UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the Quarterly Period Ended September 30, 1996
Commission File Number 0-21104

CRYOLIFE, INC.
(Exact name of registrant as specified in its charter)

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

2211 New Market Parkway, Suite 142
Marietta, Georgia 30067
(Address of principal executive offices)
(zip code)

(770) 952-1660
(Registrant's telephone number, including area code)

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

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

YES X NO
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The number of shares of common stock, par value $0.01 per share, outstanding on November 5, 1996 was 9,573,382.

Part I - FINANCIAL INFORMATION
Item 1. Financial statements

CRYOLIFE, INC. AND SUBSIDIARIES
SUMMARY CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 1996 | 1995 | 1996 | 1995 |
| | (Unaudited) | | (Unaudited) | |
| Revenues: | | | | |
| Cryopreservation | $ 10,137,550 | $ 7,878,183 | $ 28,016,480 | $21,447,252 |
| Research grants, licenses, lease and interest revenue | 273,074 | 469,076 | 525,846 | 734,633 |
| | 10,410,624 | 8,347,259 | 28,542,326 | 22,181,885 |
| Costs and expenses: | | | | |
| Preservation | 3,563,200 | 3,159,805 | 9,731,419 | 8,280,740 |
| General, administrative and marketing | 4,238,862 | 3,480,462 | 12,045,891 | 9,453,953 |
| Research & development | 615,315 | 651,183 | 2,005,833 | 2,005,217 |
| Interest expense | 39,268 | 1,308 | 39,269 | 3,929 |
| | 8,456,645 | 7,292,758 | 23,822,412 | 19,743,839 |
| Income before income taxes | 1,953,979 | 1,054,501 | 4,719,914 | 2,438,046 |
| Income tax expense | 692,550 | 369,176 | 1,687,524 | 803,212 |

| | | | | |
|---|---|---|---|---|
| Net income | $ 1,261,429 | $ 685,325 | $ 3,032,390 | $1,634,834 |
| Earnings per share of common stock | $ 0.13 | $ 0.07 | $ 0.31 | $ 0.17 |
| Weighted average common and common equivalent shares outstanding | 9,924,796 | 9,655,742 | 9,894,014 | 9,534,584 |

See accompanying notes to summary consolidated financial statements.

Item 1. Financial Statements

CRYOLIFE, INC. AND SUBSIDIARIES
SUMMARY CONSOLIDATED BALANCE SHEETS

| | September 30, 1996 (Unaudited) | December 31, 1995 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 97,145 | $ 166,931 |
| Marketable securities | 2,145,688 | 6,015,158 |
| Receivables (net) | 7,707,504 | 5,369,205 |
| Deferred preservation costs (net) | 6,374,252 | 5,996,201 |
| Inventories (net) | 353,427 | 424,200 |
| Prepaid expenses | 583,489 | 369,594 |
| Deferred income taxes | 184,821 | -- |
| Total current assets | 17,446,326 | 18,341,289 |
| Property and equipment (net) | 9,651,735 | 3,279,168 |
| Patents and other intangibles (net) | 4,510,903 | 1,728,262 |
| Other assets | 500,288 | 240,897 |
| TOTAL ASSETS | $ 32,109,252 | $ 23,589,616 |
| LIABILITIES AND SHAREHOLDERS' EQUITY Current liabilities: | | |
| Accounts payable | $ 1,681,788 | $ 1,372,862 |
| Accrued expenses | 1,986,771 | 1,474,365 |
| Accrued compensation | 393,998 | 260,709 |
| Current portion of long term debt | 477,859 | -- |
| Total current liabilities | 4,540,416 | 3,107,936 |
| Deferred income taxes | -- | 16,486 |
| Other long term liabilities | 3,582,559 | -- |
| Total liabilities | 8,122,975 | 3,124,422 |
| Shareholders' Equity: | | |
| Preferred stock | -- | -- |
| Common stock (issued 10,105,987 shares in 1996 and 9,974,332 shares in 1995) | 101,060 | 99,744 |
| Additional paid-in capital | 17,098,584 | 16,568,312 |
| Retained earnings | 7,006,928 | 3,974,538 |
| Less: Treasury stock (543,000 shares) | (179,625) | (179,625) |
| Unrealized (loss) gain on investments | (19,803) | 28,092 |
| Notes receivable from shareholders | (20,867) | (25,867) |
| Total shareholders' equity | 23,986,277 | 20,465,194 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ 32,109,252 | $ 23,589,616 |

See accompanying notes to summary consolidated financial statements.

Item 1. Financial Statements

CRYOLIFE, INC. AND SUBSIDIARIES
SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Nine Months Ended September 30, | |
|---|---|---|
| | 1996 | 1995 |
| | (Unaudited) | |
| Net cash from operating activities: | | |
| Net income | $ 3,032,390 | $ 1,634,834 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,006,429 | 695,661 |
| Provision for doubtful accounts | (81,600) | 289,026 |
| Deferred income taxes | (201,307) | 128,866 |
| Increase in receivables | (1,782,824) | (1,528,178) |
| (Increase) decrease in deferred preservation costs and inventories | (176,058) | 733,422 |
| Increase in prepaid expenses | (213,895) | (303,610) |
| Increase in accounts payable and accrued expenses | 661,637 | 850,478 |
| Net cash provided by operating activities | 2,244,772 | 2,500,499 |
| Net cash used in investing activities: | | |
| Capital expenditures | (7,097,566) | (1,138,170) |
| Cash paid for acquisition, net of cash acquired | (721,721) | -- |
| Proceeds from the sale of marketable securities | 5,799,569 | 409,111 |
| Purchase of marketable securities | (1,930,099) | (2,881,723) |
| Increase in other assets | (1,663,852) | (640,365) |
| Net cash used in investing activities | (5,613,669) | (4,251,147) |
| Net cash provided by financing activities: | | |
| Proceeds from other long term liabilities | 2,810,418 | -- |
| Proceeds from issuance of common stock and from notes receivable from shareholders | 488,693 | 252,370 |
| Net cash provided by financing activities | 3,299,111 | 252,370 |
| Decrease in cash | (69,786) | (1,498,278) |
| Cash and cash equivalents at beginning of period | 166,931 | 2,592,799 |
| Cash and cash equivalents at end of period | $ 97,145 | $ 1,094,521 |
| Supplemental cash flow information | | |
| Non-cash investing and financing activities: | | |
| Fair values of assets acquired | $ 645,095 | -- |
| Cost in excess of assets acquired | 1,619,610 | -- |
| Liabilities assumed | (292,984) | -- |
| Notes issued for assets acquired | (1,250,000) | -- |
| Total cash paid for acquisition | $ 721,721 | -- |

See accompanying notes to summary consolidated financial statements.

CRYOLIFE, INC. AND SUBSIDIARIES
NOTES TO SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Basis of Presentation

The accompanying unaudited summary consolidated financial statements have been prepared in accordance with (i) generally accepted accounting principles for interim financial information, and (ii) the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the three and nine months ended September 30, 1996 are not necessarily indicative of the results that may be expected for the year ended December 31, 1996. Notes 2,3 and 4 below cover certain events occurring after the latest fiscal year end. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Form 10-K for the year ended December 31, 1995.

Note 2 - Shareholders' equity

On May 16, 1996 the Board of Directors declared a two for one stock split, effected in the form of a stock dividend, payable on June 28, 1996 to shareholders of record on June 7, 1996. All share and per share information in the accompanying financial statements have been adjusted to reflect such split.

Note 3 - Revolver/Term Loan Agreement

On August 30, 1996 the Company executed a revolving term loan agreement with a bank which permits the Company to borrow up to $10,000,000 at either the bank's prime rate of interest or adjusted Libor, as defined, plus an applicable Libor margin. This credit agreement contains certain restrictive convenants including, but not limited to, maintenance of certain financial ratios and a minimum tangible net worth requirement. The credit agreement is secured by substantially all of the Company's assets, excluding intellectual property.

Note 4 - Acquisition

On September 12, 1996 the Company acquired the assets of United Cryopreservation Foundation, Inc. ("UCFI"), a processor and distributor of cryopreserved human heart valves and saphenous vein for transplant. Under the terms of the acquisition, the Company will pay $2,000,000 over a five year period and assumed certain obligations of UCFI. The impact of the acquisition on operations for the three months ended September 30, 1996 was not significant.

PART I - FINANCIAL INFORMATION

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

Results of Operations

Revenues were $10.4 million and $28.5 million for the three and nine months ended September 30, 1996, respectively, compared to $8.3 million and $22.2 million for the corresponding periods in 1995. Revenues increased 25% and 29% for the three and nine months ended September 30, 1996, respectively, compared to the corresponding periods in 1995. These revenue increases were primarily due to greater allograft shipments resulting from increased demand.

Revenues from human heart valve preservation increased 25% to $7.1 million for the three months ended September 30, 1996 from $5.7 million for the three months ended September 30, 1995, representing 68% and 69% of total revenues, respectively. For the nine months ended September 30, revenues from human heart valve preservation increased 26% to $19.2 million for 1996 from $15.2 million for 1995, representing 67% and 68% of total revenues, respectively. Third quarter revenues increased due to a 31% increase in tissue shipments resulting from an increase in demand in the third quarter of 1996 compared to the third quarter of 1995. Nine month revenues increased due to a 31% increase in tissue shipments resulting from an increase in demand in the first nine months of 1996

compared to 1995.

Revenues from the sale of porcine valves increased 109% to $71,000 for the three months ended September 30, 1996 from $34,000 for the three months ended September 30, 1995, representing 1% and less than 1% of total revenues, respectively. For the nine months ended September 30, revenues from the sale of porcine valves increased 77% to $302,000 for 1996 from $171,000 for 1995, representing 1% of total revenues for both periods. Three month revenues increased due to a 6% increase in shipments resulting from an increase in demand in the first three months of 1996 compared to 1995. Nine month revenues increased due to a 50% increase in shipments resulting from an increase in demand in the first nine months of 1996 compared to 1995.

Revenues from vein preservation increased 22% to $2.2 million for the three months ended September 30, 1996 from $1.8 million for the three months ended September 30, 1995, representing 21% and 22% of total revenues, respectively. For the nine months ended September 30, revenues from vein preservation increased 20% to $6.1 million for 1996 from $5.1 million for 1995, representing 21% and 23% of total revenues, respectively. Third quarter revenues increased due to a 27% increase in tissue shipments resulting from an increase in demand in the third quarter of 1996 compared to the third quarter of 1995. Nine month revenues increased due to a 20% increase in tissue shipments resulting from an increase in demand in the first nine months of 1996 compared to 1995.

Revenues from orthopaedic tissue preservation increased 133% to $775,000 for the three months ended September 30, 1996 from $332,000 for the three months ended September 30, 1995, representing 7% and 4% of total revenues, respectively. For the nine months ended September 30, revenues from orthopaedic tissue preservation increased 147% to $2.4 million for 1996 from $970,000 for 1995, representing 8% and 4% of total revenues, respectively. Third quarter revenues increased due to a 218% increase in tissue shipments resulting from an increase in demand in the third quarter of 1996 compared to the third quarter of 1995. Nine month revenues increased due to a 233% increase in tissue shipments resulting from an increase in demand in the first nine months of 1996 compared to 1995.

Other revenues were $273,000 for the three months ended September 30, 1996 compared to $469,000 for the three months ended September 30, 1995, representing 3% and 6% of total revenues, respectively. For the nine months ended September 30, other revenues were $526,000 for 1996 compared to $735,000 for 1995, representing 2% and 3% of total revenue, respectively. Other revenues consist primarily of research grant award revenues and interest income. Research grant award revenues in 1996 are primarily related to the bioadhesive and synergraft projects. Interest income decreased for the third quarter of 1996 compared to third quarter of 1995 due to a decrease in investments. Income from the termination of the option agreement with Bayer Corporation totaled $88,000, net of related expenses.

Preservation costs aggregated $3.6 million and $9.7 million, respectively, for the three and nine months ended September 30, 1996, representing 35% of total revenues for both periods, compared to $3.2 million and $8.3 million, respectively, for the three and nine months ended September 30, 1995, representing 38% and 37% of total revenues, respectively. Preservation costs increased 13% for third quarter 1996 compared to third quarter 1995 and increased 18% for the first nine months of 1996 compared to the first nine months of 1995 due to increased shipments of human allografts.

General, administrative, and marketing expenses aggregated $4.2 million and $12.0 million, respectively, for the three and nine months ended September 30, 1996, representing 40% and 42% of total revenues respectively, compared to $3.5 million and $9.5 million, respectively, for the three and nine months ended September 30, 1995, representing 42% and 43% of total revenues, respectively. This increase reflects the general overhead growth trends, including increased marketing expenses associated with the increase in revenues and the switch from a predominantly independent sales force to a predominantly direct sales force.

Research and development expenses aggregated $615,000 and $2.0 million, respectively, for the three and nine months ended September 30, 1996, representing 6% and 7% of total revenues, respectively, compared to $651,000 and $2.0 million, respectively, for the three and nine months ended September 30,

1995, representing 8% and 9% of total revenues, respectively. R & D spending relates principally to the Company's focus on bioadhesives and the synergraft technology.

Seasonality

The demand for the Company's human heart valve tissue preservation services is seasonal, with peak demand generally occurring in the second and third quarters. Management believes this demand trend for human heart valves is primarily due to the high number of pediatric surgeries scheduled during the summer months.

Liquidity and Capital Resources

At September 30, 1996 net working capital was $12.9 million, compared to $15.1 million at December 31, 1995, with a current ratio of 3.8 to 1 at September 30, 1996. Shareholders' equity at September 30, 1996 was $24.0 million. The Company's primary capital requirements arise out of working capital needs, including receivables and deferred preservation costs, and capital expenditures for facilities and equipment, primarily the new corporate headquarters. The increase in receivables relates to the increase in revenue and to receivables acquired from UCFI. The increase in prepaid expenses relates primarily to prepaid lab supplies for the bioadhesives facility. The increase in other assets relates primarily to the purchase of the Bioglue technology and intangibles assets recorded in connection with the purchase of the assets of UCFI The increase in accounts payable and accrued expenses is due to increased procurement fees pursuant to an increase in tissue procured, and the increase in overhead to support the increased revenues. Other long term liabilities relate to the acquisition of the Bioglue technology, the acquisition of the assets of UCFI, and draws on the Company's line of credit. Fixed asset additions of $7.1 million during the first nine months of 1996 related principally to the construction of the new corporate headquarters. The Company does not expect to incur significant additional costs relating to the completion of the construction of the new corporate headquarters.

The Company believes that available cash, cash equivalents, and marketable securities, along with cash generated from operations and the Company's $10 million credit facility, will be sufficient to meet its operating and development needs for the foreseeable future.

Forward-Looking Statements

Statements made in this Form 10-Q for the quarter ended September 30, 1996 that state the Company's or management's intentions, hopes, beliefs, expectations or predictions of the future are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. It is important to note that the Company's actual results could differ materially from those contained in such forward-looking statements as a result of adverse changes in any of a number of factors that affect this Company's business, including without limitation, changes in (1) government regulation of the Company's business, (2) the Company's competitive position, (3) the availability of tissue for implant, (4) the status of the Company's products under development, (5) the protection of the Company's proprietary technology and (6) the reimbursement of health care costs by third-party payors.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings.
None

Item 2. Changes in Securities.
None

Item 3. Defaults Upon Senior Securities.
Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders.
None

Item 5. Other information.
None

Item 6. Exhibits and Reports on Form 8-K (a) The exhibit index can be found below.

| Exhibit Number | Description |
|---|---|
| 2.1* | Sale Agreement dated August 16, 1996 between the Company and Donald Nixon Ross. |
| 2.2 | Asset Purchase Agreement among the Company and United Cryopreservation Foundation, Inc., United Transplant Foundation, Inc. and QV, Inc. dated September 11, 1996. |
| 3.1 | Restated Certificate of Incorporation of the Company, as amended. (Incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).) |
| 3.2 | Amendment to Articles of Incorporation of the Company dated November 29, 1995. (Incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.) |
| 3.3 | Amendment to the Company's Articles of Incorporation to increase the number of authorized shares of common stock from 20 million to 50 million shares and to delete the requirement that all preferred shares have one vote per share. (Incorporated by Reference to Exhibit 3.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996.) |
| 3.4 | ByLaws of the Company, as amended. (Incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report of Form 10-K for the fiscal year ended December 31, 1993.) |
| 10.1 | Noncompetition Agreement between the Company and United Cryopreservation Foundation, Inc. dated September 11, 1996. |
| 10.2 | Noncompetition Agreement between the Company and United Transplant Foundation, Inc. dated September 11, 1996. |
| 10.3 | Noncompetition Agreement between the Company and QV, Inc. dated September 11, 1996. |
| 10.4 | Revolving\Term Loan Facility between the Company and NationsBank N.A., dated August 30, 1996. |
| 11.1 | Statement re: computation of earnings per share |
| 27.1 | Financial Data Schedule |

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* The Company has applied for confidential treatment of portions of this Agreement. Accordingly, portions thereof have been omitted and filed separately with the Securities and Exchange Commission.

(b) Current Reports on Form 8-K.
None

SIGNATURES

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

CRYOLIFE, INC.
(Registrant)

November 13, 1996
- ------------------
DATE

/s/ Edwin B. Cordell, Jr.
  ------------------------
EDWIN B. CORDELL, JR.
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 2.1

CONFIDENTIAL TREATMENT REQUESTED

Confidential Portions of this Agreement which have been redacted are marked with brackets ("[ ]"). The omitted material has been filed separately with the Securities and Exchange Commission.

372890.1

Dated: 8/15/96

SALE AGREEMENT

(1) DONALD NIXON ROSS
(2) CRYOLIFE INC.

Trevor Robinson & Co.
Howard House
70 Baker Street
Weybridge
Surrey
KT13 8AL
Tel: (01932) 859655
Fax: (01932) 847469

372890.1

THIS AGREEMENT is made the 15th day of August, 1996.

BETWEEN:

(1) MR. DONALD NIXON ROSS of 25 Upper Wimpole Street, London W1M 7TA, England ("Mr. Ross"); and

(2) CRYOLIFE, INC. of 2211 New Market Parkway, Suite 142, Marietta, Georgia 30067, USA, a corporation incorporated under the laws of the State of Florida ("Cryolife")

WHEREAS

A. By three assignments each dated 18 July 1995 Mr. Ross acquired the Patents (as defined below) and/or the then pending application(s) for the Patents from Promedica International Inc.

B. Cryolife wishes to purchase and Mr. Ross wishes to sell to CryoLife his right title and interest in the Patents, together with other assets and intellectual property rights on the terms and conditions of this agreement (the "Agreement").

IT IS AGREED:

1. Interpretation

1.1 The following words shall have the following meanings unless they are inconsistent with the context and except where expressly

provided:

| | |
|---|---|
| Assignments | the Assignments of the Patents and the IPR by Mr. Ross to CryoLife in the forms attached as Schedule 3 |
| Completion | completion of the matters referred to in clause 4 |
| Completion | Date August 30, 1996 |
| Consulting | Agreement the Agreement under which Mr. Ross is to provide his services to CryoLife, in the form attached as Schedule 4 |
| CryoLife's | Solicitors Trevor Robinson & Co. of Howard House, 70 Baker Street, Weybridge, Surrey, KT13 8AL |





| | |
|---|---|
| IPR | all industrial and intellectual property rights of Mr. Ross in respect of the Valves including but without limitation the Patents, trade marks, service marks (whether registered or unregistered) design rights and copyrights in any part of the world |
| Know-How | all information (including that comprised in or derived from formulae, techniques, designs, specifications and drawings) relating to the Valves, their design, construction and/or use |
| Mr. Ross's Solicitor | Mr. Edward J.C. Album of Exchange Tower, 1 Harbour Exchange Square, London B14 9GE |
| Net sales | being the gross selling price of the Valves received directly by CryoLife or its associate companies by CryoLife's distributors or customer, less the commission paid by CryoLife (or its associate companies) to representatives in connection with the sale of the Valves |
| Patent | those patents and patent applications registered in the name of Mr. Ross relating to the Valves and their use as are more particularly described in Schedule 1 |
| Purchased Assets | collectively, the IPR, Patents and Stock |
| Shares | fully paid shares of Common Stock of CryoLife |
| Stock | those Valves held by Mr. Ross as are more particularly described in Schedule 2 |
| Valves | stented or unstented porcine pulmonary heart valves |

1.2 Unless otherwise stated, references to clauses and schedules shall be references to clauses and schedules to this Agreement.

2. Sale and Purchase

Subject to the terms of this Agreement Mr. Ross shall sell with full title guarantee and CryoLife shall purchase free from all liens, charges and encumbrances as at the Completion Date, the Purchased Assets.

3. Purchase Consideration

3.1 The consideration for the Purchased Assets and the rights granted hereunder shall be:

3.1.1 Cash

CryoLife shall pay to Mr. Ross US$[ ] in cash at Completion.

3.1.2 Shares

3.1.2.1 CryoLife shall issue to Mr. Ross Shares having a value of US$[ ] based on an average of the mid point bid and ask prices on the NASDAQ/NMS Quotation Service during the 30 day period ending two business days immediately prior to Completion.

3.1.2.2 The allotment and registration of the Shares hereunder, the filing of a registration statement and the taking by CryoLife of action in respect of the Shares shall be unconditional obligations and shall not be subject to any set-off or counterclaim.

3.1.3 Royalty

CryoLife shall pay Mr. Ross a royalty for five years after gaining approval by the United States Food and Drug Administration to start clinical trials on the Valves. Such royalty being the greater of the following in each of the years following such approval being received:

3.1.3.1 [ ]% of the Net Sales; and

3.1.3.2 Year 1 - US$ [ ]



[ ] - CONFIDENTIAL TREATMENT REQUESTED

Year 2 - US$ [ ]
Year 3 - US$ [ ]
Year 4 - US$ [ ]
Year 5 - US$ [ ]

CryoLife shall be entitled to withhold any taxes from the royalty payments it may be required to withhold by the US or UK tax authorities. CryoLife shall be

deemed to have fully satisfied its obligations under this clause by paying the net amount of the royalties to Mr. Ross.

3.2 The considerations payable under this clause 3 shall be allocated among the Purchased Assets as reasonably determined by CryoLife after consultation.

4. Completion

4.1 The sale and purchase shall be completed at the offices of Mr. Ross's Solicitor on the Completion Date when all the matters set out in this clause 4 shall be effected.

4.2 Mr. Ross shall deliver to CryoLife or CryoLife's Solicitors;

4.2.1 the Assignments each duly executed by Mr. Ross;

4.2.2 the Consulting Agreement duly executed by Mr. Ross;

4.2.3 such additional documents, duly signed by Mr. Ross as shall be required by CryoLife's solicitors to complete the sale and purchase of the Purchased Assets;

4.2.4 all documents held by Mr. Ross that may be required by CryoLife to fully utilise the IPR and Know-How.

4.2.5 the Stock.

4.3 Upon completion of the matters referred to above:

4.3.1 CryoLife shall pay US$ [ ] to Mr. Ross's solicitor's client account by way of telegraphic transfer.

4.3.2 CryoLife shall deliver to Mr. Ross's solicitor certificates representing the Shares as detailed in clause 3.3, the shares to be registered in the name of Mr. Ross or his nominees.



4.3.3 CryoLife shall accept full responsibility for all and any fee, costs or charges that may be due on Completion to maintain the Patents and to transfer the European Patent into patents satisfactory to comply with the patent requirements of France, Germany and the United Kingdom and to reimburse Mr. Ross for any costs he has reasonably incurred (up to a maximum of US$10,790) in connection with the same, prior to Completion on Mr. Ross producing documentary evidence.

4.3.4 To provide Mr. Ross with the ability to sell the Shares detailed in Clause 3.1.2 within the U.S. or to a U.S. person during the year following the issuance of the Shares to Mr. Ross, CryoLife agrees at Mr. Ross' written direction to register the Shares for resale under the U.S. Securities laws on one occasion and to keep the registration open for three months or the anniversary of the issuance of the Shares to Mr. Ross. Mr. Ross' written direction must be delivered to CryoLife at least 45 days in advance and may request registration to occur at any time after the 3rd month or before the 11th month after the issuance of the Shares to Mr. Ross.

5. License

5.1 Mr. Ross hereby grants to CryoLife an exclusive perpetual license with the right to sublicense to use the name "Ross" for the purpose of identifying and promoting the Valves and Mr. Ross hereby waives any right he may have to apply his name to any other xenograft valve and shall not permit any third party to apply the name "Ross" to such valves.

5.2 Mr. Ross warrants that he has not permitted any third party to use the name Ross in connection with xenograft valves or authorised such use.

5.3 Mr. Ross agrees to support any application that CryoLife may make to register "Ross" as a trade mark as applied to xenograft valves based on or derived from the Valves in any jurisdiction it sees fit.

6. Warranties and Representations

Mr. Ross represents and warrants to CryoLife as follows:

6.1 that Mr. Ross has good and marketable title to the Purchased Assets free and clear of all encumbrances, claims, security interests, liens and charges or restrictions of any kind.



6.2 Mr. Ross owns or has exclusive right to make, use, sell and commercialise all of the IPR and to the knowledge of Mr. Ross no third party has been granted a license or has been permitted to use and/or commercialise the IPR.

6.3 No royalties, honorariums or fees are payable by Mr. Ross to third parties by reason of the ownership or use of the IPR.

6.4 Apart from matters disclosed by Mr. Ross's solicitor to CryoLife's solicitor in correspondence dated 7 August 1996 there is no litigation, pending or threatened, or claim against Mr. Ross in connection with the IPR or any of the other Purchased Assets and Mr. Ross has not received and is not aware of any claim which contests the validity of or right to use any of the IPR nor has Mr. Ross received any notice that any of the IPR conflicts or will conflict with any of the asserted rights of others.

6.5 Mr. Ross will use his best efforts to prevent any of his warranties or representations contained in this Agreement not being true and correct at Completion.

6.6 Mr. Ross represents and warrants that:

6.6.1 he is not a U.S. person (as defined under the U.S. Securities Act of 1933 and rules and regulations promulgated thereunder (collectively the "Securities Act");

6.6.2 the securities being acquired by Mr. Ross are not being acquired on behalf of or for the benefit of any U.S. person and will not be held in the United States for a one year period;

6.6.3 none of the securities being acquired by Mr. Ross will be transferred by him in violation of the Securities Act; and

6.6.4 he understands that none of the securities have been registered under the Securities Act and they cannot be sold within the United States or to a U.S. person for one year unless they are subsequently registered under the Securities Act or unless an exemption from such registration is obtained.

7. Indemnification

7.1 Mr. Ross hereby indemnifies CryoLife and shall keep it indemnified and hold it harmless from and against claims liabilities damages losses and expenses incurred or suffered by any of them and arising out of:



7.1.1 any material breach of any warranty or representation of Mr. Ross contained in this Agreement or any inaccurate schedule or any instrument or agreement entered into pursuant to this Agreement;

7.1.2 any action claim suit or proceeding brought by a third party arising out of actual or alleged acts or omissions of Mr. Ross in connection with the Valves produced and/or used prior to Completion save for those Valves included in the Stock;

7.1.3 any breach of the Consulting Agreement.

7.2 CryoLife hereby indemnifies Mr. Ross and shall keep him indemnified and hold him harmless from and against all claims, liabilities, damages, losses, costs and expenses incurred or suffered by Mr. Ross and arising out of any action claim suit or proceeding brought by a third party against Mr. Ross arising out of actual or alleged acts or omissions of CryoLife in connection with the use of the Valves and IPR after Completion.

7.3 CryoLife shall have a right but not the obligation to set-off against amounts otherwise due or coming due under clause 3.3 for the amounts which are indemnifiable pursuant to clause 7.1 The right of set off is not exclusive to any other right or remedy CryoLife may have with respect to the indemnified claims, the right of set off shall in no way limit CryoLife's indemnification rights or the amounts, if any, which CryoLife becomes entitled to receive thereunder.

8. Enquiries

Mr. Ross agrees to promptly refer to CryoLife all enquiries relating to the IPR and/or Valves which Mr. Ross may receive after Completion.

9. Announcements

No announcement or disclosure concerning the terms of transactions contemplated by or any matter ancillary to this Agreement, or its existence shall (save as required by law) be made by Mr. Ross whatsoever except with the prior written approval of CryoLife. CryoLife's announcement of its acquisition (if any) shall be shown beforehand to Mr. Ross.

10. Mr. Ross agrees that he will not take or threaten any legal action against Tissuemed Limited of Astley Lane Industrial Estate, Astley Lane, Swillington, Leeds, LS26 8XT at any time either prior to Completion or thereafter without first obtaining the written consent of CryoLife, which consent CryoLife may withhold at its absolute discretion.

11. General Provisions

11.1 Notices

Any and all notices or other communications required or permitted to be given under any of the provisions of this Agreement shall be in writing and shall be deemed to have been duly given when (i) personally delivered or sent by overnight or express delivery service; or (ii) sent by facsimile with a transmission report to support the sending of the facsimile to the parties at the addresses set forth below:

| | |
|---|---|
| To Mr. Ross: | 25 Upper Wimpole Street<br>London W1M 7TA<br><br>Fax No: +44 (0)171 935 0190 |
| With a Copy to: | Edward Album, Esq.<br>Exchange Tower<br>1 Harbour Exchange Square<br>London E14 9GE<br><br>Fax No: +44 (0)171 971 5668 |
| To CryoLife: | CryoLife, Inc.<br>2211 New Market Parkway<br>Suite 142<br>Marietta, Georgia 30067<br>USA<br><br>Fax No: 001 770 612 7889 |
| With a Copy to: | Robinson Services Limited<br>Howard House<br>70 Baker Street<br>Weybridge<br>Surrey KT13 8AL<br>England<br><br>Fax No: +44 (0)1932 847469 |

All notice shall be deemed received when received, provided that refusal to accept delivery shall be deemed receipt. Either party may change its address for the



purposes of this Section by giving written notice of such change to the other party in the manner provided in this clause.

11.2 Assignment

This Agreement may not be assigned by any party without the prior written consent of the other party.

11.3 Waiver

No waiver of any breach or default hereunder shall be considered valid or effective unless in writing and signed by the party giving such waiver, and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or similar nature or otherwise.

11.4 Binding Effect; No Third Party Beneficiary

This Agreement is entered into for, and shall be binding upon and inure to the exclusive benefit of, each party hereto and their respective successors and any permitted assign, and no other party shall derive any rights or benefits hereunder.

11.5 Counterparts

This Agreement may be executed in one or more counterparts, all of which taken together shall be deemed one original.

11.6 Expenses

CryoLife and Mr. Ross shall each be responsible for their own fees and expenses incurred in connection with the transaction contemplated herein.

11.7 Survival

Indemnification obligations and CryoLife's obligations to pay the royalties under clause 3.13 pursuant to this Agreement shall survive Completion.

11.8 Further Documents

Each party will, whenever and as often as it shall be requested by the other party, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered, such further instruments and documents as may be necessary in order to carry out the terms and conditions of this Agreement and to complete the sale



and transfer herein contemplated and shall do any and all other acts as may be reasonably requested in order to carry out the intent and purposes of this Agreement.

11.9 Severability

Should any term or provision of this Agreement or any document required herein to be executed or delivered at the Completion be declared invalid, void, or unenforceable, all remaining terms and provisions hereof shall remain in full force and effect and shall in no way be invalidated, impaired or affected thereby.

11.10 Integration; Amendment

This Agreement (including Schedules) constitutes the entire agreement of the parties with respect to the subject matter hereof and may not be modified, amended or terminated except by a written agreement specifically referring to this Agreement signed by the parties hereto. This Agreement supersedes any and all prior agreements and/or understandings between the parties.

11.11 Governing Law

This Agreement shall be governed and construed in accordance

with the laws of England.

372890.1



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date set forth above.

For and on behalf of CRYOLIFE, INC.

Signed by: /s/ Steven E. Anderson

Name: Steven E. Anderson

Position: President/CEO

/s/ Donald Nixon Ross Witness

DONALD NIXON ROSS

/s/ E. J. C. Album

E. J. C. Album
Solicitor
Exchange Tower
1 Harbour Exchange Square
Tel: 0171-971-5887

372890.1



SCHEDULES

| | |
|---|---|
| *Schedule 1 | Patents |
| *Schedule 2 | Stock |
| *Schedule 3 | Assignment |
| *Schedule 4 | Consulting Agreement |

* Indicates Schedules which have been omitted from this filing. The Registrant hereby agrees to furnish to the Commission a copy of any omitted Schedule listed above supplementally upon request.

372890.1

EXHIBIT 2.2

# ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") is made this 11th day of September, 1996, by and among CryoLife, Inc., a Florida corporation ("CryoLife"); United Cryopreservation Foundation, Inc., a non-profit Illinois corporation ("UCFI"); United Transplant Foundation, Inc., an Illinois non-profit corporation, which is a corporate member of UCFI ("UTF"); and QV, Inc., an Illinois non-profit corporation, which is a corporate member of UCFI ("QV"). (UTF and QV are hereinafter referred to collectively as the "Members" and individually as a "Member").

W I T N E S S E T H:

WHEREAS, CryoLife is in the business of developing and commercializing technology for the ultralow temperature preservation of viable human cardiovascular and orthopedic tissues for transplant;

WHEREAS, UCFI is a non-profit organization organized for the cryopreservation of human tissue for transplant;

WHEREAS, UCFI desires to sell to CryoLife, and CryoLife desires to purchase from UCFI, substantially all of the assets of UCFI pursuant to the terms of this Agreement;

WHEREAS, the parties desire to set forth certain representations, warranties and covenants made by each to the other as an inducement to the consummation of the sale and certain additional agreements related thereto;

NOW, THEREFORE, in consideration of $10.00 paid by CryoLife to UCFI, the mutual representations, warranties and covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

## ARTICLE 1
## PURCHASE AND SALE OF ASSETS

1.1 PURCHASED ASSETS. Subject to and upon the terms and conditions set forth herein and except for those assets described in Section 1.2 hereof, UCFI agrees to sell to CryoLife, and CryoLife agrees to purchase from UCFI, at the Closing (as hereinafter defined), all of the tangible and intangible assets of UCFI (collectively, the "Assets"), including but not limited to:

(a) All of UCFI's interest in and the rights and benefits accruing to UCFI as sublessee under that certain Sublease (collectively, with the letter amendments hereinafter referenced, the "Sublease") dated November, 1995 between Regional Organ Bank of Illinois,



Inc. ("ROBI") and UCFI, as amended by that certain letter dated November, 1995 from ROBI to UCFI and countersigned by UCFI and submitted for countersigning by American National Bank and Trust Company of Chicago, as Trustee under Trust No. 59097, (the "Landlord") and that certain letter dated December 21, 1995, from Winthrop Management, as agent for the Landlord and countersigned by ROBI and UCFI, for certain real property as described in such Sublease and located at 800 South Wells, Chicago, Illinois 60607 (the "Subleased Property");

(b) All of UCFI's machinery, appliances, equipment, including UCFI's computer hardware and software, tools, supplies, leasehold improvements, construction in progress, furniture and fixtures owned by UCFI as of the Closing, including, without limitation, those items listed on Schedule 1.1(b) attached hereto ("Fixed Assets") and all other tangible personal property located at the Subleased Property and relating to the business conducted thereat;

(c) All intellectual property of UCFI, including without limitation, all proprietary processes, methods, formulas, devices, and techniques related to the procurement, processing, and distribution of cryopreserved tissue; trademarks; service marks; goodwill and other intangible assets but excluding those items listed on Schedule 1.2 (collectively, "Intellectual Property");

(d) All of UCFI's right, title and interest in and to its telephone numbers and the directory advertising for such telephone numbers, to the extent assignable;

(e) All claims, security and other deposits, prepayments, prepaid expenses, refunds, causes of action, choses in action, rights of recovery, warranty rights, rights of set off, rights to receive insurance proceeds, and rights of recoupment of UCFI ("Deposits");

(f) All of UCFI's licenses, consents, permits, variances, certifications and approvals of governmental agencies to the extent transferable and requested by CryoLife;

(g) Business books, records, ledgers, files, documents, business plans, budgets, financial statements, correspondence, customer lists, advertising and promotional materials of UCFI ("Books and Records");

(h) Cash on hand, cash in UCFI's bank accounts and escrow accounts and cash equivalents; and

(i) All accounts and notes receivable and deferred preservation costs of UCFI as of Closing ("Accounts Receivable").

EACH PARTY ACKNOWLEDGES THAT CRYOLIFE SHALL NOT OBTAIN TITLE TO ANY HUMAN TISSUE OR ORGANS UNDER THE AGREEMENT.



1.2 EXCLUDED ASSETS. Anything to the contrary in Section 1.1 hereof notwithstanding, the Assets shall exclude the following ("Excluded Assets"):

(a) any real property owned by UCFI; and

(b) those items set forth on Schedule 1.2 attached hereto.

1.3 NO LIENS OR ENCUMBRANCES. The Assets will be transferred and sold to CryoLife free and clear of all claims, liens, encumbrances, security interests, and similar interests of any kind or nature whatsoever.

## ARTICLE 2
## PURCHASE PRICE; ASSUMPTION OF LIABILITIES

2.1 PURCHASE PRICE. The consideration for the Assets (collectively, the "Asset Consideration") will be an amount equal to $2,000,000 (the "Cash Consideration"), plus the aggregate amount of the Assumed Liabilities as described in and subject to the provisions of Section 2.3.

2.2 PAYMENT. The Asset Consideration shall be paid to UCFI as follows:

(a) $750,000 shall be paid in immediately available funds at Closing;

(b) the balance of the Cash Consideration will be evidenced by delivery of a promissory note from CryoLife in favor of UCFI, in the form attached hereto as Exhibit 2.2 (the "Promissory Note"); and

(c) the Assumed Liabilities shall be assumed by CryoLife pursuant to the Assignment and Assumption Agreement and Assignment and Assumption of Sublease (as defined in Section 2.3).

2.3 ASSUMED LIABILITIES.

(a) At the Closing, CryoLife agrees to assume only the following (collectively, the "Assumed Liabilities"): (i) obligations and liabilities of UCFI arising from and after the Closing with respect to the Sublease as contemplated in the Assignment and Assumption of Sublease attached hereto as Exhibit 2.3(a)(i) (the "Assignment and Assumption of Sublease"); (ii) trade payables, accrued expenses and other current liabilities incurred by UCFI prior to Closing and payable in the ordinary course of business as contemplated by the Assignment and Assumption Agreement attached hereto as Exhibit 2.3(a)(ii) (the "Assignment and Assumption Agreement"). CryoLife shall not assume, and UCFI shall remain responsible for, the payment of the $750,000 loan payable by UCFI to the Members. Notwithstanding the foregoing, in no event shall the aggregate



amount of liabilities and obligations assumed by CryoLife under Section 2.3(a)(ii) exceed $500,000.

(b) Except for the Assumed Liabilities set forth in Section 2.3(a) above, it is expressly understood and agreed that CryoLife shall not be liable for any obligations, liabilities, contracts, debts, claims, costs, expenses, agreements or understandings of any kind or nature whatsoever related to UCFI's operation of its business or its ownership or use of the Assets, including, without limitation, (i) any debts or liabilities of UCFI arising from events or occurrences prior to the Closing, (ii) any liability of UCFI for any period of time for federal, state or local taxes, and (iii) any liability of UCFI for expenses, debts or obligations incurred within or outside the ordinary course of business. Anything to the contrary contained herein notwithstanding, CryoLife shall not assume or have any obligations or liabilities whatsoever in respect of severance, Worker Adjustment and Retraining Act, income tax withholding, payroll and/or unemployment tax, workers' compensation, pension, profit-sharing, health insurance, Part 6 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or any other employee or other benefit liabilities, including, without limitation any contribution, tax, lien, penalty, cost, interest, claim, loss, action, suit, damage, cost assessment, withdrawal liability, liability to the Pension Benefit Guaranty Corporation (the "PBGC"), liability under Section 412 of the Internal Revenue Code of 1986, as amended (the "Code") or Section 302(a)(2) of ERISA or other similar liability or expense of UCFI or any ERISA Affiliate, in respect of any Employee to be Hired (as defined in Section 3.1), for the period of time prior to Closing, and in respect of any Leased Employees, for any period of time before, on or after Closing. ERISA Affiliate shall mean any trade or business, whether or not incorporated, which has employees who are or have been at any date of determination occurring within the preceding six years, treated pursuant to Section 4001(a)(14) of ERISA and/or Section 414 of the Code as employees of a single employer.

2.4 ALLOCATION OF THE CONSIDERATION AMONG THE ASSETS. The Asset Consideration received by UCFI shall be allocated, for tax purposes, among each item or class of the Assets of UCFI pursuant to Schedule 2.4 hereof. UCFI and CryoLife each agrees that it will prepare and file any notice or other filings required pursuant to Section 1060 of the Code, and that any such notices or filings will be prepared based on such tax allocation of the Asset Consideration. CryoLife agrees to send to UCFI a completed copy of its Form 8594 ("Asset Acquisition Statement under Section 1060") with respect to this transaction prior to filing such form with the Internal Revenue Service.

2.5 CLOSING. The closing of the transactions contemplated herein (the "Closing") shall take place on or before September 15, 1996, at the offices of CryoLife's counsel upon compliance with the terms, conditions and contingencies contained herein or on such other date as is mutually agreed upon by the parties hereto (such date to be herein referred to as the "Closing Date"). All computations, adjustments, and transfers for the purposes hereof shall be effective as of the close of business on the Closing Date on terms reasonably acceptable to CryoLife.

ARTICLE 3
OTHER COVENANTS AND AGREEMENTS

3.1 EMPLOYEE MATTERS. UCFI currently receives the services of certain individuals who are employees of QV, pursuant to a management agreement between UCFI and QV. A true, correct and complete list of such persons (the "QV Employees") is attached hereto as Schedule 3.1. CryoLife intends to hire three of these employees as of Closing, each of whom are identified on Schedule 3.1 (the "Employees to be Hired"). With respect to the Employees to be Hired, from Closing forward, CryoLife shall be solely responsible and exclusively liable for compensating the Employees to be Hired and complying with all applicable federal, state and local laws with respect to the employment of such persons, including without limitation, liability for FICA, FUTA, unemployment tax, pension and profit-sharing plan contributions, employee fringe benefits; provided, however, that in no event shall CryoLife have any responsibility with respect to any Employees to be Hired for liabilities attributable to periods on or prior to Closing (including without limitation any severance pay or liabilities arising under continuation of group healthcare coverage benefits pursuant to Section 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA ("COBRA") attributable to their termination of employment with QV). CryoLife shall offer to obtain the services of the QV Employees other than the Employees to be Hired (the "Leased Employees") pursuant to an agreement between CryoLife and QV, the form of which is attached hereto as Exhibit 3.1 (the "Employee Leasing Agreement"). In no event shall CryoLife have any obligation or liability whatsoever to provide any benefits or compensation directly to the Leased Employees, it being acknowledged and agreed that QV shall have the exclusive liability and responsibility for compensating the Leased Employees and complying with all applicable federal, state and local laws with respect to the employment of such persons, including without limitation, liability for FICA, FUTA, unemployment tax, pension and profit-sharing plan contributions, employee fringe benefits, and that QV shall indemnify and hold harmless CryoLife from any liability whatsoever with respect thereto whether arising before, on, or after the Closing Date. In the event of termination of the relationship between CryoLife and QV described herein with respect to the Leased Employees, CryoLife shall have no liability whatsoever to provide any severance or other benefits of any nature whatsoever to any Leased Employees or their dependents (including, without limitation, severance pay or liabilities arising under COBRA, it being acknowledged and agreed that the exclusive responsibility for all such matters shall be with QV. QV shall be responsible for all vacation of the Employees to be Hired prior to Closing, and QV shall be responsible for all vacation of all Leased Employees accruing prior to or after Closing; provided, however, CryoLife acknowledges and agrees that amounts accrued by UCFI in connection with vacation of QV Employees and payable to QV in the ordinary course of UCFI's business shall be an "Assumed Liability" of CryoLife under Section 2.3(a)(ii) of this Agreement.

3.2 CONSENTS. Promptly after execution of this Agreement, UCFI will promptly apply for or otherwise seek, and use their best efforts to obtain, all consents and approvals required for consummation of the transactions contemplated hereby, including without



limitation, those consents listed in Schedule 3.2 hereof (including estoppels and consents from the lessors and sublessors under the Sublease to the assignment thereof to CryoLife in form substantially similar to Exhibit 3.2 attached hereto). Any charges imposed by the lessors for such estoppels and consents shall be borne by UCFI, and UCFI and the Members shall jointly and severally indemnify CryoLife against any action brought against CryoLife

resulting from UCFI's failure to pay such charges. Notwithstanding the foregoing, the parties agree that CryoLife shall bear all charges imposed by the lessor of the Subleased Property in connection with establishing a direct landlord-tenant relationship between CryoLife and said lessor to the extent such charges exceed $1,500, and that ROBI shall bear such charges to the extent such charges are less than or equal to $1,500. The parties acknowledge that it may be difficult to obtain, prior to Closing, the consent of the Landlord and the mortgagee of the Subleased Property (the "Mortgagee") to the assignment of the Sublease. In the event UCFI uses its best efforts to obtain such consent prior to Closing but is unable to obtain such consent by such date, CryoLife agrees to waive the receipt of such consent as a condition to close. CryoLife shall cooperate with UCFI in all reasonable respects in UCFI's efforts to obtain such consent, whether before or after Closing. Notwithstanding any waiver by CryoLife of the receipt of the Landlord's and Mortgagee's Consents prior to Closing, UCFI and its Members shall jointly and severally indemnify CryoLife for any damages incurred by it as a result of the failure to obtain the Landlord and Mortgagee's consent, including, without limitation, any moving expenses incurred by CryoLife. To the extent the Landlord and Mortgagee refuse to give such consent and require CryoLife to vacate the Subleased Property, the assignment and the assumption of the Sublease shall become null, void, and ineffective and CryoLife shall have no rights under or liability for payment of any rental obligations thereunder after the date it vacates such premises. Notwithstanding the foregoing, CryoLife shall be responsible for the payment and performance of all of UCFI's obligations under the Sublease for all periods up to the date it vacates the premises following the Landlord or Mortgagee's denial of its consent. To the extent the consent of the Landlord and Mortgagee is obtained, CryoLife agrees to use reasonable efforts to obtain from the Landlord and Mortgagee the release of UCFI and ROBI from any obligation or liability subsequent to the Closing in connection with the Subleased Property.

3.3 DUE DILIGENCE REVIEW.

(a) UCFI currently conducts its business at the Subleased Property. Upon the execution and delivery hereof, UCFI shall concurrently deliver to CryoLife all Schedules required to be attached hereto. Prior to the execution and delivery hereof, UCFI shall deliver to CryoLife true, correct and complete copies of the Sublease, insurance policies, the Historical Financials and UCFI's tax returns (pursuant to Section 4.11 hereof), together with all amendments thereto through the date of execution hereof. UCFI, its employees, agents and representatives shall provide to CryoLife and its employees, agents, counsel, accountants, financial consultants and other representatives full access to all information regarding the Assets and business of UCFI and shall fully cooperate with CryoLife as reasonably needed to verify the accuracy of the information prepared by UCFI. UCFI shall



afford CryoLife, its employees, agents, counsel, accountants and financial consultants full access, during normal business hours and upon reasonable notice, any reasonably necessary hours thereafter, to the offices, properties, records, files and other documents and information of or relating to UCFI's business and the Assets as CryoLife, its employees, agents, counsel, accountants or financial consultants may reasonably request. UCFI shall allow CryoLife, its employees, agents, counsel, accountants and financial consultants access to a work area within such business office and shall allow the copying of any such records as requested by such party. However, CryoLife's due diligence review shall at all times be conducted in a manner which is not disruptive to the business of UCFI. UCFI reserves the right to require CryoLife's agents to enter into confidentiality agreements covering information acquired in connection with such due diligence reviews in form reasonably satisfactory to UCFI.

(b) Prior to Closing, UCFI shall prepare and deliver to CryoLife an unaudited balance sheet as of July 31, 1996 (or such later date as designated by CryoLife) and an unaudited income statement for the one-month period then ended, in accordance with generally accepted accounting principles consistently applied throughout the period involved (except that such interim statements need not include footnotes or normal year-end adjustments) (collectively, the "Interim Financials"). The Interim Financials shall be accompanied by a certificate

signed by the President that such Interim Financials have been prepared in accordance with generally accepted accounting principles consistently applied throughout the period involved (except for the absence of footnotes or normal year-end adjustments) and fairly present the financial condition of UCFI as of the date thereof and the results of operations for the period then ended. As soon as is reasonably practicable after the execution of this Agreement, UCFI will provide CryoLife with such financial statements and information as are reasonably necessary to permit KPMG Peat Marwick to prepare financial statements of UCFI in accordance with generally accepted accounting principles consistently applied and Regulation S-X as promulgated by the Securities and Exchange Commission ("SEC"). UCFI acknowledges that such financial information and statements must be provided to the Accountants in a manner which will enable the Accountants to complete the Audit within 60 days following the Closing of this Agreement in order to comply with SEC filing requirements. All costs associated with the Audit (other than UCFI's personnel costs, if any) shall be the responsibility of CryoLife.

(c) CryoLife shall cause its employees, agents, counsel, accountants, financial consultants and other representatives to hold in strict confidence any and all information obtained from UCFI and to not disclose any such information (unless such information is or becomes ascertainable from public sources or public disclosure of such information is in the good faith judgment of CryoLife required by law); provided, however, that nothing contained herein shall limit the right of any such persons to disclose any such information to CryoLife or its employees, agents, representatives, counsel, accountants, financial advisors, underwriters and sources of financing (and their counsel and accountants) for the purpose of facilitating the consummation of the transactions contemplated hereby. Should the transaction contemplated herein not be consummated for any reason whatsoever,



CryoLife agrees to keep information obtained from UCFI confidential and not use it for any purpose adverse to the interests of UCFI (unless such information is or becomes ascertainable from public sources or public disclosure of such information is in the good faith judgment of CryoLife required by law). Upon termination of this Agreement pursuant to Section 9.1, CryoLife shall return to UCFI all documents obtained by or provided to CryoLife pursuant to this Section 3.3.

(d) CryoLife's due diligence review and any inspections pursuant thereto shall not waive or release UCFI or the Members from any of their representations or warranties under this Agreement.

3.4 NONCOMPETITION AGREEMENTS. Concurrently with the Closing, UCFI, QV, and UTF, shall each enter into a Noncompetition Agreement with CryoLife, in the form of Exhibit 3.4 attached hereto.

3.5 UCFI'S ACCESS TO BOOKS AND RECORDS. CryoLife agrees to preserve all of the records and books, customer records, and any other records which UCFI may turn over to CryoLife pursuant to this Agreement until the fifth anniversary of the Closing Date, and, until such time, to make them available, during normal business hours, to UCFI or the Members, their counsel, accountants and others authorized by them for inspection and the making of extracts therefrom, provided such inspection and making of extracts do not unreasonably interfere with CryoLife's operations and business.

3.6 CONDUCT OF BUSINESS BY UCFI PENDING THE CLOSING. UCFI covenants and agrees that, unless CryoLife shall otherwise consent in writing, between the date hereof and the Closing, the business of UCFI shall be conducted only in, and UCFI shall not take any action except in, the ordinary course of business and in a manner consistent with past practice; and UCFI will use its best efforts to preserve substantially intact the business organization of UCFI, to keep available the services of its present officers and the QV Employees and to preserve the present relationships of UCFI with customers, suppliers and other persons with which UCFI has significant business relations except that UCFI may take steps to terminate any agreements which are not to be assigned. By way of amplification and not limitation, except as expressly provided for in this

Agreement, UCFI shall not, between the date hereof and the Closing, directly or indirectly, take any of the following actions without the prior written consent of CryoLife:

(a) (i) issue, sell, pledge, dispose of, encumber, authorize, or propose the issuance, sale, pledge, disposition, encumbrance or authorization of any membership interests or rights of any kind to acquire any membership interests of UCFI; (ii) amend or propose to amend the Articles of Incorporation or By-Laws of UCFI; (iii) redeem, purchase or otherwise acquire or offer to redeem, purchase or otherwise acquire any membership interests; or (iv) authorize or propose or enter into any contract, agreement, commitment or arrangement with respect to any of the matters set forth in this Section 3.6(a);



(b) (i) acquire (by merger, consolidation, or acquisition of stock or assets) any interest in any corporation, partnership or other business organization or division thereof; (ii) except in the ordinary course of business, sell, pledge, dispose of, or encumber or authorize or propose the sale, pledge, disposition or encumbrance of any assets of UCFI; (iii) incur any indebtedness for borrowed money or enter into any material contract or agreement, except in the ordinary course of business; (iv) authorize any single capital expenditure in excess of $1,000 or capital expenditures in the aggregate in excess of $5,000; or (v) enter into or amend any contract, agreement, commitment or arrangement with respect to any of the matters set forth in this Section 3.6(b);

(c) take any action other than in the ordinary course of business and in a manner consistent with past practice (none of which actions shall be unreasonable or unusual) with respect to increasing compensation of any officer, director, or any of the QV Employees or with respect to the grant of any severance or termination pay (otherwise than pursuant to policies of UCFI in effect on the date hereof and fully disclosed to CryoLife prior to the date hereof) or with respect to any increase of benefits payable under its severance or termination pay policies in effect on the date hereof; provided, however, CryoLife's consent shall not be required with respect to grants or increases of severance pay provided, if made prior to Closing, such payments are made by or reimbursed by the Members or, if made following the Closing, are the sole responsibility of the Members;

(d) except as permitted by (c), make any payments except in the ordinary course of business and in amounts and in a manner consistent with past practice (none of which payments shall be unreasonable or unusual), to any employee of, or independent contractor or consultant to, UCFI, enter into any employee benefit plan, any employment or consulting agreement, grant or establish any new awards under any employee benefit plan or agreement, or adopt or otherwise amend any of the foregoing;

(e) take any action except in the ordinary course of business and in a manner consistent with past practice or make any change in its methods of procurement, management, distribution, marketing, accounting or operating (or practices relating to payment of trade accounts or to other payments);

(f) except in the ordinary course of business or as specifically permitted herein, take any action to incur or increase prior to Closing any indebtedness for borrowed money from banks or other financial institutions or cancel without payment in full, any notes, loans or receivables except in the ordinary course of business;

(g) loan or advance monies to any person under any circumstance whatsoever, except travel advances, salary advances in connection with vacations, or other reasonable expense advances to QV Employees made in the ordinary course of business consistent with past practices; or

(h) do any act or omit to do any act which would cause a breach of any contract, commitment or obligation of UCFI except where such breach would not cause a Material Adverse Effect (as defined in Section 3.9).

3.7 NO NEGOTIATIONS. UCFI covenants that subject to Section 9.2, from and after the date hereof, neither UCFI, nor its officers, members or directors, nor anyone acting on behalf of UCFI or such persons, shall, directly or indirectly, solicit, engage in discussions or negotiations with, or provide any information to, any person, firm or other entity or group (other than CryoLife or its representatives) concerning any merger, sale of substantial assets, purchase or sale of membership interests or similar transaction involving UCFI.

3.8 CLOSING COSTS.

(a) All of the expenses incurred by CryoLife in connection with the authorization, negotiation, preparation, execution and performance of this Agreement and other agreements referred to herein and the consummation of the transactions contemplated hereby, including, without limitation, all fees and expenses of agents, representatives, brokers, counsel and accountants for CryoLife, shall be paid by CryoLife.

(b) All expenses incurred by the Members and UCFI in connection with the authorization, negotiation, preparation, execution and performance of this Agreement and the other agreements referred to herein and the consummation of the transactions contemplated hereby, including without limitation, all fees and expenses of agents, representatives, brokers, counsel and accountants, shall be paid by the Members and UCFI. Prior to the Closing, the Members shall reimburse UCFI in full for any and all such expenses (excluding expenses which would otherwise have been incurred by UCFI in the ordinary course of business) incurred on behalf of the Members or UCFI which have been or will be paid by UCFI prior to the Closing. After the Closing, UCFI and the Members shall remain responsible for and shall pay all such expenses incurred on behalf of UCFI and the Members.

3.9 NOTIFICATION OF CERTAIN MATTERS.

(a) UCFI shall give prompt notice to CryoLife in the event any of the following events occur prior to the Closing:

(i) the occurrence or nonoccurrence of any event whose occurrence or nonoccurrence would be likely to cause either (A) any representation or warranty of UCFI or the Members contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date hereof to the Closing, or (B) directly or indirectly, any Material Adverse Effect for UCFI. The term "Material Adverse Effect" means any change in or effect on the business of the specified entity that is or will be materially adverse to the business, operations, properties (including intangible properties), condition





(financial or otherwise), assets, liabilities or regulatory status of such entity by virtue of the fact that it would have an adverse effect of in excess of $5,000 on the financial condition of such entity, would represent a potential liability or claim in excess of $5,000, or would constitute a criminal act; or

(ii) Any material failure of UCFI or any Member, or

any officer, director, or agent thereof, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder.

(b) CryoLife shall give prompt notice to UCFI in the event any of the following events occur prior to the Closing:

(i) the occurrence or nonoccurrence of any event whose occurrence or nonoccurrence would be likely to cause either (A) any representation or warranty of CryoLife contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date hereof to the Closing, or (B) an event, the disclosure of which is required by the Securities Exchange Act of 1934, as amended; or

(ii) any material failure of CryoLife, or any officer, director, employee or agent thereof, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder.

(c) Notwithstanding the foregoing, the delivery of any notice pursuant to this Section 3.9 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

3.10 PUBLIC ANNOUNCEMENTS.

(a) Except as may be required by law or as provided in this Section 3.10, each of UCFI and CryoLife agrees that it will not, and will direct its directors, officers, employees, representatives and agents who have knowledge of the transactions between UCFI, the Members, and CryoLife contemplated by this Agreement not to, disclose to any person who is not a participant in discussions concerning such transactions (other than any persons whose consent is required to be obtained hereunder), any of the terms, conditions or other facts with respect to any such transactions.

(b) Attached hereto as Exhibit 3.10 is the form of press release that has been approved by CryoLife and UCFI for issuance upon the Closing. After the Closing, each of CryoLife and UCFI shall obtain the prior written consent of the other before issuing any press release or otherwise making any public statements with respect to the transactions contemplated by this Agreement and shall not issue any such press release or make any such public statement prior to such consent; provided, however, notwithstanding the foregoing, CryoLife shall be entitled to make any disclosure that it believes in its good faith judgment,



after consultation with its legal counsel, is required by law to be made. In the event CryoLife determines that a disclosure is required by law to be made, CryoLife shall use reasonable efforts to provide a copy of any contemplated press release to UCFI prior to the issuance thereof and to include any changes requested by UCFI with respect thereto.

3.11 BULK SALES. CryoLife hereby waives compliance by UCFI with the provisions of any applicable state bulk transfer statutes, and UCFI and the Members, jointly and severally, covenant and agree to pay and discharge when due all claims of creditors asserted against CryoLife by reason of any failure of UCFI and/or the Members to so comply, and to indemnify CryoLife fully in respect thereof, which indemnity shall survive the Closing.

3.12 PROCUREMENT AGREEMENTS. At the Closing, Procurement Agreements in the form attached hereto as Exhibit 3.12 (the "Procurement Agreements") shall be entered into between CryoLife and ROBI and CryoLife and Mid-America Transplant Services ("MTS"), respectively.

3.13 PREPAYMENT OF SUBLEASE. To the extent rent under the Sublease is prepaid and such prepayments do not extend for more than six months following Closing, CryoLife shall reimburse the existing tenant, ROBI, for its pro rata

portion of such prepayments on a monthly basis as such payments would have otherwise become due under the Sublease.

3.14 DISTRIBUTION AGREEMENT. At the Closing, CryoLife and UCFI shall enter into a Distribution Agreement in the form attached hereto as Exhibit 3.14 (the "Distribution Agreement").

3.15 FURNITURE. The parties hereby acknowledge that the furniture and certain other equipment (the "Furniture") used by UCFI in the operation of its business is leased pursuant to that certain Master Lease Agreement dated October 11, 1995 between UCFI and First American Bank of Dundee (the "Furniture Lease"). The parties have agreed that, prior to Closing, UCFI shall exercise its right to purchase the Furniture pursuant to the terms of the Furniture Lease. UCFI represents and warrants to CryoLife that the cost to exercise such purchase option shall not exceed $32,000.

3.16 TRANSITIONAL AGREEMENTS. At the Closing, ROBI and CryoLife shall enter into (a) a License Agreement in the form attached hereto as Exhibit 3.16(a), and (b) an Agreement Regarding Services and Related Matters in the form attached hereto as Exhibit 3.16(b) (collectively, the "Transitional Agreements").

3.17 INSURANCE. UCFI has submitted to its insurance company a claim in the aggregate amount of $141,309.14 (the "Insured Amount") for the water damages incurred in connection with the events described on Schedule 4.24. UCFI agrees it shall provide reasonable cooperation and assistance to CryoLife following the Closing in the collection of the Insured Amount, and to the extent the insurance company refuses or fails to pay the Insured Amount within 120 days following Closing, UCFI shall pay to CryoLife the Insured



Amount, and thereafter UCFI shall be entitled to pursue payment thereof and to receipt of the Insured Amount upon any payment by the insurance company.

## ARTICLE 4
## REPRESENTATIONS AND WARRANTIES OF UCFI AND THE MEMBERS

In order to induce CryoLife to enter into this Agreement and consummate the transactions contemplated hereby, UCFI and each Member hereby, jointly and severally, makes the following representations and warranties to CryoLife, each of which warranties and representations is material to and is relied upon by CryoLife.

4.1 ORGANIZATION AND AUTHORITY OF UCFI. UCFI is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois. UCFI and each Member is a non-profit organization under Illinois law and is an organization described in Section 501(c)(3) of the Code and is not a "Private Foundation," within the meaning of Section 509 of the Code. UCFI has received a determination letter from the Internal Revenue Service (the "IRS") that it is described in Section 501(c)(3) of the Code and that it is not a Private Foundation. UCFI is duly qualified as a foreign corporation in all jurisdictions in which the conduct of its business or the ownership of its properties requires such qualification and Schedule 4.1 lists all the states where UCFI is so qualified. UCFI has all necessary corporate power and authority to own, lease and operate its properties and conduct its business as it is currently being conducted. UCFI does not own, directly or indirectly, any equity interest in any corporation, partnership, joint venture or other entity and does not have any "subsidiaries," which for purposes of this Agreement means any corporation or other legal entity of which UCFI owns, directly or indirectly, more than 50% of the stock or other equity interests the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity.

4.2 CORPORATE POWER AND AUTHORITY; DUE AUTHORIZATION. UCFI and each Member has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. UCFI, the Members, ROBI, and MTS each have full corporate power and authority to execute

and deliver each of the Asset Purchase Transaction Documents to which it is or will be a party and to consummate the transactions contemplated thereby. "Asset Purchase Transaction Documents" means all Exhibits and all officer's certificates to be delivered at the Closing and referenced in Sections 7 and 8 excluding Exhibits 3.10, 7.4(g) and 8.4(i). All of the members of UCFI are set forth on Schedule 4.2 attached hereto. The duly elected officers and directors of UCFI are set forth on Schedule 4.2 attached hereto. The directors and the Members of UCFI have duly approved and authorized the execution and delivery of this Agreement and each of the Asset Purchase Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby, and no other corporate proceedings are necessary. Assuming that this Agreement and each of the Asset Purchase Transaction Documents to which CryoLife is a party constitutes a valid and binding



agreement of CryoLife, as applicable, this Agreement and each of the Asset Purchase Transaction Documents to which UCFI, QV, UTF, ROBI, and/or MTS is a party, constitutes, or will constitute when executed and delivered, a valid and binding agreement of such party, in each case enforceable in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the rights of creditors generally and principles governing the availability of equitable remedies.

4.3 TITLE TO ASSETS. UCFI has good and valid title to all of its Assets, free and clear of any liens, pledges, encumbrances, claims or similar rights of third parties. At the Closing, UCFI will transfer to CryoLife good and valid title to all of its Assets, free and clear of any liens, pledges, charges, encumbrances, claims, or similar rights of third parties.

4.4 NO CONFLICT; REQUIRED CONSENTS. Assuming all consents, approvals, authorizations and other actions listed on Schedule 3.2 hereto have been obtained or taken with respect to items (a) and (b) below, the execution and delivery by UCFI of this Agreement and the execution and delivery by UCFI and the Members of each Asset Purchase Transaction Document to which it is a signatory and the consummation by UCFI and the Members of the transactions contemplated hereby and thereby do not and will not, to the knowledge of UCFI or the Members, (a) require the consent, approval or action of, or any filing or notice to, any corporation, firm, person or other entity or any public, governmental or judicial authority; (b) violate the terms of any instrument, document or agreement to which UCFI or any Member is a party, or by which UCFI or any Member or the property of UCFI (including the Assets) is bound, or be in conflict with, result in a breach of or constitute (upon the giving of notice or lapse of time or both) a default under any such instrument, document or agreement of UCFI or any Member, or result in the creation of any lien upon any of the property or assets of UCFI (including the Assets); (c) violate any order, writ, injunction, decree, judgment, ruling, law, rule or regulation of any federal, state, county, municipal, or foreign court or governmental authority applicable to UCFI or any Member or relating to the Assets or to UCFI's business; or (d) violate the Articles of Incorporation or Bylaws of UCFI.

4.5 COMPLIANCE WITH LAWS. To the best of UCFI's and each Member's knowledge, UCFI is in compliance with all applicable laws, orders, rules and regulations of all governmental bodies and agencies.

4.6 LICENSES AND PERMITS. UCFI holds and is in compliance with all licenses, permits, concessions, grants, franchises, approvals and authorizations listed on Schedule 4.6 attached hereto, and to the best of UCFI's and each Member's knowledge, such list constitutes all of the licenses, permits, concessions, grants, franchises, approvals and authorizations necessary or required for the use or ownership of the Assets and the operation of UCFI's business. Except as previously disclosed to CryoLife in writing, neither UCFI nor any Member has received notice of any violations in respect of any such licenses, permits, concessions, grants, franchises, approvals or authorizations. No proceeding is pending or, to the knowledge of UCFI or a Member, is threatened, which seeks revocation

or limitation of any such licenses, permits, concessions, grants, franchises, approvals or authorizations.

4.7 FINANCIAL INFORMATION.

(a) Prior to the date hereof, UCFI has delivered to CryoLife true, correct and complete copies of the audited balance sheets of UCFI as of June 30, 1996 and June 30, 1995, and audited income statements for the fiscal years then ended (collectively, the "Historical Financials"). All such Historical Financials (including any related notes and schedules) have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved and fairly present the financial condition of UCFI at the respective dates thereof and the results of its operations for the periods then ended.

(b) The Interim Financials, when delivered, will have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved (except for the absence of footnotes and normal year-end adjustments) and will show all liabilities, direct and contingent, of UCFI required at the time of preparation to be shown in accordance with such principles. The balance sheet included in the Interim Financials, when delivered, will fairly present the financial condition of UCFI as of the date thereof, and the income statement included in the Interim Financials, when delivered, will fairly present the results of the operations of UCFI for the period indicated. The income statement included in the Interim Financials, when delivered, will not contain any material items of special or non-recurring income or any other income not earned in the ordinary course of UCFI's business.

(c) On the date hereof, there are no liabilities or obligations of UCFI of any nature, whether liquidated, unliquidated, accrued, absolute, contingent or otherwise except for those (i) that will be specifically reflected or reserved against as to amount in the balance sheets contained in the Historical Financials, (ii) that arise thereafter in the ordinary course of business, and (iii) that are specifically set forth on Schedule 4.7 attached hereto; and at the Closing, there will be no liabilities or obligations of UCFI of any nature, whether liquidated, unliquidated, accrued, absolute, contingent or otherwise except for those (A) that will be specifically reflected or reserved against as to amount in the balance sheet contained in the Interim Financials, (B) that arise after the date of such balance sheet in the ordinary course of business or (C) that are specifically set forth on Schedule 4.7.

(d) UCFI has not been during the 12 months immediately preceding the execution of this Agreement, insolvent within the meaning of 11 U.S.C. Section 101(31). UCFI has and is paying its debts as they become due.

4.8 SUFFICIENCY OF ASSETS. The Assets and the assets excluded therefrom pursuant to Section 1.2 hereof constitute all the material assets of any nature with which UCFI has conducted its business for the 12-month period prior to the Closing Date, subject only to



additions and deletions in the ordinary course of business. All material assets and rights relating to UCFI's business are held only by UCFI, and all agreements, obligations, expenses and transactions related to UCFI's business have been entered into, incurred and conducted only by UCFI or one of its Members. To the extent any agreements or transactions have been entered into by a Member, such agreement or transaction has or will be assigned to UCFI prior to Closing or, to the extent not assigned, has been previously disclosed to CryoLife in writing.

4.9 DEPOSITS. Attached as Schedule 4.9 is a true, correct and complete list of Deposits of UCFI, setting forth the amount of each Deposit.

4.10 TRADE PAYABLES; ACCRUED EXPENSES.

(a) Schedule 4.10(a) is a true, correct and complete list of the trade payables and accrued expenses of UCFI outstanding as of the date of this Agreement, which list indicates the number of days such payables have been outstanding. All such trade payables and accrued expenses have been incurred in the ordinary course of business.

(b) At the Closing, UCFI shall deliver to CryoLife an updated list of trade payables and accrued expenses of UCFI (the "Closing Trade Payables and Accrued Expenses List") listing all trade payables and accrued expenses of UCFI as of the Closing. The Closing Trade Payables and Accrued Expenses List will be true, correct and complete as of the Closing.

(c) Schedule 4.10(c) attached hereto is a true, correct and complete list of all obligations for indebtedness owed by UCFI as of the date hereof (other than trade payables) and all obligations of UCFI as of the date hereof incurred other than in the ordinary course of business, stating the origin of the obligation and the amount owed.

4.11 TAX RETURNS AND PAYMENTS. All federal, state and local income, franchise, sales, use, payroll, excise, business, license and information (including, without limitation, IRS Form 990) tax returns of UCFI required by law to be filed for all periods to and including the Closing Date have been or will be timely filed and were or will be accurate and correct when filed, and UCFI has paid or will pay all taxes, including federal, state or local income, franchise, sales, use, payroll, excise, business and license taxes and any penalties and interest or other charges applicable thereto ("Taxes") due for all periods prior to and including the Closing Date. No state, federal or local tax liens exist with respect to UCFI or any of its assets (including the Assets). No audit of the Taxes of UCFI is currently in progress or has, to UCFI's or any Member's knowledge, been scheduled. The full amount of any unpaid tax liabilities which have accrued through June 30, 1996 has been reflected as a liability in the books and in the financial statements of UCFI as of the date of their accrual. UCFI has paid all taxes which would not otherwise require the filing of returns and which are required to be paid and which otherwise would be delinquent. Prior to the execution of this Agreement, UCFI has provided to CryoLife true, correct and complete



copies of UCFI's federal income tax returns on Form 990 for 1995, 1994, and 1993, which returns were properly signed by UCFI and timely filed with the Internal Revenue Service.

4.12 FIXED ASSETS. The Fixed Assets owned by UCFI include all of the furniture, fixtures and equipment owned and used by UCFI in the operation of its business. Each of the Fixed Assets is in good operating condition and repair, normal wear and tear excepted, for all present uses by UCFI. A true, correct and complete list of the Fixed Assets is attached as Schedule 1.1(b), and all such Fixed Assets are located at the Subleased Property unless a different location is noted on Schedule 1.1(b).

4.13 PROCESSED TISSUE. UCFI's inventory of processed tissue held for distribution pursuant to the Distribution Agreement consists, and as of the close of business on the last business day preceding the Closing Date will consist, only of human cryopreserved cardiovascular, vascular, and orthopedic tissue which has been preserved using UCFI's protocols required for and used in the recovery, processing, packing, storage and distribution of human tissue and organs and has been processed in accordance with UCFI's protocols. True, correct and complete copies of all such protocols have been supplied to CryoLife. UCFI's inventory of processed tissue held for distribution pursuant to the Distribution Agreement is in full compliance with all requirements of Title 21, Code of Federal Regulations Part 1270 except where failure to so comply would not cause

a Material Adverse Effect. Schedule 4.13 attached hereto is a true, correct and complete list of the processed tissue held by UCFI by type and size.

4.14 INTELLECTUAL PROPERTY. Schedule 4.14 hereto lists all trademarks, service marks, and copyrights of UCFI used by UCFI in the operation of its business. UCFI owns and/or has the sole and exclusive right to use all of the Intellectual Property. Upon the consummation of the transactions contemplated hereby, to the knowledge of UCFI and the Members, CryoLife will have the sole and exclusive right to own and use the Intellectual Property. No claims have been asserted and no claims are pending or, to UCFI's or any Member's knowledge threatened by any person or entity, to the use of any such Intellectual Property or challenging or questioning the validity or effectiveness of any state or federal registration of the Intellectual Property and neither UCFI nor any Member knows of any valid basis for such claim. UCFI's use of the Intellectual Property, and, to the knowledge of UCFI and the Members, CryoLife's continued use of the Intellectual Property following the Closing in the same manner as heretofore used by UCFI, does not and will not infringe the rights of any person or entity.

4.15 CONTRACTS. Schedule 4.15 sets forth a true and complete list of all written or oral contracts, agreements and other instruments to which UCFI or its Assets are subject or bound, including without limitation agreements with organ procurement agencies and other procurement sources, sales representatives, distributors, suppliers and independent contractors in the operation of UCFI's business, except any contract, agreement or understanding involving an aggregate annual expenditure of less than $10,000 (collectively, the "Contracts"). Prior to execution of this Agreement, UCFI has provided to CryoLife



true, correct and complete copies of the Contracts, including any and all amendments and waivers thereto. Except as otherwise disclosed to CryoLife in writing, such Contracts are valid, legally binding and enforceable against the parties thereto. Except as otherwise disclosed to CryoLife in writing, neither UCFI nor, to the best of UCFI's and any Member's knowledge, any other party to any of the Contracts is in breach of, or in default under, any of the Contracts and no event has occurred which, with the notice or lapse of time, or both, would constitute a default by UCFI or any other party to any of the Contracts. The assignment of any of the Contracts to CryoLife in accordance with this Agreement will not constitute a breach or violation of such Contract.

4.16 HAZARDOUS SUBSTANCE. For purposes of this paragraph, "hazardous substance" means any substance or material (a) identified in Section 101(14) of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601(14) and as set forth in Title 40, Code of Federal Regulations, Part 302, as the same may be amended from time to time, (b) determined to be toxic, a pollutant or contaminant, under federal, state or local statute, law, ordinance, rule, or regulation or judicial or administrative order or decision, as same may be amended from time to time, (c) petroleum and petroleum products and distillates, (d) asbestos, (e) radon, (f) polychlorinated biphenyls and (g) such other materials, substances or waste subject to regulation under any applicable law. There are no violations of federal, state or local laws relating to health, safety and the environment relating to the operations of UCFI's business or the current or former state of the Assets (excluding violations which would not have a Material Adverse Effect). To UCFI's and the Members' knowledge, either there are no "hazardous substances" located on, in or under the Subleased Property or used in the operation of UCFI's business; or UCFI has fully disclosed to CryoLife in writing the existence, extent and nature of any "hazardous substances" which UCFI is legally authorized to maintain on, in, or under the Subleased Property or the Assets as to use in connection therewith and UCFI has obtained all licenses, permits, and approvals required with respect thereto and is in full compliance with all of the terms, conditions and requirements of such licenses, permits and approvals. UCFI has not caused or permitted to exist, as a result of an intentional or unintentional act or omission on its part, a releasing, discharging, spilling, leaking, pumping, emitting, pouring, emptying, or dumping of "hazardous substances." Except as otherwise disclosed to CryoLife in writing, neither UCFI nor any Member has received any written notice, summons, citation, notice of violation,

letter or other communication concerning any pending or threatened claim or litigation in which any person or entity alleges the presence, release, threat of release, placement on or at the Subleased Property or the Assets, or the generation, transportation, storage, treatment, or disposal at, on or from the Subleased Property or the Assets, of any hazardous substance, or in which any person alleges a violation of any law governing or imposing any liability arising out of any matter relating to health, safety or the environment.

4.17 LITIGATION; JUDGMENTS. Except as otherwise disclosed by UCFI to CryoLife in writing, there is no action, proceeding or investigation pending, or to UCFI's or any Member's knowledge, threatened against or involving UCFI or any Member relating to any of the Assets or the operation of UCFI's business, nor is there any action or proceeding



pending or threatened before any court, tribunal or governmental body seeking to restrain or prohibit or to obtain damages or other relief in connection with the consummation of transactions contemplated by this Agreement, or which might adversely affect UCFI's business or Assets, or UCFI's or any Member's ability to consummate the transactions contemplated by this Agreement and the Asset Purchase Transaction Documents. Neither UCFI nor any Member is the subject of any judgment, order or decree entered in any lawsuit or proceeding relating to the Assets or the operation of UCFI's business.

4.18 SUBLEASE. UCFI has delivered to CryoLife a true, correct and complete copy of the Sublease, together with all amendments, addenda and supplements thereto with respect to the Sublease:

(a) The Sublease is legal, valid, binding, enforceable, and in full force and effect;

(b) Subject to obtaining any necessary consent from the Landlord and Mortgagee in respect of the transactions contemplated hereunder, the Sublease will continue to be legal, valid, binding, enforceable and in full force and effect on identical terms following the Closing;

(c) No party to the Sublease is in breach or default, and no event has occurred which, with notice or lapse of time, would constitute a breach or default or permit termination, modification or acceleration thereunder;

(d) No other party to the Sublease has repudiated any provision thereof;

(e) There have not been and there are no disputes, oral agreements or forebearances in effect as to the Sublease;

(f UCFI has good title to the leasehold interest under the Sublease;

(g) UCFI has not assigned, transferred, conveyed, mortgaged, deeded in trust or encumbered any interest in the leasehold and neither UCFI nor any Member is aware of any such assignment, transfer, conveyance, mortgage, deed in trust or encumbrance of any interest in the leasehold; and

(h) All facilities leased or subleased under the Sublease have received or have applied for all approvals of governmental authorities (including licenses and permits) required in connection with the operation thereof and have been operated and maintained in accordance with applicable laws, rules and regulations with respect to the activities of UCFI conducted thereat.

4.19 INSURANCE. UCFI maintains property, fire, casualty, workman's compensation, general liability insurance and other forms of insurance relating to its Assets and the

operation of UCFI's business against risks of the kind customarily insured against and in amounts customarily insured (and, where appropriate, in amounts not less than the replacement cost of the Assets). UCFI will maintain its insurance policies in full force and effect through the Closing Date. Schedule 4.19 lists all of the insurance policies maintained by UCFI, which schedule includes the name of the insurance company, the policy number, a description of the type of insurance covered by such policy, the dollar limit of the policy, and the annual premiums for such policy.

4.20 UNION; LABOR. UCFI does not engage any person directly as an employee, and the QV Employees constitute all of the individuals performing full-time services for UCFI and participating in the day-to-day operations of UCFI. Neither UCFI nor QV is a party to any collective bargaining agreement or any other contract, written or oral, with any trade or labor union, employees' association or similar organization with respect to the QV Employees. There are no strikes or labor disputes pending or threatened, or to UCFI's or any Member's knowledge, any attempts at union organization of the QV Employees. All salaries and wages paid and withheld by QV are and have been in compliance with all applicable federal, state and local laws.

4.21 BENEFIT PLANS AND ERISA.

(a) UCFI does not maintain, contribute to or otherwise have any liability whatsoever with respect to any "employee benefit plan" (within the meaning of Section 3(3) of ERISA) or any other bonus, profit sharing, pension, compensation, deferred compensation, stock option, stock purchase, fringe benefit, severance, post-retirement, scholarship, disability, sick leave, vacation, individual employment, commission, bonus, payroll practice, retention, or other plan, agreement, policy, trust fund or arrangement for any of the QV Employees or other personnel providing services to UCFI.

(b) CryoLife shall not, as a result of the transactions contemplated by this Agreement (including without limitation the receipt of services of the QV Employees): (i) become liable for any contribution, tax, lien, penalty, cost, interest, claim, loss, action, suit, damage, cost assessment or other similar type of liability or expense of UCFI or any ERISA Affiliate (including predecessors thereof) with regard to any "employee benefit plan" (within the meaning of Section 3(3) of ERISA) of UCFI, QV or any other ERISA Affiliate.

4.22 IMMIGRATION MATTERS. (Intentionally deleted.)

4.23 BROKERS FEES AND EXPENSES. Neither UCFI nor any Member has retained or utilized the services of any broker, finder or intermediary, or paid or agreed to pay any fee or commission to any person or entity for or on account of the transactions contemplated hereby, or had any communications with any person or entity which would obligate CryoLife to pay any such fees or commissions.



4.24 ABSENCE OF MATERIAL CHANGES. Except as set forth in Schedule 4.24 attached hereto or otherwise reflected in the Interim Financials, from June 30, 1996 to the date of this Agreement:

(a) there has not been any Material Adverse Effect in the condition (financial or otherwise) of the business, the liabilities or the assets of UCFI;

(b) there has been no Material Adverse Effect in UCFI's relations with, nor has UCFI lost (or received written notice that it is about to lose)

any distributors or suppliers with which UCFI has significant business relations (except if as a result of UCFI's efforts to terminate agreements which will not be assigned);

(c) UCFI has operated its business in the ordinary course and has not sold, assigned, or transferred any of its assets, except in the ordinary course of its business;

(d) except as disclosed on Schedule 4.24, UCFI has not mortgaged, pledged or subjected to any lien, pledge, mortgage, security interest, conditional sales contract, or other encumbrance of any nature whatsoever, any of UCFI's assets (including the Assets);

(e) there has been no amendment, termination, or waiver of any right of UCFI under any contract, governmental license or permit that would have a Material Adverse Effect on its Assets or its business;

(f) UCFI has not:

(i) paid any judgment resulting from any suit, proceeding, arbitration, claim or counterclaim in respect of Assets or business in excess of $10,000 (provided that all such excluded payments do not aggregate to more than $50,000);

(ii) made any such payment to any party in settlement of any such suit, proceeding, arbitration, claim or counterclaim in excess of $10,000 (provided that all such excluded payments do not aggregate to more than $50,000);

(iii) written down or failed to write down (in accordance with generally accepted accounting principles), or written up the value of any inventory or assets of UCFI;

(iv) made any material changes in the customary methods of operation of UCFI's business, including practices and policies relating to accounting, purchasing, marketing or selling;

(v) (except in respect of ordinary trade payables) incurred any indebtedness or guaranteed any indebtedness, except for borrowings under existing loans or lines of credit in the ordinary course of business; or



(vi) agreed, whether in writing or otherwise, to take any of the actions specified in this Section 4.24.

4.25 BANK ACCOUNTS. Schedule 4.25 contains a true, complete and correct list showing the name and location of each bank or other institution in which UCFI has any deposit account or safe deposit box, together with a listing of account numbers and names of all persons authorized to draw thereon or have access thereto.

4.26 FULL DISCLOSURE. The statements, representations and warranties made by UCFI and the Members in this Agreement, in the Schedules and Exhibits attached hereto, and in the Asset Purchase Transaction Documents do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading.

## ARTICLE 5
## REPRESENTATIONS AND WARRANTIES OF CRYOLIFE

In order to induce UCFI and the Members to enter into this Agreement and to consummate the transactions contemplated hereby, CryoLife represents and warrants to UCFI and the Members as follows:

5.1 ORGANIZATION OF CRYOLIFE. CryoLife is a corporation duly organized

and validly existing and in good standing under the laws of the State of Florida and has the corporate power to own, lease, and operate its property and to carry on its business as now being conducted by it.

5.2 CORPORATE POWER AND AUTHORITY; DUE AUTHORIZATION. CryoLife has full corporate power and authority to execute and deliver this Agreement and each of the Asset Purchase Transaction Documents to which CryoLife is or will be a party and to consummate the transactions contemplated hereby and thereby. The Board of Directors of CryoLife have duly approved and authorized the execution and delivery of this Agreement and each of the Asset Purchase Transaction Documents to which it is or will be a party and the consummation of the transactions contemplated hereby and thereby, and no other corporate proceedings on the part of CryoLife are necessary to approve and authorize the execution and delivery of this Agreement and such Asset Purchase Transaction Documents and the consummation of the transactions contemplated hereby and thereby. Assuming that this Agreement and each of the Asset Purchase Transaction Documents to which CryoLife is a party constitutes a valid and binding agreement of UCFI and/or a UCFI Affiliate, as the case may be, this Agreement and each of the Asset Purchase Transaction Documents to which CryoLife is a party constitutes, or will constitute when executed and delivered, a valid and binding agreement of CryoLife, as applicable, in each case enforceable against CryoLife in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the rights of creditors generally and principles governing the availability of equitable remedies.



5.3 NO CONFLICT; CONSENTS. The execution and delivery by CryoLife of this Agreement, the Asset Purchase Transaction Documents to which it is or will be a party and the consummation by CryoLife of the transactions contemplated hereby and thereby do not and will not, to CryoLife's knowledge, (a) require the consent, approval or action of, or any filing or notice to, any corporation, firm, person or other entity or any public, governmental or judicial authority; (b) violate the terms of any instrument, document or agreement to which CryoLife is a party, or by which CryoLife or the property of CryoLife is bound, or be in conflict with, resulting in a breach of or constitute (upon the giving of notice or lapse of time, or both) a default under any such instrument, document or agreement; (c) violate any order, writ, injunction, decree, judgment, ruling, law or regulation of any federal, state, county, municipal, or foreign court or governmental authority applicable to CryoLife and relating to the purchase of UCFI's business; or (d) violate the Articles of Incorporation or Bylaws of CryoLife.

5.4 BROKERS FEES AND EXPENSES. CryoLife has not retained or utilized the services of any broker, finder, or intermediary, or paid or agreed to pay any fee or commission to any person or entity for or on account of the transactions contemplated hereby, or had any communications with any person or entity which would obligate UCFI or any Member to pay any such fees or commissions.

5.5 FULL DISCLOSURE. The statements, representations and warranties made by CryoLife in this Agreement and in the Exhibits attached hereto do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading.

## ARTICLE 6
## INDEMNIFICATION

6.1 INDEMNIFICATION BY UCFI AND MEMBERS. In addition to any other indemnification obligations of UCFI or the Members under any other provision hereof, UCFI, and the Members, jointly and severally indemnify and hold CryoLife, and its affiliates, directors, officers, employees and agents, harmless from and against all claims, liabilities, lawsuits, costs, damages or expenses (including, without limitation, reasonable attorneys' fees and expenses incurred in litigation or otherwise) arising out of and sustained by any of them due to (a) any misrepresentation or breach of any representation, warranty,

covenant or agreement of UCFI or the Members contained in this Agreement or any Asset Purchase Transaction Document; (b) any liability or obligation relating to the operation of UCFI's business or the ownership or use of the Assets through the Closing Date, other than the Assumed Liabilities, including, without limitation, any and all claims, liabilities, Taxes, debts, contracts, agreements, obligations, damages, costs and expenses, known or unknown, fixed or contingent, claimed or demanded by third parties against CryoLife arising out of the operation of UCFI's business, including, without limitation, the processing and distribution of human tissue, the Sublease and the use or occupancy of the Subleased Property, or the



ownership or use of the Assets, prior to and through the Closing Date; (c) the failure of the parties to this Agreement to comply with the provisions of the bulk sales law in any state having jurisdiction over Assets or the transactions contemplated herein; (d) breach by ROBI or MTS of the Procurement Agreements; (e) the occurrence of events which, had Sections 4.4 and/or 4.5 not been qualified to the knowledge of UCFI and the Members, would have constituted a breach of such Sections, or (f) claims resulting from the correct application and conduct by CryoLife under the Distribution Agreement of UCFI's written protocols for the distribution of processed tissue, which protocols are provided to CryoLife in writing at the Closing (the "UCFI Protocols").

6.2 INDEMNIFICATION BY CRYOLIFE. CryoLife hereby indemnifies and holds UCFI and the Members, and each of UCFI's and each Member's affiliates, directors, officers, employees and agents (including, without limitation, ROBI and MTS in their capacities as contracting parties to the Asset Purchase Transaction Documents and otherwise), harmless from and against all claims, liabilities, lawsuits, costs, damages or expenses (including without limitation reasonable attorneys fees and expenses incurred in litigation or otherwise) arising out of and sustained by any of them due to (a) any misrepresentation or breach of any representation, warranty, covenant or agreement of CryoLife in this Agreement or any Asset Purchase Transaction Document; (b) any Assumed Liabilities; (c) the use or occupancy of the Subleased Property after the Closing Date, except as contemplated by Section 3.2; (d) except with respect to claims arising from or described in Section 6.1 or with respect to which UCFI and/or the Members have specifically agreed to be responsible pursuant to this Agreement or any Asset Purchase Document, any liability or obligation relating to the operation, use, or ownership of the Assets after the Closing Date and the employment after the Closing Date of the Employees to be Hired; or (e) the occurrence of events which had Section 5.3 not been qualified to the knowledge of CryoLife, would have constituted a violation of such Section.

In addition, the parties specifically acknowledge that claims may arise with respect to tissue that has been processed by UCFI prior to the Closing, but which is distributed by CryoLife, on behalf of UCFI after the Closing, pursuant to the Distribution Agreement. With respect thereto, in the event a claim arises or results from the processing of the tissue by UCFI prior to Closing or the correct application and conduct by CryoLife under the Distribution Agreement of the UCFI Protocols, UCFI and the Members shall indemnify and hold CryoLife harmless from such claims in accordance with the provisions of Section 6.1; in the event a claim arises or results from the distribution of the tissue by CryoLife in violation of the terms of the Distribution Agreement or as a result of CryoLife's negligence or willful misconduct in connection with the distribution of the tissue under the Distribution Agreement, CryoLife shall indemnify and defend UCFI and the Members in accordance with the provisions of Section 6.2.

6.3 PROVISIONS REGARDING INDEMNIFICATION. The indemnified party (or parties) shall promptly notify the indemnifying party (or parties) of any claim, demand, action or proceeding for which indemnification will be sought under Section 6.1 or 6.2 of this

Agreement and, if such claim, demand, action or proceeding is being made or prosecuted by a third party, the indemnifying party will have the right, at its expense, to assume the defense thereof using counsel acceptable to the indemnified party, whose consent shall not be withheld unreasonably. The indemnified party shall have the right to participate in at its own expense, but not control, the defense of any such third party claim, demand, action or proceeding. In connection with any such third party claim, demand, action or proceeding, UCFI, the Members, and CryoLife shall cooperate with each other. No such third party claim, demand, action or proceeding shall be settled without the prior written consent of the indemnified party provided, however, that if a firm, written offer is made to settle any such third party claim, demand, action or proceeding and the indemnifying party proposes to accept such settlement and the indemnified party refuses to consent to such settlement, then: (i) the indemnifying party shall be excused from, and the indemnified party shall be solely responsible for, all further defense of such third party claim, demand, action or proceeding; and (ii) the maximum liability of the indemnifying party relating to such third party claim, demand, action or proceeding shall be the amount of the proposed settlement if the amount thereafter recovered from the indemnified party on such third party claim, demand, action or proceeding is greater than the amount of the proposed settlement.

6.4 SURVIVAL. The representations and warranties contained in this Agreement and in the Asset Purchase Transaction Documents delivered at the Closing shall survive the Closing for a period ending on the fifth anniversary date of the Closing and shall thereafter cease to be of any force and effect, except for (a) claims for indemnification resulting from breaches of such representations and warranties as to which notice has been given in accordance with Section 6.3 hereof prior to such date and which are pending on such date and (b) representations and warranties relating to: (i) title to the Assets (Section 4.3 hereof), (ii) Taxes (Sections 4.11 and 6.1 hereof), (iii) financial statements (Sections 3.3 and 4.7 hereof); (iv) compliance with bulk transfer laws (Section 3.11 hereof) and (v) employee benefits (Sections 2.3, 3.1 and 4.21), each of which shall survive until the end of the statute of limitations applicable to the underlying claim for which indemnification is sought. Neither such survival nor the liability of any party with respect to the party's representations and warranties shall be reduced by any investigation made at any time by or on behalf of any party.

6.5 RIGHT OF SET-OFF.

(a) CryoLife shall have the limited right to set-off against the Promissory Note in accordance with the procedures set forth in this Section 6.5 if an event has occurred that entitles CryoLife to indemnification under Article 6 of this Agreement, which Event has not been satisfied by UCFI or the Members (a "Set-Off Event"). In the event of a Set-Off Event, CryoLife shall send written notice to UCFI and the Members of its intent to exercise its right of set-off hereunder, which notice shall contain (i) a specific description of the reasons why CryoLife believes it is entitled to indemnification and set-off under the Agreement, including a specific description of the nature of the claim, liability, lawsuit, cost, damage or expense arising out of and sustained by CryoLife, its affiliates, directors, officers,



employees and agents, as well as a specific description of the Set-Off Event; (ii) the amount of the proposed set-off (which amount shall equal the amount due and payable by UCFI or the Members to CryoLife pursuant to the indemnification provisions of this Article 6) (the "Proposed Set-Off Amount"); and (iii) a specific description of how such amount was determined.

(b) In the event UCFI disputes CryoLife's assertion that a Set-Off Event has occurred or disputes the Proposed Set-Off Amount, UCFI shall have ten business days in which to notify CryoLife in writing that such claim is

disputed, which notice shall specify (i) the reasons UCFI believes no such Set-Off Event has occurred, and (ii) why UCFI believes that the Proposed Set-Off Amount is in error. In the event UCFI fails to notify CryoLife within such ten-day period, UCFI and the Members shall be deemed to have accepted such set-off, with respect to the amount and event described in the notice. In the event of a dispute, the parties shall negotiate in good faith to resolve the dispute.

(c) In the event the parties are unable to resolve the dispute within 30 days following the expiration of the ten-day response period, the matter shall be submitted to arbitration in accordance with Section 10. Pending resolution of a dispute under this Section 6.5, all amounts payable or coming due under the Promissory Note, up to the Proposed Set-Off Amount, shall be paid by CryoLife into a separate, joint order, interest-bearing account (the "Escrow Account").

(d) In the event it is determined by the arbiters that no Set-Off Event has occurred, CryoLife shall forthwith release its interest in said Escrow Account, including accrued interest thereon, or pay forthwith the amount of the Proposed Set-Off Amount plus the amount of interest accrued thereon, to UCFI, at CryoLife's option. In addition, CryoLife shall reimburse UCFI and the Members for all reasonable costs, including attorney's fees, incurred by UCFI or the Members in connection with resolving the dispute.

(e) In the event it is determined by the arbiters that a Set-Off Event has occurred in an amount equal to the Proposed Set-Off Amount, then UCFI shall release its interest in said Escrow Account and CryoLife shall be entitled to the funds held in such Escrow Account, plus any interest accrued thereon. To the extent that the funds held in such Account are less than the Proposed Set-Off Amount, UCFI and the Members shall promptly pay to CryoLife the amount of the deficit, or, at CryoLife's option, CryoLife may off-set such amount against amounts coming due under the Promissory Note in the future. In addition, UCFI or the Members shall forthwith pay an amount equal to the reasonable costs, including attorney's fees, incurred by CryoLife in resolving the dispute.

(f) In the event it is determined by the arbiters that a Set-Off Event has occurred but the Proposed Set-Off Amount is greater than the amount which is determined to be the correct amount due and payable by UCFI or the Members to CryoLife pursuant to the indemnification provisions of this Article 6 (the "Actual Set-Off Amount"), then UCFI shall forthwith release its interest in said Escrow Account in an amount equal to the lower



of the amount of funds held in the Escrow Account or the Actual Set-Off Amount plus any interest accrued thereon. If the amount of funds held in the Escrow Account is less than the Actual Set-Off Amount, UCFI and the Members shall promptly pay to CryoLife the amount of the deficit, or, at CryoLife's option, CryoLife may off-set such amount against amounts coming due under the Promissory Note in the future. The difference between the Proposed Set-Off Amount and the Actual Set-Off Amount is hereinafter referred to as the "Set-Off Differential." To the extent that the funds held in the Escrow Account exceed the Actual Set-Off Amount, plus interest, such excess shall be released to UCFI or the Members forthwith, together with the amount of any interest accrued thereon in accordance with the written instructions of UCFI.

(g) In the event it is determined by the arbiters that a Set-Off Event has occurred but the Proposed Set-Off Amount is less than the Actual Set-Off Amount, then UCFI shall release its interest in said Escrow Account and CryoLife shall be entitled to the funds held in such Account, plus interest accrued on said amount. In addition, UCFI or the Members shall pay forthwith the Set-Off Differential.

(h) In either of the events described in 6.5(f) or 6.5(g), the arbitrator shall have the authority to award reasonable costs, including attorneys' fees, as the arbitrator deems appropriate.

(i) In the event CryoLife fails to comply with the terms of this

Section 6.5, in addition to any other rights to which UCFI may be entitled at law or in equity, ROBI and MTS shall have the right to terminate the Procurement Agreements.

(j) In the event that UCFI or the Members fail to pay or release amounts due under this Section 6.5, then in addition to any other rights which CryoLife may be entitled at law or in equity, CryoLife shall be entitled to set-off additional amounts due under the Promissory Note, but only in an amount equal to the amount due hereunder.

(k) The foregoing rights of set-off shall not be exclusive of any other right or remedy CryoLife may have with respect to the indemnified claims, whether by contract, at law or in equity; provided, however, that under no circumstance shall CryoLife be entitled to set-off any amounts against amounts due under the Promissory Note except as provided herein. Except as otherwise provided, this Section 6.5 shall not be deemed to limit CryoLife's rights to indemnification, at law, in equity, or under this Agreement.

6.6 LIMITATION OF LIABILITY. Notwithstanding anything contained herein to the contrary, in no event shall either party's liability pursuant to this Article 6 for breach of any representation, warranty, or agreement exceed the aggregate amount of the Asset Consideration; provided, however, the foregoing shall not be applicable to claims with respect to (i) Taxes (Sections 4.11 and 6.1); (ii) employee benefits (Sections 2.3, 3.1, and 4.21, or (iii) environmental matters (Section 4.16). The foregoing limitation shall not apply with respect to claims arising under Section 6.1(b) or 6.2(c).



## ARTICLE 7
## CONDITIONS TO OBLIGATIONS OF CRYOLIFE TO CLOSE

Each and every obligation of the CryoLife under this Agreement to be performed on or prior to the Closing shall be subject to the fulfillment, on or prior to the Closing, of each of the following conditions:

7.1 REPRESENTATIONS AND WARRANTIES TRUE AT CLOSING. The representations and warranties made by UCFI and the Members in or pursuant to this Agreement and the Asset Purchase Transaction Documents or given on their behalf hereunder or thereunder shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made or given on and as of the Closing Date.

7.2 OBLIGATIONS PERFORMED. UCFI and the Members shall have performed and complied with all agreements and conditions required by this Agreement and the Asset Purchase Transaction Documents to be performed or complied with by them prior to or at the Closing.

7.3 CONSENTS. Except for the consent of the Landlord and Mortgagee to the assignment of Sublease, with respect to which the provisions of Section 3.2 shall apply, UCFI shall have obtained and delivered to CryoLife written consents of all persons or entities whose consent is required to consummate the transactions contemplated herein, if any, and all of such consents shall remain in full force and effect at and as of the Closing.

7.4 CLOSING DELIVERIES. UCFI shall have delivered to CryoLife each of the following, together with any additional items which CryoLife may reasonably request to effect the transactions contemplated herein:

(a) possession of the Assets;

(b) a Bill of Sale in the form of Exhibit 7.4(b) attached hereto, the Assignment and Assumption Agreement, the Assignment and Assumption of Sublease, and such additional instruments of sale, transfer, conveyance, and assignment duly executed by UCFI as of the Closing Date as counsel to CryoLife shall deem necessary or appropriate;

(c) a certified copy of the corporate resolutions of UCFI and the Members of UCFI authorizing the transactions contemplated hereby and the execution, delivery and performance by UCFI of this Agreement and the other agreements and instruments contemplated hereby, together with an incumbency certificate with respect to officers of UCFI executing documents or instruments on behalf of UCFI;



(d) a certificate of the President of UCFI and a certificate of the President of each Member certifying as to the matters set forth in Sections 7.1 and 7.2 hereof and as to the satisfaction of all other conditions set forth in this Article 7;

(e) the Noncompetition Agreements referred to in Section 3.4 hereof duly executed by UCFI and each Member;

(f) a Closing Trade Payables and Accrued Expenses List pursuant to Section 4.10(b);

(g) an opinion of counsel to UCFI substantially in the form of Exhibit 7.4(g);

(h) written consents from all parties to the Sublease whose consent to the transactions contemplated hereby is required (subject to the provisions of Section 3.2);

(i) the Procurement Agreements referred to in Section 3.12 duly executed by ROBI and MTS;

(j) the Employee Leasing Agreement referred to in Section 3.1 duly executed by QV;

(k) the Distribution Agreement referred to in Section 3.14 duly executed by UCFI;

(l) the Transitional Agreements referenced in Section 3.16 duly executed by ROBI; and

(m) any other documents or agreements contemplated hereby and/or necessary or appropriate to consummate the transactions contemplated hereby.

7.5 NO CHALLENGE. There shall not be pending or threatened any action, proceeding or investigation before any court or administrative agency by any government agency or any pending action by any other person, challenging, or seeking material damages in connection with, the acquisition by CryoLife of the Assets pursuant to the transactions contemplated by this Agreement or the ability of CryoLife or any of its affiliates to own and operate the Assets or otherwise materially adversely affecting the business, assets, prospects, financial condition or results of operations of UCFI.

7.6 NO INVESTIGATIONS OF UCFI OR BUSINESS. As of the Closing Date, there shall be no, and neither UCFI nor any Member shall have any knowledge of or reason to know of any, pending or threatened investigation by any municipal, state or federal government agency or regulatory body with respect to the Assets or UCFI's business.

7.7 NO MATERIAL ADVERSE EFFECT. Since June 30, 1996, there shall have been no Material Adverse Effect in the business, financial condition, results of operations and/or Assets (without giving effect to the consequences of the transactions contemplated by this Agreement) of UCFI, whether reflected in financial statements, the schedules hereto or otherwise, which has not been waived by CryoLife in writing.

7.8 REVISED SCHEDULES. UCFI shall have provided CryoLife with revised Schedules dated as of the Closing Date (the "Revised Schedules"), with all material changes through such date duly noted thereon, and the Revised Schedules will not contain any disclosures which set forth changes which in the opinion of CryoLife, individually or in the aggregate, have or may have a Materially Adverse Effect on UCFI and/or its operations, unless such disclosures are approved in writing by CryoLife.

7.9 LEGALITY. No federal or state statute, rule, regulation, executive order, decree or injunction shall have been enacted, entered, promulgated or enforced by any court or governmental authority which is in effect and has the effect of making the transactions contemplated hereby illegal or otherwise prohibiting the consummation of the transactions contemplated hereby.

7.10 REGULATORY MATTERS. All filings shall have been made and all approvals shall have been obtained as may be legally required pursuant to federal and state laws prior to the consummation of the transactions contemplated by this Agreement and all actions, by or in respect of, or filings with, any governmental body, agency or official or any other person which require action on the part of or the cooperation and/or participation of UCFI and which are required to permit the consummation of the transactions contemplated by this Agreement so that CryoLife shall be able to continue to carry on the business of UCFI substantially in the manner now conducted by UCFI shall have been taken or made.

7.11 BLUE SKY. All blue sky permits or approvals required to carry out the transactions contemplated hereby shall have been received.

7.12 REPAYMENT OF DEBTS. At the Closing, all officers, directors, and Members of UCFI and the QV Employees shall repay in full any outstanding indebtedness owed to UCFI by them.

7.13 FURNITURE. UCFI shall have acquired all right, title, and interest in and to the Furniture as contemplated by Section 3.15.



## ARTICLE 8
## CONDITIONS TO UCFI'S OBLIGATIONS

Each and every obligation of UCFI under this Agreement to be performed on or prior to the Closing shall be subject to the fulfillment, on or prior to the Closing, of each of the following conditions:

8.1 REPRESENTATIONS AND WARRANTIES TRUE AT CLOSING. The representations and warranties made by CryoLife in or pursuant to this Agreement or given on its behalf hereunder shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made or given on and as of the Closing Date.

8.2 OBLIGATIONS PERFORMED. CryoLife shall have performed and complied with all of its respective obligations under this Agreement which are to be performed or complied with by it prior to or at the Closing.

8.3 CLOSING DELIVERIES. CryoLife shall have delivered to UCFI, each of the following, together with any additional items which UCFI may reasonably request to effect the transactions contemplated herein:

(a) the cash and Promissory Note, duly executed by CryoLife,

representing the Cash Consideration due to UCFI;

(b) certified copies of the corporate resolutions of CryoLife authorizing the transactions contemplated hereby and the execution, delivery and performance of this Agreement and the Asset Purchase Transaction Documents to which CryoLife is a signatory by CryoLife, and incumbency certificates with respect to the officers of CryoLife executing documents or instruments on behalf of CryoLife;

(c) a certificate of the President of CryoLife certifying as to the matters set forth in Sections 8.1 and 8.2 hereof and as to the satisfaction of all other conditions set forth in this Article 8;

(d) the Assignment and Assumption Agreement and Assignment and Assumption of Sublease duly executed by CryoLife and such additional instruments of sale, transfer, conveyance, and assignment as counsel to CryoLife and counsel to UCFI shall mutually deem necessary or appropriate;

(e) the Procurement Agreements referred to in Section 3.12 duly executed by CryoLife;

(f) the Employee Leasing Agreement referred to in Section 3.1 duly executed by CryoLife;



(g) the Distribution Agreement referred to in Section 3.14 duly executed by CryoLife;

(h) any other documents or agreements contemplated hereby and/or necessary or appropriate to consummate the transactions contemplated hereby; and

(i) an opinion of counsel of CryoLife substantially in the form of Exhibit 8.3(i).

8.4 NO CHALLENGE. There shall not be pending or threatened any action, proceeding or investigation before any court or administrative agency by any government agency or any pending action by any other person, challenging, or seeking material damages in connection with, the acquisition by CryoLife of the Assets pursuant to this Agreement or the ability of CryoLife or any of its affiliates to own and operate the Assets or otherwise materially adversely affecting the business, assets, prospects, financial condition or results of operations of CryoLife.

8.5 NO MATERIAL ADVERSE EFFECT. Since June 30, 1996, there shall have been no Material Adverse Effect in the business, financial condition, results of operations and/or assets of CryoLife, whether reflected in financial statements, the schedules hereto or otherwise.

8.6 LEGALITY. No federal or state statute, rule, regulation, executive order, decree or injunction shall have been enacted, entered, promulgated or enforced by any court or governmental authority which is in effect and has the effect of making the transactions contemplated hereby illegal or otherwise prohibiting the consummation of the transactions contemplated hereby.

8.7 REGULATORY MATTERS. All filings shall have been made and all approvals shall have been obtained as may be legally required pursuant to federal and state laws prior to the consummation of the transactions contemplated by this Agreement and all actions, by or in respect of, or filings with, any governmental body, agency or official or any other person which require action on the part of or the cooperation and/or participation of CryoLife and which are required to permit the consummation of the transactions contemplated by this Agreement so that CryoLife shall be able to continue to carry on the business of UCFI substantially in the manner now conducted by UCFI shall have been taken or made.

8.8 BLUE SKY. All blue sky permits or approvals required to carry out

the transactions contemplated hereby shall have been received.



ARTICLE 9
TERMINATION

9.1 TERMINATION. This Agreement may be terminated at any time before the Closing Date:

(a) by mutual written consent of CryoLife and UCFI;

(b) by CryoLife if there occurs a substantial loss, damage or diminution of Assets or other Material Adverse Effect on the business of UCFI or arising from any cause including theft, fire, flood or act of God prior to Closing;

(c) by any nonbreaching party hereto if there has been a material breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of any nonterminating party hereto; or

(d) by either CryoLife or UCFI if the Closing is not consummated on or before September 15, 1996.

9.2 EFFECTS OF TERMINATION. In the event this Agreement is terminated pursuant to Section 9.1(a) or 9.1(d) above, no party shall have any obligations to the others hereunder except for those obligations in respect to confidentiality and the return of confidential information set forth in Section 3.3 hereof. If this Agreement is terminated pursuant to Section 9.1(b) or 9.1(c), the obligations in respect to confidentiality and the return of confidential information set forth in Section 3.3 hereof shall remain in effect and each party hereto may exercise all remedies available to it under this Agreement, at law or in equity.

ARTICLE 10
MISCELLANEOUS PROVISIONS

10.1 RISK OF LOSS. The risk of loss prior to the Closing Date shall be with UCFI. In the event a material portion of the Assets or the operations of the business of UCFI shall have been materially damaged or otherwise adversely affected as a result of any strike, accident or other casualty or act of God or the public enemy, or any judicial, administrative or governmental proceeding at such time as UCFI proposed to close, then CryoLife shall have the options of either (a) proceeding to close with an assignment of any insurance proceeds which may be paid to reflect such loss or damage, or (b) terminating this Agreement without further liability to UCFI.



10.2 SEVERABILITY AND OPERATIONS OF LAW. If any provision of this Agreement is prohibited by the laws of any jurisdiction as those laws apply to this Agreement, that provision shall be ineffective to the extent of such prohibition and/or shall be modified to conform with such laws, without invalidating the remaining provisions hereto.

10.3 MODIFICATION. This Agreement may not be changed or modified except in writing specifically referring to this Agreement and signed by each of the parties hereto.

10.4 ASSIGNMENT, SURVIVAL AND BINDING AGREEMENT. This Agreement and the Asset Purchase Transaction Documents may not be assigned (a) by CryoLife, except to a wholly owned subsidiary of CryoLife, in which event CryoLife shall guarantee the payment and performance of such subsidiary under the Promissory Note on terms acceptable to UCFI, or (b) by UCFI or the Members, without the prior written consent of CryoLife, provided UCFI may assign its rights under the Promissory Note to any of its Members by providing notice thereof to CryoLife in writing. The terms and conditions hereof shall survive the Closing as provided herein and shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

10.5 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.6 NOTICES. All notices, requests, demands, claims and other communications hereunder will be in writing and shall be deemed duly given if personally delivered, sent by telefax, sent by a recognized overnight delivery service which guarantees next day delivery ("Overnight Delivery") or mailed by registered or certified mail, return receipt requested, postage prepaid and addressed to the intended recipient as set forth below.

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|---|---|
| If to UCFI, UTF or QV: | QV, Inc.<br>322 South Green Street<br>Suite 500<br>Chicago, Illinois 60607<br>Attention: President<br>Telefax: (312) 697-8477 |
| with a copy to: | Katten Muchin & Zavis<br>525 West Monroe Street<br>Suite 1600<br>Chicago, Illinois 60661<br>Attention: Mr. Steven R. Olsen<br>Telefax: (312) 902-1061 |



| | |
|---|---|
| If to CryoLife: | Mr. Steven G. Anderson<br>Chairman of the Board,<br>Chief Executive Officer<br>and President<br>CryoLife, Inc.<br>2211 New Market Parkway<br>Suite 142<br>Marietta, Georgia 30067<br>Telefax: (770) 850-0762 |
| with a copy to: | Arnall Golden & Gregory<br>2800 One Atlantic Center<br>1201 West Peachtree Street<br>Atlanta, Georgia 30309-3400<br>Attention: Ms. M. Nan King<br>Telefax: (404) 873-8775 |

or at such other address as any party hereto notifies the other parties hereof in writing. The parties hereto agree that notices or other communications that are sent in accordance herewith (i) by personal delivery or telefax, will be deemed received on the business day sent, (ii) by Overnight Delivery, will be deemed received the business day immediately following the date sent, and (iii) by U.S. mail, will be deemed received three business days immediately following the date sent. For purposes of this Agreement, a "business day" is a day on which CryoLife is open for business and shall not include a Saturday or Sunday or legal holiday. Notwithstanding anything to the contrary in this Agreement, no action shall be required of CryoLife or UCFI except on a business day, and in the event an action is required on a day which is not a business day, such action shall be required to be performed on the next succeeding day which is a

business day.

10.7 ENTIRE AGREEMENT; NO THIRD PARTY BENEFICIARIES. This Agreement, together with the Exhibits and Schedules attached hereto, constitutes the entire agreement and supersedes any and all other prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof and, except as otherwise expressly provided herein, is not intended to confer upon any person other than CryoLife and UCFI, any rights or remedies hereunder.

10.8 FURTHER ASSURANCES. The parties to this Agreement agree to execute and/or deliver, either before or after Closing, any further documents or agreements contemplated hereby and/or necessary or appropriate to effectuate and consummate the transactions contemplated hereby. UCFI agrees to provide to CryoLife, both before and after the Closing, such information as CryoLife may reasonably request in order to consummate the transactions contemplated hereby and to effect an orderly transition following Closing.



10.9 ARBITRATION.

(a) SUBMISSION TO ARBITRATION. If any dispute or difference shall arise between the parties to this Agreement, as to the interpretation of this Agreement or any covenants or conditions of this Agreement or as to the rights, duties, or liabilities of any party under this Agreement as to any act, matter, or thing arising out of or under or relating to this Agreement, the same shall be finally settled by arbitration conducted in accordance with the Commercial Arbitration Rules (the "Rules") and Supplementary Procedures for Commercial Arbitration (the "Supplementary Procedures") of the American Arbitration Association, in effect the date hereof. Whenever any dispute, controversy, claim, or difference which may be submitted to arbitration under this Section 10.9 arises between the parties, either party hereby may give the other party notice of its intention to submit such dispute, controversy, claim, or difference to arbitration. Such arbitration shall take place in Atlanta, Georgia, before three arbitrators, with one arbitrator selected by each party and the third arbitrator mutually agreed upon by the parties. In the event the parties cannot agree upon the third arbitrator within 20 days after the effective date of receipt, as provided in Section 10.6, of either party's notice to arbitrate, the third arbitrator shall be appointed by the American Arbitration Association in accordance with the Rules and Supplementary Procedures. It is expressly agreed between the parties that whether or not the Rules of the American Arbitration Association shall provide for a discovery procedure, such discovery procedure is hereby granted and permitted in the said arbitration proceedings, the parties may apply to the arbitrators for the enforcement of any form of discovery which would be permitted by the laws of Georgia, and their award or decision in respect of such discovery shall be final and binding.

(b) COSTS; BINDING. The parties agree that each party to the arbitration is to pay an equal part of the deposit fixed by the American Arbitration Association or the arbitrators. The determinations of such arbitrators will be final and binding upon the parties to the arbitration, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction, or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be. The arbitrators shall set forth the grounds for their decision in the award.

(c) CONDITION PRECEDENT. The parties hereto stipulate that submission of disputes to arbitration as provided in this Section 10.9 and arbitration pursuant thereto shall be a condition precedent to any suit, action, or proceeding instituted in any court or before any administrative tribunal with respect to this Agreement or disputes arising out of or regarding this Agreement; provided, however, notwithstanding the foregoing, a party hereto shall not be required to satisfy such condition precedent requiring the submission of all disputes between the parties to arbitration if such party seeks, a restraining order, injunction, or similar remedy to specifically

enforce the confidentiality, non-competition, or non-solicitation provisions of this Agreement or any Asset Purchase Transaction Document.



IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year set forth above.

"CryoLife":

CryoLife, Inc.

By:/s/ Steven G. Anderson
---
Steven G. Anderson
Chairman of the Board,
Chief Executive Officer and President

"UCFI":

UNITED CRYOPRESERVATION
FOUNDATION, INC.

By:/s/ Daniel Woods
---
Daniel Woods
Title: Vice President/General Manager

"UTF":

UNITED TRANSPLANT FOUNDATION,
INC.

By:/s/ Jerold Anderson
---
Jerold Anderson
Title: President

"QV":

QV, INC.

By:/s/ Daniel Woods
---
Daniel Woods
Title: Vice President



LIST OF SCHEDULES AND EXHIBITS

| | |
|---|---|
| *Schedule 1.1(b) | Fixed Assets |
| *Schedule 1.2 | Excluded Items |

| | |
|---|---|
| *Schedule 2.4 | Allocation of Asset Consideration |
| *Schedule 3.1 | List of Employees Subleased from QV, Inc. |
| *Schedule 3.2 | Consents |
| *Schedule 4.1 | States in which UCFI is Qualified to do business |
| *Schedule 4.2 | List of Members, Officers and Directors |
| *Schedule 4.6 | Licenses and Permits |
| *Schedule 4.7 | Certain Liabilities and Obligations |
| *Schedule 4.9 | List of Deposits |
| *Schedule 4.10(a) | Trade Payables as of Date of Agreement |
| *Schedule 4.10(c) | Indebtedness |
| *Schedule 4.13 | Processed Tissue |
| *Schedule 4.14 | Intellectual Property |
| *Schedule 4.15 | Contracts |
| *Schedule 4.19 | Insurance |
| *Schedule 4.24 | Material Changes since 6/30/95 |
| *Schedule 4.25 | Bank Accounts |
| | |
| *Exhibit 2.2 | Form of Promissory Note |
| *Exhibit 2.3(a)(i) | Form of Assignment and Assumption of Sublease |
| *Exhibit 2.3(a)(ii) | Form of Assignment and Assumption Agreement |
| *Exhibit 3.1 | Form of Employee Leasing Agreement |
| *Exhibit 3.2 | Form of Consent |
| *Exhibit 3.4 | Form of Noncompetition Agreement |
| *Exhibit 3.10 | Form of Press Release |
| *Exhibit 3.12 | Form of Procurement Agreements |
| *Exhibit 3.14 | Form of Distribution Agreement |
| *Exhibit 3.16(a) | Form of License Agreement |
| *Exhibit 3.16(b) | Form of Agreement Regarding Services and Related Matters |
| *Exhibit 7.4(b) | Form of Bill of Sale |
| *Exhibit 7.4(g) | Form of Opinion of UCFI's Counsel |
| *Exhibit 8.3(i) | Form of Opinion of CryoLife's Counsel |

* Indicates Schedules and Exhibits which have been omitted from this filing. The Registrant hereby agrees to furnish to the Commission a copy of any omitted Schedules and Exhibits listed above supplementally upon request.

EXHIBIT 10.1

NONCOMPETITION AGREEMENT

This NONCOMPETITION AGREEMENT (the "Agreement") is entered into this 11th day of September, 1996, by and between United Cryopreservation Foundation, Inc., a non-profit Illinois corporation ("UCFI"), and CryoLife, Inc., a Florida corporation ("CryoLife").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Asset Purchase Agreement (the "Purchase Agreement") dated as of September 11, 1996, by and among CryoLife and UCFI, CryoLife has agreed to purchase and UCFI has agreed to sell, substantially all of the assets of UCFI;

WHEREAS, United Transplant Foundation, Inc. ("UTF") and QV, Inc. ("QV") are the sole members of UCFI;

WHEREAS, in order to induce CryoLife to enter into and consummate the Purchase Agreement, UCFI, UTF, and QV have each agreed to accept certain restrictions as set forth herein and in those certain Non-Competition Agreements of even date herewith between CryoLife and UTF and between CryoLife and QV.

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS. The following definitions shall apply to this Agreement:

(a) "Company Business" means the business of processing, preserving, and/or distributing cryopreserved heart valves, saphenous veins, or femoral veins for implantation in humans. Company Business shall not include any other business activities, including, without limitation, the processing, procuring and/or distributing of bone or any tissue or organ other than cryopreserved heart valves, saphenous veins, or femoral veins for implantation in humans.

(b) "Competing Business" means any person, concern, or entity that is engaged in or conducts a business substantially the same as the Company Business.

(c) "Territory" means Arizona, Arkansas, California, Colorado, Illinois, Indiana, Kentucky, Louisiana, Missouri, New York, North Carolina, Pennsylvania, Tennessee, Texas, and Virginia, which the parties hereby acknowledge to be the geographic area in which UCFI conducts the Company Business on the date of this Agreement.



(d) "Trade Secrets" means information including, but not limited to, technical and nontechnical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, pricing information, marketing information, and lists of actual or potential customers or suppliers which (1) derives economic value, actual or potential, from not being generally known to or readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use; and (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. COVENANTS OF THE SELLER. UCFI acknowledges that, by virtue of the special knowledge of the affairs, business, customers, suppliers and vendors and the operations of the Company Business that UCFI has, CryoLife would suffer substantial damage if UCFI breaches or violates any of the covenants and agreements set forth in this Section 2. Therefore, UCFI has agreed to the

following covenants and agreements:

(a) UCFI covenants that it shall not, for a period of five years from and after the date hereof (the "Noncompetition Period"), directly or indirectly, in the Territory, for its own account or as an owner, partner, member, stockholder, joint venturer, investor, lender, or in any other capacity, own, engage in, conduct, manage, operate or participate in any Competing Business.

(b) During the Noncompetition Period, UCFI covenants and agrees that it will not, directly or indirectly, on its own behalf or in the service or on behalf of others, solicit, divert or appropriate to a Competing Business, or attempt to solicit, divert or appropriate to or for any Competing Business, any persons and/or entities who were customers of UCFI in the Territory on the date immediately preceding the date of this Agreement, or any person and/or entity in the Territory to whom UCFI has sold or provided any products or services during the 12 month period immediately preceding the date of this Agreement.

(c) During the Noncompetition Period, UCFI covenants and agrees that it will not, directly or indirectly, on its own behalf or in the service or on behalf of others, hire or attempt to hire any employee of CryoLife, or to cause any such employee to leave his or her employment, in order to perform services in the Territory for a Competing Business.

3. SEVERABILITY. Each provision of this Agreement is severable, and if any one of such provisions shall be reformed or declared unenforceable, such reformation or declaration shall not affect the enforceability or validity of any other provision thereof. Each provision thereof shall be enforceable by CryoLife or any successor thereof against UCFI notwithstanding any claim or cause of action asserted by UCFI against CryoLife or any successor thereof. The existence of any claim, demand, action, or cause of action of UCFI against CryoLife shall not constitute a defense to the enforcement by CryoLife of any of the covenants contained herein.



4. REFORMATION BY COURT. In the event any court of competent jurisdiction should determine that any of the terms of this Agreement are unreasonable or unenforceable in scope, UCFI and CryoLife consent to the exercise by such court of its equitable jurisdiction to reform such terms in accordance with applicable law.

5. REMEDIES. UCFI agrees that if it breaches any provision of this Agreement, the damage to CryoLife would be difficult to ascertain, and money damages would not afford CryoLife an adequate remedy. Therefore, if UCFI is in breach of this Agreement, the parties hereto agree that CryoLife is entitled, in addition to any and all rights and remedies as would be provided by law, to specific performance, injunctive, and other equitable relief to prevent or restrain a breach of this Agreement. In addition, the parties agree that this Agreement constitutes an Asset Purchase Transaction Document as such term is defined in the Purchase Agreement. The rights of CryoLife under this Agreement shall survive the expiration of the Noncompetition Period and are in addition to, and not in lieu of, any and all rights CryoLife may have at law or in equity to protect its business interests. UCFI agrees to be liable for any and all costs and expenses, including attorneys fees, resulting from the breach by UCFI of any provision of this Agreement.

6. CONFIDENTIAL INFORMATION. UCFI covenants and agrees that all confidential and proprietary information developed, utilized, or received by UCFI relating to the operation of the Company Business by UCFI prior to the Closing of the Purchase Agreement, including, without limitation, all Trade Secrets and all information which has been disclosed to UCFI by a third party and which UCFI has treated as confidential (collectively, "Confidential Information"), and all physical embodiments thereof, has been transferred to CryoLife pursuant to the Purchase Agreement. UCFI will hold such Confidential Information in trust and strictest confidence, and will not use, reproduce, distribute, disclose or otherwise disseminate the Confidential Information. The

confidentiality requirements and use restrictions contained in this Section 6 shall survive any termination of this Agreement but shall not apply (i) to any Confidential Information that falls into the public domain through no fault of UCFI or (ii) to any Confidential Information which is not a Trade Secret when a period of five years has expired following the execution of this Agreement.

All records, notes, files, memoranda, reports, marketing information, price lists, supplier lists and information, documents, and all copies and like items relating to the Trade Secrets which shall be disclosed to or which shall come into the possession of UCFI during or prior to the Noncompetition Period shall be the sole and exclusive property of CryoLife. UCFI agrees that, at any time upon request, it will promptly deliver to CryoLife the originals and all copies of any of the foregoing that are in its possession, custody or control.

7. AMENDMENTS. No amendment or modification of this Agreement shall be valid or binding upon CryoLife unless made in writing and signed by a duly authorized officer of CryoLife, or upon UCFI, unless made in writing and signed by UCFI.



8. ASSIGNMENT. This Agreement may not be assigned by any party without the prior written consent of the other party hereto, provided that CryoLife may assign this Agreement in whole or in part to one or more affiliates thereof without the consent of UCFI.

9. NOTICES.

(a) Any and all notices or other communications required or permitted to be given under any of the provisions of this Agreement shall be in writing and shall be deemed to have been duly given when (i) personally delivered or sent by a recognized overnight delivery service which guarantees next day delivery ("Overnight Delivery"), (ii) transmitted by facsimile transmission (with a copy sent first class registered or certified mail, return receipt requested and postage prepaid or by Overnight Delivery), or (iii) mailed by first class registered or certified mail, return receipt requested, postage prepaid, transmitted or addressed to the parties at the addresses set forth below:

| | |
|---|---|
| If to UCFI: | QV, Inc.<br>322 South Green Street<br>Suite 500<br>Chicago, Illinois 60607<br>Attention: President<br>Telefax: (312) 697-8477 |
| with a copy to: | Katten Muchin & Zavis<br>525 West Monroe Street<br>Suite 1600<br>Chicago, Illinois 60661<br>Attention: Mr. Steven R. Olsen<br>Telefax: (312) 902-1061 |
| If to CryoLife: | Mr. Steven G. Anderson<br>Chairman of the Board, Chief<br>Executive Officer and President<br>CryoLife, Inc.<br>2211 New Market Parkway, Suite 142<br>Marietta, Georgia 30067<br>Telefax: (770) 850-0762 |
| with a copy to: | Arnall Golden & Gregory<br>2800 One Atlantic Center<br>1201 West Peachtree Street<br>Atlanta, Georgia 30309-3400<br>Attention: Ms. M. Nan King<br>Telefax: (404) 873-8775 |

(b) All notices shall be deemed received (i) if personally delivered or transmitted by facsimile, on the business day when so delivered or transmitted or if not transmitted at a time which concludes during the business day of the recipient, on the next succeeding business day, (ii) if sent by Overnight Delivery, one business day after it is sent and (iii) if mailed, 48 hours after deposit in the United States mail, as first class registered or certified mail, return receipt requested, postage pre-paid. Either party may change its address for the purposes of this Section by giving not less than ten days prior written notice of such change to the other party in the manner provided in this Section.

10. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have executed and delivered this Agreement as of the date set forth above.

UCFI:

UNITED CRYOPRESERVATION
FOUNDATION, INC.

By:/s/ Daniel Woods
---
Daniel Woods
Title: Vice President/General Manager

CRYOLIFE, INC.

By:/s/ Steven G. Anderson
---
Steven G. Anderson
Chairman of the Board
Chief Executive Officer
and President

EXHIBIT 10.2

NONCOMPETITION AGREEMENT

This NONCOMPETITION AGREEMENT (the "Agreement") is entered into this 11th day of September, 1996, by and between United Transplant Foundation, Inc., a non-profit Illinois corporation ("UTF"), and CryoLife, Inc., a Florida corporation ("CryoLife").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Asset Purchase Agreement (the "Purchase Agreement") dated as of September 11, 1996, by and among CryoLife and United Cryopreservation Foundation, Inc. ("UCFI"), CryoLife has agreed to purchase and UCFI has agreed to sell, substantially all of the assets of UCFI;

WHEREAS, UTF and QV, Inc. ("QV") are the sole members of UTF;

WHEREAS, in order to induce CryoLife to enter into and consummate the Purchase Agreement, UCFI, UTF, and QV have each agreed to accept certain restrictions as set forth herein and in those certain Non-Competition Agreements of even date herewith between CryoLife and UCFI and between CryoLife and QV.

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS. The following definitions shall apply to this Agreement:

(a) "Company Business" means the business of processing, preserving, and/or distributing cryopreserved heart valves, saphenous veins, or femoral veins for implantation in humans. Company Business shall not include any other business activities, including, without limitation, the processing, procuring and/or distributing of bone or any tissue or organ other than cryopreserved heart valves, saphenous veins, or femoral veins for implantation in humans.

(b) "Competing Business" means any person, concern, or entity that is engaged in or conducts a business substantially the same as the Company Business.

(c) "Territory" means Arizona, Arkansas, California, Colorado, Illinois, Indiana, Kentucky, Louisiana, Missouri, New York, North Carolina, Pennsylvania, Tennessee, Texas, and Virginia, which the parties hereby acknowledge to be the geographic area in which UCFI conducts the Company Business on the date of this Agreement.



(d) "Trade Secrets" means information including, but not limited to, technical and nontechnical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, pricing information, marketing information, and lists of actual or potential customers or suppliers which (1) derives economic value, actual or potential, from not being generally known to or readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use; and (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. COVENANTS OF THE SELLER. UTF acknowledges that, by virtue of the special knowledge of the affairs, business, customers, suppliers and vendors and the operations of the Company Business that UTF has, CryoLife would suffer substantial damage if UTF breaches or violates any of the covenants and agreements set forth in this Section 2. Therefore, UTF has agreed to the

following covenants and agreements:

(a) UTF covenants that it shall not, for a period of five years from and after the date hereof (the "Noncompetition Period"), directly or indirectly, in the Territory, for its own account or as an owner, partner, member, stockholder, joint venturer, investor, lender, or in any other capacity, own, engage in, conduct, manage, operate or participate in any Competing Business.

(b) During the Noncompetition Period, UTF covenants and agrees that it will not, directly or indirectly, on its own behalf or in the service or on behalf of others, solicit, divert or appropriate to a Competing Business, or attempt to solicit, divert or appropriate to or for any Competing Business, any persons and/or entities who were customers of UCFI in the Territory on the date immediately preceding the date of this Agreement, or any person and/or entity in the Territory to whom UCFI has sold or provided any products or services during the 12 month period immediately preceding the date of this Agreement.

(c) During the Noncompetition Period, UTF covenants and agrees that it will not, directly or indirectly, on its own behalf or in the service or on behalf of others, hire or attempt to hire any employee of CryoLife, or to cause any such employee to leave his or her employment, in order to perform services in the Territory for a Competing Business.

3. SEVERABILITY. Each provision of this Agreement is severable, and if any one of such provisions shall be reformed or declared unenforceable, such reformation or declaration shall not affect the enforceability or validity of any other provision thereof. Each provision thereof shall be enforceable by CryoLife or any successor thereof against UTF notwithstanding any claim or cause of action asserted by UTF against CryoLife or any successor thereof. The existence of any claim, demand, action, or cause of action of UTF against CryoLife shall not constitute a defense to the enforcement by CryoLife of any of the covenants contained herein.



4. REFORMATION BY COURT. In the event any court of competent jurisdiction should determine that any of the terms of this Agreement are unreasonable or unenforceable in scope, UTF and CryoLife consent to the exercise by such court of its equitable jurisdiction to reform such terms in accordance with applicable law.

5. REMEDIES. UTF agrees that if it breaches any provision of this Agreement, the damage to CryoLife would be difficult to ascertain, and money damages would not afford CryoLife an adequate remedy. Therefore, if UTF is in breach of this Agreement, the parties hereto agree that CryoLife is entitled, in addition to any and all rights and remedies as would be provided by law, to specific performance, injunctive, and other equitable relief to prevent or restrain a breach of this Agreement. In addition, the parties agree that this Agreement constitutes an Asset Purchase Transaction Document as such term is defined in the Purchase Agreement. The rights of CryoLife under this Agreement shall survive the expiration of the Noncompetition Period and are in addition to, and not in lieu of, any and all rights CryoLife may have at law or in equity to protect its business interests. UTF agrees to be liable for any and all costs and expenses, including attorneys fees, resulting from the breach by UTF of any provision of this Agreement.

6. CONFIDENTIAL INFORMATION. UTF covenants and agrees that all confidential and proprietary information developed, utilized, or received by UTF relating to the operation of the Company Business by UCFI prior to the Closing of the Purchase Agreement, including, without limitation, all Trade Secrets and all information which has been disclosed to UCFI by a third party and which UCFI has treated as confidential (collectively, "Confidential Information"), and all physical embodiments thereof, has been transferred to CryoLife pursuant to the Purchase Agreement. UTF will hold such Confidential Information in trust and strictest confidence, and will not use, reproduce, distribute, disclose or otherwise disseminate the Confidential Information. The confidentiality

requirements and use restrictions contained in this Section 6 shall survive any termination of this Agreement but shall not apply (i) to any Confidential Information that falls into the public domain through no fault of UTF or (ii) to any Confidential Information which is not a Trade Secret when a period of five years has expired following the execution of this Agreement.

All records, notes, files, memoranda, reports, marketing information, price lists, supplier lists and information, documents, and all copies and like items relating to the Trade Secrets which shall be disclosed to or which shall come into the possession of UTF during or prior to the Noncompetition Period shall be the sole and exclusive property of CryoLife. UTF agrees that, at any time upon request, it will promptly deliver to CryoLife the originals and all copies of any of the foregoing that are in its possession, custody or control.

7. AMENDMENTS. No amendment or modification of this Agreement shall be valid or binding upon CryoLife unless made in writing and signed by a duly authorized officer of CryoLife, or upon UTF, unless made in writing and signed by UTF.



8. ASSIGNMENT. This Agreement may not be assigned by any party without the prior written consent of the other party hereto, provided that CryoLife may assign this Agreement in whole or in part to one or more affiliates thereof without the consent of UTF.

9. NOTICES.

(a) Any and all notices or other communications required or permitted to be given under any of the provisions of this Agreement shall be in writing and shall be deemed to have been duly given when (i) personally delivered or sent by a recognized overnight delivery service which guarantees next day delivery ("Overnight Delivery"), (ii) transmitted by facsimile transmission (with a copy sent first class registered or certified mail, return receipt requested and postage prepaid or by Overnight Delivery), or (iii) mailed by first class registered or certified mail, return receipt requested, postage prepaid, transmitted or addressed to the parties at the addresses set forth below:

| | |
|---|---|
| If to UTF: | United Transplant Foundation, Inc.<br>c/o Regional Organ Bank of<br>Illinois, Inc.<br>800 South Wells Street, Suite 190<br>Chicago, Illinois 60607<br>Telefax: (312) 803-7643 |
| with a copy to: | Katten Muchin & Zavis<br>525 West Monroe Street<br>Suite 1600<br>Chicago, Illinois 60661<br>Attention: Mr. Steven R. Olsen<br>Telefax: (312) 902-1061 |
| If to CryoLife: | Mr. Steven G. Anderson<br>Chairman of the Board, Chief<br>Executive Officer and President<br>CryoLife, Inc.<br>2211 New Market Parkway, Suite 142<br>Marietta, Georgia 30067<br>Telefax: (770) 850-0762 |
| with a copy to: | Arnall Golden & Gregory<br>2800 One Atlantic Center<br>1201 West Peachtree Street<br>Atlanta, Georgia 30309-3400<br>Attention: Ms. M. Nan King<br>Telefax: (404) 873-8775 |

(b) All notices shall be deemed received (i) if personally delivered or transmitted by facsimile, on the business day when so delivered or transmitted or if not transmitted at a time which concludes during the business day of the recipient, on the next succeeding business day, (ii) if sent by Overnight Delivery, one business day after it is sent and (iii) if mailed, 48 hours after deposit in the United States mail, as first class registered or certified mail, return receipt requested, postage pre-paid. Either party may change its address for the purposes of this Section by giving not less than ten days prior written notice of such change to the other party in the manner provided in this Section.

10. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have executed and delivered this Agreement as of the date set forth above.

UTF:

UNITED TRANSPLANT FOUNDATION, INC.

By:/s/ Jerold Anderson
---
Jerold Anderson
Title: President

CRYOLIFE, INC.

By:/s/ Steven G. Anderson
---
Steven G. Anderson
Chairman of the Board
Chief Executive Officer and President

EXHIBIT 10.3

NONCOMPETITION AGREEMENT

This NONCOMPETITION AGREEMENT (the "Agreement") is entered into this 11th day of September, 1996, by and between QV, Inc., a non-profit Illinois corporation ("QV"), and CryoLife, Inc., a Florida corporation ("CryoLife").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Asset Purchase Agreement (the "Purchase Agreement") dated as of September 11, 1996, by and among CryoLife and United Cryopreservation Foundation, Inc. ("UCFI"), CryoLife has agreed to purchase and UCFI has agreed to sell, substantially all of the assets of UCFI;

WHEREAS, United Transplant Foundation, Inc. ("UTF") and QV are the sole members of UCFI;

WHEREAS, in order to induce CryoLife to enter into and consummate the Purchase Agreement, UCFI, UTF, and QV have each agreed to accept certain restrictions as set forth herein and in those certain Non-Competition Agreements of even date herewith between CryoLife and UTF and between CryoLife and UCFI.

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS. The following definitions shall apply to this Agreement:

(a) "Company Business" means the business of processing, preserving, and/or distributing cryopreserved heart valves, saphenous veins, or femoral veins for implantation in humans. Company Business shall not include any other business activities, including, without limitation, the processing, procuring and/or distributing of bone or any tissue or organ other than cryopreserved heart valves, saphenous veins, or femoral veins for implantation in humans.

(b) "Competing Business" means any person, concern, or entity that is engaged in or conducts a business substantially the same as the Company Business.

(c) "Territory" means Arizona, Arkansas, California, Colorado, Illinois, Indiana, Kentucky, Louisiana, Missouri, New York, North Carolina, Pennsylvania, Tennessee, Texas, and Virginia, which the parties hereby acknowledge to be the geographic area in which UCFI conducts the Company Business on the date of this Agreement.



(d) "Trade Secrets" means information including, but not limited to, technical and nontechnical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, pricing information, marketing information, and lists of actual or potential customers or suppliers which (1) derives economic value, actual or potential, from not being generally known to or readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use; and (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. COVENANTS OF THE SELLER. QV acknowledges that, by virtue of the special knowledge of the affairs, business, customers, suppliers and vendors and the operations of the Company Business that QV has, CryoLife would suffer substantial damage if QV breaches or violates any of the covenants and agreements set forth in this Section 2. Therefore, QV has agreed to the following covenants and agreements:

(a) QV covenants that it shall not, for a period of five years from and after the date hereof (the "Noncompetition Period"), directly or indirectly, in the Territory, for its own account or as an owner, partner, member, stockholder, joint venturer, investor, lender, or in any other capacity, own, engage in, conduct, manage, operate or participate in any Competing Business.

(b) During the Noncompetition Period, QV covenants and agrees that it will not, directly or indirectly, on its own behalf or in the service or on behalf of others, solicit, divert or appropriate to a Competing Business, or attempt to solicit, divert or appropriate to or for any Competing Business, any persons and/or entities who were customers of UCFI in the Territory on the date immediately preceding the date of this Agreement, or any person and/or entity in the Territory to whom UCFI has sold or provided any products or services during the 12 month period immediately preceding the date of this Agreement.

(c) During the Noncompetition Period, QV covenants and agrees that it will not, directly or indirectly, on its own behalf or in the service or on behalf of others, hire or attempt to hire any employee of CryoLife, or to cause any such employee to leave his or her employment, in order to perform services in the Territory for a Competing Business.

3. SEVERABILITY. Each provision of this Agreement is severable, and if any one of such provisions shall be reformed or declared unenforceable, such reformation or declaration shall not affect the enforceability or validity of any other provision thereof. Each provision thereof shall be enforceable by CryoLife or any successor thereof against QV notwithstanding any claim or cause of action asserted by QV against CryoLife or any successor thereof. The existence of any claim, demand, action, or cause of action of QV against CryoLife shall not constitute a defense to the enforcement by CryoLife of any of the covenants contained herein.



4. REFORMATION BY COURT. In the event any court of competent jurisdiction should determine that any of the terms of this Agreement are unreasonable or unenforceable in scope, QV and CryoLife consent to the exercise by such court of its equitable jurisdiction to reform such terms in accordance with applicable law.

5. REMEDIES. QV agrees that if it breaches any provision of this Agreement, the damage to CryoLife would be difficult to ascertain, and money damages would not afford CryoLife an adequate remedy. Therefore, if QV is in breach of this Agreement, the parties hereto agree that CryoLife is entitled, in addition to any and all rights and remedies as would be provided by law, to specific performance, injunctive, and other equitable relief to prevent or restrain a breach of this Agreement. In addition, the parties agree that this Agreement constitutes an Asset Purchase Transaction Document as such term is defined in the Purchase Agreement. The rights of CryoLife under this Agreement shall survive the expiration of the Noncompetition Period and are in addition to, and not in lieu of, any and all rights CryoLife may have at law or in equity to protect its business interests. QV agrees to be liable for any and all costs and expenses, including attorneys fees, resulting from the breach by QV of any provision of this Agreement.

6. CONFIDENTIAL INFORMATION. QV covenants and agrees that all confidential and proprietary information developed, utilized, or received by QV relating to the operation of the Company Business by UCFI prior to the Closing of the Purchase Agreement, including, without limitation, all Trade Secrets and all information which has been disclosed to UCFI by a third party and which UCFI has treated as confidential (collectively, "Confidential Information"), and all physical embodiments thereof, has been transferred to CryoLife pursuant to the Purchase Agreement. QV will hold such Confidential Information in trust and strictest confidence, and will not use, reproduce, distribute, disclose or otherwise disseminate the Confidential Information. The confidentiality requirements and use restrictions contained in this Section 6 shall survive any termination of this Agreement but shall not apply (i) to any Confidential

Information that falls into the public domain through no fault of QV or (ii) to any Confidential Information which is not a Trade Secret when a period of five years has expired following the execution of this Agreement.

All records, notes, files, memoranda, reports, marketing information, price lists, supplier lists and information, documents, and all copies and like items relating to the Trade Secrets which shall be disclosed to or which shall come into the possession of QV during or prior to the Noncompetition Period shall be the sole and exclusive property of CryoLife. QV agrees that, at any time upon request, it will promptly deliver to CryoLife the originals and all copies of any of the foregoing that are in its possession, custody or control.

7. AMENDMENTS. No amendment or modification of this Agreement shall be valid or binding upon CryoLife unless made in writing and signed by a duly authorized officer of CryoLife, or upon QV, unless made in writing and signed by QV.



8. ASSIGNMENT. This Agreement may not be assigned by any party without the prior written consent of the other party hereto, provided that CryoLife may assign this Agreement in whole or in part to one or more affiliates thereof without the consent of QV.

9. NOTICES.

(a) Any and all notices or other communications required or permitted to be given under any of the provisions of this Agreement shall be in writing and shall be deemed to have been duly given when (i) personally delivered or sent by a recognized overnight delivery service which guarantees next day delivery ("Overnight Delivery"), (ii) transmitted by facsimile transmission (with a copy sent first class registered or certified mail, return receipt requested and postage prepaid or by Overnight Delivery), or (iii) mailed by first class registered or certified mail, return receipt requested, postage prepaid, transmitted or addressed to the parties at the addresses set forth below:

If to QV:
QV, Inc.
322 South Green Street
Suite 500
Chicago, Illinois 60607
Attention: President
Telefax: (312) 697-8477

with a copy to:
Katten Muchin & Zavis
525 West Monroe Street
Suite 1600
Chicago, Illinois 60661
Attention: Mr. Steven R. Olsen
Telefax: (312) 902-1061

If to CryoLife:
Mr. Steven G. Anderson
Chairman of the Board, Chief Executive Officer and President
CryoLife, Inc.
2211 New Market Parkway, Suite 142
Marietta, Georgia 30067
Telefax: (770) 850-0762

with a copy to:
Arnall Golden & Gregory
2800 One Atlantic Center
1201 West Peachtree Street
Atlanta, Georgia 30309-3400
Attention: Ms. M. Nan King
Telefax: (404) 873-8775

(b) All notices shall be deemed received (i) if personally delivered or transmitted by facsimile, on the business day when so delivered or transmitted or if not transmitted at a time which concludes during the business day of the recipient, on the next succeeding business day, (ii) if sent by Overnight Delivery, one business day after it is sent and (iii) if mailed, 48 hours after deposit in the United States mail, as first class registered or certified mail, return receipt requested, postage pre-paid. Either party may change its address for the purposes of this Section by giving not less than ten days prior written notice of such change to the other party in the manner provided in this Section.

10. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have executed and delivered this Agreement as of the date set forth above.

QV:

QV, INC.

By: /s/ Daniel Woods
---
Title: President

CRYOLIFE, INC.

By:/s/ Steven G. Anderson
---
Steven G. Anderson
Chairman of the Board
Chief Executive Officer and President

EXHIBIT 10.4

# THIRD AMENDED AND RESTATED LOAN AGREEMENT

BETWEEN

NATIONSBANK, N.A. (SOUTH)

AND

CRYOLIFE, INC.

DATED AS OF AUGUST 30, 1996

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# THIRD AMENDED AND RESTATED LOAN AGREEMENT

THIS AGREEMENT made and entered into as of the 30th day of August, 1996, by and between NATIONSBANK, N.A. (SOUTH) ("Lender"), a national banking association which is the successor by merger to Bank South, a Georgia banking corporation formerly known as Bank South, N.A., and CRYOLIFE, INC. ("Borrower"), a Florida corporation.

W I T N E S S E T H:

Pursuant to a Loan Agreement, dated as of July 12, 1989, between Lender and Borrower, as amended and restated by an Amended and Restated Loan Agreement, dated as of February 20, 1992, between Lender and Borrower, and as further amended and restated by a Second Amended and Restated Loan Agreement, dated as of August 4, 1994, between Lender and Borrower (collectively, the "Prior Loan Agreements"), Lender has agreed to make certain loans available to Borrower. Borrower and Lender desire to again amend and restate the Prior Loan Agreements and are entering into this Agreement for such purpose.

NOW, THEREFORE, for and in consideration of the premises and the mutual agreements, warranties and representations herein made, Lender and Borrower agree to amend and restate the Prior Loan Agreements as follows:

## ARTICLE I - DEFINITIONS AND RULES OF CONSTRUCTION

SECTION 101. SPECIFIC DEFINITIONS. As used herein, the following terms shall have the following meanings:

"Affiliate" means any Person directly or indirectly controlling or controlled by or under direct or indirect common control with Borrower. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have

meanings correlative to the foregoing.

"This Agreement" means this agreement as originally executed or as it may from time to time be amended by one or more written amendments or modification agreements entered into pursuant to the applicable provisions hereof.

"Borrower" shall have the meaning given that term in the preamble to this Agreement, and such term also shall include Borrower's successors and assigns.

"Capital Expenditures" shall mean expenditures of over $10,000 each made or



liabilities incurred by Borrower for the acquisition of any fixed assets or improvements (and any replacements, substitutions or additions thereto) which have a useful life of more than one (1) year, including the direct or indirect acquisition of such assets by way of increased product or service changes, off-set items or otherwise, and payments made during the relevant fiscal period with respect to Capitalized Lease Obligations, all as determined on a consolidated basis; provided, however, that for purposes of determining compliance with Section 507(b), capital expenditures for leasehold improvements and equipment made by Borrower for its new corporate headquarters building shall be excluded.

"Capitalized Lease Obligations" shall mean any indebtedness of Borrower represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with generally accepted accounting principles in effect from time to time, and the amount of such indebtedness shall be the capitalized amount of such obligations determined on a consolidated basis in accordance with generally accepted accounting principles consistently applied.

"Collateral" means and includes all property assigned or pledged to Lender or in which Lender has been granted a security interest or to which Lender has been granted security title under this Agreement or the other Financing Documents and the proceeds thereof.

"Contractual Obligation" of any Person shall mean any provision of any agreement, instrument, security, or undertaking to which such Person is a party or by which it or any of the property owned by it is bound.

"Credit Expiration Date" shall mean September 1, 1998, as such date may be extended, accelerated or amended pursuant to this Agreement.

"Credit Parties" shall mean, collectively, Borrower and its Subsidiaries.

"CryoLife International" shall mean CryoLife International, Inc., a Florida corporation which is a Subsidiary of Borrower, and its successors and assigns.

"Current Assets" shall mean, at any date, the amount which all of the current assets of Borrower would be shown on a consolidated balance sheet of Borrower at such date prepared in accordance with generally accepted accounting principles consistently applied.

"Current Liabilities" shall mean, at any date, the amount at which all of the current liabilities of Borrower would be shown on a consolidated balance sheet of Borrower at such date prepared in accordance with generally accepted accounting principles consistently applied.

"Current Maturities of Funded Debt" shall mean, with respect to any particular period, the sum of all principal payments scheduled to be made during such period in respect of the Funded Debt of Borrower (which for purposes hereof shall include the

allocated principal portion of payments due on Capitalized Lease Obligations, and also shall include the current portion of any other Funded Debt).

"Current Ratio" shall mean, at any date, the ratio of Borrower's Current Assets to its Current Liabilities at such time.

"Debt Coverage Ratio" shall mean, with respect to any particular fiscal period of Borrower, the ratio of (a) Borrower's EBITDAR for the consecutive 4-quarter period ending therewith to (b) the sum (without duplication) of (i) Borrower's Current Maturities of Funded Debt for the immediately succeeding consecutive 4-quarter period plus (ii) Borrower's Interest Expense for the consecutive 4-quarter period ending therewith plus (iii) Borrower's Rental Expense for the immediately succeeding consecutive 4-quarter period, all as determined on a consolidated basis.

"Default" shall mean any event which, with the giving of notice or lapse of time (or both), would become an Event of Default.

"EBIT" shall mean, for any fiscal period of Borrower, an amount equal to the sum of Borrower's Net Income (Loss) for such period plus, to the extent subtracted in determining such Net Income (Loss), (i) Borrower's taxes based on income and (ii) Borrower's Interest Expense, all as determined on a consolidated basis.

"EBITDAR" shall mean, for any fiscal period of Borrower, an amount equal to Borrower's EBIT for such period plus, to the extent deducted in determining such EBIT, Borrower's depreciation and amortization expenses and Rental Expense, all as determined on a consolidated basis.

"Environmental Laws" shall mean all federal, state, local and foreign laws relating to pollution or protection of the environment, including laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment (including without limitation ambient air, surface water, ground water, or land), or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes, and any and all regulations, codes, plans, orders, decrees, judgments, injunctions, notices or demand letters issued, entered, promulgated or approved thereunder.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, P.L. 93-406, as amended.

"Event of Default" shall mean any of the events specified in Article VII of this Agreement, provided that any express requirement therein for notice or lapse of time shall have been satisfied.

"Final Maturity Date" shall mean September 1, 2003, as such date may be



extended, accelerated or amended pursuant to this Agreement.

"Financing Documents" means and includes this Agreement, the Note, the

Security Agreement, each Stock Pledge Agreement, each Subsidiary Guaranty, each Subsidiary Security Agreement, and any extensions, renewals, modifications or substitutions thereof or therefor, and all other associated loan and collateral documents including, without limitation, all guaranties, suretyship agreements, security agreements, pledge agreements, security deeds, subordination agreements, exhibits, schedules, attachments, financing statements, notices, consents, waivers, opinions, letters, reports, records, title certificates and applications therefor, assignments, stock powers or transfers, documents, instruments, information and other writings related thereto, or furnished by any Credit Party to Lender in connection therewith or in connection with any of the Collateral, including without limitation any such documents executed and delivered pursuant to Section 202 hereof; provided, however, that this term shall not include the Prior Loan Agreements or the Prior Security Agreements.

"Funded Debt" shall mean, for any particular Person, all Indebtedness for money borrowed, Indebtedness secured by purchase money liens, Capitalized Lease Obligations, conditional sales contracts and similar title retention debt instruments, all as determined for such Person on a consolidated basis. The calculation of Funded Debt for any particular Person shall include all Funded Debt of such Person plus all Funded Debt of other Persons to the extent guaranteed by such Person, to the extent secured by any assets of such Person, or to the extent supported by a letter of credit issued for the account of such Person.

"Governmental Authority" means any applicable nation or government, any state, local or other political subdivision thereof, any court, and any other entity exercising executive, legislative, judicial, regulatory, or administrative functions of or pertaining to government.

"Guaranty" shall mean any contractual obligation, contingent or otherwise, of a Person with respect to any Indebtedness or other obligation or liability of another Person, including without limitation, any such Indebtedness, obligation or liability directly or indirectly guaranteed, endorsed, co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable, including Contractual Obligations (contingent or otherwise) arising through any agreement to purchase, repurchase, or otherwise acquire such Indebtedness, obligation or liability or any security therefor, or any agreement to provide funds for the payment or discharge thereof (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain solvency, assets, level of income, or other financial condition, or to make any payment other than for value received.

"Herein", "hereof", and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular article, paragraph, section or other subdivision.



"Indebtedness" of any Person shall mean, without duplication: (i) all obligations of such Person which in accordance with generally accepted accounting principles consistently applied would be shown on a consolidated balance sheet of such Person as a liability (including, without limitation, obligations for borrowed money and for the deferred purchase price of property or services, and obligations evidenced by bonds, debentures, notes or other similar instruments); (ii) all rental obligations under leases required to be capitalized under generally accepted accounting principles consistently applied; (iii) all Guaranties of such Person (including contingent reimbursement obligations under undrawn letters of credit); and (iv) Indebtedness of others secured by any Lien upon property owned by such Person, whether or not assumed.

"Intellectual Property Rights" shall mean, with respect to any particular Person, all patents, patent applications, continuation, refile and reissue patent applications, trademarks, service marks, trademark and service mark applications, trade names, copyrights, copyright registrations, copyright

applications, trade secrets and other similar proprietary information (including, but not by way of limitation, inventions, technical information, processes, algorithms, procedures, specifications, designs, knowledge, know-how, data and databases) now owned or hereafter acquired by such Person.

"Interest Expense" shall mean, for any fiscal period of Borrower, the total interest expense of Borrower, as determined on a consolidated basis in accordance with generally accepted accounting principles consistently applied.

"Lender" shall have the meaning given that term in the preamble to this Agreement, and such term also shall include Lender's successors and assigns.

"Leverage Ratio" shall mean, at any date, the ratio of Borrower's Total Liabilities to its Net Worth at such time.

"Liabilities" means all indebtedness, liabilities, and obligations of Borrower of any nature whatsoever which Lender may now or hereafter have, own or hold, and which now or hereafter arise under or on account of this Agreement, the Note or any of the other Financing Documents and any extensions, renewals, modifications or substitutions thereof or therefor.

"Lien" shall mean any mortgage, pledge, collateral assignment, security interest, security deposit, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction, but excluding licenses granted in the ordinary course of the grantor's business).

"Loans" shall mean any and all Loans made by Lender to Borrower pursuant to Section 201 hereof.



"Maximum Availability" shall mean $10,000,000, as such amount may be reduced or amended pursuant to this Agreement.

"Net Income (Loss)" shall mean, for any fiscal period of Borrower, the net income (or loss) of Borrower on a consolidated basis for such period (taken as a single accounting period) determined in conformity with generally accepted accounting principles consistently applied, but excluding therefrom (to the extent otherwise included therein and without duplication) (i) any gains or losses, together with any related provisions for taxes, realized by Borrower upon any sale of its assets other than in the ordinary course of business, (ii) any other non-recurring gains or losses, and (iii) any income or loss of any other Person acquired prior to the date such other Person becomes a Subsidiary of Borrower or is merged into or consolidated with Borrower or all or substantially all of such other Person's assets are acquired by Borrower.

"Net Worth" shall mean, as of any particular date, Borrower's total shareholder's equity (including capital stock, additional paid-in capital, and retained earnings after deducting treasury stock) which would appear as such on a consolidated balance sheet of Borrower prepared in accordance with generally accepted accounting principles as then in effect.

"Note" shall mean the Promissory Note substantially in the form of Exhibit A attached hereto to be executed by Borrower in favor of Lender to evidence the Loans, and all renewals, extensions, modifications or replacements thereof.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Prior Loan Agreements" shall have the meaning given such term in the

preamble to this Agreement.

"Prior Security Agreements" shall mean the Security Agreement (Equipment) and the Security Agreement (Receivables/Inventory), both dated December 31, 1986, executed by Borrower in favor of Lender, as amended, and the Equipment Security Agreement, dated as of August 4, 1994, executed by Borrower in favor of Lender.

"Purchase Money Indebtedness" shall mean (i) Indebtedness for the payment of all or any part of the purchase price of any fixed assets, (ii) any Indebtedness incurred for the sole purpose of financing or refinancing all or any part of the purchase price of any fixed assets, (iii) Capitalized Lease Obligations, and (iv) any renewals, extensions or refinancings thereof (but not any increases in the principal amounts thereof outstanding at that time).

"Purchase Money Lien" shall mean a Lien upon fixed assets which secures the Purchase Money Indebtedness relating thereto but only if such Lien shall at all times be confined solely to the fixed assets the purchase price of which was financed or refinanced



through the incurrence of the Purchase Money Indebtedness secured by such Lien and only if such Lien secures solely such Purchase Money Indebtedness.

"Rental Expense" shall mean, for any fiscal period of Borrower, the total rental expense of Borrower for such period, as determined on a consolidated basis in accordance with generally accepted accounting principles consistently applied, and which shall include without limitation rental expense under operating leases.

"Revolving Loan Period" shall mean the period which runs from the date of this Agreement until the Credit Expiration Date.

"Security Agreement" shall mean the Amended and Restated Security Agreement, substantially in the form of Exhibit B attached hereto, executed or to be executed by Borrower in favor of Lender pursuant to this Agreement and any modification or replacement thereof or therefor.

"Stock Pledge Agreement" shall mean any and all Stock Pledge and Security Agreements, substantially in the form of Exhibit C-1 attached hereto, executed or to be executed by Borrower in favor of Lender pursuant to this Agreement and any modification or replacement thereof or therefor.

"Subsidiary" means, as applied to Borrower, (i) any corporation of which 50% or more of the outstanding stock (other than directors' qualifying shares) having ordinary voting power to elect a majority of its board of directors (or other governing body), regardless of the existence at the time of a right of the holders of any class or classes (however designated) of securities of such corporation to exercise such voting power by reason of the happening of any contingency, or any partnership of which 50% or more of the outstanding partnership interests is, at the time, directly or indirectly owned by Borrower or by one or more Subsidiaries of Borrower, and (ii) any other entity which is directly or indirectly controlled or capable of being controlled by Borrower or by one or more Subsidiaries of Borrower.

"Subsidiary Guaranty" shall mean any and all Guaranty Agreements, substantially in the form of Exhibit D attached hereto, executed or to be executed by a Subsidiary of Borrower in favor of Lender and any modifications or replacements thereof or therefor.

"Subsidiary Security Agreement" shall mean any and all Security Agreements, substantially in the form of Exhibit E attached hereto, executed or to be executed by a Subsidiary of Borrower in favor of Lender and any modifications or replacements thereof or therefor.

"Term Loan Period" shall mean the period which runs from the Credit Expiration Date through the Final Maturity Date.



"Tissue Freezers" shall mean, collectively, the tissue freezers leased or loaned by Borrower to third parties in the ordinary course of Borrower's business.

"Total Liabilities" shall mean, as of any particular date, the amount which all liabilities of Borrower would be shown on a consolidated balance sheet of Borrower at such date prepared in accordance with generally accepted accounting principles consistently applied.

"Voting Stock" shall mean the securities of any class or classes of a corporation the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors of such corporation (or Persons performing similar functions).

SECTION 102. ACCOUNTING TERMS. All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles consistently applied.

SECTION 103. TITLES. The titles of the Articles and Sections herein appear as a matter of convenience only and shall not affect the interpretation hereof.

SECTION 104. NUMBER AND GENDER. Words importing the singular number hereunder shall include the plural number and vice versa, and any pronoun used herein shall be deemed to cover all genders.

## ARTICLE II - THE LOANS

SECTION 201. THE LOANS. (a) From time to time upon Borrower's request, and subject to the terms and conditions of this Agreement, Lender agrees to advance to Borrower prior to the Credit Expiration Date amounts which do not exceed the Maximum Availability in aggregate outstanding principal amount at any one time. Advances made by Lender to Borrower under this Section 201 are hereinafter collectively called the "Loans". Notwithstanding anything in this Agreement to the contrary, the Lender shall not be obligated hereunder to make any Loans on or after the earlier of (i) the Credit Expiration Date or such later date to which such expiration date may be extended by Lender in its discretion or (ii) the date Lender pursuant to Section 801(a) hereof terminates its obligation to make any further Loans to Borrower hereunder. Subject to the terms and conditions hereof, prior to the Credit Expiration Date, Borrower, at its option, from time to time may borrow, repay and reborrow all or any portion of the Loans, except that Borrower's right to prepay Loans bearing interest based on the Adjusted LIBOR (as such term is defined in the Note) shall be subject to the breakage provisions of the Note and any such prepayment shall be applied as provided in the Note.

(b) The proceeds of the Loans may be used by Borrower only to finance acquisitions by the Borrower and to finance Borrower's and its Subsidiaries' working capital

and other general corporate needs (including without limitation to finance the cost of the leasehold improvements and equipment purchases made or to be made by Borrower for its new corporate headquarters building in Marietta, Georgia).

(c) The Loans are to be evidenced by the Note. Interest on the Loans will accrue at the rate or rates per annum set forth in the Note, and principal and interest on the Loans will be payable in the manner prescribed in the Note.

(d) Borrower shall pay to Lender an origination fee for the Loan facility provided by Lender to Borrower under this Section 201, which fee shall be in the amount of $5,000 (and Lender shall credit against such sum the $5,000 commitment letter fee previously paid by Borrower to Lender in connection with such facility) and such fee shall be deemed fully earned by Lender upon the parties' execution and delivery of this Agreement from the Borrower and shall be non-refundable.

(e) Borrower shall pay to Lender unused facility fees for Borrower's Loan facility hereunder during the Revolving Loan Period computed on the daily average unused portion of the Maximum Availability at a rate per annum of three-eighths of one percent (.375%). Such unused facility fees shall be payable by Borrower to Lender quarterly in arrears, commencing on November 30, 1996, and continuing to be due on the last day of each February, May, August and November thereafter during the Revolving Loan Period as well as on the Credit Expiration Date. Notwithstanding anything in this Section to the contrary, however, the total unused facility fees payable by Borrower to Lender under clauses (x) and (y) above shall not exceed the sum of $6,250 and $25,000, respectively, during each of the following two periods: the period from the date of this Agreement though August 31, 1997, and the period from September 1, 1997 through the Credit Expiration Date.

(f) All of the Loans shall constitute one loan by Lender to Borrower. Lender shall maintain a loan account on its books in which shall be recorded all Loans, all payments made by Borrower on the Loans and all other appropriate debits and credits as provided in this Agreement and the Note with respect thereto, including without limitation all charges, expenses and interests. All entries in such account shall be made in accordance with the Lender's customary accounting practices as in effect from time to time. Lender shall render to Borrower a monthly statement setting forth the balance of such account, including principal, interest, expenses and fees, and each such statement shall, absence manifest error or omissions, be presumed correct and binding upon Borrower and shall constitute an account stated unless, within thirty (30) days after receipt of any such statement from Lender, Borrower shall deliver to Lender a written objection thereto specifying the error or errors or omission or omissions, if any, contained in such statement.

(g) All interest and fees owing by Borrower to Lender hereunder or under the other Financing Documents shall be computed on the basis of a 360-day year and the actual days elapsed



SECTION 202. COLLATERAL AND GUARANTIES. (a) All of the Loans and the other Liabilities shall be secured pursuant to the Security Agreement which shall be duly executed and delivered by Borrower to Lender in connection with this Agreement and pursuant to which Lender shall be granted a first-priority security interest in all of Borrower's present or future accounts, contract rights, chattel paper, general intangibles (excluding its Intellectual Property Rights but including the proceeds thereof), instruments, documents, inventory, equipment, fixtures, leasehold improvements, and other assets and all proceeds thereof (excluding its Intellectual Property Rights but including the proceeds thereof). In addition, all of the Loans and the other Liabilities shall also be secured pursuant to a Stock Pledge Agreement which (together with an irrevocable stock power in the form of Exhibit C-2 attached hereto) shall be duly executed

and delivered by Borrower to Lender in connection with this Agreement and pursuant to which Lender shall be granted a first-priority security interest in all of the capital stock of CryoLife International and all proceeds thereof.

(b) All of the Loans and the other Liabilities shall be fully guaranteed by CryoLife International pursuant to a Subsidiary Guaranty which shall be duly executed and delivered by CryoLife International to Lender in connection with this Agreement. In addition, the obligations of CryoLife International under such Subsidiary Guaranty shall be secured pursuant to a Subsidiary Security Agreement which shall be duly executed and delivered by CryoLife International to Lender in connection with this Agreement, and pursuant to which Lender shall be granted a first-priority security interest in all of CryoLife International's present or future accounts, contract rights, chattel paper, general intangibles (excluding its Intellectual Property Rights but including the proceeds thereof), instruments, documents, inventory, equipment, fixtures, leasehold improvements, and other assets and all proceed thereof.

(c) Within ten (10) days after Borrower's creation or acquisition of any Subsidiary, Borrower shall pledge all of the capital stock of such Subsidiary to the Lender as additional collateral for the Liabilities, Borrower shall cause such Subsidiary to guaranty the repayment of the Liabilities to Lender, and Borrower shall cause such Subsidiary to grant to the Lender a first-priority perfected security interest in and lien on all of its assets (excluding its Intellectual Property Rights, but including the proceeds thereof) as additional collateral for the Liabilities, all pursuant to such Subsidiary Guaranties, Subsidiary Security Agreements, Stock Pledge Agreements and other collateral documents as are acceptable in all respects to the Lender. Borrower also shall provide Lender with any and all closing certificates, financing statement filings, opinions of counsel and other closing documents of the types described in Section 605 hereof as the Lender may request with respect to such pledge, guaranty and collateral documents.

(d) Borrower shall execute (or cause to be executed) any and all financing statements, fixture filings, certificate of title applications, collateral assignments, stock powers or transfers, or other documents as Lender may reasonably request from time to time in order to perfect or maintain the perfection and priority of Lender's security interest in the Collateral now or hereafter covered by the Security Agreement, any Stock Pledge Agreement or any Subsidiary Security Agreement or any additional collateral documents executed by



Borrower or any Subsidiary pursuant to this Section 202.

(e) If any of the Collateral will be located on any premises which are leased by Borrower or any of its Subsidiaries from a third party or, if such premises are owned by Borrower or one of its Subsidiaries, on which any creditor (other than Lender) holds a security deed, mortgage, or deed of trust granted by Borrower or one of its Subsidiaries, Borrower shall cause each such third party lessor or creditor to execute in favor of Lender a Waiver and Consent in substantially the form of Exhibit I attached hereto (or in such other form as may be acceptable to Lender).

SECTION 203. AGREEMENTS REGARDING INTEREST AND OTHER CHARGES. Pursuant to the Official Code of Georgia Annotated Section 7-4-2, Lender and Borrower hereby agree that the only charge imposed or to be imposed by Lender upon Borrower for the use of money in connection with the Loans is and will be the interest required under the Note, which interest will be at the rates which are or will be expressed in simple interest terms in the Note as of the date of such Note. Borrower hereby acknowledges and agrees that Lender has not imposed on it any minimum borrowing requirements, reserve or escrow balances, or compensating balances related in any way to this Agreement. In no event shall the amount of interest due and payable under this Agreement, the Note or any of the other Financing Documents exceed the maximum rate of interest allowed by applicable law (including, without limitation, Official Code of Georgia Annotated Section 7-4-18) and, in the event any such payment is inadvertently made by Borrower or

inadvertently received by Lender, such excess sum shall be credited as a payment of principal. It is the express intent hereof that Borrower not pay and Lender not receive, directly or indirectly or in any manner, interest in excess of that which may be lawfully paid under applicable law.

SECTION 204. INDEMNITY. Borrower agrees to indemnify and hold harmless the Lender from and against any and all claims, liabilities, losses, damages, actions and demands by any party against the Lender arising out of the making, holding or administration of the Loans or the Collateral, allegations of any participation by the Lender in the affairs of any or all of the Credit Parties or allegations that the Lender has any joint liability with any or all of the Credit Parties for any reason, or any claims against the Lender by any shareholder of the Borrower, unless, with respect to the above, the Lender is finally and judicially determined to have acted or failed to act with gross negligence or to have engaged in willful misconduct.

SECTION 205. CAPITAL ADEQUACY. Without limiting any other provisions of this Agreement, in the event that the Lender determines after the date hereof that the introduction or change after the date of this Agreement of any law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy, or any change therein or in the interpretation or application thereof after the date of this Agreement, or compliance by the Lender with any request or directive regarding capital adequacy (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) from a central bank or governmental authority or body having jurisdiction which is introduced or changed after the date of this Agreement, does or shall



have the effect of reducing the rate of return on the Lender's capital as a consequence of its obligations hereunder to a level below that which the Lender could have achieved but for such law, treaty, rule, regulation, guideline or order or such change or compliance (taking into consideration the Lender's policies with respect to capital adequacy and assuming the full utilization of the Lender's capital immediately before such adoption, change or compliance) by an amount reasonably deemed by the Lender to be material, then the Lender shall promptly after its determination of such occurrence notify the Borrower thereof. The Borrower agrees to pay to the Lender as an additional fee from time to time, within ten (10) days after written notice and demand by the Lender, such amount as the Lender certifies to be the amount that will compensate it for such reduction in connection with its obligations hereunder. A certificate of the Lender claiming compensation under this Section shall be conclusive in the absence of manifest error or fraud and shall set forth the nature of the occurrence giving rise to such compensation, the additional amount or amounts to be paid to it hereunder and the method by which such amounts were determined. In determining such amount, the Lender may use reasonable averaging and attribution methods.

## ARTICLE III - REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Lender that each of the following is true, correct, complete and accurate in all respects:

SECTION 301. ORGANIZATION AND EXISTENCE; SUBSIDIARIES. (a) Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida, and is qualified to do business as a foreign corporation in the State of Georgia. CryoLife International is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida, and is qualified to do business as a foreign corporation in the State of Georgia.

(b) Borrower has no Subsidiaries as of the date of this Agreement, except for the Subsidiaries identified on Schedule 301 attached hereto, and Borrower agrees that it will not hereafter acquire or form any Subsidiaries without giving Lender at least thirty (30) days' prior written notice thereof

and complying with any applicable requirements of Sections 202 and 503 hereof. In the event Borrower so acquires or forms any Subsidiaries, each Subsidiary of Borrower will be a corporation duly organized, validly existing and in good standing with the laws of the state of its incorporation.

SECTION 302. FINANCIAL STATEMENTS. Each financial statement of any Credit Party which has been delivered to Lender presents fairly the financial condition of such Credit Party as of the date indicated therein and the results of its operations for the period(s) shown therein. There has been no material adverse change in the financial condition or operations of the Credit Parties taken as a whole since the date of said financial statement, nor has any Credit Party mortgaged, pledged or granted a security interest in or encumbered any of its assets since such date.

SECTION 303. BORROWER AUTHORITY AND POWER. Each Credit Party has full



power and authority to make, execute and perform in accordance with the respective terms thereof each of the Financing Documents executed by it. The execution and performance by each Credit Party of each and every of the Financing Documents executed by it have been duly authorized by all requisite action, and each and every one of them constitutes the legal, valid and binding obligation of such Credit Party enforceable in accordance with its respective terms.

SECTION 304. NO DEFAULTS. Except as set forth on Schedule 304 attached hereto, none of the Credit Parties is in default under any contracts, agreements, licenses, franchises, leases, security agreements, deeds, mortgages, promissory notes, documents, instruments or chattel paper to which it is a party or by which it or any of its properties or assets is bound or affected. Execution, delivery and performance by any Credit Party of each and every of the Financing Documents executed by it do not violate any provision of law or regulations and does not result in a breach of or constitute a default under any agreement, indenture or other instrument to which any Credit Party is a party or by which any Credit Party is bound.

SECTION 305. NO PENDING CLAIMS. Except as disclosed on Schedule 305 attached hereto, there is no claim, action, suit, arbitration, investigation, condemnation or other proceeding at law or in equity, or by or before any federal, state, local or other governmental agency, or by or before any other agency or arbitrator, nor is there any judgment, order, writ, injunction or decree of any court pending, anticipated or (to Borrower's knowledge) threatened against any Credit Party or against any of its properties or assets which might have a material adverse effect on the Credit Parties taken as a whole or their respective properties or assets, or which might call into question the validity or enforceability of any of the Financing Documents, or which might involve the alleged violation by any Credit Party of any federal, state, local or other law, rule or regulation; provided, however, that no representation is made in this Section 305 with respect to Environmental Laws.

SECTION 306. NO OUTSTANDING JUDGMENTS. There are no outstanding or unpaid judgments against any Credit Party.

SECTION 307. OUTSTANDING SECURITIES. All of Borrower's and each Subsidiary's outstanding capital stock has been validly issued, fully paid and is non-assessable. Borrower is not in violation of any applicable federal, state, local, or other securities laws and regulations with respect to the issuance of any of its capital stock or any other of its securities.

SECTION 308. TAX RETURNS. Each Credit Party has filed or caused to be filed all required federal, state, local, or other tax returns when due and has paid (except as otherwise permitted by Section 406 hereof) all governmental taxes and other charges imposed upon it or on any of its properties or assets. Borrower does not know of any proposed additional tax assessment against any Credit Party.

SECTION 309. FRANCHISES, LICENSES, PERMITS, ETC. Each Credit Party has all material franchises, licenses, permits, patents, copyrights, trademarks, trade names, and other authority necessary to enable it to conduct its business as presently conducted; provided, however, that no representation is made in this Section 309 with respect to Environmental Laws.

SECTION 310. NO GOVERNMENTAL CONSENTS REQUIRED. No consent, approval, order, authorization, designation, registration, declaration, or filing (except the filing of financing statements or notations of liens on certificates of title) with or of any federal, state, local, or other governmental authority or public body on the part of any Credit Party is required in connection with any Credit Party's execution, delivery or performance of any of the Financing Documents; or if required, all such prerequisites have been fully satisfied.

SECTION 311. ERISA MATTERS. None of the Credit Parties has incurred any material accumulated funding deficiency within the meaning of the ERISA, and none of the Credit Parties has incurred any material liability to the Pension Benefit Guaranty Corporation established under ERISA (or any successor thereto under such Act) in connection with any employee benefit plan established or maintained by any of the Credit Parties.

SECTION 312. REGULATION U AND OTHER SECURITIES LAW MATTERS. None of the transactions contemplated in this Agreement (including, without limitation, the use of the proceeds from the Loans) will violate or result in a violation of Section 7 of the Securities Exchange Act of 1934, as amended, or any regulations issued pursuant thereto, including, without limitation, Regulations U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II. Borrower does not own or intend to carry or purchase any "margin stock" within the meaning of said Regulation U, including margin stock originally issued by it. None of the proceeds of the Loans will be used to purchase or carry (or refinance any borrowing the proceeds of which were used to purchase or carry) any "security" within the meaning of the Securities Exchange Act of 1934, as amended.

SECTION 313. ENVIRONMENTAL REPRESENTATIONS. (a) Each Credit Party has obtained all permits, licenses and other authorizations which are required under Environmental Laws, and each Credit Party is in compliance in all material respects with all terms and conditions of the required permits, licenses and authorizations and is also in compliance in all material respects with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Laws;

(b) Borrower is not aware of, and has not received notice of, any past, present or future events, conditions, circumstances, activities, practices, incidents, actions or plans which, with respect to any Credit Party, may interfere with or prevent such Credit Party's compliance or continued compliance in any material respect with Environmental Laws, or may give rise to any material common law or legal liability, or otherwise form the



basis of any material claim, action, demand, suit, proceeding, hearing, study or

investigation against such Credit Party, based on or related to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling, or the emission, discharge, release or threatened release into the environment, of any pollutant, contaminant, chemical, or industrial, toxic or hazardous substance or waste; and

(c) There is no civil, criminal or administrative action, suit, demand, claim, hearing, notice or demand letter, notice of violation, investigation or proceeding pending or threatened against any Credit Party relating in any way to Environmental Laws.

SECTION 314. REAFFIRMATION. Each request for a Loan made by Borrower pursuant to this Agreement shall constitute an automatic representation and warranty by Borrower to Lender that there does not then exist any Default or Event of Default as well as a reaffirmation as of the date of such request of all of the representations and warranties of the Credit Parties contained in this Agreement and the other Financing Documents (except as to those changes otherwise consented to by Lender or contemplated herein).

## ARTICLE IV - AFFIRMATIVE COVENANTS

For so long as this Agreement is in effect, and unless Lender expressly consents in writing otherwise or to the contrary (which consent shall not be unreasonably withheld), Borrower hereby expressly covenants and agrees as follows:

SECTION 401. INSPECTION AND EXAMINATION. Upon reasonable request of Lender, each Credit Party shall permit during regular business hours any person designated by Lender to inspect and examine such Credit Party's financial books and records, its minute books and other business memoranda and writings; provided, however, that so long as no Event of Default has occurred and is then continuing Borrower may condition Lender's (or its designee's) access to any Credit Party's business memoranda and writings (other than its financial books and records) on Lender's (or such designee's) entering into a suitable written confidentiality agreement. Each Credit Party shall make available its officers and employees to Lender to discuss the financial affairs of such Credit Party at such reasonable times and intervals as Lender may request, and each Credit Party shall promptly confirm or furnish in reasonable detail whatever information relative to such Credit Party as Lender's authorized representative, auditor or counsel may reasonably request.

SECTION 402. BOOKS AND RECORDS. Each Credit Party shall keep its books, records and accounts in accordance with generally accepted accounting principles and practices applied on a basis consistent with preceding years.

SECTION 403. FINANCIAL STATEMENTS AND OTHER INFORMATION. Borrower shall promptly furnish to Lender: (1) Not later than 120 days after the end of each subsequent fiscal year, consolidated and consolidating financial statements of the Borrower, to include balance sheets and statements of income and stockholders' equity, all in reasonable detail, prepared in accordance with generally accepted accounting principles and



certified by an independent accounting firm acceptable to Lender and accompanied by a duly completed Compliance Certificate in the form of Exhibit J attached hereto executed on behalf of Borrower by its chief financial officer; (2) Not later than 30 days after and as of the end of each month (other than the final month of each fiscal year), consolidated financial statements of Borrower, to include balance sheets and statements of income and stockholders' equity, all in reasonable detail, prepared in accordance with generally accepted accounting principles (subject to changes resulting from year-end adjustments), and certified by the chief financial officer of Borrower and accompanied by a duly completed Compliance Certificate in the form of Exhibit J attached hereto executed on behalf of Borrower by its chief financial officer; (3) Promptly upon becoming aware of the existence of any Default or Event of Default, a written

notice specifying the nature and period of existence thereof and what action Borrower is taking or proposes to take with respect thereto; (4) Promptly upon becoming aware that the holder of any other evidence of indebtedness or security of any Credit Party has given notice or taken any other action with respect to a claimed default or event of default or event which, with the giving of notice or passage of time, or both, would constitute a default, a written notice specifying the notice given or action taken by such holder and the nature of the claimed default or event and what action Borrower is taking or proposes to take with respect thereto; (5) Promptly upon transmission thereof, copies of all financial statements, proxy statements, notices and reports as Borrower shall send to its public shareholders, if any, and copies of all registration statements and all other reports which Borrower may file from time to time with the Securities and Exchange Commission or any comparable state securities regulatory agency; and (6) From time to time upon request of Lender, such other information relating to the operations, business, and financial condition of any Credit Party as Lender may reasonably request.

SECTION 404. MAINTENANCE OF ASSETS. Each Credit Party shall maintain and keep all of its property and assets (other than Tissue Freezers) in good repair, working order and condition and shall from time to time make all needful and proper repairs, renewals and replacements thereto subject to reasonable wear and tear.

SECTION 405. MAINTENANCE OF INSURANCE. Each Credit Party shall maintain with financially sound and reputable insurers acceptable to Lender (i) with reference to its property other than the Collateral, insurance against such risks and in such amounts as is customary in the case of Persons of established reputations engaged in the same or similar business and similarly situated, and (ii) liability and worker's compensation insurance in such amounts as is customary in the case of Persons of established reputations engaged in the same or similar business and similarly situated (except that the dollar amount of each Credit Party's liability insurance coverage must be acceptable to Lender), and, upon request by Lender, shall furnish Lender copies of the policies under which such insurance is carried. The Credit Parties' obligations concerning insurance of the Collateral are governed by the applicable Financing Documents. The Credit Parties shall not be required to maintain property insurance on Tissue Freezers.

SECTION 406. PAYMENT OF TAXES. Each Credit Party shall punctually pay and discharge all taxes, assessments and governmental charges or levies imposed upon it or



upon its income or upon any of its property, as well as all claims of any kind which, if unpaid, might by law become a Lien upon its property, except taxes, assessments, charges, levies or claims which are in good faith being timely litigated or otherwise properly contested by such Credit Party and which cannot become a Lien upon any of the Collateral with priority over the security interest of Lender or as to which such Credit Party has established reserves satisfactory to Lender. Upon any Credit Party's failure to make prompt payment of any such obligation of such Credit Party not excepted above, Lender may, but is under no obligation to, pay all or any part of the same or effect a settlement or compromise thereof in the name of such Credit Party; and all amounts so paid by Lender as well as the expenses incurred in negotiating or attempting to negotiate a compromise or settlement will automatically become a part of the Liabilities of Borrower under this Agreement and will bear interest from the date of such payment at the lower of (i) the highest rate of interest which Borrower has contracted to pay on any of the Liabilities or (ii) the highest rate permissible under applicable law.

SECTION 407. ENVIRONMENTAL MATTERS. Borrower shall notify Lender in writing, promptly upon learning thereof, of:

(i) any notice that any Credit Party is not in compliance in any material respect with all terms and conditions of all permits, licenses and

authorizations which are required under Environmental Laws, or that any Credit Party is not in compliance in any material respect with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Laws;

(ii) any notice of any past, present or future events, conditions, circumstances, activities, practices, incidents, actions or plans which, with respect to any Credit Party, may interfere with or prevent its compliance or continued compliance in any material respect with Environmental Laws, or may give rise to any material common law or legal liability on its part, or otherwise form the basis of any material claim, action, demand, suit, proceeding, hearing, study or investigation against it, based on or related to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling, or the emission, discharge, release or threatened release into the environment, of any pollutant, contaminant, chemical, or industrial, toxic or hazardous substance or waste; and

(iii) any notice or claim of any civil, criminal or administrative action, suit, demand, claim, hearing, notice or demand letter, notice of violation, investigation, or proceeding pending or threatened against any Credit Party relating in any way to Environmental Laws.

SECTION 408. PRIMARY DEPOSITORY RELATIONSHIPS. To the maximum extent permitted by applicable law, the Credit Parties shall maintain their primary depository relationships with Lender.



## ARTICLE V - NEGATIVE COVENANTS

For so long as this Agreement is in effect, and unless Lender expressly consents in writing otherwise or to the contrary (which consent shall not be unreasonably withheld), Borrower hereby expressly covenants and agrees to the following negative covenants:

SECTION 501. TYPE OF BUSINESS. Borrower and its Subsidiaries shall not engage in any type of business other than the development, sale, licensing or use of medical products, bio-technology or tissue engineering or any activity reasonably incidental thereto.

SECTION 502. TRANSACTIONS WITH AFFILIATES. None of the Credit Parties shall engage in any transactions with an Affiliate, except on terms no less favorable to such Credit Party than could be obtained in arms-length transactions with others.

SECTION 503. MERGER, CONSOLIDATION, ACQUISITIONS, ETC. None of the Credit Parties shall: (i) transfer all or substantially all of its assets to, consolidate with or merge with any other Person; (ii) acquire all or substantially all of the properties or capital stock of any other Person; or (iii) create or acquire any Subsidiary or enter into any partnership or joint venture; provided, however, that (a) any Subsidiary of Borrower may merge or consolidate with, or convey all or substantially all of its assets to, Borrower or another Subsidiary of Borrower (but Borrower must be the surviving corporation for any such merger or consolidation involving Borrower), (b) Borrower may acquire all or substantially all of the properties or capital stock of another Person (or Borrower may form a Subsidiary to make such acquisition) so long as such transaction does not cause a violation of Section 501 above or 503(iii)(e) below, Borrower complies with any and all requirements of Section 202(c) applicable thereto and no other Default or Event of Default would be caused thereby, (c) Borrower may form a new Subsidiary so long as such transaction does not cause a violation of Section 501 above or Section 503(iii)(e) below and Borrower complies with any and all requirements of Section 202(c) applicable thereto and no other Default or Event of Default would be caused thereby, (d) any Credit Party may enter into a merger or consolidation in

connection with any acquisition transaction permitted under clause (b) above so long as such Credit Party is the surviving corporation therefrom and no other Default or Event of Default would be caused thereby, and (e) Borrower may acquire all or substantially all of the properties or capital stock of another Person or create or acquire Subsidiaries or enter into partnerships or joint ventures so long as Borrower's total investment in all such acquisitions, Subsidiaries, partnerships or joint ventures (whether in the form of cash, loans or other property but exclusive of contributions or transfers of Intellectual Property Rights) does not exceed $7,000,000 in the aggregate and no other Default or Event of Default would be caused thereby. Lender agrees that, upon request of Borrower from time to time (but not more frequently than once per fiscal year), Lender may in its sole discretion increase the aforesaid limitation on investment set forth in clause (e) above, which increase shall become effective upon Lender's written notice to Borrower thereof.

SECTION 504. ERISA MATTERS. None of the Credit Parties shall incur or



suffer to exist any material accumulated funding deficiency within the meaning of ERISA or incur any material liability to the Pension Benefit Guaranty Corporation established under ERISA (or any successor thereto under ERISA).

SECTION 505. LIENS. None of the Credit Parties shall create, incur, assume or suffer to exist any Lien of any kind upon any of its property or assets now owned or hereafter acquired, excluding, however, from the operation of this covenant: (1) liens in connection with worker's compensation; (2) deposits or pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds, and other obligations of a like nature arising in the normal and ordinary course of business; (3) mechanics', workmen's, materialmen's, and other like liens arising in the normal and ordinary course of business in respect of obligations which are not overdue or which are being contested in good faith by such Credit Party and as to which such Credit Party has established reserves satisfactory to the Lender; (4) tax or other nonconsensual liens, encumbrances or charges which are being litigated or otherwise properly contested in good faith by such Credit Party and as to which such Credit Party has established reserves satisfactory to the Lender; (5) the security interests, security titles and liens conveyed to Lender under any of the Financing Documents; (6) Purchase Money Liens securing Purchase Money Indebtedness to the extent permitted under Section 508; and (7) any other Liens disclosed on Schedule 505 attached hereto.

SECTION 506. GUARANTIES. None of the Credit Parties shall in any manner, directly or indirectly, become a guarantor of any obligation of, or an endorser of, or otherwise assume or become liable upon any obligations or other indebtedness of any other Person except (i) pursuant to the Financing Documents or (ii) in connection with the depositing of checks in the normal and ordinary course of business.

SECTION 507. FINANCIAL COVENANTS. Borrower shall not violate any of the following financial covenants.

(a) Borrower shall not change its fiscal year without Lender's consent;

(b) Borrower shall not make Capital Expenditures in any one fiscal year ending on or after December 31, 1996, which exceed $2,000,000 in total amount for such fiscal year;

(c) Borrower shall not permit its Current Ratio at any time on or after the date of this Agreement to be less than 2.0 to 1.0;

(d) Borrower shall not permit its Leverage Ratio to exceed 1.0 to 1.0 at any time on or after the date of this Agreement;

(e) Borrower shall not permit its Net Worth to be less than $18,000,000

at any time during the period from the date of this Agreement through December 31, 1996, and Borrower shall not permit its Net Worth at any time during each fiscal year of Borrower



ending thereafter to be less than its minimum required Net Worth hereunder for its immediately preceding fiscal year plus $500,000; and

(f) Borrower shall not permit its Debt Coverage Ratio for any fiscal quarter or year to be less than 1.3 to 1.0.

SECTION 508. FUNDED DEBT. None of the Credit Parties shall incur, assume, or suffer to exist any Funded Debt of such Credit Party, except (i) Funded Debt arising under this Agreement or any of the other Financing Documents, (ii) Purchase Money Indebtedness not to exceed $250,000 in total amount for all the Credit Parties incurred in any fiscal year, and (iii) any other Funded Debt described on Schedule 508 attached hereto.

## ARTICLE VI - CONDITIONS TO LENDING

All of Lender's obligations under this Agreement, including without limitation any obligation to lend or advance moneys to Borrower, are subject to the fulfillment of each of the following conditions at or before the date hereof as well as at the time each Loan is requested or made hereunder:

SECTION 601. REPRESENTATIONS AND WARRANTIES. All representations and warranties of the Credit Parties contained in this Agreement and in each and every of the other Financing Documents are true, correct, complete and accurate in all material respects.

SECTION 602. PERFORMANCE OF COVENANTS. The Credit Parties shall have duly and properly performed in all respects all covenants, agreements, and obligations required by the terms of this Agreement or any of the other Financing Documents to be performed by them.

SECTION 603. NO VIOLATION OF NEGATIVE COVENANTS. None of the Credit Parties has taken or permitted to be taken any actions which would conflict with any of the provisions of Article V of this Agreement.

SECTION 604. NO MATERIAL ADVERSE CHANGES. Since the date of this Agreement, no material adverse change shall have occurred in the business, operations, financial condition or assets of the Credit Parties taken as a whole.

SECTION 605. DELIVERY OF LOAN DOCUMENTS. Borrower has delivered to Lender, or caused to be delivered to the Lender, duly executed counterparts of this Agreement, the Note, and the other Financing Documents required under Sections 202(a) and 202(b), together with the following described additional documents:

(a) Certificates from the Secretaries of State of Florida and Georgia issued as of the date of this Agreement (or within 45 days thereof) stating that each of the Borrower and CryoLife International is a corporation duly organized (or, in the case of Georgia, is a

foreign corporation qualified to do business) and is in good standing under the laws of such states;

(b) A copy (certified by the Secretary of State of Florida within 45 days of the date of this Agreement) of each of Borrower's and CryoLife International's certificate of incorporation;

(c) A Certificate of the Borrower in the form of Exhibit F attached hereto, duly completed and executed;

(d) A Certificate of CryoLife International in the form of Exhibit G attached hereto;

(e) An opinion of counsel for Borrower in the form of Exhibit H attached hereto;

(f) Satisfactory evidence of the recording of such Uniform Commercial Code financing statements and other documents in such filing offices as Lender may deem necessary or appropriate to perfect or maintain the perfection of the Lender's security interests under the Security Agreement and the Subsidiary Security Agreement, as well as written reports of examinations of the public records of such filing office as the Lender may deem necessary or appropriate indicating that there are no other Liens of record covering any of the Collateral covered by the Security Agreement or the Subsidiary Security Agreement (except Liens permitted under Section 505 hereof);

(g) Any Waivers and Consents required from any landlord or creditor under Section 202 hereof.

(g) Such other documents, instruments and agreements as may be reasonably required by Lender or Lender's counsel in connection with any loan or advance hereunder.

SECTION 606. NO DEFAULT OR EVENT OF DEFAULT. No Default or Event of Default shall have occurred.

SECTION 607. INCIDENTAL MATTERS. All matters incidental to each advance hereunder shall be reasonably satisfactory to Lender.

## ARTICLE VII - EVENTS OF DEFAULT

The occurrence of any one or more of the following events will constitute an event of default (herein called an "Event of Default") by Borrower under this Agreement.

SECTION 701. FAILURE TO PAY LIABILITIES. Failure of Borrower punctually



to make payment of any amount payable to Lender, whether principal or interest, on any of the Liabilities within five (5) days of the date the same becomes due and payable, whether at maturity, or at a date fixed for any prepayment or partial prepayment, or by acceleration or otherwise.

SECTION 702. REPRESENTATIONS AND WARRANTIES. If any statement, representation, or warranty of any Credit Party made in this Agreement or in any of the other Financing Documents at any time furnished by or on behalf of any Credit Party to Lender proves to have been untrue, incorrect, misleading, or incomplete in any material respect as of the date made.

SECTION 703. NEGATIVE COVENANT BREACH. Failure of any Credit Party punctually and fully to perform, observe, discharge or comply with any of the covenants set forth in Article V of this Agreement.

SECTION 704. OTHER COVENANT BREACH. Failure of any Credit Party punctually and fully to perform, observe, discharge or comply with any of the covenants set forth in this Agreement (other than Article V), which failure is not cured within thirty (30) days after notice from Lender to Borrower.

SECTION 705. OTHER AGREEMENTS WITH LENDER. The occurrence of a default, an event of default or an Event of Default under any of the other Financing Documents or under any other agreement to which any Credit Party and Lender are parties or under any other instrument executed by any Credit Party in favor of Lender, including any loan agreements, notes, leases, deeds or other documents.

SECTION 706. VOLUNTARY BANKRUPTCY. If any Credit Party becomes insolvent as defined in the Georgia Uniform Commercial Code or makes an assignment for the benefit of creditors; or if any action is brought by any Credit Party seeking dissolution of such Credit Party or liquidation of its assets or seeking the appointment of a trustee, interim trustee, receiver, or other custodian for any of its property; or if any Credit Party commences a voluntary case under the Federal Bankruptcy Code; or if any reorganization or arrangement proceeding is instituted by any Credit Party for the settlement, readjustment, composition or extension of any of its debts upon any terms; or if any action or petition is otherwise brought by any Credit Party seeking similar relief or alleging that it is insolvent or unable to pay its debts as they mature.

SECTION 707. INVOLUNTARY BANKRUPTCY. If any action is brought against any Credit Party seeking dissolution of such Credit Party or liquidation of any of its assets or seeking the appointment of a trustee, interim trustee, receiver or other custodian for any of its property, and such action is consented to or acquiesced in by such Credit Party or is not dismissed within sixty (60) days of the date upon which it was instituted; or if any proceeding under the Federal Bankruptcy Code is instituted against such Credit Party and (i) an order for relief is entered in such proceeding or (ii) such proceeding is consented to or acquiesced in by such Credit Party or is not dismissed within sixty (60) days of the date upon



which it was instituted; or if any reorganization or arrangement proceeding is instituted against any Credit Party for the settlement, readjustment, composition, or extension of any of its debts upon any terms, and such proceeding is consented to or acquiesced in by such Credit Party or is not dismissed within sixty (60) days of the date upon which it was instituted; or if any action or petition is otherwise brought against any Credit Party seeking similar relief or alleging that it is insolvent, unable to pay its debts as they mature, or generally not paying its debts as they become due, and such action or petition is consented to or acquiesced in by such Credit Party or is not dismissed within sixty (60) days of the date upon which it was brought.

SECTION 708. OTHER INDEBTEDNESS. If any Credit Party is in default on indebtedness to another Person having any outstanding balance of $100,000 or more or an event has occurred which, with the giving of notice or passage of time, or both, will cause such Credit Party to be in default on any such indebtedness to another Person.

SECTION 709. MATERIAL ADVERSE CHANGE. Any material adverse change in the Credit Parties' financial condition or means or ability to pay the Liabilities.

SECTION 710. CHANGE IN CONTROL. The acquisition after the date of this Agreement by any Person (or by any two or more Persons acting in concert) except Steven G. Anderson of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission) of either (i) a sufficient number of the Voting Stock of Borrower so that the total number of such shares beneficially owned by such Person (or group of Persons acting in concert) equals or exceeds twenty-five percent (25%) of the outstanding Voting Stock of Borrower or (ii)

the power to direct or cause the direction of the management and policies of Borrower (whether through ownership of voting securities, by contract or otherwise).

ARTICLE VIII - REMEDIES UPON DEFAULT

SECTION 801. ACCELERATION AND OTHER REMEDIES. Upon the occurrence of an Event of Default:

(a) Lender may, at its option and without prior notice to Borrower, terminate its remaining obligations hereunder to make any further Loans to Borrower;

(b) Any of the Liabilities may (notwithstanding any provisions contained therein or herein to the contrary), at the option of Lender and without presentment, demand, notice or protest of any kind (all of which are expressly waived by Borrower in this Agreement), be declared due and payable, whereupon they immediately will become due and payable;

(c) Lender may also, at its option, and without notice or demand of any kind, exercise from time to time any and all rights and remedies available to it under this



Agreement or under any of the other Financing Documents, as well as exercise from time to time any and all rights and remedies available to a secured party when a debtor is in default under a security agreement as provided in the Uniform Commercial Code of Georgia, or available to Lender under any other applicable law or in equity, including without limitation the right to any deficiency remaining after disposition of the Collateral; and

(d) Borrower shall pay all of the reasonable costs and expenses actually incurred by Lender in enforcing its rights under this Agreement and the other Financing Documents. In the event any claim under this Agreement or under any of the other Financing Documents is referred to an attorney for collection, or collected by or through an attorney at law, Borrower will be liable to Lender for all reasonable expenses actually incurred by it in seeking to collect the Liabilities or to enforce its rights hereunder, in the other Financing Documents or in the Collateral, including without limitation actual and reasonable attorneys' fees.

SECTION 802. APPLICATION OF PROCEEDS; COLLECTION COSTS. Any proceeds from disposition of any of the Collateral may be applied by Lender first to the payment of all reasonable expenses and costs actually incurred by Lender in collecting such Liabilities, in enforcing the rights of Lender under each and every of the Financing Documents and in collecting, retaking, holding and preparing the Collateral for and advertising the sale or other disposition of and realizing upon the Collateral, including without limitation the reasonable expenses of liquidating any liens or claims upon the Collateral and reasonable attorneys' fees (but not to exceed actual fees incurred) as well as all other legal expenses and court costs. Any balance of such proceeds may be applied by Lender toward the payment of such of the Liabilities and in such order of application as the Lender may from time to time elect. Lender shall pay the surplus, if any, to Borrower. Borrower shall pay the deficiency, if any, to Lender.

ARTICLE IX - MISCELLANEOUS

SECTION 901. TIME OF ESSENCE. Time is of the essence of this Agreement.

SECTION 902. ENTIRE AGREEMENT. This Agreement, together with the Note and all of the other Financing Documents, supersedes and replaces the Prior Loan Agreements, the Prior Security Agreements, and all other prior discussions and agreements by and between any of the Credit Parties and Lender with respect to

the Loans or the Collateral, and together they constitute the sole and entire agreement between the parties with respect thereto. No promises, covenants, representations, or agreements other than as expressly set forth in the Financing Documents have been made to or with any Credit Party, and Borrower represents and warrants that it is not relying on any promises, covenants, representations or agreements, other than as expressly set forth in such documents in entering into this Agreement.

SECTION 903. SEVERAL COUNTERPARTS. This Agreement may be executed in any number of counterparts each of which shall be deemed an original, and all of such



counterparts together shall constitute one and the same instrument.

SECTION 904. SURVIVAL OF WARRANTIES. All representations, covenants, and warranties made in this Agreement, or in any of the other Financing Documents are cumulative and in addition to those imposed by law or equity, and are to survive the execution hereof, the making of the Loans, and the delivery hereof and of all the other Financing Documents.

SECTION 905. RIGHTS CUMULATIVE. All rights and remedies of Lender, whether provided for herein or in any of the other Financing Documents or conferred by law or in equity or by statute or otherwise, are cumulative and not alternative, and may be enforced successively or concurrently. The collection, repossession, sale or retention of any of the Collateral by Lender will not bar an action by Lender for the recovery of any of the Liabilities of Borrower to Lender (Borrower having expressly agreed herein to remain fully liable for any deficiency), nor will Lender's bringing of an action against Borrower to recover moneys owing under any of the Liabilities bar Lender's right to collect or repossess any of the Collateral.

SECTION 906. NO RELEASE; TERM OF AGREEMENT. No sale, assignment, transfer, renewal, addition, extension, consolidation, subdivision, modification, or substitution of any of the Liabilities, or of any of the Financing Documents, or of any interest thereunder, nor any loss, damage, injury, theft, or destruction of any of the Collateral will release Borrower from its obligations hereunder. The Liabilities may from time to time be paid and Liabilities thereafter incurred, and neither this Agreement nor the security interests and security titles conveyed under the Financing Documents shall lapse or terminate because no Liabilities are outstanding. This Agreement shall remain in full force and effect until such time as (i) no Liabilities are outstanding and (ii) Lender is under no obligation to make any Loans hereunder to Borrower.

SECTION 907. WAIVERS AND MODIFICATIONS. Lender will not be deemed as a consequence of any act, delay, failure, omission, or forbearance (including without limitation failure to exercise its right of accelerating the maturity of any of the Liabilities or other indulgences granted from time to time by Lender) or for any other reason: (1) to have waived, or to be estopped from exercising, any of its rights or remedies under this Agreement or under any of the other Financing Documents, or (2) to have modified, changed, amended, terminated, rescinded, or superseded any of the terms of this Agreement or of any of the other Financing Documents, unless such waiver, modification, amendment, change, termination, rescission, or supersession is express, in writing and signed by a duly authorized officer of Lender. No single or partial exercise by Lender of any right or remedy will preclude other or further exercise thereof or preclude the exercise of any other right or remedy, and a waiver expressly made in writing on one occasion will be effective only in that specific instance and only for the precise purpose for which given, and will not be construed as a consent to or a waiver of any right or remedy on any future occasion. No notice to or demand on Borrower in any instance will entitle Borrower to any other or future notice or demand in similar or other circumstances.

SECTION 908. WAIVER OF PRESENTMENT, ETC. Borrower hereby expressly waives presentment, demand, dishonor, protest, notice for payment, notice of non-payment, notice of dishonor, notice of default, notice of compromises or surrender and any other demand or notice whatsoever in connection with the Financing Documents.

SECTION 909. NOTICES. Except as provided otherwise in this Agreement, all notices and other communications under this Agreement are to be in writing and are to be deemed to have been duly given and to be effective upon delivery to the party to whom they are directed. If sent by U.S. mail, first class, certified, return receipt requested, postage prepaid, and addressed to Lender or to Borrower at their respective addresses set forth beneath their respective signatures below, such notices, demands and other communications are to be deemed to have been delivered on the second business day after being so posted. Either Lender or Borrower may by written notice to the other designate a different address for receiving notices under this Agreement; provided, however, that no such change of address will be effective until written notice thereof is actually received by the party to whom such change of address is sent.

SECTION 910. NO ASSIGNMENT BY BORROWER. Borrower may not, without the consent of Lender, assign any of its rights or duties hereunder or under any of the other Financing Documents.

SECTION 911. LENDER'S EXPENSES. All statements, reports, certificates, opinions, and other documents or information furnished to Lender under the Financing Documents shall be supplied by Borrower without cost to Lender. Further, Borrower shall reimburse Lender on demand for all reasonable out-of-pocket costs and expenses (including actual and reasonable legal fees) incurred by the Lender or its participants in connection with the preparation, establishment, operation, enforcement, and termination of the Financing Documents or the protection or preservation of any right or claim of the Lender with respect to the Financing Documents; provided, however, that Borrower's obligation to reimburse Lender for its attorney's fees and expenses relating to the initial preparation and establishment of this Agreement and the other Financing Documents shall not exceed $10,000.

SECTION 912. PAYMENT OF TAXES. Borrower will pay all taxes (if any) in connection with this Agreement, any of the other Financing Documents, any loans made in connection with this Agreement, or the issuance or ownership of any of the Financing Documents and in connection with any modification of said loans, this Agreement, or any of the other Financing Documents (excluding, however, any taxes imposed upon or measured by the net income of the Lender), and will save the Lender harmless without limitation as to time against any and all liabilities with respect to all such taxes. The obligations of Borrower under this section shall survive the payment of the Liabilities and the termination of this Agreement.

SECTION 913. DEMAND LIABILITIES. If any of the Liabilities are by their terms demand obligations, nothing contained herein shall affect, impair or modify the



demand nature of such obligations, and the occurrence of a Default or an Event of Default shall not be a prerequisite for Lender's requiring payment of such obligations.

SECTION 914. SET-OFFS AGAINST DEPOSITS. Upon the occurrence of an Event of Default hereunder, Lender, without notice or demand of any kind, may hold and set off against such of the Liabilities (whether matured or unmatured) as Lender may elect, any balance or amount to the credit of Borrower in any deposit, agency, reserve, holdback or other account of any nature whatsoever maintained by or on behalf of Borrower with Lender at any of its offices, regardless of whether such accounts are general or special and regardless of whether such accounts are individual or joint.

SECTION 915. PARTICIPANT SET-OFF. Any Person purchasing an interest in debt obligations under this Agreement held by Lender may exercise all rights of offset with respect to such interest as fully as if such Person were a holder of debt obligations hereunder in the amount of such interest.

SECTION 916. CONFIDENTIALITY. Each of the parties to this Agreement shall use reasonable, good faith efforts to maintain as confidential, in accordance with such Person's normal practices and policies for protecting its own confidential information, this Agreement and the other Financing Documents and the terms and conditions thereof, and all other information delivered to such party in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise identified as being confidential information; provided, however, that each such Person may disclose information concerning the aforesaid Financing Documents or their terms and conditions or such other confidential information described above (i) as required in its counsel's opinion pursuant to the lawful requirements or requests of any Governmental Authority, (ii) as required in its counsel's opinion by any governmental or administrative rule, judicial process or subpoena, (iii) to their respective attorneys, accountants, advisers or consultants (but only on a confidential basis as provided below), (iv) to the extent necessary in its counsel's opinion to enforce such Person's rights or remedies or perform such Person's obligations under any of the Financing Documents or applicable law, (v) to the extent necessary or appropriate in the opinion of its counsel in connection with any litigation or other proceeding having it or any of its Affiliates as a party thereto, and (vi) Lender may disclose such information to any actual or prospective assignee or participant of Lender. If Lender or any Credit Party discloses any information covered by this subsection to any of its attorneys, accountants, advisers or consultants, such Person shall advise such attorneys, accountants, advisers or consultants of the provisions of this Section but such Person shall not be liable for any misappropriation or misuse of such information by such attorneys, accountants, consultants or advisers other than occasioned by such Person's own gross negligence or willful misconduct. The obligations of the parties under this Section 916 shall survive until one year after the date of any termination of this Agreement. Lender agrees, upon request of Borrower following any termination of this Agreement, to use reasonable efforts to return to Borrower any confidential or proprietary information of Borrower delivered to Lender pursuant to this Agreement and in Lender's possession.



SECTION 917. GOVERNING LAW; SEVERABILITY. This Agreement and all of the other Financing Documents have been made and delivered in the State of Georgia, and the terms, provisions and performance thereof are in all respects, including without limitation all matters of construction, interpretation, validity, enforcement, and performance, to be construed in accordance with and governed by the internal laws of that State, including without limitation the Uniform Commercial Code of Georgia, as amended and in effect on the date of this Agreement. Wherever possible, each provision of this Agreement and of each and every of the other Financing Documents is to be interpreted in such manner as to be effective and valid under applicable law, but if any provision thereof is prohibited or invalid under such law, such provision is to be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement or of

any of the other Financing Documents.

SECTION 918. SUCCESSORS AND ASSIGNS. All rights of Lender under the Financing Documents shall inure to the benefit of its successors and assigns. All obligations of Borrower under the Financing Documents shall bind its successors and permitted assigns.

SECTION 919. JURY TRIAL WAIVER AND CONSENT TO JURISDICTION AND VENUE. EACH PARTY TO THIS AGREEMENT HEREBY WAIVES ANY RIGHT SUCH PARTY MAY HAVE UNDER ANY APPLICABLE LAW TO A TRIAL BY JURY WITH RESPECT TO ANY SUIT OR LEGAL ACTION WHICH MAY BE COMMENCED BY OR AGAINST SUCH PERSON OR THE OTHER PARTIES CONCERNING THE INTERPRETATION, CONSTRUCTION, VALIDITY, ENFORCEMENT OR PERFORMANCE OF THIS AGREEMENT OR ANY OF THE OTHER FINANCING DOCUMENTS. EACH PARTY TO THIS AGREEMENT FURTHER AGREES AND CONSENTS TO THE JURISDICTION OF ANY FEDERAL COURT SITTING IN FULTON COUNTY, GEORGIA WITH RESPECT TO ANY SUCH SUIT OR LEGAL ACTION, AND EACH PARTY TO THIS AGREEMENT FURTHER AGREES AND CONSENTS TO VENUE OF ANY FEDERAL COURT SITTING IN FULTON COUNTY, GEORGIA WITH REGARD TO ANY SUCH SUIT OR LEGAL ACTION.



IN WITNESS WHEREOF, Lender has executed this Agreement, and Borrower has executed this Agreement and placed its seal hereon, all as of the day and year first above written.

BORROWER:

CRYOLIFE, INC.

By:/s/ Steven G. Anderson
---
President

Address: 2211 New Market Parkway
Suite 142
Marietta, Georgia 30067

(CORPORATE SEAL)

LENDER:

NATIONSBANK, N.A. (SOUTH)

By:/s/ Christopher L. Jones
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Senior Vice President

Address: 600 Peachtree Street, N.E.
18th Floor
Atlanta, Georgia 30308
Attn: Christopher L. Jones
Senior Vice President

EXHIBIT A

PROMISSORY NOTE

AUGUST 30, 1996 $10,000,000

FOR VALUE RECEIVED, the undersigned (hereinafter referred to as "Borrower") promises to pay to the order of NATIONSBANK, N.A. (SOUTH) (hereinafter referred to as "Lender") at Lender's office located at 600 Peachtree Street, N.E., Atlanta, Georgia 30308, or at such other place as the holder hereof may designate, the principal sum of TEN MILLION DOLLARS ($10,000,000), or so much thereof as shall have been advanced hereagainst and shall be outstanding, together with interest on so much of the principal balance of this Note as may be outstanding and unpaid from time to time, calculated on the basis of a 360-day year and actual days elapsed, at the rate or rates per annum provided below.

The unpaid principal balance of this Note shall bear interest at a rate per annum equal to the Prime Rate (as defined below) plus (i) zero basis points (0%) during the period from the date of this Note through August 31, 2001, and (ii) twenty-five basis points (0.25%) from and after September 1, 2001; provided, however, that Borrower may, by a written notice (or by telephonic notice promptly confirmed in writing) delivered to the Lender not later than 10:00 a.m. (Atlanta time) on the second Business Day prior to any Interest Period (as defined below) designated by the Borrower in such notice, direct that interest accrue on the unpaid principal balance of this Note (or any portion thereof which is in an amount of not less than $100,000 or any greater integral multiple thereof) outstanding from time to time during such Interest Period at a rate per annum equal to the sum of the Adjusted LIBOR (as defined below) for such Interest Period plus the Applicable LIBOR Margin (as defined below); provided, further, however, that upon the occurrence and during the continuation of any Event of Default (as defined below), the Lender may, upon notice to the Borrower, suspend Borrower's right to use the aforesaid Adjusted LIBOR option. Each such designation by the Borrower of an interest rate for this Note based on the Adjusted LIBOR and of an Interest Period applicable thereto shall be irrevocable and shall remain in effect throughout such Interest Period. Upon determining any interest rate based on the Adjusted LIBOR for an Interest Period requested by the Borrower, the Lender shall promptly notify the Borrower by telephone (which shall be promptly confirmed in writing by the Lender) of such determination, and such determination shall, in the absence of manifest error, be final, conclusive and binding for all purposes. Notwithstanding anything in this Note to the contrary, a prepayment of any portion of the principal balance of this Note which is then bearing interest based on the Adjusted LIBOR may be made without penalty by the Borrower only on the last day of the Interest Period applicable thereto and, if any such prepayment is made on a day that is not the last day of the applicable Interest Period, the Borrower shall pay to the Lender, upon the Lender's written request to the Borrower therefor (which request shall set forth the basis for the request of such payment in reasonable detail and, in the absence of manifest error, shall be final, conclusive and binding on the Lender and the Borrower), an amount equal to any and all losses, expenses and liabilities (including, without limitation, any interest paid by the Lender to the extent not recovered by the Lender in connection with its re-employment of the prepaid funds and including any loss of anticipated profits) which the Lender may sustain as a result of such prepayment. The calculation of any and all amounts payable to the Lender with respect to any portion of the principal balance of this Note bearing interest based on the Adjusted LIBOR shall be made as though the Lender had actually funded such portion through the purchase of deposits in the London interbank market; provided, however, that the Lender may fund such portion of this Note in any manner it sees fit and the foregoing assumptions shall be used only for calculation of amounts which may be payable under this Note.

As used in this Note, the following terms shall have the following meanings: (a) "Adjusted LIBOR" shall mean, for any Interest Period, the rate per annum (rounded upwards to the nearest 1/16th of one percentage point (if necessary)) equal to the quotient obtained by dividing (x) the offered rate for United States dollar deposits for a period comparable to such Interest Period appearing on the Telerate Screen Page 3750 (or as quoted or published by such other recognized independent quote service as may be selected by the Lender from time to time) as of 11:00 a.m. (Atlanta time) on the date that is two (2)

Business Days prior to the beginning of such Interest Period (but if at least two such rates appear on such screen or are so quoted at such time, the offered rate for such Interest Period shall be the arithmetic mean of such rates) by (y) a percentage equal to one (1) minus the then average stated maximum amount (stated as a decimal) of all reserve requirements applicable to any member of the Federal Reserve System in respect of Eurocurrency liabilities as defined in Regulation D of the Board of Governors of the Federal Reserve System (or any successor categories for such liabilities under such Regulation D); (b) "Applicable LIBOR Margin" shall mean (i) one hundred seventy-five basis points (1.75%) during the period from the date of this Note through August 31, 2000, (ii) two hundred basis points (2.0%) during the period from September 1, 2000 through August 31, 2001, and (iii) two hundred twenty-five basis points (2.25%) during the period from and after September 1, 2001; (c) "Business Day" shall mean any day excluding a Saturday, Sunday, any other day on which banks are required or permitted to be closed in the city in which Lender's address shown in this Note is located, and any other day on which trading is not carried on by and between banks in United States dollars in the London interbank market; (d) "Interest Period" shall mean, in the case of the determination of any Adjusted LIBOR, a one, two, three, four, six or twelve month period as selected by the Borrower but (i) in the event any Interest Period would end on a day which is not a Business Day, such Interest Period shall be deemed to end on the immediately succeeding Business Day unless such extension would cause such Interest Period to end on the next calendar month in which case such Interest Period shall be deemed to end on the immediately preceding Business Day, (ii) any Interest Period which begins on a day for which there is no numerically corresponding day in the calendar month in which such Interest Period ends shall expire on the immediately preceding Business Day, and (iii) the Borrower shall not be entitled to select any Interest Period which extends beyond the final maturity date of this Note; (e) "LIBOR Advance" means any portion of the principal balance of this Note which bears interest based on Adjusted LIBOR for a particular Interest Period; (f) "Prime Rate" shall mean the rate of interest announced by Lender from time to time as its "prime rate," "prime lending rate," "base rate" or similar reference rate (any such rate announced by Lender is a reference rate only and does not necessarily represent the best or lowest rate actually charged by it to any customer and the Lender may make loans at rates of interest which are at, above or below such reference rate) and the Prime Rate in effect at the close of business on each business day of Lender shall for the purposes of this Note be the Prime Rate for that day and any immediately succeeding non-business day or days of Lender, and in the event the Prime Rate is discontinued as a standard, the holder hereof shall designate a comparable reference rate as a substitute therefor; and (g) "Prime Rate Advances" means any and all portions of the principal balance of this Note which bear interest based on the Prime Rate.

This Note shall be payable as follows:

(a) Accrued interest on this Note shall be payable as follows: (i) during the period from the date of this Note through August 31, 1998, accrued interest shall be payable quarterly in arrears on so much of the principal balance of this Note as then consists of Prime Rate Advances, which payments shall be due commencing on November 30, 1996, and shall continue to be on the last day of each February, May, August and November thereafter up to and through August 31, 1998, and accrued interest shall be payable in arrears on so much of the principal balance of this Note as then consists of LIBOR Advances at the end of each Interest Period applicable thereto (and, in the case of any LIBOR Advance having an Interest Period in excess of three months, accrued interest thereon shall be due on each day which occurs every three months after the initial date of such Interest Period), and (ii) during the period from and after September 1, 1998, accrued interest shall be payable in arrears on each date on which a payment of principal is due on this Note pursuant to paragraph (b) below; and

(b) The principal balance of this Note shall be repayable in sixty (60) consecutive monthly installments each in an amount equal to one-sixtieth (1/60th) of the outstanding principal balance of this Note as of the opening of the Lender's business on September 1, 1998, which installments shall be due commencing on October 1, 1998, and shall continue to be due on the same day of each succeeding month thereafter up to and through September 1, 2003, except that in all cases the final installment of principal due hereunder on such final maturity date shall be in an amount equal to the entire remaining unpaid principal balance of this Note.

This Note is the "Note" referred to in the Third Amended and Restated Loan

Agreement of even date between Borrower and Lender (said agreement, as the same may be hereafter amended, supplemented, or restated, being herein called the "Loan Agreement") and this Note evidences any and all Loans now or hereafter made by Lender to Borrower thereunder.

Borrower shall pay a late charge of five percent (5%) of any installment payment hereunder which is not paid within ten (10) days after such payment is due. During the existence of any Event of Default under this Note, the unpaid principal and accrued interest balance of this Note shall bear interest on each day until paid at the Prime Rate (as defined above) plus, in Lender's discretion, up to an additional (i) two percentage points (2.0%) during the period from the date of this Note through August 31, 2001 or (ii) two and one-quarter percentage points (2.25%) from and after September 1, 2001, but in each such period only to the extent that payment of such interest on such principal or interest is enforceable under applicable law. All payments or prepayments on this Note shall be applied, first, to interest accrued on this Note through the date of such payment or prepayment and then to principal (and any partial principal prepayments on this Note made prior to the date shown above on which the initial principal installment is due hereunder shall be applied to such installments in the inverse order of their maturity).

Borrower may, upon thirty (30) days' prior written notice to Lender, prepay the principal balance of this Note in whole or in part without premium or penalty but any prepayment of any portion of this Note then bearing interest based on Adjusted LIBOR will be subject to certain additional provisions set forth above and any partial prepayment of this Note shall be applied as also provided above. In addition, in the event Borrower sells, transfers, assigns or otherwise conveys any of its property to another person, Borrower shall make a mandatory principal prepayment on this Note, without premium or penalty, within five (5) business days after the closing of such transaction, which prepayment shall be in an amount equal to one hundred percent (100%) of the proceeds of such transaction (net of the cost of such transaction, including any reasonable sales commissions paid to persons who are not affiliated with the Borrower and also net of any taxes payable by the Borrower on account of such transaction), except that this principal prepayment requirement shall not apply to (i) any sale by Borrower of its inventory in the ordinary course of its business, (ii) any sale or other disposition by Borrower of any of its obsolete or unnecessary equipment so long as the net proceeds of each such disposition are used by Borrower to replace such equipment or purchase other equipment, or (iii) any other sale or disposition of any property by Borrower which the Lender has expressly agreed in writing will be exempt from this prepayment requirement. Notwithstanding the foregoing, however, no prepayment pursuant to this paragraph shall be due in any particular fiscal year of Borrower unless and until the total amount of such net proceeds for all such sales or other conveyances made during such fiscal year exceeds $500,000.

Upon the occurrence of an Event of Default under (and as such term is defined in) the Loan Agreement, Lender, at its option, without demand or notice of any kind, may declare this Note immediately due and payable. In case this Note is collected by or through an attorney-at-law, all costs of such collection incurred by the Lender, including reasonable attorney's fees, shall be paid by Borrower (but not to exceed actual fees and expenses incurred).

Time is of the essence of this Note. Demand, presentment, notice, notice of demand, notice for payment, protest and notice of dishonor are hereby waived by each and every maker, guarantor, surety and other person or entity primarily or secondarily liable on this Note. Lender shall not be deemed to waive any of its rights under this Note unless such waiver be in writing and signed by Lender. No delay or omission by Lender in exercising any of its rights under this Note shall operate as a waiver of such rights and a waiver in writing on one occasion shall not be construed as a consent to or a waiver of any right or remedy on any future occasion.

This Note shall be governed by and construed and enforced in accordance with the laws of the State of Georgia (without giving effect to its conflicts of law rules). Whenever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note.

Words importing the singular number hereunder shall include the plural number and vice versa, and any pronoun used herein shall be deemed to cover all genders. "Person" as used herein means any individual, corporation, partnership,

joint venture, association, joint stock company, trust, unincorporated association or government or any agency or political subdivision thereof. The word "Lender" as used herein shall include transferees, successors and assigns of Lender, and all rights of Lender hereunder shall inure to the benefit of its transferees, successors and assigns. All obligations of Borrower hereunder shall bind such Person's successors and assigns.

SIGNED, SEALED AND DELIVERED by the undersigned Borrower as of the day and year first above set forth.

CRYOLIFE, INC.

By:_____
Title:_____

(CORPORATE SEAL)

EXHIBIT B

AMENDED AND RESTATED SECURITY AGREEMENT

THIS AGREEMENT is made and entered into as of August 30, 1996, between NATIONSBANK, N.A. (SOUTH), a national banking association which is the successor by merger to Bank South, a Georgia banking corporation formerly known as Bank South, N.A., having its main office at 600 Peachtree Street, N.E., Atlanta, Georgia 30308 ("Secured Party"), and CRYOLIFE, INC., a Florida corporation having its chief executive office and principal place of business at 2211 North Market Parkway, Suite 142, Marietta, Cobb County, Georgia 30067 ("Debtor").

STATEMENT OF FACTS

Secured Party holds certain liens on certain of Debtor's equipment pursuant to an Equipment Security Agreement, dated as of August 4, 1994, executed by Debtor in favor of Secured Party (the "Prior Security Agreement"), which liens secured certain of the loans made by Secured Party to Debtor under the Second Amended and Restated Loan Agreement, also dated as of August 4, 1994, between Secured Party and Debtor (the "Prior Loan Agreement").

Secured Party and Debtor have agreed to amend and restate the Prior Loan Agreement by entering into a Third Amended and Restated Loan Agreement, dated as of the date hereof, between Secured Party and the Debtor (said agreement, as the same may be amended, supplemented or restated, is herein called the "Third Restated Loan Agreement"). It is a condition precedent to Secured Party's obligation to make loans to Debtor under the Third Restated Loan Agreement that the Prior Security Agreement be amended and restated as provided in this Agreement, and that parties are entering into this Agreement for such purpose.

In consideration of any and all loans or other extensions of credit which may be now or hereafter made from time to time by Secured Party to Debtor under the Third Restated Loan Agreement, as well as for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Debtor and Secured Party do hereby agree to amend and restate the Prior Security Agreement as follows:

STATEMENT OF FACTS

1. SECURITY INTEREST. (a) Debtor hereby grants to Secured Party a present and continuing security interest in and lien on all of the Collateral described in Sections 1(b) and 1(c) below to secure the payment and performance of all of the Obligations described in Section 2 below.

(b) The term "Collateral" as used herein shall mean and include all now existing or hereafter arising rights, titles and interests of Debtor in, to or under the following types or items of property of Debtor, whether now owned or hereafter existing or hereafter created, acquired or arising and wheresoever

located, and all cash and non-cash proceeds thereof:

(i) ALL ACCOUNTS RECEIVABLE, ETC. - All accounts, contract rights, chattel paper, instruments, documents and general intangibles of Debtor, including without limitation all causes of action, corporate or other records, deposit accounts, patents, trademarks, service marks, trade names, copyrights, good will, customer lists, tax refund claims, computer programs, and software, and all claims under guaranties, letters of credit, security interests or other security held by or granted to Debtor to secure payment of any of its accounts, contract rights, chattel paper, instruments or general intangibles, and all rights to indemnification and all other intangible property of any kind and nature of Debtor (collectively, the "Accounts Receivable");

(ii) ALL INVENTORY, ETC. - All of Debtor's inventory, including without limitation all goods intended for sale or lease by Debtor or for display or demonstration, all work in process, all raw materials, all finished goods, and all other materials and supplies of every nature and description used or intended for use in connection with the manufacture, printing, packing, shipping, advertising, selling, leasing or furnishing of such goods or otherwise used or consumed in Debtor's business and all documents evidencing and all warranty rights and other general intangibles relating to any of the foregoing (collectively, the "Inventory"); provided, however, that the inventory shall not include any human tissue; and

(iii) ALL EQUIPMENT, ETC. - All machinery, apparatus, equipment, furniture, fixtures, leasehold improvements, motor vehicles and other tangible personal property (other than Inventory as defined above) of Debtor of every kind and description used in Debtor's operations or business or owned by Debtor or in which Debtor has an interest, and all parts, accessories and accessions thereto and substitutions and replacements therefor, and all documents evidencing and all warranty rights and other general intangibles of Debtor relating to any of the foregoing (collectively, the "Equipment").

Notwithstanding anything herein to the contrary, the Collateral shall not include any of Debtor's Intellectual Property Rights (as defined in the Third Restated Loan Agreement) but the Collateral shall include the proceeds thereof.

(c) Unless otherwise defined herein, all terms contained in this Agreement shall have the meanings provided for by the Uniform Commercial Code as in effect in the State of Georgia to the extent the same are used or defined therein. In addition, the term "proceeds" as used herein includes whatever is receivable or received when any Collateral or any proceeds thereof is sold, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, and also includes without limitation all rights to payment (including returned premiums) with respect to any insurance relating to such Collateral. In addition, all references herein to a particular type or item of Collateral shall be deemed to include all now existing or hereafter acquired books and records of Debtor relating to such Collateral (including, without limitation, all computer materials and records). The Collateral also includes in all cases all monies and other property of Debtor of any other kind which may be now or hereafter in the possession of or under the control of Secured Party and all deposit or other accounts of Debtor with Secured Party and all balances or other property now or hereafter held or on deposit therein.

2. OBLIGATIONS SECURED. This Agreement and the security interest and lien granted hereunder to Secured Party secures all obligations which may be now or hereafter owing by Debtor to Secured Party under this Agreement as well as any and all indebtedness, obligations or other liabilities which may be now or hereafter owing by the Debtor to Secured Party under or on account of the Third Restated Loan Agreement or any of the other Financing Documents as defined therein, and including without limitation any interest which, but for the filing by or against Debtor of a petition in bankruptcy, would accrue on any of the foregoing indebtedness, obligations or liabilities. All of the foregoing indebtedness, obligations or other liabilities are herein collectively called the "Obligations".

3. REPRESENTATIONS AND WARRANTIES. Debtor hereby represents and

warrants to Secured Party that:

(a) Debtor has full power and authority, and has completed all proceedings and obtained all approvals and consents necessary, to execute, deliver and perform this Agreement and the transactions contemplated hereby.

(b) Such execution, delivery, and performance will not violate, or cause a default under or result in a lien (other than Secured Party's security interest and lien hereunder) upon any property of Debtor pursuant to, any applicable law, rule or regulation or any agreement, indenture, judgment, order, decree, or instrument binding upon or affecting Debtor or any of the Collateral.

(c) This Agreement constitutes the legal, valid, and binding obligation of Debtor, enforceable against Debtor in accordance with its terms (except as such enforceability may be limited by bankruptcy, insolvency, or other similar laws affecting the enforcement of creditor's rights or by general equitable principles), and this Agreement grants to Secured Party a valid and enforceable security interest in or other lien on the Collateral.

(d) Debtor's chief executive office and principal place of business are located at Debtor's address shown above.

(e) Debtor has good and marketable title to the Collateral (or, in the case of any after-acquired Collateral, Debtor will have good and marketable title to the Collateral at the time Debtor acquires rights in such Collateral).

(f) Except for the security interest and lien granted hereunder in favor of Secured Party, no person has (or, in the case of any after-acquired Collateral, at the time Debtor acquires rights therein, will have) any right, title, claim, or other interest (whether in the nature of a security interest, other lien or charge, or otherwise) in, against or to any Collateral or any interest therein.

(g) All information heretofore, herein or hereafter supplied to Secured Party by or on behalf of Debtor with respect to any of the Collateral is or will be true and correct in all material respects at the time so supplied.

(h) Debtor has delivered to Secured Party all instruments, documents, chattel paper, and other items of Collateral in which Secured Party's security interest or lien hereunder must be perfected by possession and the certificate of title with respect to each motor vehicle, if any, included in the Collateral, together with such additional writings, including, without limitation, duly executed blank and undated assignments and stock powers, with respect thereto as Secured Party shall request.

All of the foregoing representations and warranties shall survive the execution, delivery and acceptance of this Agreement by Secured Party and Debtor and the closing of the transactions contemplated hereby.

4. COVENANTS AND AGREEMENTS OF DEBTOR. Debtor hereby covenants and agrees with Lender as follows:

(a) Debtor shall do all acts that may be necessary to maintain, preserve, and protect the Collateral.

(b) Debtor shall not use or permit any Collateral to be used in violation of any applicable law, rule or regulation, or any provision of this Agreement or any other agreement with Secured Party related thereto, or any policy of insurance covering such Collateral.

(c) Debtor shall pay promptly when due all taxes, assessments, charges, encumbrances and liens now or hereafter imposed upon or affecting any Collateral or Secured Party's security interest or other lien hereunder (including all property, excise, intangible, use, sales, stamp and other such taxes), except to the extent expressly permitted in the Third Restated Loan Agreement.

(d) Debtor shall appear in and defend any action or proceeding that may adversely affect its title to or Secured Party's interests in the Collateral.

(e) Except to the extent permitted in the Third Restated Loan Agreement, Debtor shall not sell, encumber, lease, rent or otherwise dispose of or transfer any Collateral or any right or interest therein and Debtor shall keep the Collateral free of all levies, security interests or other liens, charges or encumbrances.

(f) Debtor shall comply in all material respects with all laws, rules and regulations (including those governing environmental matters) relating to the possession, operation, storage, maintenance, disposal, and control of the Collateral.

(g) Debtor agrees that such care as Secured Party gives to the safekeeping of its own property of like kind shall constitute reasonable care of such Collateral when it may be in Secured Party's possession.

(h) If and to the extent requested by Secured Party, Debtor shall account fully for and promptly deliver to Secured Party, in the form received, all documents, chattel paper, instruments, and agreements constituting Collateral hereunder and all proceeds of the Collateral received, all endorsed to Secured Party or in blank.

(i) Debtor shall keep accurate, and complete records of the Collateral and shall provide Secured Party with such records and such other reports and information relating to the Collateral as Secured Party may request from time to time.

(j) Debtor shall keep, procure, execute, and deliver from time to time any and all, indorsements, notifications, registrations, assignments, financing statements, fixture filings, certificate of title applications, and other writings deemed necessary or appropriate by Secured Party to perfect, maintain, and protect its security interest in or other lien on the Collateral hereunder and the priority thereof, and Debtor shall take such other actions as Secured Party may request to protect the value of the Collateral and of Secured Party's security interest in the Collateral, including, without limitation, obtaining such landlord waivers, mortgagee waivers and other assurances from third parties regarding Secured Party's access to and right to foreclose on or sell the Collateral and right to realize the practical benefits of such foreclosure or sale as Secured Party may request. Unless prohibited by applicable law, Debtor hereby authorizes Secured Party to execute and file any financing statement or fixture filing on Debtor's behalf, and the parties further agree that any carbon, photographic, or other reproduction of this Agreement shall be sufficient as a financing statement and may be filed in any appropriate office in lieu thereof.

(k) Debtor shall reimburse Secured Party upon demand for all costs and expenses, including, without limitation, actual and reasonable attorney's fees and disbursements, Secured Party may now or hereafter incur while exercising or enforcing any right, power, or remedy provided to Secured Party by this Security Agreement or by law, all of which costs and expenses shall constitute part of the Obligations secured hereunder.

(l) Debtor shall give Secured Party not less than thirty (30) days prior written notice of any change in Debtor's chief executive office or principal place of business or Debtor's legal name or trade name(s) or style(s) from that set forth in this Agreement.

(m) Debtor shall keep its records concerning the Collateral at Debtor's address set forth above or at Debtor's other location(s) (if any) set forth on Schedule 1 attached to this Agreement and shall not remove such records from such location(s) without the prior written consent of Secured Party.

(n) Debtor shall keep all Collateral consisting of goods (other than Inventory in transit and mobile goods) at the address for Debtor set forth above or at Debtor's other locations (if any) set forth on Schedule 1 attached to this Agreement, and Debtor shall not, without the prior written approval of Secured Party, remove any Collateral therefrom except for sales of Inventory in the ordinary course of business and the disposition of obsolete or worn-out Equipment in accordance with this Agreement and except for the storage of goods at locations other than those shown above or on Schedule 1 attached hereto if (i) Debtor gives Secured Party written notice of the new storage location at least thirty (30) days prior to storing such Collateral at such location, (ii) Secured Party's security interest in such Collateral hereunder is and continues to be duly perfected, (iii) all documents and other receipts in respect of any Collateral maintained at such premises are promptly delivered to Secured Party, and (iv) the owner (and, if requested by Secured Party, any mortgagee) of such premises agrees in writing with Secured Party not to assert any lien in respect of such Collateral and to permit Secured Party to have the right to enter upon and use such premises in order to inspect, store, process, assemble or remove the Collateral therefrom after the occurrence of an Event of Default.

(o) Debtor shall furnish Secured Party with such information regarding

the Collateral (and any account debtors thereunder) as Secured Party from time to time may request.

(p) Debtor shall keep the Collateral in good condition and repair and shall not cause or permit any waste of any of the Collateral.

(q) Debtor shall insure the Collateral, with Secured Party named as loss payee under all property coverages and as an additional insured under all liability coverages, in form and amount, with insurers, and against risks and liabilities which are satisfactory to Secured Party in all respects, and Debtor hereby assigns all such policies and all proceeds thereof (including returned premiums) to Secured Party, to secure the Obligations, agrees to deliver them to Secured Party at its request, and agrees that Secured Party may make any claim thereunder, cancel the insurance on default by Debtor, collect and receive payment and indorse any instrument in payment of loss or return premium or other refund or return, and apply such amounts received, at Secured Party's election, to replacement of the Collateral or to the Obligations. Debtor shall not use or permit the use of any of the Collateral in any manner which will render inapplicable or invalid any insurance coverage therefor. Debtor shall deliver the originals of all property insurance policies covering the Collateral to Secured Party together with loss payable endorsements thereon in form and substance satisfactory to Secured Party and in the name of Secured Party as loss payee thereunder. Each policy of insurance or each such endorsement shall contain a clause requiring the insurer to give not less than thirty (30) days prior written notice to Secured Party in the event of cancellation of the policy for nonpayment of premium and a clause to the effect that the interests of Secured Party thereunder shall not be impaired or invalidated by any act or neglect of Debtor nor by the occupation of the premises covered thereby for purposes more hazardous than are permitted by said policy.

(r) Debtor agrees that all risk of loss of the Collateral shall at all times be and remain upon Debtor irrespective of whether such Collateral is then in Debtor's or Secured Party's possession.

(s) Debtor agrees that any of the Collateral consisting of Equipment shall be and remain personal property and shall not, by reason of its attachment or other connection to any real property, either become or be deemed to be a fixture or appurtenance to such real property and shall at all times be deemed severable therefrom.

(t) Debtor shall permit Secured Party (or any person designated by Secured Party) from time to time to inspect the Collateral and to inspect, audit and make copies of or extracts from all books and records maintained by or on behalf of Debtor pertaining to the Collateral (including computer records), all at such times and places as Secured Party may request from time to time.

5. POWER OF ATTORNEY. Debtor hereby agrees that from time to time, without presentment, notice or demand, and without affecting or impairing in any way the rights of Secured Party with respect to the Collateral, the obligations of Debtor hereunder or the other Obligations, Secured Party may, but shall not be obligated to and shall incur no liability to Debtor or any third party for failing to, take any action which Debtor is obligated by this Agreement to take but which the Debtor fails to take, and Debtor also hereby appoints (which appointment is coupled with an interest and shall be irrevocable so long as this Agreement is in effect) Secured Party as its attorney-in-fact with full power and authority at any time to take any of the following actions during the existence of any Event of Default hereunder in either Debtor's or Secured Party's name (but Secured Party shall have no obligation to and shall incur no liability to Debtor or any third party for failing to exercise any such power or authority): (a) to collect by legal proceedings or otherwise and indorse, receive and receipt for all dividends, interest, payments, proceeds, and other sums and property now or hereafter payable on or on account of any of the Collateral; (b) to enter into any extension, reorganization, deposit, merger, consolidation, or other agreement pertaining to, or deposit, surrender, accept, hold or apply other property in exchange for, any of the Collateral; (c) to insure, process, and preserve any of the Collateral or to take any other action which Debtor is obligated by this Agreement to take; (d) to transfer any of the Collateral to its own or its nominee's name; (e) to make any compromise or settlement, and take any action it deems advisable, with respect to any of the Collateral; (f) to prepare, file and sign Debtor's name to any proof of claim in bankruptcy (or any similar document) against any account debtor on any of the Collateral; (g) to receive, open and dispose of Debtor's mail pertaining to any of the Collateral consisting of Accounts Receivables and notify postal authorities to deliver such mail to such address as Secured Party may designate; (h) to indorse Debtor's name upon any checks or other proceeds of any Collateral

and deposit same to any account of Secured Party; (i) to indorse Debtor's name on any other document, instrument or other agreement relating to any of the Collateral; (j) to send verifications of Accounts Receivable to account debtors thereunder; (k) to use the information recorded on or contained in any data processing equipment, other computer hardware or any software relating to any Collateral; (l) to make, adjust or enforce claims under any insurance policy relating to any Collateral; (m) to do all other acts and things necessary, in Secured Party's judgment, to fulfill Debtor's obligations under this Agreement; and (n) to pay any and all taxes, assessments, charges, encumbrances or liens now or hereafter imposed upon or affecting any of the Collateral. The foregoing power of attorney may be exercised by Secured Party in its discretion, in its name or Debtor's name, and without prior notice to or demand upon Debtor. Debtor agrees to reimburse Secured Party on demand for any sums advanced or expenses incurred by Secured Party in exercising any of the foregoing rights and powers together with interest accruing thereon daily at the highest rate Debtor has contracted to pay on any of the Obligations. Debtor's reimbursement obligations under this Section shall constitute part of the Obligations secured hereunder.

6. EVENTS OF DEFAULT. An event of default under this Agreement shall be deemed to exist upon the occurrence of any of the following event (each such event being herein called an "Event of Default"):

(a) If any representation, or warranty of Debtor made in this Agreement proves to have been untrue, incorrect, misleading or incomplete in any material respect as of the date made or deemed made;

(b) Failure of Debtor to perform, observe, discharge or comply with any of the covenants set forth in Section 4 (other than subsection (e), (k) or (l) thereof) of this Agreement, which failure is not cured within thirty (30) days of the giving by Secured Party to Debtor of written notice of same;

(c) Failure of Debtor punctually and fully to perform, observe, discharge or comply with any of the other covenants set forth in this Agreement;

(d) The occurrence of any other Event of Default under (and as such term is defined in) the Third Restated Loan Agreement.

7. SECURED PARTY'S REMEDIES. Upon the occurrence and during the continuation of any one or more of the foregoing Events of Default, Secured Party may, at its option, and without notice to or demand on Debtor and in addition to all rights and remedies available to Secured Party under the Third Restated Loan Agreement or any of the other Financing Documents, or at law, in equity, or otherwise, do any one or more of the following:

(a) Secured Party may declare any or all of the Obligations to be immediately due and payable and foreclose or otherwise enforce Secured Party's security interest in or other lien hereunder on any or all of the Collateral in any manner permitted by law or provided for in this Agreement.

(b) Secured Party may recover from Debtor all costs and expenses, including, without limitation, actual and reasonable attorney's fees, incurred or paid by Secured Party in exercising or enforcing any right, power, or remedy with respect to any or all of the Collateral provided to it by this Agreement or by applicable law. Notwithstanding anything herein to the contrary, the Debtor's liability under this Agreement for the Secured Party's attorney's fees shall not exceed the attorney's fees actually incurred by the Secured Party.

(c) Secured Party may require Debtor to assemble any or all of the Collateral and make it available to Secured Party at such place or places as may be designated by Secured Party.

(d) Secured Party may enter onto any property where any Collateral is located and take possession thereof with or without judicial process.

(e) Prior to Lender's disposition of any Collateral, Secured Party may store, process, complete, repair or recondition it or otherwise prepare it for disposition in any manner and to the extent Secured Party deems appropriate (but Secured Party shall not be obligated to do so).

(f) Secured Party may transfer any of the Collateral into its name, notify any account debtor under or other person obligated on any Collateral to make payments thereunder directly to Secured Party, and otherwise collect or enforce payment of any of the Collateral (but Secured Party shall have no obligation to do any of the foregoing).

(g) Secured Party may sell or otherwise dispose of any of the Collateral at one or more public or private sales at Debtor's or Secured Party's place of business or any other place or places, including without limitation at any brokers board or security exchange, in lots or in bulk, for cash or on credit, all as Secured Party, in its discretion, may deem advisable. Debtor agrees that seven (7) days' prior written notice from Secured Party to Debtor of any public sale of any Collateral or the date after which any private sale of any Collateral will be held shall constitute reasonable notice thereof and such sale may be held at such locations as Secured Party may designate in each said notice. Secured Party shall have the right to conduct any such sale on Debtor's premises, without any charge therefor, and any such sales may be adjourned from time to time in accordance with applicable law. Secured Party may purchase all or any part of the Collateral at any public sale or, if permitted by law, any private sale and, in lieu of actual payment of such purchase price, Secured Party may set-off the amount of such price against the Obligations.

(h) Secured Party is hereby granted by Debtor a license or other right to use during the term of this Agreement, without charge, any or all of Debtor's labels, patents, software, copyrights, trade secrets, trade names, trademarks and advertising materials, or any other property of any similar nature, as it pertains to any of the Collateral, in advertising for sale and selling any Collateral or in completing Debtor's performance under or collecting any sums owing in respect of any Collateral, and Debtor's rights under all licenses and all franchise agreements relating to any of the Collateral shall inure to Secured Party's benefit to the extent of Secured Party's rights, titles and interests in or to the Collateral under this Agreement.

(i) Secured Party also may, without prior notice or demand of any kind, hold and set-off against such of the Obligations (whether matured or unmatured) as Secured Party may elect any balance of amount to the credit of Debtor in any deposit, agency, reserve, holdback or other account of any nature whatsoever which may be now or hereafter maintained by or on behalf of Debtor with Secured Party in any of its offices, regardless of whether any such account is general or special and regardless of whether any such account is individual or joint.

8. APPLICATION OF PROCEEDS. (a) All monies and other proceeds received by Secured Party upon any collection, sale or other disposition of any Collateral, together with all other monies and other proceeds received by Secured Party hereunder, shall be applied as follows:

> First, to the payment of the reasonable costs and expenses of such sale, collection or other disposition which may have been incurred by Secured Party, including without limitation actual and reasonable attorney's fees as provided in Section 7(b) above and all other reasonable expenses, liabilities and advances made or incurred by Secured Party in connection therewith;
>
> Second, to the payment of all other Obligations then due in such order as Secured Party may elect; and
>
> Third, after payment in full of all Obligations then due, any surplus then remaining from such proceeds shall be paid to Debtor; and

(b) Debtor shall remain liable to Secured Party for any deficiency owing on the Obligations after the application of the proceeds of the Collateral as provided above.

9. INDEMNITY. Debtor hereby agrees to indemnity Secured Party and hold Secured Party harmless from and against any claim, liability, loss, damage, expense, suit, action or proceeding which may now or hereafter be suffered or incurred by Secured Party as a result of Debtor's failure to observe, perform or discharge Debtor's duties or obligations hereunder or Secured Party's holding or administering this Agreement or any Collateral unless with respect to any of the above Secured Party is finally determined to have acted with gross negligence or to have engaged in willful misconduct. Without limiting the generality of the foregoing, this indemnity shall extend to any claims asserted against Secured Party by any person under any environmental, occupational safety and hazard, or other similar laws, rules or regulations by reason of Debtor's or any other person's failure to comply with any such laws, rules or regulations. The indemnity obligations of Debtor under this Section shall constitute a part of the Obligations secured hereunder and shall survive the termination of this Agreement.

10. MISCELLANEOUS. (a) Any waiver, forbearance or failure or delay by Secured Party in exercising any of its rights, powers, or remedies hereunder shall not preclude the further exercise thereof, and every right, power, or remedy of Secured Party hereunder shall continue in full force and effect until such right, power or remedy is specifically waived in a writing executed by Secured Party. Debtor waives any right to require Secured Party to proceed against any person or to exhaust any Collateral or to pursue any remedy in Secured Party's power.

(b) This Agreement may be executed in any number of several counterparts, each of which when so executed shall be deemed to be an original and all of which counterparts taken together shall constitute one and the same instrument.

(c) This Agreement contains the entire agreement between Secured Party and Debtor with respect to the Collateral and supersedes and replaces the Prior Security Agreement as well as any and all other prior agreements, commitments, understandings, negotiations or correspondence between them with respect thereto. If any provision of this Agreement shall be held invalid or prohibited under applicable law, this Agreement shall be invalid or ineffective only to the extent of such invalidity or prohibition, without invalidating the remainder of this Agreement.

(d) The rights, powers, and remedies of Secured Party under this Agreement shall be in addition to all other rights, powers, or remedies given to Secured Party by applicable law or by any other agreement, all of which rights, powers and remedies shall be cumulative and may be exercise successively or concurrently without impairing Secured Party's security interest in or other lien on any of the Collateral.

(e) All singular terms used herein shall include the plural and vice versa. All pronouns used herein shall be deemed to cover all genders. All headings used herein are for convenience of reference only and shall not constitute a substantive part of this Agreement.

(f) This Agreement may not be amended or modified except by a writing signed by each of the parties hereto.

(g) Except as may be otherwise expressly provided herein, all notices, requests and demands to or upon any party hereto shall be given in accordance with the notice provisions of the Third Restated Loan Agreement.

(h) All rights of Secured Party under this Agreement shall inure to the benefit of its successors and assigns, and all obligations of Debtor hereunder shall bind its successors, and assigns.

(i) This Agreement and all security interests and other liens granted or conveyed hereunder shall remain in full force and effect and shall be irrevocable until such time as (x) no Obligations are outstanding and (y) the Third Restated Loan Agreement is no longer in effect. Debtor hereby waives any right Debtor may have upon payment in full of the Obligations to require Secured Party to terminate its security interest in the Collateral or any financing statement relating thereto until this Agreement is terminated in accordance with the foregoing terms.

(j) This Agreement shall be construed in accordance with and governed by the laws of the State of Georgia without giving effect to its choice of law rules.

(k) Time is of the essence of this Agreement.

IN WITNESS WHEREOF, Debtor and Secured Party have executed and delivered this Agreement, and Debtor has affixed its seal hereto, as of the day and year first above set forth.

DEBTOR:

CRYOLIFE, INC.

By:_____
Title:_____

(CORPORATE SEAL)

SECURED PARTY:

NATIONSBANK, N.A. (SOUTH)

By:_____
Title:_____

SCHEDULE 1 TO
SECURITY AGREEMENT
DATED AUGUST 30, 1996
BETWEEN CRYOLIFE, INC., AS DEBTOR,
AND NATIONSBANK, N.A. (SOUTH), AS SECURED PARTY

Additional Locations for Debtor:

None.

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DEBTOR'S INITIALS:

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SECURED PARTY'S INITIALS:

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EXHIBIT C-1

STOCK PLEDGE AND SECURITY AGREEMENT

THIS STOCK PLEDGE AND SECURITY AGREEMENT (this "Agreement"), dated as of August 30, 1996, made by CRYOLIFE, INC., a Florida corporation (the "Pledgor"), to NATIONSBANK, N.A. (SOUTH), a national banking association (the "Pledgee").

W I T N E S S E T H:

WHEREAS, the Pledgor and the Pledgee are parties to a Third Amended and Restated Loan Agreement, dated as of August 30, 1996 (as the same may hereafter be amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"; the terms defined therein and not otherwise defined herein being used herein as therein defined), pursuant to which the Pledgee has committed to loan certain amounts to the Pledgor;

WHEREAS, the Pledgor owns the outstanding shares of capital stock of the corporation identified on Schedule 1 attached hereto (the "Subsidiary");

WHEREAS, it is a condition precedent to the Pledgee's obligations to make the Loans under the Loan Agreement that the Pledgor execute and deliver to the Pledgee this Agreement;

WHEREAS, the Pledgor desires to execute this Agreement to satisfy the conditions described in the preceding paragraph;

NOW, THEREFORE, in consideration of the benefits accruing to the Pledgor, the receipt and sufficiency of which are hereby acknowledged, and in order to induce the Pledgee to make Loans to the Pledgor under the Loan Agreement, the Pledgor hereby makes the following representations and warranties to the Pledgee and hereby covenants and agrees with the Pledgee as follows:

1. SECURITY FOR OBLIGATIONS ETC. This Agreement is for the benefit of the Pledgee to secure the prompt payment in full when due, whether at stated maturity, by acceleration or otherwise, of (i) the Note and all other Liabilities (whether for principal, interest, fees, expenses or otherwise) and (ii) all costs and expenses incurred by the Pledgee in connection with the exercise of its rights and remedies hereunder (including reasonable attorneys' fees actually incurred) (all such obligations collectively being the "Secured Obligations").

2. PLEDGED STOCK. As used herein, the term "Pledged Stock" shall mean all of the shares of capital stock of the Subsidiary set forth on Schedule 1 and all other shares of such stock which may be now or hereafter owned by the Pledgor. The Pledgor represents and warrants that on the date hereof (a) the Pledged Stock consists of the number and type of shares of the capital stock of the Subsidiary as described on Schedule 1 attached hereto; (b) the Pledgor is the holder of record and sole beneficial owner of such Pledged Stock; and (c) the Pledged Stock constitutes the percentage of the issued and outstanding capital stock of the Subsidiary as set forth on Schedule 1.

3. PLEDGE OF SECURITIES, ETC.

3.1 PLEDGE. To secure the Secured Obligations and for the purposes set forth in Section 1, the Pledgor hereby pledges to the Pledgee the Pledged Stock, together with (i) the certificates representing such Pledged Stock accompanied by stock powers duly executed in blank by the Pledgor, and (ii) all dividends (whether in cash, stock, warrants, options, or other securities), cash, instruments or other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any and all of the Pledged Stock; and hereby assigns, transfers, hypothecates and sets over to the Pledgee all of the Pledgor's right, title and interest in and to the Pledged Stock (and in and to the certificates or instruments evidencing the items described in clauses (i) and (ii) above) to be held by the Pledgee, upon the terms and conditions set forth in this Agreement. The Pledgor agrees to deliver to the Pledgee all certificates and instruments evidencing the items described in clause (ii) above promptly upon the Pledgor's receipt thereof.

3.2 DEFINITION OF PLEDGED SECURITIES AND COLLATERAL. The Pledged Stock and all items described in clause (ii) of Section 3.1 are hereinafter called the "Pledged Securities," and the Pledged Securities, together with all other securities and moneys received and at the time held by the Pledgee hereunder and any proceeds of any of the foregoing, are hereinafter called the "Collateral."

4. APPOINTMENT OF SUB-AGENTS; ENDORSEMENTS, ETC. The Pledgee shall have the right to appoint one or more agents for the purpose of retaining physical possession of the Collateral, which may be held (if applicable and in the discretion of the Pledgee) in the name of the Pledgor, endorsed or assigned in blank or in favor of the Pledgee or any nominee or nominees of the Pledgee or an agent appointed by the Pledgee.

5. VOTING, ETC. Unless and until an Event of Default (such term to mean an Event of Default as defined herein) shall have occurred and be continuing or would be caused thereby, the Pledgor shall be entitled to vote any and all Pledged Stock and to give consents, waivers or ratifications in respect thereof; provided that no vote shall be cast or any consent, waiver or ratification given or any action taken which would violate or be inconsistent with any of the terms of this Agreement, the Loan Agreement, or any instrument or agreement relating to the Secured Obligations. All such rights of the Pledgor to vote and to give consents, waivers and ratifications shall cease in case an Event of Default

shall occur and be continuing, and Section 7 hereof shall become applicable.

6. DIVIDENDS AND OTHER DISTRIBUTIONS. Unless an Event of Default shall have occurred and be continuing or would be caused thereby, all cash dividends payable in respect of the Pledged Securities shall be paid to the Pledgor, but only to the extent (if any) permitted by the Loan Agreement. The Pledgee shall also be entitled to receive directly, and to retain as part of the Collateral:

(a) all other or additional stock or securities or property (other than cash) paid or distributed by way of dividend in respect of the Pledged Securities;

(b) all other or additional stock or other securities or property (including cash) paid or distributed in respect of the Pledged Securities by way of stock-split, spin-off, split-up, reclassification, combination of shares or similar rearrangement; and

(c) all other or additional stock or other securities or property which may be paid in respect of the Pledged Securities by reason of any consolidation, merger, exchange of stock, conveyance of assets, liquidation or similar corporate reorganization.

6.1 ADDITIONAL SHARES. The Pledgor agrees and covenants that it will cause the Subsidiary not to issue any stock or other securities in addition to or in substitution for the Pledged Securities except to the Pledgor, and any such additional or substitute stock as securities shall be delivered directly to the Pledgee by the Subsidiary and shall constitute part of the Collateral pledged hereunder.

7. EVENTS OF DEFAULT.

7.1 DEFINITION OF EVENTS OF DEFAULT. The following specified events shall constitute Events of Default under this Agreement:

(a) the existence or occurrence of any Event of Default under the Loan Agreement;

(b) any representation, warranty or statement made or deemed to be made by the Pledgor or any of its officers under or in connection with this Agreement shall have been false or misleading in any material respect when made or deemed to be made;

(c) the Pledgor shall fail to observe or perform any covenant or agreement set forth in Section 5, 6 (including Section 6.1) or 15 hereof; and

(d) the Pledgor shall fail to observe or perform any covenant or agreement set forth in this Agreement, other than those referred to in paragraph (c) above, which failure shall continue for thirty (30) days after the Pledgee gives the Pledgor notice of same.

7.2 REMEDIES. In case an Event of Default shall have occurred and be continuing, the Pledgee shall be entitled to exercise all of the rights, powers and remedies (whether vested in it by this Agreement, any other Financing Document or by law and including, without limitation, all rights and remedies of a secured party of a debtor in default under the Uniform Commercial Code (the "Code") in effect in the State of Georgia at that time) for the protection and enforcement of its rights in respect of the Collateral, and the Pledgee shall be entitled, without limitation, to exercise the following rights, which the Pledgor hereby agrees to be commercially reasonable:

(i) to receive all amounts payable in respect of the Collateral otherwise payable under Section 6 to the Pledgor and to enforce the payment of the Pledged Securities and to exercise all of the rights, powers, and remedies of the Pledgor thereunder;

(ii) to transfer all or any part of the Collateral into the Pledgee's name or the name of its nominee or nominees;

(iii) to vote all or any part of the Collateral (whether or not transferred into the name of the Pledgee) and give all consents, waivers and ratifications in respect of the Collateral and otherwise act with respect thereto as though it were the outright owner thereof;

(iv) at any time or from time to time to sell, assign and deliver,

or grant options to purchase, all or any part of the Collateral in one or more parcels, or any interest therein, at any public or private sale at any exchange, broker's board or at any of the Pledgee's offices or elsewhere, without demand of performance, advertisement or notice of intention to sell or of the time or place of sale or adjournment thereof or to redeem or otherwise (all of which are hereby expressly and irrevocably waived by the Pledgor), for cash, on credit or for other property, for immediate or future delivery without any assumption of credit risk, and for such price or prices and on such terms as the Pledgee in its sole discretion may determine; the Pledgor agrees that to the extent that notice of sale shall be required by law that at least ten (10) days notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification; the Pledgee shall not be obligated to make any sale of Collateral regardless of notice of sale having been given; the Pledgee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and any such sale may, without further notice, be made at the time and place to which it was so adjourned; the Pledgor hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling the Collateral and any other security for the Secured Obligations or otherwise; at any such sale, unless prohibited by applicable law, the Pledgee may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption; and the Pledgee shall not be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing nor shall any of them be under any obligation to take any action whatsoever with regard thereto;

(v) to settle, adjust, compromise and arrange all accounts, controversies, questions, claims and demands whatsoever in relation to all or any part of the Collateral;

(vi) to execute all such contracts, agreements, deeds, documents and instruments; to bring, defend and abandon all such actions, suits and proceedings; and to take all actions in relation to all or any part of the Collateral as the Pledgee in its sole discretion may determine;

(vii) to appoint managers, agents, officers and servants for any of the purposes mentioned in the foregoing provisions of this Section 7 and to dismiss the same, all as the Pledgee in its sole discretion may determine; and

(viii) generally, to take all such other action as the Pledgee in its sole discretion may determine as incidental or conducive to any of the matters or powers mentioned in the foregoing provisions of this Section 7 and which the Pledgee may or can do lawfully and to use the name of the Pledgor for the purposes aforesaid and in any proceedings arising therefrom.

8. REMEDIES, ETC., CUMULATIVE. Each right, power and remedy of the Pledgee provided for in this Agreement or any other Financing Document or now or hereafter existing at law or in equity or by statute shall be cumulative and concurrent and shall be in addition to every other such right, power or remedy. The exercise or beginning of the exercise by the Pledgee of any one or more of the rights, powers or remedies provided for in this Agreement or any other Financing Document or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the Pledgee of all such other rights, powers or remedies, and no failure or delay on the part of the Pledgee to exercise any such right, power or remedy shall operate as a waiver thereof.

9. APPLICATION OF PROCEEDS. All moneys collected by the Pledgee upon any sale or other disposition of the Collateral, together with all other moneys received by the Pledgee hereunder, shall be applied as follows:

First, to the payment of the costs and expenses of such sale, collection or other realization, including, without limitation, reasonable attorneys' fees actually incurred and all other expenses, liabilities and advances actually made or actually incurred by the Pledgee in connection therewith;

Second, to the payment of the Secured Obligations then due; and

Third, after payment in full of all Secured Obligations then due, to the Pledgor, or its successors or assigns, or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct any surplus then remaining from such proceeds.

10. PURCHASERS OF COLLATERAL. Upon any sale of any of the Collateral hereunder (whether by virtue of the power of sale herein granted, pursuant to judicial process or otherwise), the receipt of the Pledgee or the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold, and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Pledgee or such officer or be answerable in any way for the misapplication or nonapplication thereof.

11. PAYMENT OF EXPENSES; INDEMNITY. The Pledgor shall: (i) whether or not the transactions hereby contemplated are consummated, pay all reasonable out-of-pocket costs and expenses of the Pledgee actually incurred in connection with the administration (both before and after the execution hereof and including advice of counsel as to the rights and duties of the Pledgee with respect thereto) of the Pledgee incurred in connection with the preservation of rights under, and enforcement of, and, after an Event of Default, the renegotiation or restructuring of this Agreement and any amendment, waiver or consent relating thereto (including, without limitation, the reasonable fees and disbursements of counsel for the Pledgee, not to exceed actual fees and disbursements); (ii) pay and hold the Pledgee harmless from and against any and all present and future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to this Agreement and save the Pledgee harmless from and against any and all liabilities with respect to or resulting from any delay or omission to pay any such taxes, charges or levies; and (iii) indemnify the Pledgee, its officers, directors, employees, representatives and agents from and hold each of them harmless against any and all costs, losses, liabilities, claims, damages or expenses actually incurred by any of them (whether or not any of them is designated a party thereto) arising out of or by reason of any investigation, litigation or other proceeding related to this Agreement or any transaction contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel, not to exceed actual fees and disbursements, incurred in connection with any such investigation, litigation or other proceeding. Notwithstanding anything in this Agreement to the contrary, the Pledgor shall not be responsible to the Pledgee or any officer, director, employee, representative or agent of the foregoing (an "Indemnified Party") for any losses, damages, liabilities or expenses which result from such Indemnified Party's gross negligence or willful misconduct. If and to the extent that the obligations of the Pledgor under this Section 11 are unenforceable for any reason, the Pledgor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law. The Pledgor's obligations under this Section 11 shall survive any termination of this Agreement.

12. FURTHER ASSURANCES. The Pledgor agrees that it will join with the Pledgee in executing and, at its own expense, file and refile under the Code such financing statements, continuation statements and other documents in such offices as the Pledgee may deem necessary or appropriate and wherever required or permitted by law in order to perfect and preserve the Pledgee's security interest in the Collateral and hereby authorizes the Pledgee to file financing statements and amendments thereto relative to all or any part of the Collateral without the signature of the Pledgor where permitted by law, and agrees to do such further acts and things and to promptly execute and deliver to the Pledgee such additional conveyances, assignments, agreements and instruments as the Pledgee may reasonably require or deem advisable to carry into effect the purposes of this Agreement or to further assure and confirm unto the Pledgee its rights, powers and remedies hereunder.

13. THE PLEDGEE AS AGENT.

(a) The Pledgee will hold in accordance with this Agreement and the Loan Agreement all items of the Collateral at any time received under this Agreement. It is expressly understood and agreed that the obligations of the Pledgee as holder of the Collateral and interests therein and with respect to the disposition thereof, and otherwise under this Agreement, are only those expressly set forth in this Agreement and the Loan Agreement.

(b) The Pledgee shall be deemed to have exercised reasonable care in

the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Pledgee accords its own property, it being understood that the Pledgee shall not have responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not the Pledgee has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any parties with respect to any Collateral.

14. REPRESENTATIONS AND WARRANTIES. The Pledgor hereby represents and warrants that (i) it is the legal record and beneficial owner of, and has good and marketable title to, the Pledged Stock described in Section 2 hereof, subject to no pledge, lien, mortgage, hypothecation, security interest, charge, option or other encumbrance whatsoever, except the liens and security interests created by this Agreement or expressly permitted by this Agreement or the Loan Agreement; (ii) it has full power, authority and legal right to pledge all the Pledged Stock pursuant to this Agreement; (iii) no consent of any other party (including, without limitation, any stockholder or creditor of the Pledgor or the Subsidiary) and no order, consent, license, permit, approval, validation or authorization of, exemption by, notice to or registration, recording, filing or declaration with, any governmental or public body or authority is required to be obtained by the Pledgor in connection with the execution, delivery or performance of this Agreement or consummation of the transactions contemplated hereby, including, without limitation, the exercise by the Pledgee of the voting or other rights provided for in this Agreement or the remedies in respect of the Collateral pursuant to this Agreement, except as may be required in connection with the disposition of the Pledged Securities by laws affecting the offering and sale of securities generally (or except as may already have been obtained); (iv) all shares of Pledged Stock have been duly and validly issued, are fully paid and nonassessable; and (v) the security interest in the Pledged Securities created and perfected by the pledge and delivery of the Pledged Securities pursuant to this Agreement is not subject to any prior lien or encumbrance or any agreement purporting to grant to any third party a lien or encumbrance on the property or assets of the Pledgor which would include the Pledged Securities.

15. COVENANTS OF THE PLEDGOR. The Pledgor covenants and agrees that (i) the Pledgor will defend the Pledgee's right, title and security interest in and to the Pledged Securities and the proceeds thereof against the claims and demands of all persons whomsoever; (ii) the Pledgor will have like title to and right to pledge any other property at any time hereafter pledged to the Pledgee as Collateral hereunder and will likewise defend the right thereto and security interest therein of the Pledgee; and (iii) the Pledgor will not, with respect to any Collateral, enter into any shareholder agreements, voting agreements, voting trusts, trust deeds, irrevocable proxies or any other similar agreements or instruments.

16. PLEDGOR'S OBLIGATIONS ABSOLUTE, ETC. The obligations of the Pledgor under this Agreement shall be absolute and unconditional in accordance with its terms and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation: (a) any change in the time, place or manner of payment of, or in any other term of, all or any of the Secured Obligations, any waiver, indulgence, renewal, extension, amendment or modification of or addition, consent or supplement to or deletion from or any other action or inaction under or in respect of the Loan Agreement, the Note, any other Financing Document, or any of the other documents, instruments or agreements relating to the Secured Obligations or any other instrument or agreement referred to therein or any assignment or transfer of any thereof; (b) any lack of validity or enforceability of the Loan Agreement, any other Financing Document, or any other documents, instruments or agreement referred to therein or any assignment or transfer of any thereof; (c) any furnishing of any additional security to the Pledgee, or its assignees or any acceptance thereof or any release of any security by the Pledgee or its assignees; (d) any limitation on any party's liability or obligations under any such instrument or agreement or any invalidity or unenforceability, in whole or in part, of any such instrument or agreement or any term thereof; (e) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to the Pledgor or any of its Subsidiaries, or any action taken with respect to this Agreement by any trustee or receiver, or by any court, in any such proceeding, whether or not the Pledgor shall have notice or knowledge of any of the foregoing; or (f) any exchange, release or nonperfection of any other collateral, or any release, or amendment or waiver of or consent to departure from any guaranty or security, for all or any of the Secured Obligations.

17. NOTICES, ETC. All notices and other communications hereunder shall be given in the manner specified in Section 909 of the Loan Agreement.

18. POWER OF ATTORNEY. The Pledgor hereby absolutely and irrevocably constitutes and appoints the Pledgee the Pledgor's true and lawful agent and attorney-in-fact, with full power of substitution, in the name of the Pledgor: (a) to execute and do all such assurances, acts and things which the Pledgor ought to do but has failed to do under the covenants and provisions contained in this Agreement; (b) to take any and all such action as the Pledgee may, in its sole discretion, determine as necessary or advisable for the purpose of maintaining, preserving or protecting the security constituted by this Agreement or any of the rights, remedies, powers or privileges of the Pledgee under this Agreement; and (c) generally, in the name of the Pledgor exercise all or any of the powers, authorities, and discretions conferred on or reserved to the Pledgee by or pursuant to this Agreement, and (without prejudice to the generality of any of the foregoing) to seal and deliver or otherwise perfect any instrument or document of conveyance, agreement, or act as the Pledgee may deem proper in or for the purpose of exercising any of such powers, authorities or discretions. The Pledgor hereby ratifies and confirms, and hereby agrees to ratify and confirm, whatever lawful acts the Pledgee shall do or purport to do in the exercise of the power of attorney granted to the Pledgee pursuant to this Section 18, which power of attorney, being given for security, is irrevocable.

19. TERMINATION, RELEASE. Upon the termination of the Loan Agreement and the full payment and performance of all of the Secured Obligations, this Agreement shall terminate, and the Pledgee, at the request and expense of the Pledgor, will execute and deliver to the Pledgor a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement, and will duly assign, transfer and deliver to the Pledgor (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Pledgee and as has not theretofore been sold or otherwise applied or released pursuant to this Agreement, together with any moneys at the time held by the Pledgee hereunder.

20. MISCELLANEOUS. The Pledgor agrees with the Pledgee that each of the obligations and liabilities of the Pledgor to the Pledgee under this Agreement may be enforced against the Pledgor without the necessity of joining the Subsidiary, any other holders of pledges of or security interests in any of the Collateral, or any other person as a party. This Agreement shall create a continuing security interest in the Collateral and shall be binding upon the Pledgor and its successors and assigns and shall inure to the benefit of and be enforceable by the Pledgee, and its successors and assigns. This Agreement may be changed, waived, discharged or terminated only in accordance with the provisions of the Loan Agreement. Unless otherwise defined herein or in the Loan Agreement, terms defined in Article 9 of the Code in the State of Georgia are used herein as therein defined. The headings in this Agreement are for purposes of reference only and shall not limit or define the meaning hereof. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which shall constitute one instrument. In the event that any provision of this Agreement shall prove to be invalid or unenforceable, such provision shall be deemed to be severable from the other provisions of this Agreement which shall remain binding on all parties hereto.

21. GOVERNING LAW. This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the internal laws of the State of Georgia.

IN WITNESS WHEREOF, the Pledgor and the Pledgee have caused this Agreement to be executed by their duly elected officers duly authorized and Pledgor has caused its corporate seal to be hereunto affixed, all as of the date first above written.

CRYOLIFE, INC.

By:_____
Title:_____

(CORPORATE SEAL)

NATIONSBANK, N.A. (SOUTH)

By:_____
Title:_____

SCHEDULE 1

TO

STOCK PLEDGE AND SECURITY AGREEMENT
DATED AS OF AUGUST 30, 1996
FROM
CRYOLIFE, INC.
TO
NATIONSBANK, N.A. (SOUTH)

PLEDGED STOCK

| Name of Corporation | Number and Type of Shares | Percentage of Total Shares |
|---|---|---|
| CryoLife International, Inc. | 1000 | 100% |

EXHIBIT C-2

IRREVOCABLE STOCK POWER

FOR VALUE RECEIVED, the undersigned, CRYOLIFE, INC., a Florida corporation (hereinafter collectively referred to as the "Assignor"), has fully and irrevocably granted, assigned and transferred and hereby does fully and irrevocably grant, assign and transfer to _____ and the successors, transferees, assigns and personal representatives thereof (hereinafter collectively referred to as the "Assignee") the following property:

_____ shares of Common Stock of , a corporation, represented by certificate number(s) _____ _____.

Assignor hereby irrevocably appoints Assignee to be Assignor's true and lawful attorney-in-fact, with full power of substitution, and empowers Assignee, for and in the name and stead of Assignor, to sell, transfer, hypothecate, liquidate or otherwise dispose of all of or any portion of the above-described securities, from time to time, and, for that purpose, to make, sign, execute and deliver any documents or perform any other act necessary for such sale, transfer, hypothecation, liquidation or other disposition. Assignor acknowledges that this appointment is coupled with an interest and shall not be revocable by Assignor's death, dissolution or any other reason. Assignor hereby ratifies and approves all acts that Assignee or any substitute therefor shall do by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed and sealed this power as of this ____ day of _____, _____.

CRYOLIFE, INC.

By:_____
President

(CORPORATE SEAL)

EXHIBIT D

GUARANTY AGREEMENT

In order to induce NATIONSBANK, N.A. (SOUTH), a national banking association (hereinafter referred to as "Lender"), to extend credit or other financial accommodations or grant forbearances to CRYOLIFE, INC., a Florida corporation (hereinafter referred to as "Borrower"), and for other good and valuable consideration, the receipt and adequacy of all of the foregoing as legally sufficient consideration being hereby acknowledged, the undersigned , a _____ corporation (hereinafter referred to as "Guarantor"), hereby agrees in favor of Lender as follows:

1. GUARANTY OF OBLIGATIONS. Subject to the terms and conditions hereof, Guarantor hereby irrevocably guarantees to Lender the prompt payment when due, whether at stated maturity, by acceleration or otherwise, of all of the Obligations (as hereinafter defined) which may be now existing or may hereafter arise and whether for principal, interest, fees or other charges and including any and all expenses (including without limitation reasonable attorney's fees and expenses) incurred by Lender in collecting or otherwise enforcing performance of any of the Obligations. Any and all payments made by Guarantor hereunder shall be made free and clear of and without deduction for any set-off, counterclaim, or withholdings so that, in each case, Lender shall receive the full amount that it would otherwise be entitled to receive with respect to the Obligations. Guarantor acknowledges and agrees that this Guaranty Agreement (this "Guaranty") is a guaranty of payment and not of collection and that the liability of Guarantor under this Guaranty shall be immediate and primary and shall not be contingent upon the exercise or enforcement by Lender of any remedies Lender may have against Borrower or any other person or the enforcement of any lien or realization upon any collateral Lender may at any time possess for any of the Obligations.

2. OBLIGATIONS AND CREDIT DOCUMENTS DEFINED.

(a) The term "Obligations" as used herein shall mean any and all indebtedness, liabilities or obligations of Borrower to Lender which may now or hereafter arise from or in any way relate to the Third Amended and Restated Loan Agreement, dated as of August 30, 1996, between Borrower and Lender, or the Note referred to therein, or any other agreement, instrument or other document executed by Borrower with or in favor of Lender under or in connection therewith, or any extensions, renewals, refinancings, restructurings, modifications or replacements, in whole or in part, of or for any of the foregoing.

(b) The term "Obligations" as used herein also expressly includes, without limitation, any interest which would accrue on the applicable Obligations described above but for the filing by or against Borrower of a proceeding under any bankruptcy, insolvency, receivership or moratorium law.

(c) The term "Credit Documents" as used herein shall mean and include any and all present or future loan agreements, letter of credit agreements, lease agreements, security agreements, pledge agreements, collateral assignments, security deeds, mortgages, other security instruments, promissory notes, guaranties, subordination agreements, and any and all other agreements, instruments or documents which may now exist or may hereafter be executed by Borrower as evidence of or as collateral for any or all of the Obligations or pursuant to which any or all of the Obligations may be now or hereafter created or secured or which now or hereafter relate in any other way to the Obligations.

3. GUARANTY ABSOLUTE. Except to the extend expressly provided herein, this Guaranty shall in all respects be an absolute, unconditional and irrevocable guaranty of payment of the Obligations and Guarantor guarantees that the Obligations will be paid strictly in accordance with the terms of the Credit Documents under which they arise, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of Lender with respect thereto. The liability of Guarantor under this Guaranty shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated, modified or otherwise affected by any circumstance or occurrence whatsoever, including without limitation any of the following (whether or not Guarantor consents thereto or has notice

thereof): (i) any change in or waiver of the time, place or manner of payment, or any other term, of any of the Obligations or Credit Documents, any waiver of or any renewal, extension, increase, amendment or modification of or addition, consent or supplement to or deletion from, or any other action or inaction under or in respect of, any of the Obligations or Credit Documents or any other document, instrument or agreement referred to therein or any assignment or transfer of any of the Obligations or Credit Documents; (ii) any lack of validity, legality or enforceability of any of the Obligations or Credit Documents or any other document, instrument, or agreement referred to therein or of any assignment or transfer of any of the foregoing; (iii) any furnishing to Lender of any additional collateral for any of the Obligations or any sale, exchange, release or surrender of, or realization on, any collateral for any of the Obligations; (iv) any settlement, release or compromise of any of the Obligations or Credit Documents, any collateral therefor, or any liability of any other party (including without limitation any other guarantor) with respect to any of the Obligations or Credit Documents, or any subordination of payment of any of the Obligations to the payment of any other indebtedness, liability or obligation of Borrower; (v) any bankruptcy, insolvency, reorganization, composition, adjustment, merger, consolidation, dissolution, liquidation or other like proceeding or occurrence relating to Borrower or any other change in the ownership, composition or nature of Borrower; (vi) any non-perfection, subordination, release or voidability of any security interest, security title, pledge, collateral assignment or other lien of Lender on any collateral for any of the Obligations or this Guaranty; (vii) any application of sums paid by Borrower or any other person with respect to any of the Obligations, except to the extent actually applied against the Obligations, regardless of what other liabilities of Borrower remain unpaid; (viii) the failure of Lender to assert any claim or demand or to enforce any right or remedy against Borrower or any other person (including any other guarantor of any of the Obligations) under the provisions of any of the Credit Documents or otherwise, or any failure of Lender to exercise any right or remedy against any other guarantor of or any collateral for any of the Obligations; (ix) any other act or failure to act by Lender which may adversely affect Guarantor; or (x) any other circumstance which might otherwise constitute a defense against, or a legal or equitable discharge of, Guarantor's liability under this Guaranty.

4. GUARANTY CONTINUING; REINSTATEMENT. This Guaranty shall in all respects be a continuing and irrevocable guaranty of payment (and not merely of collection) and shall remain in full force and effect until all of the Obligations shall have been indefeasibly paid in full and Lender shall be under no obligation to make any additional loans or extend any additional credit or financial accommodations to Borrower which would constitute Obligations once made or extended. If claim is ever made upon Lender for repayment or recovery of any amount received by Lender in payment or on account of any of the Obligations, and if Lender repays all or part of said amount by reason of (i) any judgment, decree or order of any court or administrative body having jurisdiction over Lender or any of its property or (ii) any settlement or compromise of any such claim effected by Lender with any such claimant (including without limitation Borrower or a trustee, conservator or receiver for Borrower), then and in such event Guarantor agrees that any such judgment, decree, order, settlement or compromise shall be binding upon Guarantor, notwithstanding any revocation or cancellation of this Guaranty or of any of the Credit Documents, and Guarantor shall be and remain liable to Lender hereunder for the amount so repaid or recovered to the same extent as if such amount had never originally been paid to Lender and Guarantor's obligations and liabilities to Lender under this Guaranty shall be reinstated to such extent and this Guaranty and any collateral for this Guaranty shall remain in full force and effect (or shall be reinstated) to such extent. Guarantor hereby expressly waives the benefit of any applicable statute of limitations and agrees that it shall be liable under this Guaranty whenever Lender seeks to enforce such liability against Guarantor or its property.

5. WAIVERS AND CONSENTS. Guarantor hereby waives: (i) notice of acceptance of this Guaranty by Lender; (ii) notice of the creation, existence, acquisition, extension, or renewal of any of the Obligations; (iii) notice of the amount of the Obligations outstanding from time to time, subject, however, to Guarantor's right to make inquiry of Lender at reasonable intervals to ascertain the amount of Obligations then outstanding; (iv) notice of any default or event of default under any of the Credit Documents or with respect to any of the Obligations or notice of any other adverse change in Borrower's financial condition or means or ability to pay any of the Obligations or perform its obligations under any of the Credit Documents or notice of any other fact which might increase Guarantor's risk hereunder; (v) notice of presentment, demand, protest, and notice of dishonor or nonpayment as to any instrument; (vi) notice of any acceleration or other demand for payment of any of the Obligations; and (vii)

all other notices and demands to which Guarantor might otherwise be entitled with respect to any of the Obligations or the Credit Documents or with respect to Lender's enforcement of its rights and remedies thereunder. Guarantor further waives any right Guarantor may have, by statute (such as O.C.G.A. Section 10-7-24) or otherwise, to require Lender to seek recourse first against Borrower or any other person, or to realize upon any collateral for any of the Obligations, as a condition precedent to enforcing Guarantor's liability and obligations under this Guaranty, and Guarantor further waives any defense arising by reason of any incapacity or other disability of Borrower or by reason of any other defense which Borrower may have on any of the Obligations or under any of the Credit Documents. Guarantor consents and agrees that, without notice to or consent by Guarantor and without affecting or impairing the liability of Guarantor under this Guaranty, Lender may compromise or settle, extend the period of duration or the time for the payment, discharge or performance of any of the Obligations or Credit Documents, or may refuse to enforce or may release all or any parties to any or all of the Obligations (including without limitation any other guarantor thereof) or any collateral therefor, or may grant other indulgences to Borrower or such other parties in respect thereof, or may waive, amend or supplement in any manner the provisions of any of the Credit Documents or any other document, instrument or agreement relating to or securing any of the Obligations (other than this Guaranty), or may release, surrender, exchange, modify, or compromise any and all collateral securing any of the Obligations or in which Lender may at any time have a lien, or may refuse to enforce its rights or may make any compromise or settlement or agreement therefor, in respect of any and all of such collateral, or with any party to any of the Obligations or Credit Documents, or with any other person, or may release or substitute any one or more of the other endorsers or guarantors of the Obligations whether parties to this Guaranty or not, or may exchange, enforce, waive or release any collateral for any guaranty of any of the Obligations. Guarantor further consents and agrees that Lender shall be under no obligation to marshal any assets in favor of Guarantor or against or in payment of any of the Obligations.

6. SUBROGATION AND OTHER RIGHTS. Guarantor agrees that no payment, performance or enforcement of Guarantor's liabilities and obligations under this Guaranty shall cause Guarantor, by subrogation or otherwise, to acquire any of Lender's rights against Borrower or any property of Borrower (or any interest in such rights) unless and until Lender has received full and indefeasible payment of all of the Obligations.

7. CROSS-COLLATERALIZATION. Guarantor's obligations and liabilities to Lender under this Guaranty shall be secured by any and all security interests, security titles, pledges, collateral assignments or other liens which Lender may now or hereafter have or acquire in, to or on any real or personal property assets of Guarantor, whether such assets now exist or are hereafter acquired, except to the extent that Guarantor's obligations and liabilities hereunder are expressly excluded from the coverage of any such lien under the express terms of the mortgage, security deed, security agreement, pledge agreement, collateral assignment or other document which granted or grants such lien.

8. GUARANTOR DUE DILIGENCE AND BENEFIT. Guarantor is fully aware of the financial condition, assets and prospects of Borrower, and Guarantor is executing and delivering this Guaranty based solely upon Guarantor's own independent investigation thereof and in no part upon any representation, warranty or statement of Lender with respect to Borrower's financial condition, assets or prospects. Guarantor is in a position to and hereby assumes full responsibility for obtaining any and all information concerning Borrower's financial condition, assets and prospects as Guarantor may now or hereafter deem material to Guarantor's decision to enter into and become liable under this Guaranty and Guarantor is not relying upon, nor does Guarantor expect Lender to furnish Guarantor with any information which may be now or hereafter in Lender's possession concerning Borrower's financial condition, assets or prospects. Guarantor hereby knowingly accepts the full range of risks encompassed within a contract of guaranty, which risks Guarantor understands may include, without limitation, the possibility that Borrower may incur additional indebtedness to Lender for which Guarantor may be liable hereunder after Borrower's financial condition or means or ability to pay its lawful debts when they fall due has deteriorated. Guarantor further acknowledges and agrees that any credit or other financial accommodations now or hereafter extended by Lender to Borrower and any and all forbearances with respect to Borrower or its assets which Lender may now or hereafter grant are and will be of direct interest, benefit and advantage to Guarantor.

9. LENDER'S ACCOUNTS AND RECORDS; APPLICATION OF PAYMENTS. Guarantor agrees that, in the absence of manifest error, any and all books and records

relating to the Obligations which are prepared and maintained by Lender shall constitute prima facie evidence of the existence and amount of the Obligations. In the event that Lender sends to Borrower any periodic or other statements of account with respect to any or all of the Obligations, each such statement rendered by Lender shall, in the absence of manifest error, be deemed final, binding and conclusive upon Guarantor unless Lender is notified by Borrower in writing to the contrary within thirty (30) days after the date such statement was sent by Lender to Borrower (and each such notice shall only be deemed an objection to those items specifically objected to therein). Guarantor irrevocably waives the right to direct the application of any and all payments and collections at any time hereafter received by Lender from or on behalf of Borrower, Guarantor or otherwise with respect to any of the Obligations and Guarantor does hereby irrevocably agree that Lender shall have the continuing exclusive right to apply and re-apply any and all such payments and collections received at any time hereafter by Lender against the Obligations in such manner and order as Lender may deem advisable, notwithstanding any contrary entry by Lender upon any of its books and records.

10. AUTOMATIC ACCELERATION OF GUARANTY. In the event that any proceeding is instituted by or against Borrower under the United States Bankruptcy Code or any other bankruptcy, receivership, insolvency, or moratorium law (and, in the case of any such involuntary proceeding which is not consented to or acquiesced in by Borrower or Guarantor, the continuation of such proceeding without the same being dismissed or stayed for thirty (30) days), as between Guarantor and Lender, all of the Obligations shall be deemed immediately due and payable, without notice or demand of any kind by Lender, and Guarantor agrees immediately to pay the Obligations in full, irrespective of whether any or all of the Obligations can then be accelerated against Borrower and irrespective of any right which Borrower then may have under any bankruptcy, receivership, insolvency or moratorium law to cure defaults and reinstate the maturities of the Obligations.

11. GUARANTOR INFORMATION. Guarantor agrees that, so long as this Guaranty remains in effect, Guarantor shall furnish to Lender from time to time, at such intervals and by such dates as may be required by Lender, financial statements for Guarantor in form and substance satisfactory to Lender together with such other information relating to Guarantor's financial condition, assets or prospects as Lender may request, and Guarantor shall permit Lender or its representatives to visit and inspect Guarantor's properties and Guarantor's books and records during reasonable business hours and to discuss Guarantor's financial condition, assets, and prospects with Lender.

12. SET-OFF AGAINST DEPOSITS. If an event of default shall occur under any of the Credit Documents, Lender, without notice or demand of any kind upon Guarantor, may hold and set-off against such of the Obligations (whether then matured or unmatured) as Lender may elect any balance or amount in any deposit or other account of any nature whatsoever now or hereafter maintained by or on behalf of Guarantor with Lender, regardless of whether such account is general or special and regardless of whether such account is individual or joint.

13. NOTICES TO GUARANTOR. All notices, demands and other communications hereunder by Lender to Guarantor shall be deemed to have been validly served, given or delivered by Lender when hand-delivered against receipt, or one business day after being entrusted to a reputable national overnight delivery service, or two business days after being deposited in the United States mail, postage prepaid, or, in the case of a telegraphic or telecopy notice, when transmitted, and in each case directed or addressed to Guarantor at Guarantor's address or telecopy number set forth beneath Guarantor's signature below. Guarantor may designate a different address or telecopy number for Guarantor's receipt of notices or other communications hereunder but no such change shall be effective unless and until Lender actually receives written notice thereof from Guarantor.

14. COLLECTION COSTS. Guarantor shall be liable to Lender for, and shall pay to Lender on demand, all costs (including without limitation reasonable attorney's fees and expenses) actually incurred by Lender in enforcing performance of or collecting any payments due under this Guaranty.

15. ASSIGNMENT AND TRANSFER. This Guaranty shall be binding upon Guarantor and Guarantor's heirs, legal representatives, successors and assigns and shall inure to the benefit of and be enforceable by Lender and its successors, transferees and assigns. Without limiting the generality of the preceding sentence, Lender may assign or grant participations in all or any part of the Obligations, whereupon such assignee or participant shall become entitled to all of the rights in respect thereof granted to Lender herein.

16. GOVERNING LAW. This Guaranty shall be governed by the internal laws of the State of Georgia (without giving effect to its conflicts of law rules).

17. SUBORDINATION OF BORROWER'S OBLIGATIONS TO GUARANTOR. As an independent covenant, Guarantor hereby expressly covenants and agrees for the benefit of Lender that all present or future indebtedness, obligations and liabilities of Borrower to Guarantor of whatsoever description (collectively, the "Junior Claims") shall be subordinate and junior in right of payment to all Obligations of Borrower to Lender (collectively, the "Senior Claims"). If an event of default under any Credit Document shall occur, then, unless and until such event of default shall have been cured or shall have ceased to exist, no direct or indirect payment (in cash, property, securities by set-off or otherwise) shall be made by Borrower to Guarantor on account of or in any manner in respect of any Junior Claim except such payments and distributions the proceeds of which shall be applied to the Senior Claims. In the event of a Proceeding (as hereinafter defined), all Senior Claims shall first be paid in full before any direct or indirect payment or distribution (in cash, property, securities by set-off or otherwise) shall be made to Guarantor on account of or in any manner in respect of any Junior Claim except such payments and distributions the proceeds of which shall be applied to the Senior Claims. For the purposes of the previous sentence, a "Proceeding" shall occur if Borrower shall make an assignment for the benefit of creditors, file a petition in bankruptcy, have entered against or in favor of it an order for relief under the Bankruptcy Code or similar law of any other jurisdiction, generally fail to pay its debts as they come due (either as to number or amount), admit in writing its inability to pay its debts generally as they mature, make a voluntary assignment for the benefit of creditors, commence any proceeding relating to it under any reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or by any act, indicate its consent to, approval of or acquiescence in any such proceeding or in the appointment of any receiver of, or trustee or custodian (as defined in the Bankruptcy Code) for itself, or any substantial part of its property, or a trustee or a receiver shall be appointed for Borrower or for a substantial part of the property of Borrower and such appointment remains in effect for more than sixty (60) days or Borrower shall indicate its consent thereto, approval therefor or acquiescence therein, or a petition under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction (whether now or hereafter in effect) shall be filed against Borrower and such petition shall not be dismissed within sixty (60) days after such filing, an order for relief shall be entered in such proceeding, or Borrower shall indicate its consent thereto, approval therefor or acquiescence therein. In the event any direct or indirect payment or distribution is made to Guarantor in contravention of this Section, such payment or distribution shall be deemed received in trust for the benefit of Lender and shall be immediately paid over to Lender for application against the Obligations. Guarantor agrees to execute such additional documents as Lender may reasonably request to evidence the subordination provided for in this Section.

18. MISCELLANEOUS. (a) This Guaranty (together with any collateral documents executed by Guarantor to secure its obligations and liabilities hereunder) constitutes the sole and entire agreement between Guarantor and Lender with respect to the subject matter hereof and supersedes and replaces any and all prior agreements, understandings, negotiations or correspondence between them with respect thereto, including without limitation any and all prior guaranty agreements executed by Guarantor in favor of Lender with respect to any or all of the Obligations.

(b) This Guaranty is intended to be an instrument under seal. Time is of the essence of this Guaranty.

(c) Words importing the singular number hereunder shall include the plural number and vice versa and any pronouns used herein shall be deemed to cover all genders. The term "person" as used herein means any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust or other entity, or any government or any agency or political subdivision thereof.

(d) Wherever possible, any provision in this Guaranty which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any one jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(e) No amendment or waiver of any provision of this Guaranty, nor consent to any departure by Guarantor therefrom, shall be effective or binding upon Lender unless Lender shall first have given written consent thereto. Any such amendment, waiver or consent which is so granted by Lender shall apply only to the specific occasion which is the subject of such amendment, waiver or consent and shall not apply to the occurrence of the same or any similar event on any future occasion. No failure on the part of Lender to exercise, and no delay by Lender in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right by Lender. No notice to or demand on Guarantor in any case by Lender hereunder shall entitle Guarantor to any further notice or demand in any similar or other circumstances or constitute a waiver of the rights of Lender to take any other or future action in any circumstances without notice or demand. The remedies provided to Lender in this Guaranty are cumulative and not exclusive of any other remedies provided by law.

(f) This Guaranty, each of the Credit Documents and all other documents relating thereto, including without limitation any consents, waivers and modifications that may be hereafter executed and delivered with respect thereto, may be reproduced by Lender by photographic, photostatic, microfilm, or other similar process and Lender may destroy any original documents so reproduced, and Guarantor hereby stipulates and agrees that, to the extent permitted by applicable law, any such reproduction shall be as admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original shall be in existence and whether or not such reproduction was made by Lender in the ordinary course of its business), and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

(g) This Guaranty may be executed in one or more counterparts and each such counterpart shall constitute an original and all such counterparts together shall constitute one and the same instrument.

(h) All Section headings herein are for convenience of reference only and shall not limit or otherwise affect the meaning or interpretation of the provisions of this Guaranty.

(i) If this Guaranty is executed by more than one Guarantor, the term "Guarantor" as used herein shall include all such persons collectively and each such person individually and all such persons shall be jointly and severally liable under this Guaranty. If more than one person is named above as Borrower, the term "Borrower" as used herein shall include all such persons collectively and each such person individually.

(j) To the maximum extent permitted by law, the Guarantor covenants and agrees so long as the Obligations remain outstanding to maintain its primary depository relationships with Lender.

19. JURY TRIAL WAIVER; CONSENT TO JURISDICTION AND VENUE. GUARANTOR HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT GUARANTOR MAY HAVE UNDER ANY APPLICABLE LAW TO A TRIAL BY JURY WITH RESPECT TO ANY SUIT OR LEGAL ACTION WHICH MAY BE COMMENCED BY OR AGAINST GUARANTOR, LENDER OR BORROWER CONCERNING THE INTERPRETATION, CONSTRUCTION, VALIDITY, ENFORCEMENT OR PERFORMANCE OF THIS GUARANTY OR ANY OF THE CREDIT DOCUMENTS. IN THE EVENT ANY SUCH SUIT OR LEGAL ACTION IS COMMENCED BY LENDER, GUARANTOR HEREBY EXPRESSLY AGREES, CONSENTS AND SUBMITS TO THE PERSONAL JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN FULTON COUNTY, GEORGIA, WITH RESPECT TO SUCH SUIT OR LEGAL ACTION, AND GUARANTOR ALSO EXPRESSLY CONSENTS AND SUBMITS TO AND AGREES THAT VENUE IN ANY SUCH SUIT OR LEGAL ACTION IS PROPER IN SAID COURTS AND COUNTY AND GUARANTOR HEREBY EXPRESSLY WAIVES ANY AND ALL PERSONAL RIGHTS UNDER APPLICABLE LAW OR IN EQUITY TO OBJECT TO THE JURISDICTION AND VENUE OF SAID COURTS AND COUNTY. THE JURISDICTION AND VENUE OF THE COURTS AND COUNTY CONSENTED AND SUBMITTED TO AND AGREED UPON IN THIS SECTION ARE NOT EXCLUSIVE BUT ARE CUMULATIVE AND IN ADDITION TO THE JURISDICTION AND VENUE OF ANY OTHER COURT UNDER ANY APPLICABLE LAW OR IN EQUITY.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned Guarantor has signed, sealed and

delivered this Guaranty as of this ____ day of _____, _____.

By:_____
Title:_____

(CORPORATE SEAL)

GUARANTOR'S NOTICE ADDRESS:

Attn:_____
Telecopy No.:_____

199632.3

EXHIBIT E

SUBSIDIARY SECURITY AGREEMENT

THIS AGREEMENT is made and entered into as of _____, _____, between NATIONSBANK, N.A. (SOUTH), a national banking association which is the successor by merger to Bank South, a Georgia banking corporation formerly known as Bank South, N.A., having its main office at 600 Peachtree Street, N.E., Atlanta, Georgia 30308 ("Secured Party"), and _____, a _____ corporation having its chief executive office and principal place of business at ("Debtor").

STATEMENT OF FACTS

CryoLife, Inc., a Florida corporation which is the parent company of Debtor (the "Parent"), and Secured Party are parties to a certain Third Amended and Restated Loan Agreement, dated as of August 30, 1996 (said agreement, as the same may be amended, supplemented or restated, is herein called the "Third Restated Loan Agreement"), pursuant to which Secured Party has agreed to make certain loans available to the Parent. It is a condition precedent to Secured Party's obligation to make loans to the Parent under the Third Restated Loan Agreement that the Debtor guarantee repayment of such loans and that the Debtor secure its guarantee obligations as provided herein.

In consideration of any and all loans or other extensions of credit which may be now or hereafter made from time to time by Secured Party to the Parent under the Third Restated Loan Agreement, as well as for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Debtor and Secured Party do hereby agree as follows:

STATEMENT OF FACTS

1. SECURITY INTEREST. (a) Debtor hereby grants to Secured Party a present and continuing security interest in and lien on all of the Collateral described in Sections l(b) and l(c) below to secure the payment and performance of all of the Obligations described in Section 2 below.

(b) The term "Collateral" as used herein shall mean and include all now existing or hereafter arising rights, titles and interests of Debtor in, to or under the following types or items of property of Debtor, whether now owned or hereafter existing or hereafter created, acquired or arising and wheresoever located, and all cash and non-cash proceeds thereof:

(i) ALL ACCOUNTS RECEIVABLE, ETC. - All accounts, contract rights,

chattel paper, instruments, documents and general intangibles of Debtor, including without limitation all causes of action, corporate or other records, deposit accounts, patents, trademarks, service marks, trade names, copyrights, good will, customer lists, tax refund claims, computer programs, and software, and all claims under guaranties, letters of credit, security interests or other security held by or granted to Debtor to secure payment of any of its accounts, contract rights, chattel paper, instruments or general intangibles, and all rights to indemnification and all other intangible property of any kind (collectively, the "Accounts Receivable");

(ii) ALL INVENTORY, ETC. - All of Debtor's inventory, including without limitation all goods intended for sale or lease by Debtor or for display or demonstration, all work in process, all raw materials, all finished goods, and all other materials and supplies of every nature and description used or intended for use in connection with the manufacture, printing, packing, shipping, advertising, selling, leasing or furnishing of such goods or otherwise used or consumed in Debtor's business and all documents evidencing and all warranty rights and other general intangibles relating to any of the foregoing (collectively, the "Inventory"); provided, however, that the inventory shall not include any human tissue; and

(iii) ALL EQUIPMENT, ETC. - All machinery, apparatus, equipment, furniture, fixtures, leasehold improvements, motor vehicles and other tangible personal property (other than Inventory as defined above) of Debtor of every kind and description used in Debtor's operations or business or owned by Debtor or in which Debtor has an interest, and all parts, accessories and accessions thereto and substitutions and replacements therefor, and all documents evidencing and all warranty rights and other general intangibles of Debtor relating to any of the foregoing (collectively, the "Equipment").

Notwithstanding anything herein to the contrary, the Collateral shall not include any of Debtor's Intellectual Property Rights (as defined in the Third Restated Loan Agreement) but the Collateral shall include the proceeds thereof.

(c) Unless otherwise defined herein, all terms contained in this Agreement shall have the meanings provided for by the Uniform Commercial Code as in effect in the State of Georgia to the extent the same are used or defined therein. In addition, the term "proceeds" as used herein includes whatever is receivable or received when any Collateral or any proceeds thereof is sold, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, and also includes without limitation all rights to payment (including returned premiums) with respect to any insurance relating to such Collateral. In addition, all references herein to a particular type or item of Collateral shall be deemed to include all now existing or hereafter acquired books and records of Debtor relating to such Collateral (including, without limitation, all computer materials and records). The Collateral also includes in all cases all monies and other property of Debtor of any other kind which may be now or hereafter in the possession of or under the control of Secured Party and all deposit or other accounts of Debtor with Secured Party and all balances or other property now or hereafter held or on deposit therein.

2. OBLIGATIONS SECURED. This Agreement and the security interest and lien granted hereunder to Secured Party secures all obligations which may be now or hereafter owing by Debtor to Secured Party under this Agreement as well as any and all indebtedness, obligations or other liabilities which may be now or hereafter owing by the Debtor to Secured Party under or on account of the Guaranty Agreement, dated of even date herewith, by Debtor in favor of Secured Party (the "Guaranty"), or under the Third Restated Loan Agreement or any of the other Financing Documents as defined therein, and including without limitation any interest which, but for the filing by or against Debtor of a petition in bankruptcy, would accrue on any of the foregoing indebtedness, obligations or liabilities. All of the foregoing indebtedness, obligations or other liabilities are herein collectively called the "Obligations".

3. REPRESENTATIONS AND WARRANTIES. Debtor hereby represents and warrants to Secured Party that:

(a) Debtor has full power and authority, and has completed all

proceedings and obtained all approvals and consents necessary, to execute, deliver and perform this Agreement and the transactions contemplated hereby.

(b) Such execution, delivery, and performance will not violate, or cause a default under or result in a lien (other than Secured Party's security interest and lien hereunder) upon any property of Debtor pursuant to, any applicable law, rule or regulation or any agreement, indenture, judgment, order, decree, or instrument binding upon or affecting Debtor or any of the Collateral.

(c) This Agreement constitutes the legal, valid, and binding obligation of Debtor, enforceable against Debtor in accordance with its terms (except as such enforceability may be limited by bankruptcy, insolvency, or other similar laws affecting the enforcement of creditor's rights or by general equitable principles), and this Agreement grants to Secured Party a valid and enforceable security interest in or other lien on the Collateral.

(d) Debtor's chief executive office and principal place of business are located at Debtor's address shown above.

(e) Debtor has good and marketable title to the Collateral (or, in the case of any after-acquired Collateral, Debtor will have good and marketable title to the Collateral at the time Debtor acquires rights in such Collateral).

(f) Except for the security interest and lien granted hereunder in favor of Secured Party, no person has (or, in the case of any after-acquired Collateral, at the time Debtor acquires rights therein, will have) any right, title, claim, or other interest (whether in the nature of a security interest, other lien or charge, or otherwise) in, against or to any Collateral or any interest therein.

(g) All information heretofore, herein or hereafter supplied to Secured Party by or on behalf of Debtor with respect to any of the Collateral is or will be true and correct in all material respects at the time so supplied.

(h) Debtor has delivered to Secured Party all instruments, documents, chattel paper, and other items of Collateral in which Secured Party's security interest or lien hereunder must be perfected by possession and the certificate of title with respect to each motor vehicle, if any, included in the Collateral, together with such additional writings, including, without limitation, duly executed blank and undated assignments and stock powers, with respect thereto as Secured Party shall request.

All of the foregoing representations and warranties shall survive the execution, delivery and acceptance of this Agreement by Secured Party and Debtor and the closing of the transactions contemplated hereby.

4. COVENANTS AND AGREEMENTS OF DEBTOR. Debtor hereby covenants and agrees with Lender as follows:

(a) Debtor shall do all acts that may be necessary to maintain, preserve, and protect the Collateral.

(b) Debtor shall not use or permit any Collateral to be used in violation of any applicable law, rule or regulation, or any provision of this Agreement or any other agreement with Secured Party related thereto, or any policy of insurance covering such Collateral.

(c) Debtor shall pay promptly when due all taxes, assessments, charges, encumbrances and liens now or hereafter imposed upon or affecting any Collateral or Secured Party's security interest or other lien hereunder (including all property, excise, intangible, use, sales, stamp and other such taxes), except to the extent expressly permitted in the Third Restated Loan Agreement.

(d) Debtor shall appear in and defend any action or proceeding that may adversely affect its title to or Secured Party's interests in the Collateral.

(e) Except to the extent permitted in the Third Restated Loan Agreement, Debtor shall not sell, encumber, lease, rent or otherwise dispose of or transfer any Collateral or any right or interest therein and Debtor shall keep the Collateral free of all levies, security interests or other liens, charges or encumbrances.

(f) Debtor shall comply in all material respects with all laws, rules and regulations (including those governing environmental matters) relating to the possession, operation, storage, maintenance, disposal, and control of the

Collateral.

(g) Debtor agrees that such care as Secured Party gives to the safekeeping of its own property of like kind shall constitute reasonable care of such Collateral when it may be in Secured Party's possession.

(h) If and to the extent requested by Secured Party, Debtor shall account fully for and promptly deliver to Secured Party, in the form received, all documents, chattel paper, instruments, and agreements constituting Collateral hereunder and all proceeds of the Collateral received, all endorsed to Secured Party or in blank.

(i) Debtor shall keep accurate, and complete records of the Collateral and shall provide Secured Party with such records and such other reports and information relating to the Collateral as Secured Party may request from time to time.

(j) Debtor shall keep, procure, execute, and deliver from time to time any and all, indorsements, notifications, registrations, assignments, financing statements, fixture filings, certificate of title applications, and other writings deemed necessary or appropriate by Secured Party to perfect, maintain, and protect its security interest in or other lien on the Collateral hereunder and the priority thereof, and Debtor shall take such other actions as Secured Party may request to protect the value of the Collateral and of Secured Party's security interest in the Collateral, including, without limitation, obtaining such landlord waivers, mortgagee waivers and other assurances from third parties regarding Secured Party's access to and right to foreclose on or sell the Collateral and right to realize the practical benefits of such foreclosure or sale as Secured Party may request. Unless prohibited by applicable law, Debtor hereby authorizes Secured Party to execute and file any financing statement or fixture filing on Debtor's behalf, and the parties further agree that any carbon, photographic, or other reproduction of this Agreement shall be sufficient as a financing statement and may be filed in any appropriate office in lieu thereof.

(k) Debtor shall reimburse Secured Party upon demand for all costs and expenses, including, without limitation, actual and reasonable attorney's fees and disbursements, Secured Party may now or hereafter incur while exercising or enforcing any right, power, or remedy provided to Secured Party by this Security Agreement or by law, all of which costs and expenses shall constitute part of the Obligations secured hereunder.

(l) Debtor shall give Secured Party not less than thirty (30) days prior written notice of any change in Debtor's chief executive office or principal place of business or Debtor's legal name or trade name(s) or style(s) from that set forth in this Agreement.

(m) Debtor shall keep its records concerning the Collateral at Debtor's address set forth above or at Debtor's other location(s) (if any) set forth on Schedule 1 attached to this Agreement and shall not remove such records from such location(s) without the prior written consent of Secured Party.

(n) Debtor shall keep all Collateral consisting of goods (other than Inventory in transit and mobile goods) at the address for Debtor set forth above or at Debtor's other locations (if any) set forth on Schedule 1 attached to this Agreement, and Debtor shall not, without the prior written approval of Secured Party, remove any Collateral therefrom except for sales of Inventory in the ordinary course of business and the disposition of obsolete or worn-out Equipment in accordance with this Agreement and except for the storage of goods at locations other than those shown above or on Schedule 1 attached hereto if (i) Debtor gives Secured Party written notice of the new storage location at least thirty (30) days prior to storing such Collateral at such location, (ii) Secured Party's security interest in such Collateral hereunder is and continues to be duly perfected, (iii) all documents and other receipts in respect of any Collateral maintained at such premises are promptly delivered to Secured Party, and (iv) the owner (and, if requested by Secured Party, any mortgagee) of such premises agrees in writing with Secured Party not to assert any lien in respect of such Collateral and to permit Secured Party to have the right to enter upon and use such premises in order to inspect, store, process, assemble or remove the Collateral therefrom after the occurrence of an Event of Default.

(o) Debtor shall furnish Secured Party with such information regarding the Collateral (and any account debtors thereunder) as Secured Party from time to time may request.

(p) Debtor shall keep the Collateral in good condition and repair and shall not cause or permit any waste of any of the Collateral.

(q) Debtor shall insure the Collateral, with Secured Party named as loss payee under all property coverages and as an additional insured under all liability coverages, in form and amount, with insurers, and against risks and liabilities which are satisfactory to Secured Party in all respects, and Debtor hereby assigns all such policies and all proceeds thereof (including returned premiums) to Secured Party, to secure the Obligations, agrees to deliver them to Secured Party at its request, and agrees that Secured Party may make any claim thereunder, cancel the insurance on default by Debtor, collect and receive payment and indorse any instrument in payment of loss or return premium or other refund or return, and apply such amounts received, at Secured Party's election, to replacement of the Collateral or to the Obligations. Debtor shall not use or permit the use of any of the Collateral in any manner which will render inapplicable or invalid any insurance coverage therefor. Debtor shall deliver the originals of all property insurance policies covering the Collateral to Secured Party together with loss payable endorsements thereon in form and substance satisfactory to Secured Party and in the name of Secured Party as loss payee thereunder. Each policy of insurance or each such endorsement shall contain a clause requiring the insurer to give not less than thirty (30) days prior written notice to Secured Party in the event of cancellation of the policy for nonpayment of premium and a clause to the effect that the interests of Secured Party thereunder shall not be impaired or invalidated by any act or neglect of Debtor nor by the occupation of the premises covered thereby for purposes more hazardous than are permitted by said policy.

(r) Debtor agrees that all risk of loss of the Collateral shall at all times be and remain upon Debtor irrespective of whether such Collateral is then in Debtor's or Secured Party's possession.

(s) Debtor agrees that any of the Collateral consisting of Equipment shall be and remain personal property and shall not, by reason of its attachment or other connection to any real property, either become or be deemed to be a fixture or appurtenance to such real property and shall at all times be deemed severable therefrom.

(t) Debtor shall permit Secured Party (or any person designated by Secured Party) from time to time to inspect the Collateral and to inspect, audit and make copies of or extracts from all books and records maintained by or on behalf of Debtor pertaining to the Collateral (including computer records), all at such times and places as Secured Party may request from time to time.

5. POWER OF ATTORNEY. Debtor hereby agrees that from time to time, without presentment, notice or demand, and without affecting or impairing in any way the rights of Secured Party with respect to the Collateral, the obligations of Debtor hereunder or the other Obligations, Secured Party may, but shall not be obligated to and shall incur no liability to Debtor or any third party for failing to, take any action which Debtor is obligated by this Agreement to take but which the Debtor fails to take, and Debtor also hereby appoints (which appointment is coupled with an interest and shall be irrevocable so long as this Agreement is in effect) Secured Party as its attorney-in-fact with full power and authority at any time to take any of the following actions during the existence of any Event of Default hereunder in either Debtor's or Secured Party's name (but Secured Party shall have no obligation to and shall incur no liability to Debtor or any third party for failing to exercise any such power or authority): (a) to collect by legal proceedings or otherwise and indorse, receive and receipt for all dividends, interest, payments, proceeds, and other sums and property now or hereafter payable on or on account of any of the Collateral; (b) to enter into any extension, reorganization, deposit, merger, consolidation, or other agreement pertaining to, or deposit, surrender, accept, hold or apply other property in exchange for, any of the Collateral; (c) to insure, process, and preserve any of the Collateral or to take any other action which Debtor is obligated by this Agreement to take; (d) to transfer any of the Collateral to its own or its nominee's name; (e) to make any compromise or settlement, and take any action it deems advisable, with respect to any of the Collateral; (f) to prepare, file and sign Debtor's name to any proof of claim in bankruptcy (or any similar document) against any account debtor on any of the Collateral; (g) to receive, open and dispose of Debtor's mail pertaining to anyof the Collateral consisting of Accounts Receivables and notify postal authorities to deliver such mail to such address as Secured Party may designate; (h) to indorse Debtor's name upon any checks or other proceeds of any Collateral and deposit same to any account of Secured Party; (i) to indorse Debtor's name on any other document, instrument or other agreement relating to any of the Collateral; (j) to send verifications of Accounts Receivable to account debtors

thereunder; (k) to use the information recorded on or contained in any data processing equipment, other computer hardware or any software relating to any Collateral; (l) to make, adjust or enforce claims under any insurance policy relating to any Collateral; (m) to do all other acts and things necessary, in Secured Party's judgment, to fulfill Debtor's obligations under this Agreement; and (n) to pay any and all taxes, assessments, charges, encumbrances or liens now or hereafter imposed upon or affecting any of the Collateral. The foregoing power of attorney may be exercised by Secured Party in its discretion, in its name or Debtor's name, and without prior notice to or demand upon Debtor. Debtor agrees to reimburse Secured Party on demand for any sums advanced or expenses incurred by Secured Party in exercising any of the foregoing rights and powers together with interest accruing thereon daily at the highest rate Debtor has contracted to pay on any of the Obligations. Debtor's reimbursement obligations under this Section shall constitute part of the Obligations secured hereunder.

6. EVENTS OF DEFAULT. An event of default under this Agreement shall be deemed to exist upon the occurrence of any of the following event (each such event being herein called an "Event of Default"):

(a) If any representation, or warranty of Debtor made in this Agreement proves to have been untrue, incorrect, misleading or incomplete in any material respect as of the date made or deemed made;

(b) Failure of Debtor to perform, observe, discharge or comply with any of the covenants set forth in Section 4 (other than subsection (e), (k) or (l) thereof) of this Agreement, which failure is not cured within thirty (30) days of the giving by Secured Party to Debtor of written notice of same;

(c) Failure of Debtor punctually and fully to perform, observe, discharge or comply with any of the other covenants set forth in this Agreement;

(d) The occurrence of any other Event of Default under (and as such term is defined in) the Third Restated Loan Agreement.

7. SECURED PARTY'S REMEDIES. Upon the occurrence and during the continuation of any one or more of the foregoing Events of Default, Secured Party may, at its option, and without notice to or demand on Debtor and in addition to all rights and remedies available to Secured Party under the Guaranty Agreement or the Third Restated Loan Agreement or any of the other Financing Documents, or at law, in equity, or otherwise, do any one or more of the following:

(a) Secured Party may declare any or all of the Obligations to be immediately due and payable and foreclose or otherwise enforce Secured Party's security interest in or other lien hereunder on any or all of the Collateral in any manner permitted by law or provided for in this Agreement.

(b) Secured Party may recover from Debtor all costs and expenses, including, without limitation, actual and reasonable attorney's fees, incurred or paid by Secured Party in exercising or enforcing any right, power, or remedy with respect to any or all of the Collateral provided to it by this Agreement or by applicable law. Notwithstanding anything herein to the contrary, the Debtor's liability under this Agreement for the Secured Party's attorney's fees shall not exceed the attorney's fees actually incurred by the Secured Party.

(c) Secured Party may require Debtor to assemble any or all of the Collateral and make it available to Secured Party at such place or places as may be designated by Secured Party.

(d) Secured Party may enter onto any property where any Collateral is located and take possession thereof with or without judicial process.

(e) Prior to Lender's disposition of any Collateral, Secured Party may store, process, complete, repair or recondition it or otherwise prepare it for disposition in any manner and to the extent Secured Party deems appropriate (but Secured Party shall not be obligated to do so).

(f) Secured Party may transfer any of the Collateral into its name, notify any account debtor under or other person obligated on any Collateral to make payments thereunder directly to Secured Party, and otherwise collect or enforce payment of any of the Collateral (but Secured Party shall have no obligation to do any of the foregoing).

(g) Secured Party may sell or otherwise dispose of any of the Collateral at one or more public or private sales at Debtor's or Secured Party's

place of business or any other place or places, including without limitation at any brokers board or security exchange, in lots or in bulk, for cash or on credit, all as Secured Party, in its discretion, may deem advisable. Debtor agrees that seven (7) days' prior written notice from Secured Party to Debtor of any public sale of any Collateral or the date after which any private sale of any Collateral will be held shall constitute reasonable notice thereof and such sale may be held at such locations as Secured Party may designate in each said notice. Secured Party shall have the right to conduct any such sale on Debtor's premises, without any charge therefor, and any such sales may be adjourned from time to time in accordance with applicable law. Secured Party may purchase all or any part of the Collateral at any public sale or, if permitted by law, any private sale and, in lieu of actual payment of such purchase price, Secured Party may set-off the amount of such price against the Obligations.

(h) Secured Party is hereby granted by Debtor a license or other right to use during the term of this Agreement, without charge, any or all of Debtor's labels, patents, software, copyrights, trade secrets, trade names, trademarks and advertising materials, or any other property of any similar nature, as it pertains to any of the Collateral, in advertising for sale and selling any Collateral or in completing Debtor's performance under or collecting any sums owing in respect of any Collateral, and Debtor's rights under all licenses and all franchise agreements relating to any of the Collateral shall inure to Secured Party's benefit to the extent of Secured Party's rights, titles and interests in or to the Collateral under this Agreement.

(i) Secured Party also may, without prior notice or demand of any kind, hold and set-off against such of the Obligations (whether matured or unmatured) as Secured Party may elect any balance of amount to the credit of Debtor in any deposit, agency, reserve, holdback or other account of any nature whatsoever which may be now or hereafter maintained by or on behalf of Debtor with Secured Party in any of its offices, regardless of whether any such account is general or special and regardless of whether any such account is individual or joint.

8. APPLICATION OF PROCEEDS. (a) All monies and other proceeds received by Secured Party upon any collection, sale or other disposition of any Collateral, together with all other monies and other proceeds received by Secured Party hereunder, shall be applied as follows:

> First, to the payment of the reasonable costs and expenses of such sale, collection or other disposition which may have been incurred by Secured Party, including without limitation actual and reasonable attorney's fees as provided in Section 7(b) above and all other reasonable expenses, liabilities and advances made or incurred by Secured Party in connection therewith;
>
> Second, to the payment of all other Obligations then due in such order as Secured Party may elect; and
>
> Third, after payment in full of all Obligations then due, any surplus then remaining from such proceeds shall be paid to Debtor; and

(b) Debtor shall remain liable to Secured Party for any deficiency owing on the Obligations after the application of the proceeds of the Collateral as provided above.

9. INDEMNITY. Debtor hereby agrees to indemnity Secured Party and hold Secured Party harmless from and against any claim, liability, loss, damage, expense, suit, action or proceeding which may now or hereafter be suffered or incurred by Secured Party as a result of Debtor's failure to observe, perform or discharge Debtor's duties or obligations hereunder or Secured Party's holding or administering this Agreement or any Collateral unless with respect to any of the above Secured Party is finally determined to have acted with gross negligence or to have engaged in willful misconduct. Without limiting the generality of the foregoing, this indemnity shall extend to any claims asserted against Secured Party by any person under any environmental, occupational safety and hazard, or other similar laws, rules or regulations by reason of Debtor's or any other person's failure to comply with any such laws, rules or regulations. The indemnity obligations of Debtor under this Section shall constitute a part of the Obligations secured hereunder and shall survive the termination of this Agreement.

10. MISCELLANEOUS. (a) Any waiver, forbearance or failure or delay by Secured Party in exercising any of its rights, powers, or remedies hereunder

shall not preclude the further exercise thereof, and every right, power, or remedy of Secured Party hereunder shall continue in full force and effect until such right, power or remedy is specifically waived in a writing executed by Secured Party. Debtor waives any right to require Secured Party to proceed against any person or to exhaust any Collateral or to pursue any remedy in Secured Party's power.

(b) This Agreement may be executed in any number of several counterparts, each of which when so executed shall be deemed to be an original and all of which counterparts taken together shall constitute one and the same instrument.

(c) This Agreement contains the entire agreement between Secured Party and Debtor with respect to the Collateral and supersedes and replaces the Prior Security Agreement as well as any and all other prior agreements, commitments, understandings, negotiations or correspondence between them with respect thereto. If any provision of this Agreement shall be held invalid or prohibited under applicable law, this Agreement shall be invalid or ineffective only to the extent of such invalidity or prohibition, without invalidating the remainder of this Agreement.

(d) The rights, powers, and remedies of Secured Party under this Agreement shall be in addition to all other rights, powers, or remedies given to Secured Party by applicable law or by any other agreement, all of which rights, powers and remedies shall be cumulative and may be exercise successively or concurrently without impairing Secured Party's security interest in or other lien on any of the Collateral.

(e) All singular terms used herein shall include the plural and vice versa. All pronouns used herein shall be deemed to cover all genders. All headings used herein are for convenience of reference only and shall not constitute a substantive part of this Agreement.

(f) This Agreement may not be amended or modified except by a writing signed by each of the parties hereto.

(g) Except as may be otherwise expressly provided herein, all notices, requests and demands to or upon any party hereto shall be given in accordance with the notice provisions of the Third Restated Loan Agreement.

(h) All rights of Secured Party under this Agreement shall inure to the benefit of its successors and assigns, and all obligations of Debtor hereunder shall bind its successors, and assigns.

(i) This Agreement and all security interests and other liens granted or conveyed hereunder shall remain in full force and effect and shall be irrevocable until such time as (x) no Obligations are outstanding and (y) the Third Restated Loan Agreement is no longer in effect. Debtor hereby waives any right Debtor may have upon payment in full of the Obligations to require Secured Party to terminate its security interest in the Collateral or any financing statement relating thereto until this Agreement is terminated in accordance with the foregoing terms.

(j) This Agreement shall be construed in accordance with and governed by the laws of the State of Georgia without giving effect to its choice of law rules.

(k) Time is of the essence of this Agreement.

IN WITNESS WHEREOF, Debtor and Secured Party have executed and delivered this Agreement, and Debtor has affixed its seal hereto, as of the day and year first above set forth.

DEBTOR:

By:_____
Title:_____

(CORPORATE SEAL)

SECURED PARTY:

NATIONSBANK, N.A. (SOUTH)

By:_____
Title:_____

SCHEDULE 1 TO
SECURITY AGREEMENT
DATED _____, _____
BETWEEN _____, AS DEBTOR,
AND NATIONSBANK, N.A. (SOUTH), AS SECURED PARTY

Additional Locations for Debtor:

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DEBTOR'S INITIALS:

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SECURED PARTY'S INITIALS:

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EXHIBIT F

CERTIFICATE
OF
CRYOLIFE, INC.

The undersigned officers of CRYOLIFE, INC. (the "Borrower"), a Florida corporation, hereby certify and covenant in their representative capacities on behalf of the Borrower as follows:

1. The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida, with all requisite corporate power and authority to own, operate and lease its properties and to carry on its business, and is duly qualified to do business in every jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary.

2. Attached hereto as Exhibit 1 is a true and correct copy of resolutions of the Directors of the Borrower which were duly adopted as of August ___, 1996 (the "Resolutions"). Signed originals of the Resolutions appear in the minute book of the Borrower. The Resolutions were adopted in accordance with law and in accordance with the by-laws of the Borrower. A true and correct copy of the Borrower's By-Laws, as in effect on the date hereof, is attached hereto as Exhibit 2. The Resolutions are in full force and effect and have not been amended, altered or repealed as of the date hereof.

3. The Borrower has duly authorized, executed and delivered, and approved by all necessary corporate action, the following documents (hereinafter collectively referred to as the "Financing Documents") pursuant to, and in full

compliance with, authority granted by the Directors of the Borrower in the Resolutions:

| Document | Date | Other Party |
|---|---|---|
| Third Amended and Restated Loan Agreement (the "Loan Agreement") | Date hereof | NationsBank, N.A. (South) (the "Lender") |
| $10,000,000 Promissory Note | Date hereof | Lender |
| Amended and Restated Security Agreement | Date hereof | Lender |
| Stock Pledge Agreement | Date hereof | Lender |

The Borrower hereby acknowledges receipt of an executed counterpart or photocopy (as executed) of each of the Financing Documents.

4. The Borrower has the corporate power to execute the Financing Documents and to perform the obligations required to be performed by the Borrower under the terms of the Financing Documents.

5. As of the date hereof, and after giving effect to the execution and delivery of the Financing Documents, each of the representations and warranties of the Borrower in the Financing Documents is true and correct in all material respects and no Default or Event of Default (as such terms are defined in the Financing Documents) has occurred and is continuing.

6. The seal affixed to this certificate and the Financing Documents is the legally adopted, proper and only official corporate seal of the Borrower.

7. The Borrower's chief executive office and principal place of business (within the meaning of Official Code of Georgia Annotated Section 11-9-401(1)(b)) is located in Cobb County, Georgia and its principal executive office (within the meaning of Section 6323(f) of the Internal Revenue Code of 1954, as amended) is located in Cobb County, Georgia.

8. Borrower's federal taxpayer identification number is 59-2417093.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures as of this 30th day of August, 1996.

_____
Steven G. Anderson, President and Chief Executive Officer of CryoLife, Inc.

_____
Edwin B. Cordell, Jr., Vice President and Chief Financial Officer of CryoLife, Inc.

EXHIBIT 1

BOARD RESOLUTIONS
OF
CRYOLIFE, INC.
(THE "CORPORATION")

WHEREAS, the Corporation desires to continue to borrow money and obtain other financial accommodations from time to time from NationsBank, N.A. (South), successor by merger to Bank South, a Georgia banking corporation formerly known as Bank South, N.A. (the "Lender"), pursuant to the terms of a Third Amended and Restated Loan Agreement substantially in the form presented to the Corporation's directors and to be entered into between the Corporation and the Lender (the "Third Restated Loan Agreement"); and

WHEREAS, the Corporation's indebtedness to the Lender for any and all loans made by the Lender to the Corporation under the Third Restated Loan Agreement will be evidenced by a promissory note to be executed by the Corporation in favor of the Lender substantially in the form of Exhibit A attached to the Third Restated Loan Agreement (the "Note"); and

WHEREAS, the Corporation's indebtedness to the Lender for the loans made under the Third Restated Loan Agreement will be secured by all or substantially all of the Corporation's property pursuant to an Amended and Restated Security Agreement to be executed by the Corporation in favor of the Lender substantially in the form of Exhibit B attached to the Third Restated Loan Agreement (the "Restated Security Agreement"); and

WHEREAS, the Corporation's indebtedness to the Lender for the loans made under the Third Restated Loan Agreement will also be secured by a pledge of all of the capital stock of CryoLife International, Inc., a subsidiary of the Corporation, pursuant to a Stock Pledge and Security Agreement to be executed by the Corporation in favor of the Lender substantially in the form of Exhibit C-1 attached to the Third Restated Loan Agreement (the "Stock Pledge Agreement"); and

WHEREAS, the Board of Directors of the Corporation deems it to be in the best interest of the Corporation and its shareholders that the Corporation enter into the Third Restated Loan Agreement, the Note, the Restated Security Agreement and the Stock Pledge Agreement (collectively, the "Financing Documents");

NOW, THEREFORE, BE IT RESOLVED that the Financing Documents, together with all transactions contemplated thereby, are hereby approved in their entirety; and

FURTHER RESOLVED, that the president or any vice president of the Corporation are each hereby severally authorized and directed to execute and deliver on behalf of the Corporation the Financing Documents, all in substantially the same forms as were presented to the Corporation's directors, but with such changes thereto as the president or any vice president shall deem to be in the best interest of the Corporation; and

FURTHER RESOLVED, each of the aforesaid officers of the Corporation are hereby severally authorized and directed to do or to cause to be done all such other acts and things on behalf of the Corporation (including the execution and delivery of such other documents, security agreements, collateral assignments, subordination agreements, other instruments, financing statements, stock powers or transfers, certificates and agreements) as any such officer may deem necessary or desirable in order to carry out and effectuate fully the purposes of the foregoing resolutions.

## EXHIBIT G

## CERTIFICATE
## OF
## CRYOLIFE INTERNATIONAL, INC.

The undersigned officers of CRYOLIFE INTERNATIONAL, INC. (the "Guarantor"), a Florida corporation, hereby certify and covenant in their representative capacities on behalf of the Guarantor as follows:

1. The Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida, with all requisite corporate power and authority to own, operate and lease its properties and to carry on its business, and is duly qualified to do business in every jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary.

2. Attached hereto as Exhibit 1 is a true and correct copy of resolutions of the Directors of the Guarantor which were duly adopted as of August ____, 1996 (the "Resolutions"). Signed originals of the Resolutions appear in the minute book of the Guarantor. The Resolutions were adopted in accordance with law and in accordance with the by-laws of the Guarantor. A true

and correct copy of the Guarantor's By-Laws, as in effect on the date hereof, is attached hereto as Exhibit 2. The Resolutions are in full force and effect and have not been amended, altered or repealed as of the date hereof.

3. The Guarantor has duly authorized, executed and delivered, and approved by all necessary corporate action, the following documents (hereinafter collectively referred to as the "Financing Documents") pursuant to, and in full compliance with, authority granted by the Directors of the Guarantor in the Resolutions:

| Document | Date | Other Party |
|---|---|---|
| Guaranty Agreement | Date hereof | NationsBank, N.A. (South) (the "Lender") |
| Security Agreement | Date hereof | Lender |

The Guarantor hereby acknowledges receipt of an executed counterpart or photocopy (as executed) of each of the Financing Documents.

4. The Guarantor has the corporate power to execute the Financing Documents and to perform the obligations required to be performed by the Guarantor under the terms of the Financing Documents.

5. As of the date hereof, and after giving effect to the execution and delivery of the Financing Documents, each of the representations and warranties of the Guarantor in the Financing Documents is true and correct in all material respects and no Default or Event of Default (as such terms are defined in the Financing Documents) has occurred and is continuing.

6. The seal affixed to this certificate and the Financing Documents is the legally adopted, proper and only official corporate seal of the Guarantor.

7. The Guarantor's chief executive office and principal place of business (within the meaning of Official Code of Georgia Annotated Section 11-9-401(1)(b)) is located in Cobb County, Georgia and its principal executive office (within the meaning of Section 6323(f) of the Internal Revenue Code of 1954, as amended) is located in Cobb County, Georgia.

8. Guarantor's federal taxpayer identification number is 58-2053258.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures as of this 30th day of August, 1996.

_____

Steven G. Anderson, President of
CryoLife International, Inc.

EXHIBIT 1

BOARD RESOLUTIONS
OF
CRYOLIFE INTERNATIONAL, INC.
(THE "CORPORATION")

WHEREAS, CryoLife, Inc. (the "Parent"), the parent company of the Corporation, desires to continue to borrow money and obtain other financial accommodations from time to time from NationsBank, N.A. (South), successor by merger to Bank South, a Georgia banking corporation formerly known as Bank South, N.A. (the "Lender"), pursuant to the terms of a Third Amended and Restated Loan Agreement substantially in the form presented to the Corporation's directors and to be entered into between the Parent and the Lender (the "Third Restated Loan Agreement"); and

WHEREAS, it is a condition precedent to such loans that the Corporation guarantee the obligations of the Parent to the Lender, pursuant to a Guaranty Agreement to be executed by the Corporation in favor of Lender substantially in the form attached as Exhibit D to the Third Restated Loan Agreement (the

"Guaranty"); and

WHEREAS, the Corporation's obligations to the Lender under the Guaranty will be secured by all or substantially all of the Corporation's property pursuant to a Security Agreement to be executed by the Corporation in favor of the Lender substantially in the form of Exhibit E attached to the Third Restated Loan Agreement (the "Security Agreement"); and

WHEREAS, the Board of Directors of the Corporation deems it to be in the best interest of the Corporation and its shareholders that the Corporation enter into the Guaranty and the Security Agreement (collectively, the "Financing Documents");

NOW, THEREFORE, BE IT RESOLVED that the Financing Documents, together with all transactions contemplated thereby, are hereby approved in their entirety; and

FURTHER RESOLVED, that the president or any vice president of the Corporation are each hereby severally authorized and directed to execute and deliver on behalf of the Corporation the Financing Documents, all in substantially the same forms as were presented to the Corporation's directors, but with such changes thereto as the president or any vice president shall deem to be in the best interest of the Corporation; and

FURTHER RESOLVED, each of the aforesaid officers of the Corporation are hereby severally authorized and directed to do or to cause to be done all such other acts and things on behalf of the Corporation (including the execution and delivery of such other documents, security agreements, collateral assignments, subordination agreements, other instruments, financing statements, stock powers or transfers, certificates and agreements) as any such officer may deem necessary or desirable in order to carry out and effectuate fully the purposes of the foregoing resolutions.

EXHIBIT H

August 30, 1996

NationsBank, N.A. (South)
600 Peachtree Street, N.E.
Atlanta, Georgia 30308

Gentlemen:

We have served as counsel for CryoLife, Inc., a Florida corporation (the "Borrower"), and for CryoLife International, Inc., a Florida corporation (the "Guarantor"), in connection with the loan transactions of even date which arise under the Third Amended and Restated Loan and Security Agreement, dated as of August 30, 1996, between the Borrower and the Lender (the "Loan Agreement"). This opinion letter is delivered pursuant to Section 605 of the Loan Agreement. Capitalized terms used and not otherwise defined herein are used herein with the meanings ascribed to them in the Loan Agreement and in the Interpretative Standards (as defined below); provided, however, that in the event of any conflict in the definitions contained in the Loan Agreement (on the one hand) and in the Interpretative Standards (on the other hand), the definitions in the Loan Agreement shall control.

This opinion letter is limited by, and is in accordance with, the January 1, 1992 edition of the Interpretative Standards applicable to Legal Opinions to Third Parties in Corporate Transactions adopted by the Legal Opinion Committee of the Corporate and Banking Law Section of the State Bar of Georgia (the "Interpretative Standards"), which Interpretative Standards are incorporated in this opinion letter by this reference.

In connection with this representation, we have examined fully executed counterparts of the following documents (items (a) through (f) below are hereinafter referred collectively as the "Credit Documents"):

(a) The Loan Agreement;

(b) The Note;

(c) The Security Agreement;

(d) The Stock Pledge Agreement;

(e) The Subsidiary Guaranty executed by the Guarantor;

(f) The Subsidiary Security Agreement executed by the Guarantor;

(g) Acknowledgement copies of the financing statements on Form UCC-1 (the "Financing Statements") under the Uniform Commercial Code (the "UCC") as in effect in the State of Georgia (the "State"), naming the Borrower and the Guarantor, respectively, as debtors, and the Lender, as secured party, and filed on _____, 1996, in the Office of the Clerk of the Superior Court of Cobb County, Georgia (the "Filing Office");

(h) Reports of examinations (the "Search Reports"), dated August ___, 1996, and conducted under the Borrower's and the Guarantor's name by Equifax Business Information Services (which is an independent contractor and is not affiliated with or supervised by our firm) in the federal and state tax lien, judgment lien and UCC financing statement records of the Filing Office; and

(i) The other documents and material written agreements listed on Schedule I attached hereto.

In the capacity described above, we have also considered such matters of law and of fact, together with such other records and documents of the Borrower and the Guarantor, certificates of officers or other representatives of the Borrower and the Guarantor, certificates of public officials, and such other documents as we have deemed appropriate for the opinions and confirmations herein set forth.

With your permission in rendering the opinions and confirmations set forth herein, we have assumed the following, in addition to the assumptions set forth in the Interpretative Standards, without any investigation or inquiry on our part:

(i) The due authorization, execution and delivery of all Credit Documents by all parties thereto (other than the Borrower and the Guarantor);

(ii) That the Credit Documents constitute the binding obligations of the parties thereto (other than the Borrower and the Guarantor) and that each party thereto (other than the Borrower and the Guarantor) has all requisite power and authority to perform its respective obligations thereunder;

(iii) That the only interest, fees and other charges contracted for or to be reserved, charged, taken or paid in connection with the Transaction are those set forth in the Credit Documents and that all such interest, fees and charges will be reserved, charged, taken and applied by Lender solely as described in the Credit Documents, and that no interest shall be reserved, charged, taken or paid under the Credit Documents on unpaid interest and that under no circumstances shall the rate of interest paid or payable under the Credit Documents (including any fees, charges, premiums or similar amounts which may be characterized as interest) exceed 5.0% per month (whether due to prepayment, acceleration or otherwise);

(iv) The Borrower has, prior to or concurrently with its execution and delivery of the Security Agreement, rights in and the unrestricted right to convey the Collateral covered thereby, including that portion of such Collateral which constitutes property of a type (x) in which a security interest may be granted and perfected under the provisions of Article 9 of the UCC and (y) as to which the federal laws of the United States have not preempted the UCC with respect to the validity, enforceability, perfection or priority of security interests

therein (such portion of such Collateral being hereinafter collectively referred to as the "Borrower UCC Collateral");

(v) The Guarantor has, prior to or concurrently with its execution and delivery of the Subsidiary Security Agreement, rights in and the unrestricted right to convey the Collateral covered thereby, including that portion of such Collateral which constitutes property of a type (x) in which a security interest may be granted and perfected under the provisions of Article 9 of the UCC and (y) as to which the federal laws of the United States have not preempted the UCC with respect to the validity, enforceability, perfection or priority of security interests therein (such portion of such Collateral being hereinafter collectively referred to as the "Guarantor UCC Collateral"; the Borrower UCC Collateral and the Guarantor UCC Collateral being hereinafter collectively referred to as the "UCC Collateral");

(vi) The principal place of business and chief executive office of the Borrower and the Guarantor are located in the State;

(vii) All of the UCC Collateral of the Borrower and the Guarantor is situated or located within the State other than that which is in transit to or from such a location or is mobile equipment;

(viii) The Search Reports are accurate and complete; and

(ix) The Financing Statements give (i) the correct federal taxpayer identification number for the debtor named thereon and (ii) a correct address of the secured party named thereon from which information concerning the security interest to be perfected thereby may be obtained.

The opinions set forth herein are limited to the laws of the State, the general corporation laws of the State of Florida and any applicable federal laws of the United States.

Based upon the foregoing, and subject to the other exceptions, assumptions and qualifications set forth or incorporated herein by reference, it is our opinion that:

1. The Borrower was duly organized as a corporation, and is existing and in good standing, under the laws of the State of Florida.

2. The Borrower has the corporate power to execute and deliver the Credit Documents to which Borrower is a party, to perform its obligations thereunder, to own and use its Assets and to conduct its business.

3. The Borrower has duly authorized the execution and delivery of the Credit Documents to which Borrower is a party and all performance by the Borrower thereunder.

4. The Borrower has duly executed and delivered the Credit Documents to which it is a party.

5. The execution and delivery by the Borrower of the Credit Documents to which Borrower is a party do not, and if the Borrower were now to perform its obligations thereunder such performance would not, result in any:

(i) violation of the Certificate of Incorporation or By-Laws of the Borrower;

(ii) violation of any existing federal or State constitution, statute, regulation, rule, order or law to which the Borrower or its Assets are subject;

(iii) breach of or default under any material written agreements;

(iv) creation or imposition of any contractual lien or security interest in, on or against the Borrower's Assets under any material written agreements (except as contemplated by the Credit Documents); or

(v) violation of any judicial or administrative decree, writ, judgment or order to which, to our knowledge, the Borrower or its Assets are subject.

With your permission, we have assumed that the term "material written agreements" used in clauses (iii) and (iv) above includes only those agreements listed as such on Schedule I attached hereto.

6. The Guarantor was duly organized as a corporation, and is existing and in good standing, under the laws of the State of Florida.

7. The Guarantor has the corporate power to execute and deliver the Credit Documents to which Guarantor is a party, to perform its obligations thereunder, to own and use its Assets and to conduct its business.

8. The Guarantor has duly authorized the execution and delivery of the Credit Documents to which Guarantor is a party and all performance by the Guarantor thereunder.

9. The Guarantor has duly executed and delivered the Credit Documents to which it is a party.

10. The execution and delivery by the Guarantor of the Credit Documents to which Guarantor is a party do not, and if the Guarantor were now to perform its obligations thereunder such performance would not, result in any:

(i) violation of the Certificate of Incorporation or By-Laws of the Guarantor;

(ii) violation of any existing federal or State constitution, statute, regulation, rule, order or law to which the Guarantor or its Assets are subject;

(iii) breach of or default under any material written agreements;

(iv) creation or imposition of any contractual lien or security interest in, on or against the Guarantor's Assets under any material written agreements (except as contemplated by the Credit Documents); or

(v) violation of any judicial or administrative decree, writ, judgment or order to which, to our knowledge, the Guarantor or its Assets are subject.

With your permission, we have assumed that the term "material written agreements" used in clauses (iii) and (iv) above includes only those agreements listed as such on Schedule I attached hereto.

11. No consent, approval, authorization or other action by, or notice to or filing with, any court or administrative or governmental body of the United States or the State is required in connection with the execution and delivery by the Borrower or the Guarantor of the Credit Documents or the incurrence by the Borrower or the Guarantor of their respective obligations thereunder, except such consents, approvals, authorizations, registrations or filings as have been made or obtained and are in full force and effect.

12. Each Credit Document executed by the Borrower or the Guarantor is enforceable against it.

13. While the laws of the State relating to matters of interest and usury are not without ambiguities, and assuming that the Borrower is not required or deemed to pay any interest or other charges for the use of money in connection with the Transactions in excess of 5% per month, a court applying the laws of the State should conclude that the Credit Documents are in compliance with the State's interest and usury laws; provided, however, that we express no opinion herein as to any provision of any Credit Document (if any) that may be construed to require or permit interest to be charged or paid on unpaid interest except to the extent permitted under Official Code of Georgia Annotated ("O.C.G.A.") Section 7-4-17.

14. None of the Loans contemplated by the Loan Agreement, including without limitation the use of the proceeds thereof, will violate or result in a violation of Regulation G, T, U or X of the Board of Governors of the Federal Reserve System.

15. (a) Each of the Security Agreement and the Subsidiary Security Agreement is effective to create a security interest in the UCC Collateral covered thereby;

(b) The Financing Statements are in appropriate form for filing in the State and no taxes or fees, other than normal filing fees, are required to be paid in connection with such filing, and the filing of the Financing Statements is effective to perfect the security interest to be created by the Security Agreement and the Subsidiary Security Agreement, respectively, in that portion of the UCC Collateral in which a security interest may be perfected by the filing of a UCC financing statement in the State (the "Security Interest");

(c) Based solely on the Search Reports, for which we take no responsibility, and assuming that no additional filings have been made since the effective time thereof, the Security Interest has the priority accorded to a UCC security interest perfected by the filing of a UCC financing statement in the Filing Office; and

(d) The opinions expressed in paragraphs 15(a), (b) and (c) above are subject to the following additional exceptions and qualifications:

(i) The effect of bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors, including the U.S. Bankruptcy Code in its entirety and State laws regarding fraudulent transfers, obligations and conveyances or regarding receiverships;

(ii) In the case of proceeds, as such term is defined in the UCC, continuation of the perfection of the Security Interest therein is limited to the degree set forth in O.C.G.A. Section 11-9-306;

(iii) Continuation statements relating to the Financing Statements must be filed within six (6) months prior to the expiration of five (5) years from the date of filing thereof and within the same period prior to each succeeding fifth (5th) anniversary of such filing date;

(iv) Additional filings may be necessary with respect to the UCC Collateral if the Borrower or the Guarantor changes its name, identity or corporate structure or the jurisdiction in which the UCC Collateral is located or in the event the Borrower or the Guarantor changes the location of its principal place of business or chief executive office;

(v) It may not be possible to create or perfect any security interest in any of the UCC Collateral consisting of accounts or general intangibles arising under service agreements, or the proceeds thereof, that are subject to an agreement that is or purports to be non-assignable or that may not be assigned under applicable law; and

(vi) We express no opinion herein with respect to the perfection or priority of the Security Interest in any portion of the UCC Collateral which may constitute a fixture (as such term is defined in the UCC).

Based upon the foregoing, and subject to the other exceptions, assumptions and qualifications set forth or incorporated by reference herein, we hereby confirm to you that:

A. To our knowledge, no litigation or other proceedings against the Borrower or the Guarantor or any of their respective Assets is pending or overtly threatened by a written communication to the Borrower or the Guarantor.

B. The Borrower and the Guarantor are each qualified to transact business as a foreign corporation in the States of Georgia. The foregoing statement is based solely upon certificates provided by an agency of that state as described on Schedule I attached hereto, copies of which have been delivered to you at the closing of the Transaction, and is limited to the meaning ascribed to such certificate by the applicable state agency.

This opinion letter has been delivered solely for the benefit of the addressees pursuant to the Loan Agreement and may not be relied upon by any other person or entity or for any other purpose without the express written permission of the undersigned.

Very truly yours,

ARNALL GOLDEN & GREGORY

By:_____
_____, a partner

SCHEDULE 1

OTHER DOCUMENTS REVIEWED

1. Copies of the Certificates of Incorporation of Borrower and Guarantor as certified on August __, 1996 by the Office of the Secretary of State of Florida;

2. Good standing certificates (or equivalent) for Borrower and Guarantor as issued on August __, 1996 by the Office of the Secretary of State of Florida;

3. Good standing certificates (or equivalent) for Borrower and Guarantor as issued on August __, 1996 by the Office of the Secretary of State of Georgia; and

4. Certificates of Borrower and Guarantor, each dated as of August 30, 1996, executed and delivered by Borrower and Guarantor, respectively, pursuant to Section 605 of the Loan Agreement and to which are attached certified copies of Borrower's and Guarantor's by-laws and authorizing board resolutions.

MATERIAL WRITTEN AGREEMENTS

1.

EXHIBIT I

WAIVER AND CONSENT

THIS WAIVER AND CONSENT is made as of this _____ day of August, 1996, by the undersigned in favor of NATIONSBANK, N.A. (SOUTH), a national banking association having offices at 600 Peachtree Street, N.E., Atlanta, Georgia 30308 (the "Lender").

STATEMENT OF FACTS

The undersigned is the lessor of the real property and related improvements and fixtures located at _____ hereinafter collectively called the "Real Property". The Lender and CRYOLIFE, INC. and/or its subsidiary CRYOLIFE INTERNATIONAL, INC., hereinafter collectively called "Debtor", the lessee of the Real Property, may now or hereafter enter into one or more security agreements under which the Lender may be granted a security interest in some or all of the Debtor's now owned or hereafter acquired accounts, contract rights, general intangibles, documents, instruments, inventory, equipment, machinery, furniture, fixtures and leasehold improvements and all proceeds of any or all of the foregoing as well as all books and records (including without limitation computer and accounting records) of the Debtor pertaining to any or all of the foregoing, hereinafter collectively called the "Personal Property". Some or all of the Personal Property will be placed, stored or otherwise located on the Real Property.

NOW, THEREFORE, for and in consideration of the foregoing premises, $5.00 in hand paid by the Lender to the undersigned, and other good and valuable

consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned does hereby consent and agree in favor of Lender as follows:

STATEMENT OF TERMS

1. The undersigned consents to and acquiesces in the Debtor's grant of a security interest in the Personal Property in favor of the Lender.

2. The undersigned hereby waives, relinquishes and releases any right, privilege or power which the undersigned now has, or may hereafter have, under or by virtue of any law or any agreement, instrument or other document, to claim or assert any right, title or interest in or to the Personal Property, including without limitation any right, privilege or power to levy or distrain upon the Personal Property for rent, in arrears, in advance or both.

3. The Lender may exercise any rights, privileges, options or powers which it may have with respect to the Personal Property without regard to the undersigned's right, title or interest in and to the Real Property, including, without limitation, any right, privilege or option which the Lender may have to enter upon the Real Property and inspect, or to take possession of and remove, the Personal Property, or any part thereof, pursuant to the terms and conditions of any agreement between Debtor and the Lender or pursuant to any applicable law; provided, that Lender shall reimburse the undersigned for the reasonable costs of repairing any actual physical damage to the Real Property caused by Lender in removing the Personal Property (but Lender shall not be liable for any other diminution in the value of the Real Property resulting from the removal of any of the Personal Property therefrom).

4. If the Lender elects to take possession of all or any part of the Personal Property pursuant to the terms of any agreement between Debtor and the Lender or pursuant to any applicable law, the Lender shall have access to the Real Property for the purposes of inspecting, preserving or removing the Personal Property and the Lender may, in its discretion and without liability to the undersigned except as expressly provided below, leave all or any part of the Personal Property on the Real Property for a period of not more than ninety (90) days after the Lender takes such possession; provided, that Lender shall pay to the undersigned pro-rated rent (based on the base rent rate then payable by Debtor to the undersigned) for the days that Lender is in actual possession of the Real Property if and to the extent that Debtor fails to pay the same.

5. The undersigned agrees to give the Lender prior written notice (at Lender's address set forth above or at such other address as Lender may hereafter designate by written notice to the undersigned) of any payment default by Debtor under its lease of the Real Property and Lender shall have the right (but not the obligation) to cure such payment default within ten (10) days after Lender's receipt of such payment default notice and the undersigned shall not terminate the Debtor's lease of the Real Property on account of such payment default until Lender's cure right expires.

6. The validity and enforceability of this Waiver and Consent shall not be impaired, diminished, annulled or affected in any manner whatsoever by the modification, alteration, extension or renewal of any debt or other obligation of Debtor to the Lender.

7. This Waiver and Consent shall be binding upon and enforceable against the undersigned and its heirs, legal representatives, successors and assigns, and shall inure to the benefit of the Lender and its successors and assigns.

8. Words importing the singular number hereunder shall include the plural number and vice versa, and any pronoun used herein shall be deemed to include all genders.

9. This Waiver and Consent supersedes and replaces any prior waivers or consents executed by the undersigned in favor of the Lender with respect to the Personal Property, the Real Property and the Debtor.

IN WITNESS WHEREOF, the undersigned has executed this Waiver and Consent and affixed its seal hereto as of the day and year first written above.

(Individual Mortgagee or Lessor Sign Here)

Signed, sealed and delivered this ____ day (SEAL)

of _____, 1996, in the presence of:

Name:_____

Notary Public

[NOTARIAL SEAL]

(Corporate or Partnership Mortgagee or Lessor Sign Here)

(CORPORATE SEAL)

By:_____

ATTEST:_____ Title:_____

Title:_____

Signed, sealed and delivered this _____ day of _____, 1996, in the presence of:

Notary Public

[NOTARIAL SEAL]

EXHIBIT J

COMPLIANCE CERTIFICATE

This Certificate is delivered pursuant to that certain Third Amended and Restated Loan Agreement, dated as of March 30, 1996 (the Agreement), by and between CRYOLIFE, INC., a Florida corporation (the Borrower), and NATIONSBANK, N.A. (SOUTH), a national banking association (the Lender). All capitalized terms used in this Certificate which are defined in the Agreement are used in this Certificate with the same meanings given such terms in the Agreement. Unless otherwise defined in the Agreement, all accounting terms used herein shall have the meaning given such terms under generally accepted accounting principles consistently applied (GAAP).

I hereby certify, to the best of my knowledge and belief and in my representative capacity on behalf of the Borrower, to the Lender as follows:

1. I am the duly qualified and acting chief financial officer of the Borrower.

2. I have prepared or reviewed the financial statements of the Borrower as of and for the period ending _____, _____, true, complete and correct copies of which are attached hereto as Exhibit 1 (collectively, the Financial Statements).

3. The Financial Statements were prepared in accordance with GAAP and fairly present the financial position and results of operations of the Borrower (and its consolidated subsidiaries, if any) as of and for the period ending on the date of the Financial Statements (subject to normal year-end adjustments).

4. I further certify that as of, and for the period ending on, the date of the Financial Statements, and except as may be disclosed on Exhibit 2 attached hereto (all of the following being calculated on a consolidated basis and in accordance with GAAP and the Agreement):

(a) The Borrowers Current Ratio was not less than 2.0 to 1.0 at any time during such period;

(b) The Borrowers Leverage Ratio did not exceed 1.0 to 1.0 at any time during such period;

(c) The Borrowers Debt Coverage Ratio was not less than 1.3 to 1.0 for such period;

(d) The Borrowers Net Worth was not less than [insert $15,500,000 thru 12/31/96, and during each fiscal year thereafter insert the prior fiscal years required amount plus $500,000] at any time during such period; and

(e) The Borrowers Capital Expenditures for such fiscal year (or for the portion thereof ending with such period) did not exceed $2,000,000 in total.

Attached hereto as Exhibit 3 are calculations demonstrating whether or not the Borrower was in compliance, as of and for the period ending on the date of the Financial Statements, with the covenants in the Loan Agreement which are summarized in items (a) through (e) above.

5. No Default or Event of Default has occurred and is continuing as of the date of this Certificate other than those Defaults or Events of Defaults (if any) which are described on the aforesaid Exhibit 2 attached hereto.

I represent the foregoing information to be true and correct to the best of my knowledge and belief and I execute this Certificate in my representative capacity on behalf of the Borrower as of this ____ day of _____, _____.

Name:_____
Title:_____

EXHIBIT 11.1

STATEMENT RE: COMPUTATION OF EARNINGS PER SHARE

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 1996 | 1995 | 1996 | 1995 |
| Pimary: | | | | |
| Average shares outstanding | 9,528,700 | 9,379,664 | 9,484,482 | 9,363,622 |
| Net effect of dilutive stock options based on the treasury stock method using the greater of quarter-end market price or average market price | 396,096 | 276,078 | 409,532 | 170,962 |
| Totals | 9,924,796 | 9,655,742 | 9,894,014 | 9,534,584 |
| Net Income | $1,261,429 | $685,325 | $3,032,390 | $1,634,834 |
| Per share amount | $.13 | $.07 | $.31 | $.17 |
| Fully diluted: | | | | |
| Average shares outstanding | 9,528,700 | 9,379,664 | 9,484,482 | 9,363,622 |
| Net effect of dilutive stock options based on the treasury stock method using the greater of quarter-end market price or average market price | 396,096 | 276,078 | 409,532 | 170,962 |
| Totals | 9,924,796 | 9,655,742 | 9,894,014 | 9,534,584 |
| Net Income | $1,261,429 | $685,325 | $3,032,390 | $1,634,834 |
| Per share amount | $.13 | $.07 | $.31 | $.17 |

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL DATA INFORMATION EXTRACTED FROM THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS CONTAINED IN ITS REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<CIK> 0000784199
<NAME> CRYOLIFE, INC.

| | | |
|---|---|---|
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| <FISCAL-YEAR-END> | DEC-31-1996 | |
| <PERIOD-END> | SEP-30-1996 | |
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