives, the range of potential benefits to shareholders of these alternatives and the timing and the likelihood of accomplishing the goals of such alternatives, as well as our board of directors assessment that none of these alternatives were reasonably likely to present superior opportunities for Cardiogenesis to create greater value for shareholders, taking into account risks to the successful completion of a transaction as well as regulatory, business, competitive, industry and market risks. Our board of directors also considered the results of the process that it had conducted, with the assistance of Cardiogenesis management and its financial and legal advisors, to evaluate strategic alternatives and the results of discussions with third parties regarding business combination and change of control transactions. Our board of directors considered the risk of CryoLife terminating its bid for Cardiogenesis. Our board of directors considered the indication of interest in a merger transaction expressed by Company A, including the investigation and diligence Company A had completed and the execution and business risks of any transaction with Company A.

Financial Market Conditions; Historical Trading Prices

Our board of directors considered the current regional, national and international economic climate and the conditions of the financial markets. Specifically, our board of directors considered the fact that our shares of our common stock were not quoted on a national securities exchange and there was limited trading volume, which they believed made achieving a successful financing transaction more difficult. Our board of directors considered historical market prices, volatility and trading information with respect to our shares of our common stock, including the fact that the tender offer represented a premium of approximately 52.3% over the closing price per share of our common stock on March 21, 2011, the last full trading day prior to the date of the meeting of our board of directors to consider and approve the Merger Agreement.

Opinion of the Cardiogenesis Financial Advisor

Our board of directors considered the written opinion of B. Riley delivered on March 22, 2011 and updated and confirmed in writing on March 28, 2011, to our board of directors as to the fairness, from a financial point of view and as of such date, of the tender offer price to be paid to shareholders pursuant to the Merger Agreement, as more fully described in the section entitled Opinion of Our Financial Advisor beginning on page 24.

Cash Consideration; Certainty of Value

Our board of directors considered the form of consideration to be paid to the shareholders in the tender offer and the Merger and the certainty of the value of cash consideration compared to stock or other forms of consideration, as well as the fact that CryoLife s proposal was not subject to obtaining any outside financing. Our board of directors considered the business reputation of CryoLife and its management and the substantial financial resources of CryoLife and, by extension, Merger Sub, which our board of directors believed supported the conclusion that a transaction with CryoLife and Merger Sub could be completed relatively quickly and in an orderly manner.

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Terms of the Merger Agreement

Our board of directors considered provisions of the Merger Agreement, including the respective representations and warranties (as qualified by information in confidential disclosure schedules provided by Cardiogenesis in connection with the signing of the Merger Agreement, which modify, qualify and create exceptions to the representations and warranties and allocate risk between Cardiogenesis, CryoLife, and Merger Sub, rather than establishing matters of fact, and, accordingly, may not constitute the actual state of facts about Cardiogenesis, CryoLife, or Merger Sub) and covenants and termination rights of the parties and termination fees payable by Cardiogenesis, including without limitation:

(1) *Cash Tender Offer*. The tender offer and the Merger provided for a prompt cash tender offer for 49.9% of the shares of our common stock to be followed by a Merger for the same consideration, thereby enabling shareholders, in an expeditious time frame, to obtain the benefits of the transaction in exchange for their shares of our common stock.

(2) *No Financing Condition*. CryoLife s obligations under the Merger Agreement are not subject to any financing condition, CryoLife s representations in the Merger Agreement that it has and will have sufficient funds available to it to consummate the tender offer and the Merger and CryoLife s financial strength.

(3) *Go Shop Provisions.* The provisions in the Merger Agreement that provided Cardiogenesis, for a period of twenty days from the execution of the Merger Agreement, which we refer to as the Go-Shop Period, the ability to initiate, solicit and encourage alternative acquisition proposals from third parties and to provide non-public information and to and engage in discussion or negotiations with third parties with respect to alternative acquisition proposals.

(4) *Ability to Respond to Certain Unsolicited Takeover Proposals*. The provisions in the Merger Agreement that provided for the ability of our board of directors, after the expiration of the Go-Shop Period, which we refer to as the No-Shop Period Start Date, in furtherance of the exercise of its fiduciary duties under California law, to engage in negotiations or discussions with any third party that had made a bona fide, written takeover proposal that our board of directors believed in good faith was reasonably likely to lead to a Superior Proposal (as defined in Section 6.2(h)(iv) of the Merger Agreement) and to furnish to such third party non-public information relating to Cardiogenesis pursuant to a confidentiality agreement that contained confidentiality provisions that were no less favorable to Cardiogenesis than those contained in the confidentiality agreement entered into with CryoLife.

(5) *Change of Recommendation; Fiduciary Termination Right*. In the event Cardiogenesis receives a takeover proposal that constitutes a Superior Proposal, our board of directors has the right, prior to the acceptance of the shares of our common stock in the tender offer by Merger Sub, to fail to make, withdraw or modify in a manner adverse to CryoLife its approval or recommendation to its shareholders of the tender offer or declaration of advisability of the Merger Agreement, the tender offer, or the Merger. However, our board of directors could not make such an adverse recommendation change in response to a takeover proposal received from a third party unless Cardiogenesis gave CryoLife five business days after delivery of such notice to propose revisions to the terms of the Merger Agreement (or make another proposal) and if CryoLife proposed to revise the terms of the Merger Agreement or make another proposal, Cardiogenesis, during such period, negotiated in good faith with CryoLife with respect to such proposed revisions or other proposal (with any material changes to an acquisition proposal requiring a new notice and a new one business day period for negotiations). Our board of directors had the ability to terminate the Merger Agreement to accept a Superior Proposal if (i) our board of directors determined in good faith, after consultation with outside legal counsel, that the failure to take such action was inconsistent with its fiduciary duties, (ii) Cardiogenesis complied with requirements set forth in the prior sentence and (iii) Cardiogenesis paid CryoLife the applicable termination fees of $1 million or $1.5 million.

(6) *Conditions to Consummation of the Tender Offer and the Merger; Likelihood of Closing*. The reasonable likelihood of the consummation of the transactions contemplated by the Merger Agreement and the fact that Merger Sub s and CryoLife s obligations to purchase shares of our common stock in the tender offer and to close the Merger are subject to limited conditions.

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Failure to Close; Public Announcement

Our board of directors considered the possibility that the transactions contemplated by the Merger Agreement may not be consummated, and the effect of a public announcement of the Merger Agreement, including effects on Cardiogenesis sales, operating results, stock price and employee retention.

Termination Fee

The Merger Agreement provides for a two tiered termination fee. If the termination fee becomes payable as a result of Cardiogenesis terminating the Merger Agreement in order to enter into a definitive acquisition agreement with respect to a Superior Proposal that is entered into prior to the No-Shop Period Start Date, the amount of the termination fee will be $1 million. If the termination fee becomes payable in other circumstances, the amount of the termination fee will be $1.5 million. Our board of directors considered that these provisions in the Merger Agreement could have had the effect of deterring third parties who might have been interested in exploring an acquisition of Cardiogenesis but was of the view that the payment of the termination fee was comparable to termination fees in transactions of a similar size, was reasonable and would not likely deter competing bids. In addition, our board of directors recognized that the provisions in the Merger Agreement relating to termination fees and non-solicitation of acquisition proposals were insisted upon by CryoLife as a condition to entering into the Merger Agreement and that the termination fee would not likely be required to be paid unless Cardiogenesis entered into, or intended to enter into, a definitive agreement with respect to a Superior Proposal.

Support Agreement

Our board of directors considered the fact that CryoLife required each executive officer and all members of our board of directors, who together owned approximately 2.7% of the outstanding shares of our common stock as of March 25, 2011, to enter into the Support Agreement, pursuant to which such persons were required to (i) tender in the tender offer, and not withdraw, 100% of the shares of our common stock owned by them, if so requested by CryoLife, (ii) vote 100% of the shares of our common stock owned by them in favor of the adoption of the Merger Agreement and to approve the Merger in the event shareholder approval is required to consummate the Merger pursuant to Section 1201 of the CGCL and against any competing transactions, (iii) appoint CryoLife as a proxy to vote 100% of the shares of our common stock owned by them in connection with the Merger Agreement, and (iv) not otherwise transfer the share of our common stock. Our board of directors further considered that the Support Agreement and the obligations of such shareholders thereunder would terminate in the event the Merger Agreement was terminated. Our board of directors also considered whether the terms of the Support Agreement could limit our board of directors ability to consider, recommend or accept a competing bid and create a barrier to potential competing offers and concluded that it did not because the Support Agreement terminated upon termination of the Merger Agreement, including a termination arising in connection with Cardiogenesis acceptance of a Superior Proposal.

The foregoing discussion of information and factors considered and given weight by our board of directors is not intended to be exhaustive, but is believed to include all of the material factors considered by our board of directors. In view of the variety of factors considered in connection with its evaluation of the tender offer and the Merger, our board of directors did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determinations and recommendations. In addition, individual members of our board of directors may have given different weights to different factors.

Our board of directors determined that the factors described above under *Cardiogenesis Operating and Financial Condition; Prospects of Cardiogenesis*, *Available Alternatives; Results of Discussions with Third Parties*, *Financial Market Conditions; Historical Trading Prices*, *Opinion of Cardiogenesis Financial Advisor*, *Cash Consideration; Certainty of Value*, and *Terms of the Merger Agreement* are reasons in support of our board of directors decision to

recommend that all shareholders accept the tender offer and tender their shares of our common stock pursuant to the tender offer and vote to approve and adopt the Merger Agreement. Our board of directors considered the other factors described above as neutral or negative and concluded that the reasons for recommending that all shareholders accept the tender offer and tender their shares of our common stock pursuant to the tender offer and vote to approve and adopt the Merger Agreement outweighed the neutral and negative factors.

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In arriving at their respective recommendations, our directors were aware of the interests of Cardiogenesis executive officers and directors as described in more detail throughout this proxy statement.

Opinion of Our Financial Advisor

Pursuant to an engagement letter dated November 7, 2010, Cardiogenesis retained B. Riley to deliver its opinion, which we refer to as the Opinion, as to the fairness, from a financial point of view, of the consideration to be received by the holders of the shares of our common stock in the tender offer and the Merger, which we sometimes refer to together as the Transaction. At a meeting of our board of directors on March 22, 2011, B. Riley delivered its oral Opinion to our board of directors which was confirmed in a written Opinion, dated the same day, (subsequently such Opinion was updated as of March 28, 2011 and confirmed in a written opinion dated March 28, 2011) that based upon and subject to the assumptions, procedures, considerations and limitations set forth in the written opinion and based upon such other factors as B. Riley considered relevant, that the consideration (as defined below) to be paid in connection with the tender offer and the Merger is fair, from a financial point of view, to the holders of the shares of our common stock as of the date of the Opinion.

The full text of the written Opinion of B. Riley, dated March 22, 2011, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by B. Riley in rendering its opinion, is attached as Annex B to this Proxy Statement and is incorporated by reference herein. The Opinion addresses only the fairness, from a financial point of view as of the date of the Opinion, of the consideration to be paid pursuant to the Merger Agreement to the holders of the shares of our common stock. B. Riley s Opinion was directed solely to our board of directors in connection with its consideration of the Transaction and was not intended to be, and does not constitute, a recommendation to any shareholder as to how such holders should act, vote or tender their shares of our common stock in regards to the Transaction.

In connection with rendering the Opinion described above and performing its financial analyses, B. Riley, among other things performed the following:

Reviewed and analyzed certain historical and projected financial information for Cardiogenesis;

Interviewed Cardiogenesis management and discussed Cardiogenesis operations, financial conditions, future prospects and business plans;

Reviewed Cardiogenesis audited financial statements for the three fiscal years ended December 31, 2009, and the unaudited financial results for the fiscal year ended December 31, 2010;

Reviewed CryoLife s audited financial statements for the four fiscal tears ended December 31, 2010;

Reviewed certain internal financial statements and forecasts prepared by Cardiogenesis management and also reviewed other financial and operating data concerning Cardiogenesis, which we refer to as the Projections. With respect to the Projections, upon advice of Cardiogenesis, B. Riley assumed that such projections were reasonably prepared on a basis reflecting the best currently available estimates and judgments of Cardiogenesis management as to the future financial performance of Cardiogenesis;

Reviewed the final Merger Agreement, dated March 28, 2011;

Reviewed certain publicly available financial data, stock market performance data and trading multiples of companies which it deemed general comparable to Cardiogenesis;

Performed a discounted cash flow analysis based on future projected cash flows for Cardiogenesis prepared by management;

Performed a series of commonly used and widely accepted analyses relating to determining a fair value for the transactions of the type and profile of the present transaction;

Reviewed the current and historical reported prices and trading activity of the shares;

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Reviewed historical ratios, valuation multiples and other financial data for the shares of our common stock and compared them to certain publicly traded companies which B. Riley deemed generally comparable to Cardiogenesis;

Reviewed the financial terms, to the extent publicly available, of certain comparable merger and acquisition transactions that B. Riley deemed relevant; and

Reviewed the premiums paid with respect to selected recent acquisitions of publicly traded companies of similar size to Cardiogenesis.

In addition, B. Riley conducted such other financial studies, analyses and investigations and evaluated such other information as it deemed necessary in arriving at its opinion.

The following is a summary of the material financial analyses performed by B. Riley in connection with the preparation of its Opinion, which was reviewed with, and verbally delivered to, our board of directors at a meeting held on March 22, 2011 and confirmed in a written opinion, dated the same day, and which was updated on March 28, 2011 and confirmed in a written opinion dated March 28, 2011. The preparation of analyses and a fairness opinion is a complex analytic process involving numerous determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, this summary does not purport to be a complete description of all of the analyses performed by B. Riley.

This summary includes financial information and tables, which must be read and considered as a whole with other