

February 24, 2010

Dear Medafor Shareholders,

We are aware that you have received and may continue to receive numerous communications from CryoLife regarding its unsolicited proposal to acquire Medafor for \$2.00 per share in an undefined combination of CryoLife stock and cash. We would like to take this opportunity to set the record straight about CryoLife's proposal and address a few of the misleading statements propagated by CryoLife as part of its aggressive campaign to acquire our valuable MPH technology at a price that your Board, with the advice of an outside financial advisor, has deemed to be grossly inadequate.

We will not engage in a tit-for-tat dispute with CryoLife and will not spend any more time re-visiting the soundness of our decision with them. Your Board has made its determination regarding the CryoLife proposal, we provided you with our evaluation and conclusion, and a solid majority of you have already expressed agreement with our decision.

We recognize that you may have some questions. We also know that CryoLife's public statements have not always accurately depicted the truth about our Company and its future prospects. We have attached a set of Frequently Asked Questions, which we hope will shed light on the misinformation and half truths contained in CryoLife's statements. This document will be available on our website and will be updated as necessary.

Your management and Board remain committed to delivering full and fair value to all Medafor shareholders.

Thank you for your continued support. Please feel free to contact us with any questions or comments.

Sincerely,



Gary Shope  
Chief Executive Officer

## **Frequently Asked Questions For Medafor Shareholders About CryoLife's Unsolicited Proposal**

### **1. Why did the Medafor Board of Directors reject CryoLife's unsolicited proposal to acquire Medafor for \$2.00 per share in an undefined combination of CryoLife stock and cash?**

After a comprehensive review alongside independent financial and legal advisors, Medafor's Board of Directors unanimously determined that CryoLife's unsolicited proposal to acquire Medafor for \$2.00 per share in an undefined combination of CryoLife stock and cash grossly undervalues the Company and its future prospects, and is not in the best interests of Medafor's stakeholders.

The Board concluded that given Medafor's financial success over the past five years under its current management and its robust growth prospects going forward, now is simply not the right time to sell the Company.

### **2. Why has Medafor decided not to meet and negotiate with CryoLife, even though CryoLife claims that such negotiations could result in a price higher than it is currently proposing?**

Such a meeting would imply that we are negotiating a sale of the Company, or that \$2.00 per share in CryoLife stock and cash is even close to a fair price. The Board is unanimous in its view that this grossly undervalues the Company and its future prospects, and that now is not the right time to sell the Company.

The Medafor Board and management believe that, contrary to its unsolicited communications to Medafor shareholders, CryoLife has not tried to work amicably and productively with Medafor management. CryoLife has been a hostile and unproductive partner and, indeed, has brought a costly and malicious lawsuit against Medafor.

### **3. Why has CryoLife continued to pursue Medafor so aggressively when Medafor's Board of Directors has already determined that the Company is not for sale at this time?**

Quite simply, the Board believes that CryoLife needs Medafor far more than Medafor needs CryoLife. Hemostase is a high growth product, and without it, we believe CryoLife could be facing a declining revenue curve with high fixed costs. Specifically, CryoLife's tissue preservation service is a low margin and low growth business, and CryoLife's BioGlue patents are set to expire in the U.S. in 2012, and in the rest of the world in 2013.

The Board also believes that, given Medafor's strong growth prospects, CryoLife's management realizes that the price of acquiring Medafor and its valuable MPH technology will only increase over time. However, while Medafor recognizes and appreciates that the Hemostase MPH product is critical to CryoLife's business and future growth, our Board believes that this proposal, and CryoLife as a potential acquirer, are not in the best interests of Medafor or its shareholders.

**4. From whom did CryoLife acquire its 11% stake in Medafor?**

The shares were sold by the same five shareholders, including three founders who also backed the costly proxy fight waged by Dick Perkins in 2007: James Drake, Donald Sturtevant, Ted Adams, Tom McGoldrick and Brad Radichel. Mr. Perkins was defeated outright when an overwhelming 70% of Medafor shareholders voted in support of management.

**5. Can CryoLife call a special shareholders meeting in order to further its proposal?**

Corporate law in Minnesota, where Medafor is incorporated, requires a shareholder or shareholders to hold 25 percent or more of the voting shares in order to call a special meeting "for the purpose of considering any action to directly or indirectly facilitate or effect a business combination, including any action to change or otherwise affect the composition of the board of directors for that purpose." Since CryoLife says it owns only 11 percent of Medafor's outstanding shares, it would be unable to call such a meeting on its own.

**6. What has Medafor been hearing from its shareholders about their Board's decision to reject CryoLife's proposal?**

Our shareholders have told us that they are extremely supportive of their Board's decision to reject CryoLife's unsolicited proposal. We encourage our shareholders to contact us directly to express their support or with any questions or comments:

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(717) 574-7083  
[shope@medafor.com](mailto:shope@medafor.com)

Paul Gray (Independent Medafor Director)  
(713) 416-7621  
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**7. How is Medafor well-equipped to maximize the potential of its MPH product as an independent company?**

*Proven Growth:* Over the past five years under the current management team, Medafor has rapidly increased MPH market penetration worldwide, continued to build market share in its core markets in the USA, China and Japan, and expanded the MPH technology via the development of new applicators and products. As a result of these efforts, Medafor has experienced exceptional worldwide revenue growth and significant increases in operating profitability and cash generation.

*Management Team with Demonstrated Results:* Since taking the helm of the Company, which was virtually bankrupt in 2005, Medafor's management team has greatly improved the Company's financial position and generated value for Medafor shareholders. The current management team successfully accelerated FDA approval and averaged compound growth in sales of hemostatic powder of about 75% annually from 2005 to 2009.

*Strong, Dedicated Sales Force:* Medafor benefits from an entrepreneurial and dedicated U.S. sales force that we believe is more efficient than CryoLife's and more fully understands and appreciates how to develop a new product. For this reason, Medafor's own sales organization has generated significantly more new MPH business in the U.S. alone than CryoLife's direct sales force and international sales organization combined.

*Unique Ability to Capitalize on Market Opportunities Going Forward:* Now that the Arista/ MPH product is generating strong operating cash flow, Medafor is focused on expanding the range and scope of various surgical and medical applications in key specialty areas, like ENT, OB GYN, Orthopedics and Neurosurgery, which are excluded under the current exclusive distribution agreement and in which CryoLife has minimal sales experience. We see these as vital growth areas for the MPH product going forward.

**8. What was the nature of the going concern opinion received from KPMG in 2008?**

Last year, KPMG issued a going concern opinion in conjunction with its audit report on the Medafor 2008 audited accounts (now 14 months old). This was not unexpected, nor is it unusual for early stage high growth companies transitioning to cash flow profitability. In short, the opinion indicates that the Company either has to raise capital or significantly improve profitability to stay in business. Medafor has done both. As a result, management is optimistic that a going concern opinion qualification will likely not apply for the 2009 audited financial statements.

**9. Why is CryoLife suing Medafor, even though it is a business partner and continues to distribute Medafor's MPH product?**

CryoLife brought suit against Medafor shortly after the Medafor Board rejected its second unsolicited proposal to acquire our Company for an amount that the Board determined to be grossly inadequate. We believe that this frivolous lawsuit is entirely without merit, and brought by CryoLife for the purpose of distracting management and embroiling the Company in costly litigation in furtherance of CryoLife's strategy to acquire Medafor.

CryoLife has made it very clear that the MPH product is critical to its business, both as an independent product and as a bundle with its BioGlue surgical adhesive. We believe the hostile actions taken by CryoLife are opportunistic attempts to pressure Medafor into selling our valuable technology at a heavily discounted price, and only serve to distract management and waste resources that could otherwise be deployed to enhance shareholder value.

**10. Will Medafor's business be affected if the agreement with CryoLife is terminated?**

Medafor's distribution agreement with CryoLife was entered into in 2008 at a time when Medafor's resources were limited. Since that time, the Company has rapidly advanced on a global basis, diminishing the relative importance of CryoLife to Medafor.

Though CryoLife claims to have achieved \$6 million in sales of Hemostase in 2009, this calculation fails to mention that a portion of that business came from already established sales for the USA cardiac and vascular fields that Medafor transferred to CryoLife under the terms of the distribution contract. At present, sales to CryoLife represent less than 20% of Medafor's total sales (\$2.7 million out of \$13.8 million in total revenue), despite the fact that CryoLife has exclusive agreements to sell into cardiac and vascular surgeries in the United States (excluding DoD facilities) and into cardiac, vascular and general surgeries in the rest of the world (excluding China and Japan, and ENT, orthopedic, neurosurgery and topical applications). We believe that CryoLife's direct sales force is used to being the dominant market player in tissue sales/services and BioGlue, and has not really demonstrated how to effectively develop a new product.