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FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999
OR

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

For the transition period from to

Commission file number 1-13165

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

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

1655 Roberts Boulevard N.W., Kennesaw, GA 30144
(Address of principal executive offices) (zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

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 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.
__X__ Yes _____ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of voting stock held by nonaffiliates of the registrant was approximately $231,500,000 at March 24, 2000 (10,522,762 shares). The number of common shares outstanding at March 24, 2000 was 12,286,196 (exclusive of treasury shares).

Documents Incorporated By Reference

Part III: Portions of Registrant's Proxy Statement relating to the Annual Meeting of Shareholders to be filed not later than April 29, 2000.

PART I

Item 1. Business.

Overview

CryoLife is the leader in the cryopreservation of viable human tissues for cardiovascular, vascular and orthopaedic transplant applications, and develops and commercializes additional implantable products, including bioprosthetic cardiovascular products and surgical bioadhesives, and single- use medical devices. The Company estimates that it provided approximately 70% of the cryopreserved human tissue implanted in the U.S. in 1998. The Company uses its expertise in biochemistry and cell biology, and its understanding of the needs of the cardiovascular, vascular and orthopaedic surgery medical specialties, to continue expansion of its core cryopreservation business and to develop or acquire complementary implantable products and technologies for these fields. The Company develops bioprosthetic cardiovascular devices including two novel design stentless porcine heart valves currently marketed in the European Community. The Company also develops proprietary implantable surgical bioadhesives, including BioGlue surgical adhesive, which it began commercializing for vascular applications within the European Community in April 1998. In addition, the Company serves as an Original Equipment Manufacturer ("OEM") manufacturer, through its Ideas For Medicine, Inc. ("IFM") subsidiary, of single-use medical devices for use in vascular surgical procedures.

CryoLife processes and distributes for transplantation cryopreserved human heart valves and conduits, human vascular tissue and human connective tissue for the knee. Management believes that cryopreserved human heart valves and conduits offer certain advantages over mechanical, synthetic and animal-derived alternatives. Depending on the alternative, these advantages include more natural functionality, elimination of a chronic need for anti-coagulation drug therapy, reduced incidence of reoperation and reduced risk of catastrophic failure, thromboembolism (stroke) or calcification. The Company seeks to expand the availability of human tissue through its established relationships with over 250 tissue banks and organ procurement agencies nationwide.

CryoLife has developed and markets outside of the U.S. bioprosthetic cardiovascular devices for implantation, currently consisting of fixed stentless porcine heart valves. Fixed porcine heart valves are often preferred by surgeons for procedures involving elderly patients because they eliminate the risk of patient non-compliance with long-term anti-coagulation drug therapy associated with mechanical valves, are less expensive than human heart valves or mechanical valves and their shorter longevity is more appropriately matched with these patients' life expectancies. Unlike most other available porcine heart valves, the Company's stentless porcine heart valves do not contain synthetic stents which increase the risk of endocarditis, a debilitating and potentially fatal bacterial infection. The Company's CryoLife-O'Brien aortic heart valve, currently marketed in the European Community and certain other countries outside the U.S., is a stentless porcine heart valve which contains a matched composite leaflet design that approximates human heart valve blood flow characteristics and requires only a single suture line which simplifies surgical implantation. The Company's CryoLife-Ross pulmonary heart valve, another of the Company's fixed stentless porcine valves, is also marketed in the European Community and certain countries outside the U.S. The Company has applied its proprietary SynerGraft technology to its human heart valves and conduits and to some of its stentless porcine heart valves. SynerGraft involves the depopulation of living cells from the structure of heart tissues to allow the potential for repopulation of such tissue with recipient cells. In animal studies, porcine valves which were depopulated by the SynerGraft process were repopulated with cells from the valve recipient. This process is designed to reduce calcification of heart valves, thereby increasing longevity, and more generally to improve the biocompatibility and functionality of such tissue. The Company believes that its porcine heart valves, when treated with SynerGraft technology, will expand its opportunity to address the broader international and U.S. heart valve markets.

CryoLife is developing implantable biomaterials for use as surgical adhesives and sealants. The Company's patent protected BioGlue surgical adhesive, designed for cardiovascular, peripheral vascular and pulmonary applications, is a polymer based on a derivative of a blood protein and a cross linking agent. The Company's patent protected FibRx surgical sealant, designed for tissue hemostasis and suture line sealing, is a light activated, biodegradable surgical sealant under development which is based on a derivative of the human blood factors fibrinogen and thrombin. Both of these products may offer advantages over sutures and staples, including more effective sealing and easier application. The Company estimates that the annual worldwide market for surgical

sutures and staples in 1999 was in excess of $2 billion. The Company received CE Mark Certification in 1998 for use of its BioGlue surgical adhesive in vascular applications and began marketing this product in April 1998 in the European Community. Following the approval of the Food and Drug Administration to conduct human clinical studies for BioGlue surgical adhesive as an adjunct in the surgical repair of acute thoracic aortic dissections, the Company filed an application with FDA to market the product for this use under a Humanitarian Service Exemption. In December, 1999, the Company received US FDA approval of the HDE and immediately began marketing this product for use in the repair of acute thoracic aortic dissections in the U.S. pursuant to the HDE. Beginning in 1998, the Company began seeking to complete a potential private placement of equity or equity-oriented securities to form a minority-owned subsidary company, AuraZyme Pharmaceuticals, LLC (AuraZyme), for the commercial development of its photo-activated reversible inhibitor technology (FibRx), including the FibRx adhesive. Such strategy is designed to allow the Company to continue development of this technology without incurring additional research and development expenditures, other than through Aurazyme, and allow the Company to focus its resources on the commercial development of its BioGlue surgical adhesive and other products under development. As of December 31, 1999 a portion of the Company's assets relating to the development of FibRx have been classified as available for sale pending the identification of a corporate partner to fund future development.

Prior to October 1, 1998 CryoLife manufactured and distributed, through its IFM subsidiary, single-use medical devices, including endarterectomy surgical instruments, intravascular shunts, infusion ports, accessories utilized in laparoscopic procedures and a wide range of single and dual lumen balloon catheters. On September 30, 1998, the Company sold substantially all of its IFM product line to Horizon Medical Products, Inc. ("Horizon") pursuant to an asset purchase agreement. As part of this agreement, the Company committed to continue manufacturing the IFM product line as an OEM manufacturer of such products for Horizon for four years. Thereafter, responsibility for such manufacturing is to be assumed by Horizon. On June 22, 1999, IFM notified Horizon that it was in default of certain provisions of its OEM Manufacturing Agreement with the Company. The Company has been negotiating with Horizon in order to reach a mutually agreeable solution to the default; however, due to the significant uncertainties related to the Company's ability to realize its investment in IFM, the Company determined in the fourth quarter of 1999 that it had incurred an impairment loss on its IFM assets. See "Management's Discussions and Analysis of Financial Condition and Results of Operations" contained elsewhere in this Annual Report on Form 10-K .

In the U.S., the Company markets its cryopreservation services for human heart valves and conduits, human vascular tissue and its BioGlue surgical adhesive for use in the repair of acute thoracic aortic dissections through its direct technical service representatives and relies on independent orthopaedic sales representatives to market its cryopreservation services for human connective tissue for the knee. Internationally, cryopreserved human tissues, bioprosthetic cardiovascular devices and BioGlue surgical adhesive are distributed through independent representatives located in several countries in Europe, Canada, South America and Asia.

Growth Strategy

The Company's primary objective is to continue its consistent revenue growth and its profitability. The Company's strategy to generate continued growth is based on increasing the use of cryopreserved tissues as an alternative to mechanical and synthetic implantable products, developing new markets for existing products and technologies and developing new products and technologies for new and existing markets. The Company also selectively considers strategic acquisitions of complementary technologies and businesses to supplement its internal growth. The key elements of the Company's business and growth strategy are to:

Continue Leadership in Cryopreservation of Human Heart Valves and Conduits. The Company intends to increase the market penetration of its cryopreserved human heart valves and conduits by (i) expanding awareness of clinical advantages of cryopreserved human tissues through continuing educational efforts directed to physicians, prospective heart valve and conduit recipients and tissue procurement agencies, (ii) expanding its relationships with the more than 250 tissue banks and procurement agencies across the U.S. which direct tissue to the Company for cryopreservation, (iii) expanding its physician training activities, and (iv) expanding its product offerings by utilizing the first of its

SynerGraft technology applications to develop depopulated human heart valves and conduits with antigen reduction properties and the potential for recipient cell repopulation.

- Expand Distribution of Cryopreserved Human Vascular Tissue and Connective Tissue for the Knee. Using the same strategy it has successfully employed to expand its distribution of cryopreserved human heart valves and conduits, the Company intends to increase its cryopreservation revenues from human vascular tissue and connective tissue for the knee through continuing educational efforts directed to vascular and orthopaedic surgeons about the clinical advantages of cryopreserved vascular and orthopaedic tissue, expanding its relationships with tissue banks and procurement agencies and expanding its programs for training physicians in the use of tissue cryopreserved by the Company.

- Broaden Application of Cryopreservation Services. The Company will continue to collect, monitor and evaluate implant data to (i) develop expanded uses for the human tissues currently cryopreserved by the Company and (ii) identify new human tissues as candidates for cryopreservation. In 1997, the Company began providing cryopreserved human vascular tissue to be used as dialysis access replacement grafts for patients undergoing long-term dialysis, and separately, as venous valve replacements for patients suffering from diseases of the venous system. In 1998, in addition to patellar and achilles tendons, the Company began providing cryopreserved posterior tibialis, anterior tibialis and semi t/gracilis tendons for use in knee repairs, and in 1999 began providing preserved human osteoarticular grafts to repair articular defects and aortoiliac grafts to repair infected abdominal aortic aneurysms. The Company is also investigating the use of cryopreserved human endothelial cells, peripheral nerves and spinal disks in various surgical applications.

- Develop and Commercialize Biomaterials for Surgical Adhesive and Sealant Applications. In the second quarter of 1998, the Company began commercializing its patent protected BioGlue surgical adhesive in the European Community through its existing independent representatives. In April 1998 the Company received approval under an Investigational Device Exemption (IDE) to conduct clinical trials for BioGlue surgical adhesive in the U.S., and in December 1999 received US FDA approval to distribute BioGlue surgical adhesive under a Humanitarian Device Exemption ("HDE") for use as an adjunct in the repair of acute thoracic aortic dissections. The Company has received U.S. FDA approval to and will commence clinical trials under a supplemental IDE for use in general vascular and selected cardiac repairs. The Company has formed a subsidiary to raise equity or equity-related capital in order to continue development of its patent protected FibRx surgical sealant. In addition to the adhesive and sealant applications of these biomaterials, the Company intends to pursue, either directly or through strategic alliances, certain potential drug delivery applications of BioGlue surgical adhesive and FibRx surgical sealant, such as administering antibiotics, attaching chemotherapy drugs to tumors, delivering growth agents or delivering bone chips for orthopaedic bone repair.

- Develop and Commercialize Bioprosthetic Cardiovascular Devices. The Company intends to leverage its expertise with stentless human heart valves to expand commercialization of its stentless porcine heart valves and to use its stentless porcine heart valves as a platform for the development and commercialization of the Company's SynerGraft technology. The Company has expanded its production capacity for its bioprosthetic cardiovascular devices to address the increased demand it is currently experiencing. Separately, the Company's patent protected SynerGraft technology is being developed to expand the target market for the stentless porcine heart valves by minimizing calcification often associated with porcine tissues and thereby increasing their longevity.

- Leverage Existing Capability across Product Lines. The Company intends to apply its expertise with stentless human heart valves to expand commercialization of its stentless porcine heart valves and to use its human heart valves and conduits and its stentless porcine heart valves as a platform for the development and commercialization of the Company's SynerGraft technology. New complementary products under

development include modified single and double lumen balloon catheters for use in delivering the Company's implantable bioadhesives.

Services and Products

Cryopreservation of Human Tissue for Transplant/Living Biologic Devices

The Company's proprietary and patent protected cryopreservation process involves the timely and controlled delivery of tissue procured from deceased human donors to the Company, the screening, disinfection, dissection and cryopreservation of the tissue by the Company, the storage and shipment of the cryopreserved tissue and the controlled thawing of the tissue. Thereafter, the tissue is surgically implanted into a human recipient.

The transplant of human tissue that has not been preserved must be accomplished within extremely short time limits (not to exceed eight hours for transplants of the human heart). Prior to the advent of human tissue cryopreservation, these time constraints resulted in the inability to use much of the tissue donated for transplantation. The application by the Company of its cryopreservation technologies to donated tissue expands the amount of human tissue available to physicians for transplantation. Cryopreservation also expands the treatment options available to physicians and their patients by offering alternatives to implantable mechanical, synthetic and animal-derived devices. The tissues presently cryopreserved by the Company include human heart valves and conduits, vascular tissue and connective tissue for the knee.

CryoLife maintains and collects extensive clinical data on the use and effectiveness of implanted human tissues that it has cryopreserved, and shares this data with implanting physicians. The Company also uses this data to help direct its continuing efforts to improve its cryopreservation services through ongoing research and development. Its research staff and technical representatives assist physicians by providing educational materials, seminars and clinics on methods for handling and implanting the tissue cryopreserved by the Company and the clinical advantages, indications and applications for those tissues. The Company has ongoing efforts to train and educate physicians on the indications for and uses of its cryopreserved tissues, as well as its programs whereby surgeons train other surgeons in necessary techniques. The Company also assists organ procurement agencies through training and development of protocols and provides necessary materials to improve their internal tissue processing techniques and to increase efficiency and the yield of usable tissue.

Human Heart Valves and Conduits. The Company's revenues have been primarily derived from the cryopreservation of human heart valves and conduits for use in reconstructive heart valve replacement surgery. CryoLife shipped approximately 41,100 cryopreserved human heart valves and conduits from 1984 through 1999. Based on CryoLife's records of documented implants, management believes that the Company's success in the allograft heart valve market is due in part to physicians' recognition of the longevity and natural functionality of the Company's cryopreserved human tissues as compared to mechanical and porcine heart valve alternatives in certain applications. The Company currently applies its cryopreservation services to human aortic, pulmonary and mitral heart valves for implantation by cardiac surgeons. In addition, the Company provides cryopreserved conduit tissue, which is the only source of tissue available to surgeons who wish to perform certain specialized cardiac repair procedures. Each of these human heart valves and conduits maintains a viable tissue structure which more closely resembles and performs like the patient's own tissue than non-human tissue alternatives. In February 2000, the Company began distributing in the U.S. human heart valves processed by using the first of its SynerGraft technology applications, which involves depopulating the donor cells from the valve to produce antigen reduction properties and the potential for repopulation with the implant recipient's cells.

Management believes cryopreserved human heart valves and conduits have characteristics that make them the preferred replacement for most patients. Specifically, human heart valves, such as those cryopreserved by the Company, allow for more normal blood flow and provide higher cardiac output than porcine and mechanical heart valves. Human heart valves are not as susceptible to progressive calcification, or hardening, as are porcine heart valves, and do not require anti-coagulation drug therapy, as do mechanical valves. The synthetic sewing rings contained in mechanical and stented porcine valves are difficult to treat with antibiotics after they have become infected, a condition which

usually necessitates the surgical removal of these valves at considerable cost, morbidity and risk of mortality. Consequently, for many physicians human heart valves are the preferred alternative to mechanical and stented porcine valves for patients who have, or are at risk to contract, endocarditis. The following

table sets forth the characteristics of alternative heart valve implants that management believes make cryopreserved human heart valves the preferred replacement for most patients:

	Cryopreserved Human	Porcine		Mechanical	Bovine Pericardium
		Stented	Stentless(1)		
Materials:	human tissue	glutaraldehyde-fixed pig tissue and synthetic sewing ring	glutaraldehyde-fixed pig tissue	pyrolitic carbon bi-leaflet and synthetic sewing ring	glutaraldehyde-fixed cow tissue and synthetic sewing ring
Blood Flow Dynamics:	normal	moderate elevation	nearly normal	high elevation	high elevation
(Required Pressure) (2)	(0-5)	(10-20)	(5-15)	(10-25)	(10-30)
Mode of Failure:	gradual	gradual	expected to be gradual	catastrophic	gradual
Longevity:	20 years	7-10 years	expected to exceed stented porcine valves	20 years	10-15 years
Increased Risk of Thromboembolic Events (strokes or other clotting):	no	occasional	expected to be rare	yes	occasional
Anti-Coagulation Drug Therapy Required:	none	short-term	short-term	chronic	short-term
Responsiveness to Antibiotic Treatment of Endocarditis:	high	low	low	low	low
Average Valve Cost in U.S.:	$7,000	$4,228	$5,500	$4,100(3)	$4,500

(1) Limited long-term clinical data is available since stentless porcine heart valves only recently became commercially available.

(2) Pressure measured in mm/Hg.

(3) Mechanical valves also require chronic anti-coagulation drug therapy at a cost of approximately $450 per year.

While the clinical benefits of cryopreserved human heart valves discussed above are relevant to all patients, they are particularly important for (i) pediatric patients (newborn to 14 years) who are prone to calcification of porcine tissue, (ii) young or otherwise active patients who face an increased risk of severe blood loss or even death due to side effects associated with the anti-coagulation drug therapy required with mechanical valves and (iii) women in their childbearing years for whom anti-coagulation drug therapy would interfere with normal pregnancy.

Human Vascular Tissues. The Company cryopreserves human saphenous and superficial femoral veins for use in vascular surgeries that require small diameter conduits (3mm to 6mm), such as coronary bypass surgery and peripheral vascular reconstructions. Failure to bypass or revascularize an obstruction in such cases may result in death or the loss of a limb. The Company believes it offers the only available small diameter conduit product for below-the-knee vascular reconstruction and shipped approximately 17,600 human vascular tissues from 1986 through 1999.

A surgeon's first choice for replacing diseased or damaged vascular tissue is generally the patient's own tissue. However, in cases of advanced vascular disease, the patient's own tissue is often unusable and the surgeon may consider using synthetic grafts or transplanted human vascular tissue. Synthetic small

diameter vascular grafts are not available for below-the-knee surgeries and, in other procedures, have a tendency to shut down due to occlusion because the synthetic materials in these products attract cellular material from the blood stream which in turn closes off the vessel to normal blood flow. Cryopreserved vascular tissues tend not to occlude as quickly because of the presence of an endothelial cell lining in the donor vein which remains intact following the cryopreservation process. The Company's cryopreserved human vascular tissues are used for coronary artery bypass surgeries, peripheral vascular reconstruction, dialysis access graft replacement and venous valve transplantation.

In 1986, the Company began a program to cryopreserve saphenous veins for use in coronary artery bypass surgeries. Although the Company's cryopreserved human tissue was used in only a small percentage of the coronary artery bypass procedures performed in 1999, the Company believes it is the only commercially available alternative to the patient's own tissue.

In 1989, the Company began a program to cryopreserve long segment saphenous veins for use in peripheral vascular reconstruction. In cases of peripheral arteriosclerosis, a cryopreserved saphenous vein can be implanted as a bypass graft for the diseased artery in order to improve blood flow and maintain a functional limb. Analysis of clinical data has shown that 80% of patients receiving CryoLife's preserved vascular tissues in this type of surgical procedure still have the use of the affected leg three years after surgery. The alternative for many of these patients was amputation.

In 1996, the Company began a program for the cryopreservation of human superficial femoral veins for use in dialysis access graft replacement as an alternative for synthetic grafts which have a higher risk of infection than human tissue.

In 1997, the Company began a program for the cryopreservation of human superficial femoral veins for venous valve transplant. The cryopreservation of these human tissues is designed for patients suffering from chronic venous insufficiency, a condition in which the blood flow returning to the heart from the legs is compromised due to absent, improperly functioning or destroyed venous valves. Prior to the introduction of CryoLife's cryopreserved venous valves, treatment for patients suffering from this ailment generally was limited to drug therapy or compression stockings.

Human Connective Tissue for the Knee. The Company provides cryopreserved surgical replacements for the meniscus and the anterior and posterior cruciate ligaments, which are connective tissues critical to the proper operation of the human knee. CryoLife has shipped approximately 11,300 human connective tissues for the knee through 1999.

Human menisci cryopreserved by the Company provide orthopaedic surgeons with an alternative treatment in cases where a patient's meniscus has been completely removed. When a patient has a damaged meniscus, the current surgical alternatives are to repair, partially remove or completely remove the patient's meniscus, with partial removal being the most common procedure. Meniscal removal increases the risk of premature knee degeneration and arthritis and typically results in the need for knee replacement surgery at some point during the patient's life. Management believes that there are no synthetic menisci on the market.

Tendons cryopreserved by the Company are used for the reconstruction of anterior cruciate ligaments in cases where the patient's ligaments are irreparably damaged. Surgeons have traditionally removed a portion of the patient's patellar tendon from the patient's undamaged knee for use in repairing a damaged anterior cruciate ligament. Tendons cryopreserved by the Company provide an alternative to this procedure. Because surgeries using cryopreserved tissue do not involve the removal of any of the patient's own patellar tendon, the patient recovery period is typically shorter.

Other Allograft Tissues Under Development. The Company has other projects for the use of cryopreserved human endothelial cells, peripheral nerves and spinal discs, in various surgical applications.

Bioprosthetic Cardiovascular Devices

The Company is developing bioprosthetic cardiovascular devices based on its experience with cryopreserved human tissue implants. Like human heart valves,

the Company's porcine heart valves are stentless with the valve opening, or annulus, retaining a more natural flexibility. Stented porcine and mechanical heart valves are typically fitted with synthetic sewing rings which are rigid and can impede normal blood flow. Unlike most other available porcine heart valves, the Company's stentless porcine heart valves do not contain synthetic materials which increase the risk of endocarditis, a debilitating and potentially deadly bacterial infection.

Fixed porcine heart valves are often preferred by surgeons for procedures involving elderly patients because they eliminate the risk of patient non-compliance with anti-coagulation drug therapy associated with mechanical valves, are less expensive than allograft valves and their shorter longevity is more appropriately matched with these patients' life expectancies.

The Company's SynerGraft technology applies to its porcine heart valves and involves the removal of living cells from the structure of non-viable animal tissue to allow the potential repopulation of such tissue with the implant recipient's own cells. In animal studies, porcine valves that were depopulated by the SynerGraft process were repopulated with cells from the valve recipient. This process is designed to reduce calcification of porcine heart valves, thereby increasing their longevity, and more generally to improve the biocompatibility and functionality of such tissue. The Company believes that its porcine heart valves, when treated with SynerGraft technology, will expand its opportunity to address the broader international and U.S. heart valve markets.

Potential future SynerGraft technology applications may involve developing stentless porcine heart valves repopulated with viable human cells prior to implantation. This technology will use porcine tissues that have been depopulated of viable animal cells using the SynerGraft process.

The following table sets forth the bioprosthetic cardiovascular devices currently marketed by the Company, along with the product features and market status for each.

Fixed Stentless Porcine Valves	Features	Regulatory/Market Status
CryoLife-O'Brien	aortic valve of matched composite leaflet design; single suture line	currently marketed in Europe with regulatory approval under CE Mark
CryoLife-Ross	pulmonary valve with attached conduit	currently marketed in Europe with regulatory approval under CE Mark

The CryoLife-O'Brien aortic valve is a stentless porcine valve with design features which management believes provide significant advantages over other stentless porcine heart valves. CryoLife began exclusive worldwide distribution of this valve in 1992 and acquired all rights to the underlying technology in 1995. The Company's CryoLife-O'Brien aortic heart valve, currently marketed in the European Community and certain other territories outside the U.S., contains a matched composite leaflet design that approximates human heart valve blood flow characteristics and requires only a single suture line thereby simplifying surgical implantation. Most other stentless porcine valves require a more complicated implant procedure.

The CryoLife-Ross pulmonary valve, the patent for which the Company acquired in October 1996, is an advanced design stentless porcine heart valve within an attached conduit of porcine tissue, which mimics the structure of a human heart valve. The Company began manufacturing and distributing the Cryolife-Ross pulmonary heart valve, another of the Company's fixed stentless porcine valves, in the European Community in September 1998.

The Company plans to apply its proprietary SynerGraft technology to stentless porcine heart valves. The first of the SynerGraft technology applications involves developing depopulated stentless porcine heart valves with antigen reduction properties. This technology removes viable cells from animal tissues, thereby reducing the transplant recipient's immune response to the remaining depopulated tissues. The auto-immune response typically deposits calcium which attaches to and hardens implanted porcine heart valve tissue, a process known as

calcification, which reduces the useful life of the implant. By removing viable animal cells from the tissue while maintaining the underlying structural strength of the porcine heart valve, this SynerGraft application is designed to provide a platform for a patient's own cells with the potential to naturally populate the implant.

The second of the SynerGraft technology applications involves an attempt to develop stentless porcine heart valves repopulated with viable human cells prior to implantation. This technology uses porcine tissues that have been depopulated of viable animal cells using the SynerGraft process.

Implantable Biomaterials for Use as Surgical Adhesives and Sealants

The effective closure of internal wounds following surgical procedures is critical to the restoration of the function of tissue and to the ultimate success of the surgical procedure. Failure to effectively seal surgical wounds can result in leakage of air in lung surgeries, cerebral spinal fluids in neurosurgeries, blood in cardiovascular surgeries and gastrointestinal contents in abdominal surgeries. Air and fluid leaks resulting from surgical procedures can lead to significant post-surgical morbidity resulting in prolonged hospitalization, higher levels of post-operative pain and a higher mortality rate.

Sutures and staples facilitate healing by joining wound edges and allowing the body to heal naturally. However, because sutures and staples do not have inherent sealing capabilities, they cannot consistently eliminate air and fluid leakage at the wound site. This is particularly the case when sutures and staples are used to close tissues containing air or fluids under pressure, such as the lobes of the lung, the dural membrane surrounding the brain and spinal cord, blood vessels and the gastrointestinal tract. In addition, in minimally invasive surgical procedures, where the physician must operate through small access devices, it can be difficult and time consuming for the physician to apply sutures and staples. The Company believes that the use of surgical adhesives and sealants with or without sutures and staples could enhance the efficacy of these procedures through more effective and rapid wound closure.

In order to address the inherent limitations of sutures and staples, the Company has developed and begun commercializing its BioGlue surgical adhesive and is developing its FibRx surgical sealant. The BioGlue surgical adhesive is a polymeric surgical bioadhesive based on a derivative of a blood protein and a cross-linking agent. BioGlue surgical adhesive is nonbiodegradable and has a tensile strength that is four to five times that of FibRx surgical sealant. Clinical applications for BioGlue surgical adhesive include cardiovascular, vascular, and pulmonary repair. A derivative of the BioGlue technology is BioLastic(TM), an implantable biomaterial under development which is capable of exchanging oxygen and carbon dioxide. BioLastic is being developed for use in reinforcing or patching vascular tissue, repairing air leaks in lungs, and replacing or sealing holes in dura mater. FibRx surgical sealant is a light activated surgical sealant based on a derivative of the human blood factors fibrinogen and thrombin. The Company believes that FibRx is the only surgical sealant under development offering ease of use to the surgeon through either single-syringe or spray applicators. The Company is currently seeking funding for FibRx and other photo-activated reversible inhibitors through AuraZyme, its wholly owned subsidiary. In March 2000, the Company announced that it had entered into an agreement with Viragen, Inc. to conduct a project to research the feasibility of site-specifc delivery and activation of Viragen's anti-cancer proteins using the Company's light activation technology.

The following table summarizes certain important features, targeted applications and regulatory and market status of BioGlue surgical adhesive and FibRx surgical sealant:

	BioGlue Surgical Adhesive	FibRx Surgical Sealant
Composition:	animal albumin and glutaraldehyde	thrombin, fibrinogen and a thrombin inhibitor
Method of Application:	double syringe; mixing device	light activated single syringe; or

	provided	light activated spray applicator
Targeted Clinical Applications:	vascular repair; anastomotic sealing; aortic dissection repair; carotid endarterectomy patching; tissue bonding; pulmonary repair	hemostasis in cardiovascular procedures; modified tPA, drug delivery
Performance Characteristics:	high tensile strength; non-biodegradable	strength of normal human blood clot; biodegradable; flexible, easily manipulated
Regulatory/Market Status		
Europe, Canada and certain other countries:	Approved for cardiovascular, vascular and pulmonary repair applications	regulatory pathway to be determined pending AuraZyme funding
United States:	FDA approved as a Humanitarian Use Device for use as an adjunct in repair of acute thoracic aortic dissections; clinical trials for general vascular and selected cardiac repairs will begin in second quarter of 2000	regulatory pathway to be determined pending AuraZyme funding

The Company estimates that the worldwide market for surgical sutures and staples in 1999 was in excess of $2 billion. The Company began shipping BioGlue surgical adhesive for distribution in the European Community in the second quarter of 1998 for use in vascular applications, and in the U.S. in December 1999 pursuant to an HDE for use in repair of thoracic aortic dissections. The regulatory pathway for FibRx surgical sealant will be determined upon the funding of Aurazyme.

Single-Use Medical Devices

The Company serves as an OEM manufacturer, through its IFM subsidiary, of single-use medical devices including endarterectomy surgical instruments, intravascular shunts, infusion ports, accessories utilized in laparoscopic procedures and a wide range of single and dual lumen balloon catheters. The Company is benefiting from, and intends to utilize, its design and manufacturing expertise in developing single-use medical devices for use in conjunction with its human tissue and biomaterial products. An example of such a single-use medical device under development includes families of balloon catheters and applicator tips designed to assist in applying the BioGlue surgical adhesive. HMP has defaulted on its OEM manufacturing agreement with IFM. See "Management's Discussions and Analysis of Financial Condition and Results of Operations" contained elsewhere in this Annual Report on Form 10-K.

Sales, Distribution and Marketing

Cryopreservation Services

CryoLife markets its cryopreservation services to tissue procurement agencies, implanting physicians and prospective tissue recipients. The Company works with tissue banks and organ procurement agencies to ensure consistent and continued availability of donated human tissue for transplant and educates physicians and prospective tissue recipients with respect to the benefits of cryopreserved human tissues.

Procurement of Tissue. Donated human tissue is procured from deceased human donors by organ procurement agencies, tissue banks and subject to required testing and donor screening procedures. After procurement, the tissue is packed and shipped, together with certain information about the tissue and its donor, to the Company in accordance with the Company's protocols. The tissue is transported to the Company's laboratory facilities via commercial airlines pursuant to arrangements with qualified courier services. Timely receipt of procured tissue is important, as tissue that is not received promptly cannot be cryopreserved successfully. The procurement agency receives a fee for its

services, which is paid by the Company. The procurement fee and related shipping costs are ultimately reimbursed to the Company by the hospital with which the implanting physician is associated. The Company has developed relationships with over 250 tissue banks and organ procurement agencies throughout the U.S. Management believes the establishment of these relationships is critical for a growing business in the cryopreservation services industry and that the breadth of these existing relationships provides the Company a significant advantage over potential new entrants to this market. As a result of its maintaining and developing these relationships, the Company has consistently increased its annual human heart valve procurement since its inception. The Company employs approximately 18 individuals in the area of tissue procurement, five of whom are employed as procurement relations managers and are stationed throughout the country. The Company's central procurement office is staffed 24 hours per day, 365 days per year.

Preservation of Tissue. Upon receiving tissue, a Company technician completes the documentation control for the tissue prepared by the procurement agency and gives it a control number. The documentation identifies, among other things, donor age and cause of death. A trained technician then removes the portion or portions of the delivered tissue that will be cryopreserved. These procedures are conducted under aseptic conditions in clean rooms. At the same time, additional samples are taken from the donated tissue and subjected to the

Company's comprehensive quality assurance program that includes review of donor screening information and further testing of the tissue to determine if it is free of infectuous diseases. This program may identify characteristics which would disqualify the tissue for cryopreservation.

Human heart valves and conduits, vascular tissue and connective tissue for the knee are cryopreserved in a proprietary freezing process conducted according to strict Company protocols. After the cryopreservation process, the specimens are transferred to liquid nitrogen freezers for long-term storage at temperatures below -135(Degree)C. The entire cryopreservation process is rigidly controlled by guidelines established by the Company. The tissue is not released for distribution until all quality assurance procedures have been satisfied and the tissue has been determined to be suitable for transplant.

Distribution of Tissue to Implanting Physicians. After cryopreservation, tissue is stored by the Company or is delivered directly to hospitals at the implanting physician's request. Cryopreserved tissue must be transported under stringent handling conditions and maintained within specific temperature tolerances at all times. Cryopreserved tissue is packaged for shipment using the Company's proprietary processes. At the hospital, the tissue is held in a liquid nitrogen freezer according to Company protocols pending implantation. The Company provides a detailed protocol for thawing the cryopreserved tissue. The Company also makes its technical personnel available by phone or in person to answer questions. After the Company transports the tissue to the hospital, the Company invoices the institution for its services, the procurement fee and transportation costs.

The Company encourages hospitals to accept the cryopreserved tissue quickly by providing Company-owned liquid nitrogen freezers to client hospitals without charge. The Company has currently installed more than 300 of these freezers. Participating hospitals pay the cost of liquid nitrogen and regular maintenance. The availability of on-site freezers makes it easier for a hospital's physicians to utilize the Company's cryopreservation services by making the cryopreserved tissue more readily available. Because fees for the Company's cryopreservation services become due upon the delivery of tissue to the hospital, the use of such on-site freezers also reduces the Company's working capital needs.

Marketing, Educational and Technical Support. The Company maintains active relationships with approximately 2,000 cardiovascular, vascular and orthopaedic surgeons who have active practices implanting cryopreserved human tissues and markets to a broader group of physicians within these medical specialties. Because the Company markets its cryopreservation services directly to physicians, an important aspect of increasing the distribution of the Company's cryopreservation services is educating physicians on the use of cryopreserved human tissue and on proper implantation techniques. Trained field support personnel provide back-up and support to implanting institutions and surgeons. The Company currently has over 100 independent technical service representatives and sub-representatives (who deal primarily with orthopaedic surgeons and who are paid on a commission basis) as well as 41 persons employed as technical

service representatives (who deal primarily with cardiovascular and vascular surgeons and receive a base salary with a performance bonus) all of whom provide field support.

The Company sponsors physician training seminars where physicians teach other physicians the proper technique for handling and implanting cryopreserved human tissue. Physicians pay their own expenses to attend these seminars in addition to paying the Company a fee for attendance. The Company also produces educational videotapes for physicians. The Company coordinates live surgery demonstrations at various medical schools. The Company also coordinates laboratory sessions that utilize animal tissue to demonstrate the respective surgical techniques. Members of the Company's Medical Advisory Board often lead the surgery demonstrations and laboratory sessions. Management believes that these activities improve the medical community's acceptance of the cryopreserved human tissue processed by the Company.

In order to increase the Company's supply of human tissue for cryopreservation, the Company educates and trains procurement agency personnel in procurement, dissection, packaging and shipping techniques. The Company also produces educational videotapes and coordinates laboratory sessions on procurement techniques for procurement agency personnel. To supplement its educational activities, the Company employs in-house technical specialists that provide technical information and assistance and maintains a staff 24 hours per day, 365 days per year for customer support.

Bioprosthetic Cardiovascular Devices

In September 1999 the Company established its European subsidiary, CryoLife Europa Ltd ("Europa"), to provide distribution and technical services to the Company's network of European representatives, institutional customers and surgeons. In February 2000 Europa officially opened its headquarters located near London, England.

The Company markets the CryoLife-O'Brien and CryoLife-Ross stentless porcine heart valves in the European Community and Australia. The Company's European sales, distribution and marketing force consists of 21 independent representatives, representing each of the Benelux countries, France, Germany, Greece, Denmark, Norway, Finland, Sweden, Italy, Turkey and the United Kingdom. Marketing efforts are directed almost exclusively toward cardiovascular and vascular surgeons, and the Company conducts educational seminars and conferences to train these surgeons and educate them with respect to the uses and benefits of its porcine stentless heart valves.

BioGlue Surgical Adhesive

The Company markets and distributes its BioGlue surgical adhesive in the U.S. under the HDE for use in the repair of acute thoracic aortic dissections through its existing direct technical representatives. The Company markets and distributes its BioGlue surgical adhesive in the European Community through Europa and its existing independent representatives, and in other international markets, excluding Japan, through its existing independent representatives. During 1998, the Company signed a five-year exclusive agreement with Century Medical, Inc. for the introduction and distribution of BioGlue in Japan. Under the terms of the agreement, Century Medical will be responsible for the applications and clearances through the Japanese Ministry of Health and Welfare. Marketing efforts are directed almost exclusively toward cardiovascular, vascular and thoracic surgeons, and the Company conducts training sessions for doctors with respect to the application and administration of BioGlue surgical adhesive.

Single-Use Medical Devices

The Company serves as an OEM manufacturer for single-use medical devices for Horizon Medical Products, Inc. The Company plans to expand sales of its own single-use medical devices, which include BioGlue extender tips and aortic balloon catheters, by continuing new product development and leveraging its established cryopreservation services and product marketing and sales staff to market the products.

Research and Development

The Company uses its expertise in biochemistry and cell biology, and its understanding of the needs of the cardiovascular, vascular and orthopaedic surgery medical specialties, to continue to expand its core cryopreservation business in the U.S. and to develop or acquire implantable products and technologies for these fields. The Company seeks to identify market areas that can benefit from preserved living tissues and other related technologies, to develop innovative techniques and products within these areas, to secure their commercial protection, to establish their efficacy and then to market these techniques and products. The Company employs approximately 22 people in its research and development department. There are 10 PhDs with specialties in the fields of immunology, molecular biology, protein chemistry, organic chemistry and vascular biology.

In order to expand the Company's service and product offerings, the Company is currently in the process of developing or investigating several technologies and products, including FibRx surgical sealant, additional applications of SynerGraft and additional applications of BioGlue surgical adhesive. The Company is currently investigating certain drug delivery applications for BioGlue surgical adhesive and FibRx surgical sealant, such as administering antibiotics, attaching chemotherapy drugs to tumors, delivering growth agents or delivering bone chips for orthopaedic bone repair. To the extent the Company identifies additional applications for these products, the Company may attempt to license these products to corporate partners for further development of such applications or seek funding from outside sources to continue the commercial develoment of such technologies. The Company's research and development strategy is to allocate available resources among the Company's four core market areas of

cryopreservation services, bioprosthetic cardiovascular devices, implantable biomaterials and single-use medical devices, based on the size of the potential market for any specific product candidate and the estimated development time and cost required to bring the product to market.

Research on these and other projects is conducted in the Company's research and development laboratory or at universities or clinics where the Company sponsors research projects. In 1997, 1998 and 1999, the Company spent approximately $3.9 million, $4.7 million and $4.4 million, respectively, on research and development activities on new and existing products. These amounts represented approximately 8%, 8% and 7% of the Company's revenues for those respective years. The Company's research and development program is overseen by its medical and scientific advisory boards. The Company's pre-clinical studies are conducted at universities and other locations outside the Company's facilities by third parties under contract with the Company. In addition to these efforts, the Company may, as situations develop, pursue other research and development activities.

Manufacturing and Operations

The Company's facilities (other than its single-use medical device manufacturing plant) are located in suburban Atlanta, Georgia, and consist of three separate locations totaling approximately 130,000 square feet of leased office, laboratory and warehouse space. In February 2000 the Company began construction of a 100,000 square foot expansion of its corporate headquarters and manufacturing facilities. Approximately 17,500 square feet are dedicated to laboratory work areas. The primary facility, which does not include the FibRx laboratory and the bioprosthetic manufacturing operation, has four main laboratory facilities: human tissue processing, BioGlue manufacturing, research and development and microbiology. Each of these areas consists of a general technician work area and adjoining "clean rooms" for work with human tissue or Bioglue manufacturing, and for aseptic processing. The clean rooms are supplied with highly filtered air which provides a near-sterile environment.

Human Tissue Processing

The human tissue processing laboratory is responsible for the processing and cryopreservation of human tissue for transplant, including human heart valves and conduits processed by applying SyneGraft technology. This includes all processing of heart valves and conduits, vascular tissue and connective tissue for the knee supplied by CryoLife. This laboratory contains approximately 7,700 square feet with a suite of seven clean rooms. Currently there are 53 technicians employed in this area, and the laboratory is staffed for two shifts, 365 days per year. In 1999, the laboratory processed approximately 27,300 human tissues for distribution and transplant. The current staffing level is estimated

to be at about half of total capacity. Increasing this capacity could be accomplished by increasing employees and expanding to three shifts.

Implantable Biomaterials for Use as Surgical Adhesives and Sealants

BioGlue surgical adhesive is presently manufactured at the Company's headquarters facility, which has an annual capacity of approximately 300,000 units. This laboratory contains approximately 12,900 square feet, including a suite of 2 cleanrooms. The Company conducts research on its FibRx surgical sealant in the biomedical products laboratory, which is located in Marietta, Georgia and employs 2 technicians. This laboratory contains approximately 11,000 square feet, including 4,000 square feet of laboratory space and a suite of eight clean rooms.

Bioprosthetic Cardiovascular Devices

The bioprosthesis laboratory is responsible for the manufacturing of the CryoLife-O'Brien and CryoLife-Ross stentless porcine heart valves, as well as for the manufacturing of SynerGraft porcine valves. This laboratory is located in Marietta, Georgia and contains approximately 13,000 square feet, with about 3,500 square feet of laboratory space and a suite of four clean rooms for tissue processing. Currently, this laboratory employs 25 technicians and is scheduled to manufacture approximately 1,200 CryoLife-O'Brien and CryoLife-Ross valves in 2000. The recently renovated facility's capacity is over 6,000 valves.

Single-Use Medical Devices

The manufacturing of single-use medical devices is conducted at the Company's IFM subsidiary located in St. Petersburg, Florida. IFM moved to a renovated 30,000 square foot facility in January 1998. The Company has approximately 105 employees at this facility. In the new facility, a single shift can produce approximately 300,000 units annually with full capacity expected to be nearly 800,000 units annually.

Quality Assurance

The Company's operations encompass the provision of cryopreservation services and the manufacturing of bioprosthetics, bioadhesives and single-use medical devices. In all of its facilities, the Company is subject to regulatory standards for good manufacturing practices, including current Quality System Regulations, which are U.S. Food and Drug Administration ("FDA") regulatory requirements for medical device manufacturers. The FDA periodically inspects Company facilities to ensure Company compliance with these regulations. The Company also operates according to ISO 9001 Quality System Requirements, an internationally recognized voluntary system of quality management for companies that design, develop, manufacture, distribute and service products. The Company maintains a Certification of Approval to the ISO 9001, as well as EN46001 and ANSI/ISO/ASQC/Q9001, the European and U.S. versions of the international standard, respectively. This approval is issued by Lloyd's Register Quality Assurance Limited ("LRQA"). LRQA is a Notified Body officially recognized by the European Community to perform assessments of compliance with ISO 9001 and its derivative standards. LRQA performs semi-annual on-site inspections of the Company's quality systems.

The Company's quality assurance staff is comprised primarily of experienced professionals from the medical device and pharmaceutical manufacturing industries. The quality assurance department, in conjunction with the Company's research and development and select university research staffs, routinely evaluates the Company's processes and procedures.

Cryopreservation Services

The Company employs a comprehensive quality assurance program in all of its tissue processing activities. The Company is subject to Quality System Regulations, additional FDA regulations and ISO 9001. The Company's quality assurance program begins with the development and implementation of training courses for the employees of procurement agencies. To assure uniformity of procurement practices among the tissue recovery teams, the Company provides procurement protocols, transport packages and tissue transport liquids to the donor sites.

Upon receipt by the Company, each tissue is assigned a unique control number

that provides traceability of tissue from procurement through the processing and preservation processes, and ultimately to the tissue recipient. Blood samples from each tissue donor are subjected to a variety of tests to screen for infectious diseases. Samples of certain tissues are also sent to independent laboratories for pathology testing. Following dissection of the tissue to be cryopreserved, a separate disinfection procedure is begun during which the dissected tissue is treated with proprietary antibiotic solutions. A trained technician then removes samples from the disinfected tissue upon which serial cultures are performed to identify bacterial or fungal growth.

The materials and solutions used by the Company in processing tissue are pre-screened to determine if they are of desired quality as defined by Company protocols. Only materials and solutions that meet the Company's requirements are approved by quality assurance personnel for use in processing. Throughout tissue processing, detailed records are maintained and reviewed by quality assurance personnel.

The Company's tissue processing facilities are annually licensed by the States of Georgia, New York, Florida and California as facilities that process, store and distribute human tissue for implantation. The regulatory bodies of these states perform appropriate inspections of the facilities to ensure compliance with state law and regulations. In addition, the Company's human heart valve operations are additionally regulated by the FDA and periodically inspected for compliance with Quality System Regulations. Other human tissue processed by the Company is periodically inspected for compliance with the Code of Federal Regulation ("CFR") Part 1270. CFR 1270 is an FDA regulation which sets forth the requirements with which the Company must comply in determining the suitability of human tissue for implantation.

Bioprosthetic, Bioadhesive and Single-Use Medical Device Manufacturing

The Company employs a comprehensive quality assurance program in all of its manufacturing activities. The Company is subject to Quality System Regulations, additional FDA regulations and ISO 9001.

All materials and components utilized in the production of the Company's products are received and thoroughly inspected by trained quality control personnel, according to written specifications and standard operating procedures. Only materials and components found to comply with Company procedures are accepted by quality control and utilized in production.

All materials, components and resulting sub-assemblies are traced throughout the manufacturing process to assure that appropriate corrective actions can be implemented if necessary. Each process is documented along with all inspection results, including final finished product inspection and acceptance. Records are maintained as to the consignee of product to facilitate product removals or corrections, if necessary. All processes in manufacturing are validated by quality engineers to assure that they are capable of consistently producing product meeting specifications. The Company maintains a rigorous quality assurance program of measuring devices used for manufacturing and inspection to ensure appropriate accuracy and precision.

Each manufacturing facility is subject to periodic inspection by the FDA and LRQA to independently assure the Company's compliance with its systems and regulatory requirements.

Patents, Licenses and Other Proprietary Rights

The Company relies on a combination of patents, trade secrets, trademarks and confidentiality agreements to protect its proprietary products, processing technology, rights and know-how. The Company believes that its patents, trade secrets, trademarks and technology licensing rights provide it with important competitive advantages. The Company owns or has licensed rights to 30 U.S. patents and 26 foreign patents, including patents relating to its technology for human heart valve and conduit, vascular tissue and connective tissue for the knee preservation; tissue revitalization prior to freezing; tissue transport; fibrin adhesive; organ storage solution; and packaging. Certain of the above patents relate to the Company's BioGlue surgical adhesive and FibRx surgical sealant. The Company has 15 pending U.S. patent applications and in excess of 43 pending foreign applications that relate to areas including heart valve and tissue processing technology and delivery of bioadhesives for anastomosis and other uses. In connection with the sale of the IFM product line to Horizon, the

Company sold all patents related to such product line. There can be no assurance that any patents pending will result in issued patents. The Company also has exclusive licensing rights for technology relating to light-sensitive enzyme inhibitors. The remaining duration of the Company's issued patents ranges from 2 to 17 years. The Company has licensed from third parties certain technologies used in the development of its FibRx surgical sealant and SynerGraft technology. These licenses call for the payment of both development milestones and royalties based on product sales, when and if such products are approved for marketing. The loss of these licenses could adversely affect the Company's ability to successfully develop its FibRx surgical sealant and SynerGraft technologies.

There can be no assurance that the claims allowed in any of the Company's existing or future patents will provide competitive advantages for the Company's products, processes and technologies or will not be successfully challenged or circumvented by competitors. To the extent that any of the Company's products are not patent protected, the Company's business, financial condition and results of operations could be materially adversely affected. Under current law, patent applications in the U.S. are maintained in secrecy until patents are issued and patent applications in foreign countries are maintained in secrecy for a period after filing. The right to a patent in the U.S. is attributable to the first to invent, not the first to file a patent application. The Company cannot be sure that its products or technologies do not infringe patents that

may be granted in the future pursuant to pending patent applications or that its products do not infringe any patents or proprietary rights of third parties. The Company may incur substantial legal fees in defending against a patent infringement claim or in asserting claims against third parties. In the event that any relevant claims of third-party patents are upheld as valid and enforceable, the Company could be prevented from selling certain of its products or could be required to obtain licenses from the owners of such patents or be required to redesign its products to avoid infringement. There can be no assurance that such licenses would be available or, if available, would be on terms acceptable to the Company or that the Company would be successful in any attempt to redesign its products or processes to avoid infringement. The Company's failure to obtain these licenses or to redesign its products could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company has entered into confidentiality agreements with all of its employees and several of its consultants and third-party vendors to maintain the confidentiality of trade secrets and proprietary information. There can be no assurance that the obligations of employees of the Company and third parties with whom the Company has entered into confidentiality agreements will effectively prevent disclosure of the Company's confidential information or provide meaningful protection for the Company's confidential information if there is unauthorized use or disclosure, or that the Company's trade secrets or proprietary information will not be independently developed by the Company's competitors. Litigation may be necessary to defend against claims of infringement, to enforce patents and trademarks of the Company, or to protect trade secrets and could result in substantial cost to, and diversion of effort by, the Company. There can be no assurance that the Company would prevail in any such litigation. In addition, the laws of some foreign countries do not protect the Company's proprietary rights to the same extent as do the laws of the U.S.

Competition

Cryopreserved Human Tissues and Bioprosthetic Cardiovascular Devices

The Company faces competition from non-profit tissue banks that cryopreserve and distribute human tissue, as well as from companies that market mechanical, porcine and bovine heart valves for implantation. Many established companies, some with resources greater than those of the Company, are engaged in manufacturing, marketing and selling alternatives to cryopreserved human tissue. Management believes that it competes favorably with other entities that cryopreserve human tissue on the basis of technology, customer service and quality assurance. As compared to mechanical, porcine and bovine heart valves, management believes that the human heart valves cryopreserved by the Company compete on the factors set forth above, as well as by providing a tissue that is the preferred replacement alternative with respect to certain medical conditions, such as pediatric cardiac reconstruction, valve replacements for women in their child-bearing years and valve replacements for patients with endocarditis. Although human tissue cryopreserved by the Company is initially

higher priced than are mechanical alternatives, these alternatives typically require that the patient take anti-coagulation drug therapy for the lifetime of the implant. As a result of the costs associated with anti-coagulants, mechanical valves are generally, over the life of the implant, more expensive than tissue cryopreserved by the Company. Notwithstanding the foregoing, management believes that, to date, price has not been a significant competitive factor.

Generally, for each procedure that may utilize other human tissue that the Company cryopreserves, there are alternative treatments. Often, as in the case of veins and ligaments, these alternatives include the repair, partial removal or complete removal of the damaged tissue and may utilize other tissues from the patients themselves or synthetic products. The selection of treatment choices is made by the attending physician in consultation with the patient. Any newly developed treatments will also compete with the use of tissue cryopreserved by the Company.

Human and Stentless Porcine Heart Valves. Alternatives to human heart valves cryopreserved by the Company include mechanical valves, porcine valves and valves constructed from bovine pericardium. St. Jude Medical, Inc. is the leading supplier of mechanical heart valves, and has a marketing and distribution arrangement with a tissue bank for supplies of cryopreserved human heart valves and St. Jude Medical, Inc., Baxter International Inc. and Medtronics, Inc. are the leading suppliers of porcine heart valves. In addition, management believes that at least three tissue banks offer cryopreservation services for human heart valves in competition with the Company. The Company

presently distributes its stentless porcine heart valves only outside the U.S. These stentless porcine heart valves compete with mechanical valves, human heart valves and processed bovine pericardium. The Company is aware of at least two other companies that offer stentless porcine heart valves.

Human Vascular Tissue. Synthetic alternatives to veins cryopreserved by the Company are available primarily in medium and large diameters. Currently, management believes that there are no other providers of cryopreserved human vascular tissue in competition with the Company. Companies offering either synthetic or allograft products may enter this market in the future.

Human Connective Tissue for the Knee. The Company's competition in the area of connective tissue for the knee varies according to the tissue involved. When transplant is indicated, the principal competition for human tissues cryopreserved by the Company are freeze-dried and fresh frozen human connective tissues. These alternative allografts are distributed by distributors of Osteotech, Inc. and various tissue banks, among others. Ligaments and tendons cryopreserved by the Company constitute the principal treatment options for injuries which require anterior cruciate ligament repair. To management's knowledge, there are presently no processed or synthetic alternatives to menisci cryopreserved by the Company or preserved osteochondral grafts.

Implantable Biomedical Devices

The Company competes with many domestic and foreign medical device, pharmaceutical and biopharmaceutical companies. In the surgical adhesive and surgical sealant area, the Company will compete with existing methodologies, including traditional wound closure products such as sutures and staples, marketed by companies such as Johnson & Johnson, United States Surgical Corporation, Sherwood, Davis & Geck and others. Other products currently being marketed include fibrin glue sold by Immuno AG, a subsidiary of Baxter Healthcare Company, Chemo-Sero Therapeutic Research Institute, Hoechst AG and others, and management believes other products are under development by Baxter Healthcare Corporation, Bristol-Myers Squibb Company, V.I. Technologies, Inc. and others. Other competitors in the surgical sealant market include Closure Medical Corporation, B. Braun GmbH and Focal, Inc. Competitive products may also be under development by other large medical device, pharmaceutical and biopharmaceutical companies. Many of the Company's current and potential competitors have substantially greater financial, technological, research and development, regulatory and clinical, manufacturing, marketing and sales, and personnel resources than the Company.

These competitors may also have greater experience in developing products, conducting clinical trials, obtaining regulatory approvals, and manufacturing and marketing such products. Certain of these competitors may obtain patent

protection, approval or clearance by the FDA or foreign countries or product commercialization earlier than the Company, any of which could materially adversely affect the Company. Furthermore, if the Company commences significant commercial sales of its products, it will also be competing with respect to manufacturing efficiency and marketing capabilities, areas in which it currently has limited experience.

Other recently developed technologies or procedures are, or may in the future be, the basis of competitive products. There can be no assurance that the Company's current competitors or other parties will not succeed in developing alternative technologies and products that are more effective, easier to use or more economical than those which have or are being developed by the Company or that would render the Company's technology and products obsolete and non-competitive in these fields. In such event, the Company's business, financial condition and results of operations could be materially adversely affected. See "Risk Factors-Rapid Technological Change."

Government Regulation

U.S. Federal Regulation

Because human heart valves are, and other Company products may be regulated in the future as, medical devices, the Company and these products are subject to the provisions of the Federal Food, Drug and Cosmetic Act ("FDCA") and implementing regulations. Pursuant to the FDCA, the FDA regulates the manufacture, distribution, labeling and promotion of medical devices in the U.S. In addition, various foreign countries in which the Company's products are or may be distributed impose additional regulatory requirements.

The FDCA provides that, unless exempted by regulation, medical devices may not be distributed in the U.S. unless they have been approved or cleared for marketing by the FDA. There are two review procedures by which medical devices can receive such approval or clearance. Some products may qualify for clearance to be marketed under a Section 510(k) ("510(k)") procedure, in which the manufacturer provides a premarket notification that it intends to begin marketing the product, and shows that the product is substantially equivalent to another legally marketed product (i.e., that it has the same intended use and that it is as safe and effective as a legally marketed device and does not raise different questions of safety and effectiveness than does a legally marketed device). In some cases, the submission must include data from clinical studies. Marketing may commence when the FDA issues a clearance letter finding such substantial equivalence.

If the product does not qualify for the 510(k) procedure (either because it is not substantially equivalent to a legally marketed device or because it is a Class III device required by the FDCA and implementing regulations to have an approved application for premarket approval ("PMA")), the FDA must approve a PMA application before marketing can begin. PMA applications must demonstrate, among other matters, that the medical device is safe and effective. A PMA application is typically a complex submission, usually including the results of human clinical studies, and preparing an application is a detailed and time-consuming process. Once a PMA application has been submitted, the FDA's review may be lengthy and may include requests for additional data. By statute and regulation, the FDA may take 180 days to review a PMA application although such time may be extended. Furthermore, there can be no assurance that a PMA application will be reviewed within 180 days or that a PMA application will be approved by the FDA.

The FDCA also provides for an investigational device exemption ("IDE") which authorizes distribution for clinical evaluation of devices that lack a PMA or 510(k). Devices subject to an IDE are subject to various restrictions imposed by the FDA. The number of patients that may be treated with the device is limited, as are the number of institutions at which the device may be used. The device may not be used until the Institutional Review Boiard for the clinical site has given its approval for the clinical study and patients have given informed consent to be treated with the investigational device. The device must be labeled that it is for investigational use and may not be advertised, or otherwise promoted, and the price charged for the device may be limited. Unexpected adverse experiences must be reported to the FDA.

Under certain circumstances, where human clinical studies have established the safety of a device, the FDA may grant a Humanitarian Device Exemption. HDE's are

granted by the FDA in an attempt to encourage the development of medical devices for use in the treatement of rare conditions that affect small populations. If a device is determined to be for humanitarian use by the FDA, the manufacturer is required to show only that the device is safe and has a probable benefit to patients, but not a demonstration of safety. An approval by the FDA allows such devices to be distributed before completion of clinical studies to establish the effectiveness of the device.

The FDCA requires all medical device manufacturers and distributors to register with the FDA annually and to provide the FDA with a list of those medical devices which they distribute commercially. The FDCA also requires manufacturers of medical devices to comply with labeling requirements and to manufacture devices in accordance with Quality System Regulations, which require that companies manufacture their products and maintain their documents in a prescribed manner with respect to good manufacturing practices, design, process, labeling and packaging controls, process validation, record keeping, and other quality control activities. The FDA's medical device tracking regulation requires that a device manufacturer provide information to the FDA on death or serious injuries alleged to have been associated with the use of its products, as well as product malfunctions that would likely cause or contribute to death or serious injury if the malfunction were to recur. The FDA's medical device tracking regulation requires the adoption of a method of device tracking by manufacturers of certain life-sustaining or implantable products, the failure of which would be reasonably likely to have serious adverse health consequences. The manufacturer must adopt methods to ensure that such devices can be traced from the manufacturing facility to the ultimate user, the patient. The FDA further requires that certain medical devices not cleared for marketing in the U.S. follow certain procedures before they are exported.

The FDA inspects medical device manufacturers and distributors and has authority to seize noncomplying medical devices, to enjoin and/or to impose civil penalties on manufacturers and distributors marketing non-complying medical devices, to criminally prosecute violators and to order recalls in certain instances.

Human Heart Valves. The Company's human heart valves became subject to regulation by the FDA in June 1991, when the FDA published a notice stating that human heart valves are Class III medical devices under the FDCA. The June 1991 notice provided that distribution of human heart valves for transplantation would violate the FDCA unless they were the subject of an approved PMA or IDE on or before August 26, 1991.

On October 14, 1994, the FDA announced in the Federal Register that neither an approved application for PMA nor an IDE is required for processors and distributors who had marketed heart valve allografts before June 26, 1991. This action by the FDA has resulted in the allograft heart valves being classified as Class II Medical Devices and has removed them from clinical trial status. It also allows the Company to distribute such valves to cardiovascular surgeons throughout the U.S.

Other Tissue. Other than human and porcine heart valves, none of the Company's other tissue services or products are currently subject to regulation as medical devices under the FDCA or FDA regulation. Heart valves are one of a small number of processed human tissues over which the FDA has asserted medical device jurisdiction. In July 1997, the FDA published a final rule, which became effective in January 1998, regulating "human tissue." The rule clarifies and modifies an earlier interim rule and defines human tissue as any tissue derived from a human body which is (i) intended for administration to another human for the diagnosis, cure, mitigation, treatment or prevention of any condition or disease and (ii) recovered, processed, stored or distributed by methods not intended to change tissue function or characteristics. The FDA definition excludes, among other things, tissue that currently is regulated as a human drug, biological product or medical device and excludes kidney, liver, heart, lung, pancreas or any other vascularized human organ. Human tissue is regulated by the FDA in a manner the agency has deemed necessary to protect the public health from the transmission of HIV infection and hepatitis infection through transplantation of tissue from donors with or at risk for these diseases. Unlike certain drugs, biologicals and medical devices, human tissue is not subject to premarket notification or approval by the FDA. It is likely, moreover, that the FDA will expand its regulation of processed human tissue in the future. For example, the FDA may determine that the veins and connective tissue that are currently processed by the Company are medical devices, or the FDA may determine

to regulate human heart valves as "human tissue" or biological products rather than medical devices, but the FDA has not done so at this time. Complying with FDA regulatory requirements or obtaining required FDA approvals or clearances may entail significant time delays and expenses or may not be possible, any of which may have a material adverse effect on the Company. In addition, the U.S. Congress has considered legislation that would regulate human tissue for transplant or the FDA could impose a separate regulatory scheme for human tissue. Such legislation or regulation could have a material adverse effect on the Company.

Porcine Heart Valves. Porcine heart valves are Class III medical devices, and FDA approval of a PMA is required prior to commercial distribution of such valves in the U.S. The porcine heart valves currently marketed by the Company have not been approved by the FDA for commercial distribution in the U.S. but may be manufactured in the U.S. and exported to foreign countries if the valves meet the specifications of the foreign purchaser, do not conflict with the laws of and are approved by the country to which they will be exported and the FDA determines that their exportation is not contrary to the public health and safety.

Single-Use Medical Devices. The products manufactured by the Company through IFM are regulated as Class I and Class II medical devices by the FDA. These products require clearance under a 510(k) procedure. All products currently manufactured by IFM have received a 510(k) clearance from the FDA. In addition, the IFM facilities are subject to period inspection by the FDA, as are certain of the Company's records, including reports on returned products and problems associated with use of its products.

BioGlue Surgical Adhesive. BioGlue surgical adhesive is regulated as a Class III medical device by the FDA. The Company is currently conducting clinical trials for BioGlue surgical adhesive in the U.S. There can be no assurance that BioGlue will receive FDA approval.

The Company received a Humanitarian Device Exemption (HDE) in December 1999 for BioGlue surgical adhesive for use in repair of acute thoracic aortic dissections. The Company commercially distributes BioGlue in the US for this indication, subject to the limitations imposed by the FDA under an HDE, and will likely discontinue clinical trials of BioGlue under its current IDE. The Company has received U.S. FDA approval to and will commence clinical trials under a supplemental IDE for BioGlue surgical adhesive for use in general vascular and selected cardiac repairs. If successful, the Company would be able to commercially distribute BioGlue in the US for these indications. However, there can be no assurance that the Company will be successful in gaining approval for the IDE.

Possible Other FDA Regulation. Other products and processes under development by the Company are likely to be subject to regulation by the FDA (e.g., SynerGraft heart valves and FibRx surgical sealant). Some may be classified as medical devices; others may be classified as drugs or biological products or subject to a regulatory scheme for human tissue that the FDA may adopt in the future. Regulation of drugs and biological products is substantially similar to regulation of medical devices. Obtaining FDA approval to market these products is likely to be a time consuming and expensive process, and there can be no assurance that any of these products will ever receive FDA approval, if required, to be marketed.

NOTA Regulation. The Company's activities in processing and transporting human hearts and certain other organs are also subject to federal regulation under the National Organ Transplant Act ("NOTA"), which makes it unlawful for any person to knowingly acquire, receive or otherwise transfer any human organ for valuable consideration for use in human transplantation if the transfer affects interstate commerce. NOTA excludes from the definition of "valuable consideration" reasonable payments associated with the removal, transportation, implantation, processing, preservation, quality control and storage of a human organ. The purpose of this statutory provision is to allow for compensation for legitimate services. The Company believes that to the extent its activities are subject to NOTA, it meets this statutory provision relating to the reasonableness of its charges. There can be no assurance, however, that restrictive interpretations of NOTA will not be adopted in the future that would call into question one or more aspects of the Company's methods of charging for its preservation services.

State Licensing Requirements

Some states have enacted statutes and regulations governing the processing, transportation and storage of human organs and tissue. The activities engaged in by the Company require it to be licensed as a clinical laboratory and tissue bank under Georgia, New York, California and Florida law. The Company has such licenses, and the Company believes it is in compliance with applicable state laws and regulations relating to clinical laboratories and tissue banks which store, process and distribute human tissue designed to be used for medical purposes in human beings. There can be no assurance, however, that more restrictive state laws or regulations will not be adopted in the future that could adversely affect the Company's operations. Certain employees of the Company have obtained other required licenses.

Foreign Approval Requirements

Sales of medical devices and biological products outside the U.S. are subject to foreign regulatory requirements that vary widely from country to country. Approval of a product by comparable regulatory authorities of foreign countries must be obtained prior to commercialization of the product in those countries. The time required to obtain foreign approvals may be longer or shorter than that required for FDA approval. The European Community recognizes a single approval, called a CE Mark, which allows for distribution of an approved product throughout the European Community (15 countries) without additional applications to each country. The CE Mark is awarded by third parties called Notified Bodies. These Notified Bodies are approved and subject to review by the Competent Authorities of their respective countries. A number of countries outside of the European Community accept the CE Mark in lieu of clinical data submission as an addendum to that country's application process. The Company has been issued CE Marks issued by LRQA for the distribution of its CyroLife-O'Brien and CryoLife-Ross porcine heart valves, BioGlue surgical adhesive and IFM single-use medical devices in the European Community. The Company's porcine heart valves may be exported to specified developed nations, including countries in the European Community, Australia, Canada,

Israel, Japan, New Zealand, South Africa and Switzerland if they comply with the laws of that country and have valid marketing authorization by the appropriate authority in that country.

Environmental Matters

The Company's tissue processing activities generate some biomedical wastes consisting primarily of human pathological and biological wastes, including human tissue and body fluids removed during laboratory procedures. The biomedical wastes generated by the Company are placed in appropriately constructed and labeled containers and are segregated from other wastes generated by the Company. The Company contracts with third parties for transport, treatment and disposal of biomedical waste. Although the Company believes it is in compliance with applicable laws and regulations promulgated by the U.S. Environmental Protection Agency and the Georgia Department of Natural Resources, Environmental Protection Division, the failure by the Company to comply fully with any such regulations could result in an imposition of penalties, fines or sanctions, which could have a material adverse effect on the Company's business.

Employees

At March 20, 2000 the Company had approximately 410 employees. These employees included 13 persons with PhD degrees. None of the Company's employees is represented by a labor organization or covered by a collective bargaining agreement, and the Company has never experienced a work stoppage or interruption due to labor disputes. Management believes its relations with its employees are good.

RISK FACTORS

Dependence on Cryopreservation of Human Tissue

A significant portion of the Company's current revenues is derived from the cryopreservation of human. The success of this business depends upon, among other factors, the availability of sufficient quantities of tissue from human donors. Any material reduction in the supply of donated human tissue could

restrict the Company's growth. The Company relies primarily upon the efforts of third party procurement agencies (all of which are not-for-profit) and others to educate the public and foster a willingness to donate tissue. Based on the Company's experience with human heart valves, management believes that once the use by physicians of a particular transplantable tissue gains acceptance, demand for that tissue will exceed the amount of tissue available from human donors. Failure of the Company to maintain its supply of tissue for cryopreservation could have a material adverse effect on the Company's business, financial condition and results of operations. Furthermore, a reduction in the demand for the Company's cryopreserved human tissue could also have a material adverse effect on the Company's business, financial condition and results of operations. Such reduction could occur if competitors' products were perceived as either functionally superior or more cost effective, if the number of procedures in which cryopreserved tissues are used declines or if hospitals acquire sufficient inventories of cryopreserved tissue to allow a reduction in new orders. See "-Intense Competition" and "-Uncertainties Regarding Future Health Care Reimbursement."

Intense Competition

The Company faces competition from other companies that cryopreserve human tissue, as well as companies that market mechanical valves and synthetic and animal tissue for implantation. Management believes that at least three tissue banks offer cryopreservation services for human heart valves and many companies offer processed porcine heart valves and mechanical heart valves. A few companies dominate portions of the mechanical and porcine heart valve markets, including St. Jude Medical, Inc., Medtronic, Inc. and Baxter International Inc. The Company is aware that several companies have surgical adhesive products under development. Competitive products may also be under development by other large medical device, pharmaceutical and biopharmaceutical companies. Many of

the Company's competitors have greater financial, technical, manufacturing and marketing resources than the Company and are well established in their markets. There can be no assurance that the Company's products and services will be able to compete successfully with the products of these or other companies. Any products developed by the Company that gain regulatory clearance or approval will have to compete for market acceptance and market share. Failure of the Company to compete effectively could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business-Competition."

Rapid Technological Change

The technologies underlying the Company's products and services are subject to rapid and profound technological change. The Company expects competition to intensify as technical advances in each field are made and become more widely known. There can be no assurance that others will not develop products or processes with significant advantages over the products and processes that the Company offers or is seeking to develop. Any such occurrence could have a material adverse effect on the Company's business, financial condition and results of operations.

Uncertainties Regarding Products in Development

The Company's growth and profitability will depend, in part, upon its ability to complete development of and successfully introduce new products, including additional applications of its SynerGraft technology and its FibRx technology The Company may be required to undertake time consuming and costly development activities and seek regulatory clearance or approval for new products. See "-Extensive Government Regulation." Although the Company has conducted pre-clinical studies on many of its products under development which indicate that such products may be effective in a particular application, there can be no assurance that the results obtained from human clinical studies will be consistent with earlier pre-clinical results or be sufficient for the Company to obtain any required regulatory approvals or clearances. There can be no assurance that the Company will not experience difficulties that could delay or prevent the successful development, introduction and marketing of new products, that regulatory clearance or approval of these or any new products will be granted on a timely basis, if ever, or that the new products will adequately meet the requirements of the applicable market or achieve market acceptance. The completion of the development of any of the Company's products remains subject to all of the risks associated with the commercialization of new products based

on innovative technologies, including unanticipated technical or other problems, manufacturing difficulties and the possible insufficiency of the funds allocated for the completion of such development. Consequently, there can be no assurance that any of the Company's products under development will be successfully developed or manufactured or, if developed and manufactured, that such products will meet price or performance objectives, be developed on a timely basis or prove to be as effective as competing products. The inability to complete successfully the development of a product or application, or a determination by the Company, for financial, technical or other reasons, not to complete development of any product or application, particularly in instances in which the Company has made significant capital expenditures, could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's BioGlue surgical adhesive is currently offered for sale in the U.S. pursuant to an HDE approval, which provides for limited distribution for use only as an adjunct in the repair of acute thoracic aortic dissections. There can be no assurance that the Company will obtain the necessary approvals to allow for general distribution of its BioGlue surgical adhesive in the U.S.

The Company's porcine heart valve products are currently only offered for sale outside of the U.S. The Company's porcine heart valves are subject to the risk that the Company may be unable to obtain regulatory approval necessary to permit commercial distribution of these products in the U.S.

The Company's research and development efforts are time consuming and expensive and there can be no assurance that these efforts will lead to commercially successful products or services. Even the successful commercialization of a new service or product in the medical industry can be characterized by slow growth and high costs associated with marketing, under-utilized production capacity and continuing research, and development and education costs. Generally, the introduction of new human tissue products requires significant physician training and years of clinical evidence derived from follow-up studies on human implant recipients in order to gain acceptance in the medical community.

Extensive Government Regulation

Government regulation in the U.S., the European Community and other jurisdictions represents a potentially determinative factor in the success of the Company's efforts to market and develop its products. See "Business-Government Regulation." The human heart valves to which the Company applies its cryopreservation services are currently regulated as Class II medical devices by the FDA and are subject to significant regulatory requirements, including Quality System Regulations and recordkeeping requirements. There can be no assurance that changes in regulatory treatment or the adoption of new statutory or regulatory requirements will not occur, which could adversely impact the marketing or development of these products or could adversely affect market demand for these products.

Other allograft tissues processed and distributed by the Company are currently regulated as "human tissue" under a rule promulgated by the FDA pursuant to the Public Health Services Act. This rule establishes requirements for donor testing and screening of human tissue and recordkeeping relating to these activities. Although the Company's other human tissue allografts are not currently regulated as medical devices, such tissue may in the future become subject to more extensive FDA regulation, which could include PMA or product licensing requirements.

BioGlue surgical adhesive is regulated as a Class III medical device and the Company believes that FibRx surgical sealant will be regulated as a biologic by the FDA. BioGlue surgical adhesive has been approved for limited distribution in the U.S. under a Humanitarian Device Exemption while FibRx surgical sealant has not been approved for commercial distribution in the U.S. or elsewhere. Fixed porcine heart valve products are classified as Class III medical devices. There can be no assurance that the Company will be able to obtain the FDA approval required to distribute its surgical sealants or porcine heart valve products in the U.S., or the approval for unlimited distribution of its BioGlue surgical adhesive in the U.S. Distribution of these products within the European Community is dependent upon the Company maintaining its CE Mark and ISO 9001 certifications, of which there can be no assurance.

Most of the Company's products in development, if successfully developed, will

require regulatory approvals from the FDA and perhaps other regulatory authorities before they may be commercially distributed. The process of obtaining required regulatory approvals from the FDA normally involves clinical trials and the preparation of an extensive PMA application and often takes many years. The process is expensive and can vary significantly based on the type, complexity and novelty of the product. There can be no assurance that any products developed by the Company, independently or in collaboration with others, will receive the required approvals for manufacturing and marketing. Delays in obtaining U.S. or foreign approvals could result in substantial additional cost to the Company and adversely affect the Company's competitive position. The FDA may also place conditions on product approvals that could restrict commercial applications of such products. Product marketing approvals or clearances may be withdrawn if compliance with regulatory standards is not maintained or if problems occur following initial marketing. Delays imposed by the governmental clearance process may materially reduce the period during which the Company has the exclusive right to commercialize patented products. Also, delays or rejections may be encountered during any stage of the regulatory approval process based upon the failure of the clinical or other data to demonstrate compliance with, or upon the failure of the product to meet, the regulatory agency's requirements for safety, efficacy and quality, and those requirements may become more stringent due to changes in applicable law, regulatory agency policy or the adoption of new regulations. Clinical trials may also be delayed due to unanticipated side effects, inability to locate, recruit and qualify sufficient numbers of patients, lack of funding, the inability to locate or recruit clinical investigation, the redesign of clinical trial programs, the inability to manufacture or acquire sufficient quantities of the particular product candidate or any other components required for clinical trials, changes in the Company's or its collaborative partners' development focus and disclosure of trial results by competitors. Even if regulatory approval is obtained for any of the Company's products or services, the scope of the approval may significantly limit the indicated usage for which such products or services may be marketed.

Products marketed by the Company pursuant to FDA or foreign oversight or approval are subject to pervasive and continuing regulation. In the U.S., devices and biologics must be manufactured in registered and, in the case of biologics, licensed establishments and must be produced in accordance with Quality System Regulations. Manufacturing facilities and processes are subject to periodic FDA inspection. Labeling and promotional activities are also subject to scrutiny by the FDA and, in certain instances, by the Federal Trade Commission. The export of devices and biologics is also subject to regulation and may require FDA approval. From time to time, the FDA may modify such regulations, imposing additional or different requirements. Failure to comply with any applicable FDA requirements, which may be ambiguous, could result in civil and criminal enforcement actions, product recalls or detentions and other penalties and could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, NOTA prohibits the acquisition or transfer of human organs for "valuable consideration" for use in human transplantation. NOTA permits the payment of reasonable expenses associated with the removal, transportation, processing, preservation, quality control and storage of human organs. There can be no assurance that restrictive interpretations of NOTA will not be adopted in the future that will challenge one or more aspects of the Company's methods of charging for its cryopreservation services. The Company's laboratory operations are subject to the U.S. Department of Labor, Occupational Safety and Health Administration and Environmental Protection Agency requirements for prevention of occupational exposure to infectious agents and hazardous chemicals and protection of the environment. Some states have enacted statutes and regulations governing the processing, transportation and storage of human organs and tissue. While management believes that the Company is presently in compliance in all material respects with all such applicable statutes and regulations, there can be no assurance that more restrictive state laws or regulations will not be adopted in the future that could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business-Government Regulation."

Uncertainties Related to Patents and Protection of Proprietary Technology

The Company owns several patents, patent applications and licenses relating to its technologies, which it believes provide important competitive advantages. There can be no assurance that the Company's pending patent applications will issue as patents or that challenges will not be instituted concerning the

validity or enforceability of any patent owned by the Company, or, if instituted, that such challenges will not be successful. The cost of litigation to uphold the validity and prevent infringement of a patent could be substantial. Furthermore, there can be no assurance that competitors will not independently develop similar technologies or duplicate the Company's technologies or design around the patented aspects of the Company's technologies. There can be no assurance that the Company's proposed technologies will not infringe patents or other rights owned by others. In addition, under certain of the Company's license agreements, if the Company fails to meet certain contractual obligations, including the payment of minimum royalty amounts, such licenses may become nonexclusive or terminable by the licensor, which could have a material adverse effect on the Company's business, financial condition and results of operations. Additionally, the Company protects its proprietary technologies and processes in part by confidentiality agreements with its collaborative partners, employees and consultants. There can be no assurance that these agreements will not be breached, that the Company will have adequate remedies for any breach or that the Company's trade secrets will not otherwise become known or independently discovered by competitors, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Uncertainties Regarding Future Health Care Reimbursement

Even though the Company does not receive payments directly from third-party health care payors, their reimbursement methods and policies impact demand for the Company's cryopreserved tissue and other services and products. The Company's cryopreservation services may be particularly susceptible to third-party cost containment measures. In particular, the initial cost of a cryopreserved human heart valve generally exceeds the cost of a mechanical, synthetic or animal-derived valve. The Company is unable to predict what changes will be made in the reimbursement methods and policies utilized by third-party health care payors or their effect on the Company. Changes in the reimbursement methods and policies utilized by third-party health care payors, including Medicare, with respect to cryopreserved tissues provided for implant by the Company and other Company services and products, could have a material adverse

effect on the Company. Significant uncertainty exists as to the reimbursement status of newly approved health care products and services and there can be no assurance that adequate third-party coverage will be available for the Company to maintain price levels sufficient for realization of an appropriate return on its investment in developing new products. Government and other third-party payors are increasingly attempting to contain health care costs by limiting both coverage and the level of reimbursement for new products approved for marketing by the FDA and by refusing in some cases to provide any coverage for uses of approved products for indications for which the FDA has not granted marketing approval. If adequate coverage and reimbursement levels are not provided by government and other third-party payors for uses of the Company's new products and services, market acceptance of these products would be adversely affected, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Dependence on Key Personnel

The Company's business and future operating results depend in significant part upon the continued contributions of its key technical personnel and senior management, many of whom would be difficult to replace. The Company's business and future operating results also depend in significant part upon its ability to attract and retain qualified management, processing, technical, marketing, sales and support personnel for its operation. Competition for such personnel is intense and there can be no assurance that the Company will be successful in attracting and retaining such personnel. The loss of key employees, the failure of any key employee to perform adequately or the Company's inability to attract and retain skilled employees as needed could have a material adverse effect on the Company's business, financial condition and results of operations.

Product Liability and Insurance

The use of the Company's products involves the possibility of adverse effects that could expose the Company to product liability claims. A recent U.S. Supreme Court decision held that prior FDA approval or clearance of the product did not preempt product liability actions involving the product. FDA and future court decisions may also increase the Company's risk of product liability. From time

to time, the Company is involved in legal proceedings based on product liability claims of a nature considered normal to its business. The Company's products are used by health care providers in connection with the treatment of patients, who will, on occasion, sustain injury or die as a result of their condition or medical treatment. If a lawsuit is filed because of such an occurrence, the Company, along with physicians and nurses, hospitals and other medical suppliers, may be named as a defendant, and whether or not the Company is ultimately determined to be liable, the Company may incur significant legal expenses. In addition, such litigation could damage the Company's reputation and therefore impair its ability to market its products or obtain product liability insurance and could cause the premiums for such insurance to increase. Although the Company has incurred minimal losses due to product liability claims to date, there can be no assurance that it will not incur significant losses in the future. The Company currently maintains product liability insurance in the aggregate amount of $14 million per year. There can be no assurance that such coverage will continue to be available on terms acceptable to the Company or will be adequate to cover any losses due to product claims if actually incurred. Furthermore, if any such claim is successful, it could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business-Legal Proceedings."

Use and Disposal of Hazardous Material

The Company's research, development and processing activities involve the controlled use of small quantities of radioactive compounds, chemical solvents and other hazardous materials. The Company's activities also include the preservation and growth of human cells and the processing of human tissue. Although the Company believes that its safety procedures for handling, processing and disposing of hazardous materials and human tissue comply with the standards prescribed by federal, state and local regulations, the risk of accidental contamination, injury or disease transmission from these materials cannot be completely eliminated. In the event of such an accident or transmission, the Company could be held liable for resulting damages and any liability could have a material adverse effect on the Company's business,

financial condition and results of operations. Also, any failure to comply with applicable regulations could result in the imposition of penalties, fines and sanctions, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Volatility of Securities Prices

The trading price of the Company's Common Stock has been subject to wide fluctuations from time to time and may continue to be subject to such volatility in the future. Trading price fluctuations can be caused by a variety of factors, including quarter to quarter variations in operating results, announcement of technological innovations or new products by the Company or its competitors, governmental regulatory acts, developments with respect to patents or proprietary rights, general conditions in the medical device or service industries, actions taken by government regulators, changes in earnings estimates by securities analysts or other events or factors, many of which are beyond the Company's control. If the Company's revenues or operating results in future quarters fall below the expectations of securities analysts and investors, the price of the Company's Common Stock would likely decline, perhaps substantially. Changes in the trading price of the Company's Common Stock may bear no relation to the Company's actual operational or financial results.

Anti-Takeover Provisions

The Company's Articles of Incorporation and Bylaws contain provisions that may discourage or make more difficult any attempt by a person or group to obtain control of the Company, including provisions authorizing the issuance of preferred stock without shareholder approval, restricting the persons who may call a special meeting of the shareholders and prohibiting shareholders from taking action by written consent. In addition, the Company is subject to certain provisions of Florida law that may discourage or make more difficult takeover attempts or acquisitions of substantial amounts of the Company's Common Stock. Further, pursuant to the terms of a shareholder rights plan adopted in 1995, each outstanding share of Common Stock has one attached right. The rights will cause substantial dilution of the ownership of a person or group that attempts to acquire the Company on terms not approved by the Board and may have the effect of deterring hostile takeover attempts.

Absence of Dividends

The Company has not paid, and does not presently intend to pay, cash dividends. The Company's major credit agreement contains, and future credit agreements may contain, financial covenants, including covenants to maintain certain levels of net worth and certain leverage ratios, which could have the effect of restricting the amount of dividends that the Company may pay. It is not likely that any cash dividends will be paid in the foreseeable future.

Forward-Looking Statements

This Form 10-K includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included or incorporated by reference in this Form 10-K which address activities, events or developments which the Company expects or anticipates will or may occur in the future, including statements regarding the Company's competitive position, the successful development of its SynerGraft porcine valves, the funding to continue development of FibRx surgical sealant, other estimated dates relating to the Company's proposed regulatory submissions, the timing of the Company's clinical trials for the approval of BioGlue surgical adhesive for general vascular repair, the timing of the completion of the expansion of the Company's corporate headquaters and manufacturing facilities, the Company's expectations regarding the adequacy of current financing arrangements, product demand and market growth, the impact of the introduction of BioGlue in the U.S. or marketing opportunities for the Company's single-use medical devices and other statements regarding future plans and strategies, anticipated events or trends and similar

expressions concerning matters that are not historical facts are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the Company's expectations and predictions is subject to a number of risks and uncertainties which could cause actual results to differ materially from the Company's expectations, including the risk factors discussed in this Form 10-K and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this Form 10-K are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Company or its business or operations. The Company assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise.

Item 2. Properties.

The Company's facilities (other than its single use medical device manufacturing plant) are located in suburban Atlanta, Georgia, and consist of three separate locations totaling approximately 130,000 square feet of leased office, laboratory and warehouse space. Approximately 30,000 square feet are dedicated to laboratory work areas. The primary facility, which does not include the FibRx laboratory and the bioprosthetic manufacturing operation, has four main laboratory facilities: human tissue processing, BioGlue manufacturing, research and development, and microbiology. Each of these areas consists of a general technician work area and adjoining "clean rooms" for work with human tissue and for aseptic processing. The clean rooms are supplied with highly filtered air which provides a near-sterile environment. The human tissue processing laboratory contains approximately 7,700 square feet with a suite of seven clean rooms. The BioGlue manufacturing laboratory contains approximately 12,900 square feet with a suite of 2 clean rooms. The research and development laboratory is approximately 5,500 square feet with a suite of five clean rooms. The microbiology laboratory is approximately 3,200 square feet with a suite of three clean rooms. The FibRx laboratory facility contains approximately 11,000 square feet, including approximately 4,000 square feet of laboratory space with a suite of eight clean rooms. The Company's porcine heart valves are manufactured in the Company's bioprosthesis laboratory, which contains approximately 13,000 square feet, with about 3,500 square feet of laboratory space and a suite of four clean

rooms for tissue processing. The Company manufactures single-use medical devices at the Company's IFM subsidiary located in St. Petersburg, Florida. This facility is approximately 30,000 square feet and is leased from the former principal shareholder of IFM. The Company's lease on its IFM facility expires in 2007.

In February 2000, the Company began construction of a major new addition to its corporate headquarters and manufacturing facilities located in suburban Atlanta, Georgia. The new addition will consist of a two-story 100,000 square foot manufacturing facility for BioGlue surgical adhesive and SynerGraft heart valves, as well as physician training laboratories and additional corporate office space. The Company anticipates completion of the project in mid 2001.

Item 3. Legal Proceedings.

From time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. Management believes that no currently ongoing litigation, if determined adversely to the Company, will have a material adverse effect on the Company's business, financial condition or results of operations.

Item 4. Submission of Matters to Vote of Security Holders.

Inapplicable.

Item 4A. Executive Officers of the Registrant.

Each of the executive officers of the Registrant was elected by the Board of Directors to serve until the Board of Directors' meeting immediately following the next annual meeting of shareholders or until his earlier removal by the Board of Directors or his resignation. The following table lists the executive officers of the Registrant and their ages, positions with the Registrant, and the dates from which they have continually served in their present positions with the Registrant.

Name	Age	Position	Date First Elected to Present Office
Steven G. Anderson	61	President, Chief Executive Officer and Chairman	February, 1984
Kirby S. Black, PhD	45	Vice President, Research and Development	July, 1995
Edwin B. Cordell, Jr., CPA	41	Vice President and Chief Financial Officer	December, 1994
David M. Fronk	36	Vice President, Clinical Research	December, 1998
Albert E. Heacox, PhD	49	Vice President, Laboratory Operations	June, 1995
Gerald B. Seery	43	Vice President, Marketing	August, 1995
James C. Vander Wyk, PhD	55	Vice President, Regulatory Affairs and Quality Assurance	February, 1996
Ronald D. McCall, Esq.	63	Director, Secretary and Treasurer	January, 1984

Steven G. Anderson, a founder of the Company, has served as the Company's President, Chief Executive Officer and Chairman since its inception. Mr. Anderson has more than 30 years of experience in the implantable medical device industry. Prior to joining the Company, Mr. Anderson was Senior Executive Vice President and Vice President, Marketing, from 1976 until 1983 of Intermedics, Inc. (now Guidant, Inc.), a manufacturer and distributor of pacemakers and other medical devices. Mr. Anderson received his BA from the University of Minnesota.

Kirby S. Black, PhD, has served as Vice President of Research and Development since July 1995. Dr. Black is responsible for the continued development of the Company's current products as well as the evaluation of new technologies. Dr. Black is listed on three patents and has authored over 125 publications. Prior to joining the Company, Dr. Black was Director, Medical Information and Project Leader from July 1993 until July 1994 at Advanced Tissue Sciences, LaJolla, California. Dr. Black has also held a number of positions at the University of California at Irvine, including Director, Transplantation and Immunology Laboratories, Department of Surgery. Dr. Black received his BS degree from the University of California, Los Angeles, and his PhD degree from the University of California at Irvine.

Edwin B. Cordell, Jr., CPA, has served as Vice President and Chief Financial Officer of the Company since November 1994. From August 1987 to November 1994, Mr. Cordell served as Controller and Chief Financial Officer of Video Display Corporation, a publically held consumer electronics manufacturing and

distribution company. Mr. Cordell received his BS in Accounting from the University of Tennessee.

David M. Fronk was appointed to the position of Vice President of Clinical Research in December 1998 and has been with the Company since 1992. Mr. Fronk is responsible for managing the preclinical and clinical investigations for all products, as well as monitoring product performance. Prior to joining the Company, Mr. Fronk held engineering positions with Zimmer Inc. from 1986 until 1988 and Baxter Healthcare Corporation from 1988 until 1991. Mr Fronk served as a market manager with Baxter Healthcare Corporation from 1991 until 1992. Mr. Fronk received his BS in Mechanical Engineering at The Ohio State University in 1985 and his MS in Biomedical Engineering at The Ohio State University in 1986.

Albert E. Heacox, PhD, has served as Vice President, Laboratory Operations since June 1988 and has been with the Company since June of 1985. Dr. Heacox has been responsible for developing protocols and procedures for both cardiovascular and connective tissues, implementing upgrades in procedures in conjunction with the Company's quality assurance programs, and overseeing all production activities of the Company's laboratories. Prior to joining the Company, Dr. Heacox worked as a researcher with the U.S. Department of Agriculture and North Dakota State University, developing methods for the cryopreservation of cells and animal germ plasm storage. Dr. Heacox received a BA and an MS in Biology from Adelphi University, and received his PhD in Biology from Washington State University and completed his post-doctorate training in cell biology at the University of Cologne, West Germany.

Gerald B. Seery has served as Vice President of Marketing since August 1995 and has been with the Company since July 1993. Mr. Seery is responsible for developing and implementing the Company's sales and marketing plans and supervising all tissue procurement activities. Prior to joining the Company, Mr. Seery held senior marketing management positions with Meadox Medicals from 1982 until 1985, Electro Catheter Corporation from 1985 until 1989 and Daig Corporation from 1992 until 1993, accumulating fifteen years of specialized marketing experience in cardiovascular medical devices. Mr. Seery received his BA in International Economics at The Catholic University of America in Washington, D.C. in 1978 and completed his MBA at Columbia University in New York in 1980.

James C. Vander Wyk, PhD, has served as Vice President, Regulatory Affairs and Quality Assurance of the Company since February 1996. Prior to joining the Company, Dr. Vander Wyk held senior management positions at Schneider (USA), Inc. from 1993 until 1996, Pharmacia Deltec, Inc. from 1985 until 1993, Delmed, Inc. from 1980 until 1985 and Pharmaco, Inc. from 1975 to 1979, gaining 20 years of experience in Regulatory Affairs and Quality Assurance. Dr. Vander Wyk received his BS in Pharmacy from the Massachusetts College of Pharmacy and his PhD in Microbiology from the University of Massachusetts. Dr. Vander Wyk performed his NIH Postdoctoral Fellowship at the University of Illinois.

Ronald D. McCall has served as a director of the Company and as the Secretary and Treasurer of the Company since January 1984. From 1985 to the present, Mr. McCall has been the proprietor of the law firm of Ronald D. McCall, Attorney At Law, Tampa, Florida. Mr. McCall was admitted to the practice of law in Florida in 1961. Mr. McCall received his BA and JD degrees from the University of Florida.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The response to Item 5 is incorporated herein by reference to the information set forth under the caption "Market Price of Common Stock" on page 35 of the annual shareholders report for the year ended December 31, 1999.

Item 6. Selected Financial Data.

The response to Item 6 is incorporated herein by reference to the information set forth under the caption "Selected Financial Information" on page 36 of the annual shareholders report for the year ended December 31, 1999.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The response to Item 7 is incorporated herein by reference to the information set forth under the caption "Management's Discussion and Analysis" on pages 16 though 21 of the annual shareholders report for the year ended December 31, 1999.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The response to Item 7A is incorporated herein by reference to the information set forth under the caption "Quantitative and Qualitative Disclosures About Market Risk" appearing on page 20 of the annual shareholders report for the year ending December 31, 1999.

Item 8. Financial Statements and Supplementary Data.

The report of independent auditors and consolidated financial statements included on pages 22 through 35 of the annual shareholders report for the year ended December 31, 1999 are incorporated herein by reference. Quarterly Results of Operations on page 37 of the annual shareholders report for the year ended December 31, 1999 is incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None required to be reported in this Form 10-K.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The response to Item 10, applicable to the Directors of the Company, is incorporated herein by reference to the information set forth under the caption "Election of Directors" in the Proxy Statement for the Annual Meeting of Shareholders to be filed with the Commission not later than April 29, 2000. Information concerning executive officers is included in Part I, Item 4A of this Form 10-K.

The response to Item 10, applicable to Section 16(a) of the Securities Exchange Act of 1934, as amended, is incorporated herein by reference to the information set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement for the Annual Meeting of Shareholders to be filed with the Commission not later than April 29, 2000.

Item 11. Executive Compensation.

The response to Item 11 is incorporated herein by reference to the information set forth under the caption "Executive Compensation" in the Proxy Statement for the Annual Meeting of Shareholders to be filed with the Commission not later than April 30, 2000.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The response to Item 12 is incorporated herein by reference to the information set forth under the captions "Ownership of Principal Shareholders and Certain Executive Officers" and "Election of Directors" in the Proxy Statement for the Annual Meeting of Shareholders to be filed with the Commission not later than April 29, 2000.

Item 13. Certain Relationships and Related Transactions.

The response to Item 13 is incorporated herein by reference to the information set forth under the caption "Executive Compensation" in the Proxy Statement for the Annual Meeting of Stockholders to be filed with the Commission not later than April 29, 2000.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

The following are filed as part of this report:

(a) 1. Financial Statements

The report of independent auditors and consolidated financial statements included on pages 22 through 35 of the annual shareholders report for the year ended December 31, 1999 are incorporated herein by reference and the report of independent auditors for each of the two years in the period ended December 31, 1998 is set forth below.

Report of Independent Auditors

The Board of Directors and Shareholders
CryoLife, Inc.

We have audited the accompanying consolidated balance sheet of CryoLife, Inc. as of December 31, 1998, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CryoLife, Inc. at December 31, 1998, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 1998 in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Atlanta, Georgia
February 2, 1999

2. Financial Statement Schedule

Independent Auditors' Report on Schedule

Schedule II-Valuation and Qualifying Accounts

All other financial statement schedules not listed above are omitted, as the required information is not applicable or the information is presented in the consolidated financial statements or related notes.

3. A. Exhibits

The following exhibits are filed herewith or incorporated herein by reference:

Exhibit Number	Description
2.1	Asset Purchase Agreement among the Company and United Cryopreservation Foundation, Inc., United Transplant Foundation, Inc. and QV, Inc. dated September 11, 1996. (Incorporated by reference to Exhibit 2.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.)

2.2 Agreement and Plan of Merger dated as of March 5, 1997 among Ideas for Medicine, Inc., J. Crayton Pruitt, Sr., M.D., Thomas Benham, Thomas Alexandris, Tom Judge, Natalie Judge, Helen Wallace, J. Crayton Pruitt, Jr., M.D., and Johanna Pruitt, and CryoLife, Inc. and CryoLife Acquisition Corporation. (Incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on March 19, 1997.)

2.3 Asset Purchase Agreement by and between Horizon Medical Products, Inc. and Ideas for Medicine, Inc. dated September 30, 1998. (Incorporated by reference to Exhibit 2 to Horizon Medical Products, Inc.'s Current Report on Form 8K-filed with the Securities and Exchange Commission on October 14, 1998.)

3.1 Restated Certificate of Incorporation of the Company.

3.2 ByLaws of the Company, as amended. (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.)

4.1 Form of Certificate for the Company's Common Stock. (Incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)

4.2 Form of Certificate for the Company's Common Stock. (Incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.)

Exhibit Number	Description
10.1	Lease, by and between New Market Partners III, Laing Properties, Inc., General Partner, as Landlord, and the Company, as Tenant, dated February 13, 1986, as amended by that Amendment to Lease, by and between the parties, dated April 7, 1986, as amended by that Amendment to Lease, by and between the parties, dated May 15, 1987, as amended by that Second Amendment to Lease, by and between the parties, dated June 22, 1988, as amended by that Third Amendment to Lease, by and between the parties, dated April 4, 1989, as amended by that Fourth Amendment to Lease, by and between the parties, dated April 4, 1989 as amended by that Fifth Amendment to Lease, by and between the parties, dated October 15, 1990. (Incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)
10.1(a)	Seventh Amendment to Lease dated February 13, 1986, by and between New Market Partners III, Laing Properties, Inc., General Partner, as Landlord, and the Company as tenant, dated May 15, 1996. (Incorporated by reference to Exhibit 10.1(a) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
10.2	Lease by and between Newmarket Partners I, Laing Properties, Inc. and Laing Management Company, General Partner, as Landlord, and the Company as Tenant, dated July 23, 1993. (Incorporated by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
10.3	1993 Employee Stock Incentive Plan adopted on July 6, 1993. (Incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
10.4	1989 Incentive Stock Option Plan for the Company, adopted on March 23, 1989. (Incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)
10.5	Incentive Stock Option Plan, dated as of April 5, 1984. (Incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)

10.6	Form of Stock Option Agreement and Grant under the Incentive Stock Option and Employee Stock Incentive Plans. (Incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)
10.7	CryoLife, Inc. Profit Sharing 401(k) Plan, as adopted on December 17, 1991. (Incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)
10.8	Form of Supplemental Retirement Plan, by and between the Company and its Officers -- Parties to Supplemental Retirement Plans: Steven G. Anderson, David M. Fronk, Gerald B. Seery, James C. Vander Wyk, Albert E. Heacox, Kirby S. Black, and Edwin B. Cordell, Jr. (Incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)
10.9(a)	Employment Agreement, by and between the Company and Steven G. Anderson. (Incorporated by reference to Exhibit 10.9(a) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.)

Exhibit Number	Description
10.9(b)	Employment Agreement, by and between the Company and Albert E. Heacox. (Incorporated by reference to Exhibit 10.7(c) to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)
10.9(c)	Employment Agreement, by and between the Company and Edwin B. Cordell, Jr. (Incorporated by reference to Exhibit 10.9(f) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
10.9(d)	Employment Agreement, by and between the Company and Gerald B. Seery. (Incorporated by reference to Exhibit 10.9(e) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
10.9(e)	Employment Agreement, by and between the Company and James C. Vander Wyk, Ph.D. (Incorporated by reference to Exhibit 10.9(f) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
10.9(f)	Employment Agreement, by and between the Company and Kirby S. Black, Ph.D. (Incorporated by reference to Exhibit 10.9(g) to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1996.)
10.9(g)	Employment Agreement, by and between the Company and David M. Fronk. (Incorporated by reference to Exhibit 10.9(g) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.)
10.10	Form of Secrecy and Noncompete Agreement, by and between the Company and its Officers. (Incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)
10.11*	Terms of Agreement Between Bruce J. Van Dyne, M.D. and CryoLife, Inc. dated November 1, 1999.
10.12	Technology Acquisition Agreement between the Company and Nicholas Kowanko, Ph.D., dated March 14, 1996. (Incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
10.13	Option Agreement, by and between the Company and Duke University, dated July 9, 1990, as amended by that Option Agreement Extension, by and between the parties, dated July 9, 1991. (Incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)
10.14	Research and License Agreement by and between Medical University of South Carolina and CryoLife dated November 15, 1985, as amended by

Amendment to the Research and License Agreement dated February 25, 1986 by and between the parties and an Addendum to Research and License Agreement by and between the parties, dated March 4, 1986. (Incorporated by reference to Exhibit 10.23 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)

Exhibit Number	Description
10.15	CryoLife, Inc. Non-Employee Directors Stock Option Plan, as amended. (Incorporated by reference to Appendix 2 to the Registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on April 17, 1998.)
10.16	Lease Agreement between the Company and Amli Land Development-I Limited Partnership, dated April 18, 1995. (Incorporated by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
10.16(a)*	First Amendment to Lease Agreement Agreement, dated April 18, 1995, between the Company and Amli Land Development-I Limited Partnership dated August 6, 1999.
10.17	Funding Agreement between the Company and Amli Land Development-I Limited Partnership dated April 18, 1995. (Incorporated by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
10.18	CryoLife, Inc. Employee Stock Purchase Plan (Incorporated by reference to Exhibit "A" of the Registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on April 10, 1996.)
10.19	Noncompetition Agreement between the Company and United Cryopreservation Foundation, Inc. dated September 11,1996. (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.)
10.2	Noncompetition Agreement between the Company and QV, Inc. dated September 11, 1996. (Incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.)
10.21	RevolvingTerm Loan Facility between the Company and NationsBank N.A., dated August 30, 1996. (Incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.)
10.22	Technology License Agreement between the Company and Colorado State University Research Foundation dated March 28, 1996. (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996.)
10.23	Noncompetition Agreement between the Company and United Transplant Foundation, Inc. dated September 11, 1996. (Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.)
10.24(a)*	Third Amended and Restated Loan Agreement between CryoLife, Inc, as Borrower and NationsBank, N.A., as Lender, dated August 30, 1996.
10.24(b)	First Amendment of Third Amended and Restated Loan Agreement between CryoLife, Inc., as Borrower and NationsBank, N.A. (South), as Lender, dated April 14, 1997. (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997.)
10.24(c)	Second Modification of Third Amended and Restated Loan Agreement dated December 16, 1997 by and between the Registrant and NationsBank, N.A. . (Incorporated by reference to Exhibit 10.32(b) to the Registrant's Annual Report on Form 10-K for the fiscal year

ended December 31, 1997.)

Exhibit Number	Description
10.24(d)*	Third Modification of Third Amended and Restated Loan Agreement dated June 12, 1998 by and between the Registrant and NationsBank, N.A.
10.24(e)*	Fourth Modification of Third Amended and Restated Loan Agreement dated December 16, 1997 by and between the Company and Bank of America, N.A. and First Modification of Revolving Note dated December 31, 1999.
10.25	Reserved.
10.26	CryoLife, Inc. 1998 Long-Term Incentive Plan. (Incorporated by reference to Appendix 2 to the Registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on April 17, 1998.)
10.27	Consulting Agreement dated March 5, 1997 between CryoLife Acquisition Corporation and J. Crayton Pruitt, Sr., M.D. (Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.)
10.28	Subordinated Convertible Debenture dated March 5, 1997 between the Company and J. Crayton Pruitt, Sr., M.D. (Incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.)
10.29	Lease Agreement dated March 5, 1997 between the Company and J. Crayton Pruitt, Sr., M.D. (Incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.)
10.30	Lease Guaranty dated March 5, 1997 between J. Crayton Pruitt Family Trust U/T/A and CryoLife, Inc., as Guarantor for CryoLife Acquisition Corporation. (Incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.)
10.3	Form of Non-Competition Agreement dated March 5, 1997 between the Company and J. Crayton Pruitt, Sr., M.D., Thomas Benham, Thomas Alexandris, Tom Judge, Natalie Judge, Helen Wallace, J. Crayton Pruitt, Jr., M.D., and Johanna Pruitt. (Incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.)
10.32*	Standard Form of Agreements Between Owner and Design/Builder by and between the Company and Choate Design and Build Company dated January 19, 2000.
13.1*	Portions of the Registrant's Annual Report to Shareholders for the year ended December 31, 1999 which are incorporated by reference herein.
21.1*	Subsidiaries of CryoLife, Inc.
23.1*	Consent of Arthur Andersen LLP
23.2*	Consent of Ernst & Young LLP
27.1*	Financial Data Schedule

_____

* Filed herewith.

3.B. Executive Compensation Plans and Arrangements.

1. 1993 Employee Stock Incentive Plan adopted on July 6, 1993. (Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)

2. 1989 Incentive Stock Option Plan for the Company, adopted on March 23, 1989 (Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)

3. Incentive Stock Option Plan, dated as of April 5, 1984 (Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)

4. Form of Stock Option Agreement and Grant under the Incentive Stock Option and Employee Stock Incentive Plans (Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)

5. CryoLife, Inc. Profit Sharing 401(k) Plan, as adopted on December 17, 1991 (Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)

6. Form of Supplemental Retirement Plan, by and between the Company and its Officers -- Parties to Supplemental Retirement Plans: Steven G. Anderson, Robert T. McNally, Gerald B. Seery, James C. Vander Wyk, Albert E. Heacox, Kirby S. Black and Edwin B. Cordell, Jr. (Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)

7. Employment Agreement, by and between the Company and Steven G. Anderson. (Incorporated by reference to Exhibit 10.9(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998.)

8. Employment Agreement, by and between the Company and David M. Fronk. (Incorporated by reference to Exhibit 10.9(g) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998.)

9. Employment Agreement, by and between the Company and Albert E. Heacox. (Exhibit 10.7(c) to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)

10. Employment Agreement, by and between the Company and Gerald B. Seery. (Incorporated by reference to Exhibit 10.9(e) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.)

11. Employment Agreement, by and between the Company and James C. Vander Wyk, Ph.D. (Incorporated by reference to Exhibit 10.9(f) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.)

12. Employment Agreement, by and between the Company and Edwin B. Cordell, Jr. (Incorporated by reference to Exhibit 10.9(f) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)

13. CryoLife, Inc. Non-Employee Directors Stock Option Plan, as amended. (Incorporated by reference to Exhibit 10.15 to this form 10-K.)

14. CryoLife, Inc. Employee Stock Purchase Plan. (Incorporated by reference to Exhibit "A" of the Registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on April 10, 1996.)

15. Employment Agreement by and between the Company and Kirby S. Black (Incorporated by reference to Exhibit 10.9(g) to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1996.)

16. CryoLife, Inc. 1998 Long-Term Incentive Plan. (Exhibit 10.34 to this Form 10-K).

17. Terms of Agreement Between Bruce J. Van Dyne, M.D. and CryoLife, Inc. dated November 1, 1999.

(b) Reports on Form 8-K

1. The Registrant filed a Current Report on Form 8-K with respect to the change in its Independent Auditors with the Securities and Exchange

Commission on June 4, 1999.

2. The Registrant filed a Current Report on Form 8-K/A with respect to the change in its Independent Auditors with the Securities and Exchange Commission on June 9, 1999.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CRYOLIFE, INC.

March 27, 2000

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Steven G. Anderson Steven G. Anderson	President, Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	March 27, 2000
/s/ Edwin B. Cordell, Jr. Edwin B. Cordell, Jr.	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 27, 2000
/s/ Ronald D. McCall Ronald D. McCall	Director	March 27, 2000
/s/ Benjamin H. GRAY Benjamin H. Gray	Director	March 27, 2000
/s/ Virginia C. Lacy Virginia C. Lacy	Director	March 27, 2000
/s/ Ronald Charles Elkins, M.D. Ronald Charles Elkins, M.D.	Director	March 27, 2000
/s/ Bruce j. Van dyne, M.D. Bruce J. Van Dyne, M.D.	Director	March 27, 2000
/s/ John M. Cook John M. Cook	Director	March 27, 2000
/s/ Alexander C. Schwartz, jr. Alexander C. Schwartz, Jr.	Director	March 27, 2000

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To CryoLife, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements included in CryoLife, Inc.'s 1999 annual report to stockholders and this Form 10-K and have issued our report thereon dated February 7, 2000. Our audit was made for the purpose of forming an opinion on those financial statements taken as a whole. The schedule listed in Item 14(a) of this Form 10-K is the responsibility of the Company's management, is presented for purposes of complying with the Securities and Exchange Commission's rules, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN, LLP

Atlanta, Georgia
February 7, 2000

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1217270v3

SCHEDULE II
CRYOLIFE, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

Years ended December 31, 1999, 1998, and 1997

Description	Balance beginning of period	Additions	Deductions	Balance end of period
Year ended December 31, 1999				
Allowance for doubtful accounts.....	$ 256,000	$521,000	$249,000	$528,000
Deferred preservation costs.....	53,000	235,000	137,000	151,000
Year ended December 31, 1998				
Allowance for doubtful accounts.....	$ 103,000	$171,000	$ 18,000	$256,000
Deferred preservation costs.....	152,000	--	99,000	53,000
Year ended December 31, 1997				
Allowance for doubtful accounts.....	$ 94,000	$ 46,000	$ 37,000	$103,000
Deferred preservation costs.....	278,000	--	126,000	152,000

EXHIBIT 10.11

Terms of Agreement
Between
Bruce J. Van Dyne, M.D. and CryoLife, Inc.

Effective Date:
November 1, 1999 - November 30, 2002

Focus of Services:
Dr. Van Dyne agrees to provide consulting services to CryoLife as needed.

Consulting Services provided will address:

* Research into the clinical use of preserved spinal discs, nerve tissue and/or vertebral bodies either for open surgery or minimally invasive surgery.

* Facilitate the development and use of CryoLife products in clinical applications.

* The presentation of clinical information at surgical congresses, education and training.

Compensation

* Daily consulting fee of $1,500 paid upon receipt of an invoice for services.

All travel and related expenses, incurred under this Agreement and in compliance with corporate travel and expense guidelines and policies, will be reimbursed to Dr. Van Dyne by CryoLife, Inc. Such expenses are to be submitted along with an invoice for services as outlined above.

The undersigned agree to the terms of the Agreement between Bruce J. Van Dyne, M.D. and CryoLife, Inc.

CryoLife, Inc.	Bruce J. Van Dyne, M.D.
/s/ STEVEN G. ANDERSON	/s/ BRUCE J. VAN DYNE, M.D.
Steven G. Anderson, President and CEO	Bruce J. Van Dyne, M.D.
10/26/99	11/1/99
Date	Date

1218386v1

EXHIBIT 10.16(a)

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (this "First Amendment") is entered into this _____ day of _____, 1999, by and between AMLI LAND DEVELOPMENT - I LIMITED PARTNERSHIP, an Illinois limited partnership, whose address is in care of AMLI REALTY CO., 1945 Vaughn Road, Kennesaw, Georgia 30144, (together with its successors and assigns "Amli") and CRYOLIFE, INC., a Florida corporation, whose address is 1655 Roberts Boulevard, Kennesaw, Georgia 30144 (together with its permitted assigns "Tenant").

W I T N E S S E T H :

WHEREAS, Amli and Tenant entered into that certain Lease Agreement dated as of April 14, 1995, ("Lease") dealing with and surrounding the leasing of a certain building and other improvements and appurtenances thereto as described in the Lease ("Cryolife Phase I");

WHEREAS, Amli has agreed to the construction of an additional two-story office/R&D/warehouse/light manufacturing building and other improvements and appurtenances, including an interconnection between Cryolife Phase I and Cryolife Phase II (as that term is hereinafter defined) thereby adjoining Cryolife Phase I and Cryolife Phase II;

WHEREAS, for the purposes herein, the new additional two-story office/R&D building, other improvements and appurtenances, including the interconnection, shall hereinafter be referred to as "Cryolife Phase II".

WHEREAS, Amli and Cryolife desire to enter into this First Amendment to amend the Lease.

NOW, THEREFORE, in consideration of TEN and NO/100 ($10.00) DOLLARS, the premises, and other good and valuable consideration and the mutual benefits that will be derived by the parties hereto, Amli and Tenant hereby agree as follows:

The recitals hereinabove set forth are incorporated herein by reference as if totally set forth herein.

The Cryolife Phase II shall be and is hereby covered and governed by the Lease as hereinafter amended.

The Lease is hereby amended whereby any and all references to the Pre-Occupancy and Construction Agreement in the Lease shall only refer to and apply to Cryolife Phase II.

The Lease is hereby amended whereby any and all reference to the address of Amli shall mean 1945 Vaughn Road, Kennesaw, Georgia 30144, and any and all reference to the address of the Tenant shall mean 1655 Roberts Boulevard, Kennesaw, Georgia 30144.

The Lease is further hereby amended as follows:

1. In Paragraph 1, styled Architect, on Page 1 strike "Masterson, Fowler Associates, Ltd." and substitute in lieu therefor: "An architect selected by Tenant ("Tenant Architect"), subject to Landlord's reasonable approval, and an architect selected by Landlord, i.e. Fowler & Associates, Inc. The Tenant Architect and Landlord Architect shall cooperate and work in conjunction with each other in their respective designs and preparations of the respective plans and specifications ".

2. In Paragraph 1, styled Gross Building Area, on Page 3, is hereby deleted in its entirety and the following substitute in lieu therefor:

"Gross Building Area: The entire area within the exterior base walls on each floor of Cryolife Phase I. Unless otherwise expressly stated to the contrary, all reference in this Lease in "square feet" shall mean the square feet of the Gross Building Area of Cryolife Phase I and Cryolife Phase II. Landlord and

Tenant hereby agree that the Gross Building Area of Cryolife Phase I, as shown on the Plans, is 98,268 sq. ft, and such total shall be deemed to Gross Building Area of Cryolife Phase I for all purposes under this Lease.

The Landlord and Tenant hereby agree that the Gross Building Area of Cryolife Phase II, as shown on the Plans, is 98,268 sq.ft. (plus an area to be determined and agreed to by Landlord and Tenant for the interconnection between Cryolife Phase I and Cryolife Phase II once the plans and specifications for the interconnection are agreed to and approved by Landlord and Tenant) and such total shall be deemed the Gross Building Area of Cryolife Phase II for all purposes under this Lease."

3. In Paragraph 1, styled Land, on Page 4, is hereby deleted in its entirety and the following substitute in lieu therefor:

"Land: An approximately eleven (11) acre parcel of real estate located in the Park, and legally described in Exhibit A attached hereto and made a part hereof ("Cryolife Phase I"). An approximately nine and one-half (9.5) acre parcel of real estate located in the Park, and legally described in Exhibit A-1 attached hereto and made a part hereof ("Cryolife Phase II")".

a. In Paragraph 1, styled, Net Rentable Area, on Page 5, is hereby deleted in its entirety and substitute in lieu therefor the following:

"Net Rentable Area: The Gross Building Area of Cryolife Phase I, less the area of the vertical penetrations for the elevators and any designated stairwells within the perimeter of the Facility of Cryolife Phase I (e.g. there being two (2) stairwells in the initial Facility of Cryolife Phase I). Landlord and Tenant hereby agree that the Net Rentable Area of the initial Facility of Cryolife Phase I, as shown on the Plans, is Ninety-Five Thousand Two Hundred Ten (95,210) sq. ft. and such total shall be deemed the net rentable area of the Facility of Cryolife Phase I for all purposes under this Lease.

Landlord and Tenant hereby agree that the Net Rentable Area of Cryolife Phase II, as shown on the Plans, is Ninety-Five Thousand Two Hundred Ten (95,210) sq.ft and such total shall be deemed the Net Rentable Area of the facility of Cryolife Phase II, for all purposes under this Lease, and excludes a freight elevator that may be installed by Tenant at Tenant's sole expense."

In Paragraph 1, styled Premises, on Page 6 is hereby deleted in its entirety and substitute in lieu therefor the following:

"Premises: collectively, the Land, the Facility of Cryolife Phase I and the Facility of Cryolife Phase II, the interconnection between Cryolife Phase I and Cryolife Phase II (which interconnection shall be deemed a part of Cryolife Phase II) and other improvements located on the Land."

b. In Paragraph 2, on Page 7, is hereby deleted in its entirety and the following is substituted in lieu therefor:

"2. Agreement to Lease. Landlord hereby Leases to Tenant and Tenant hereby accepts the Land of Cryolife Phase I, located in Cobb County, Georgia, together with all improvements now and hereafter located on the Land of Cryolife Phase I, including without limitation a building of Ninety-Eight Thousand Two Hundred Sixty-Eight (98,268) sq. ft. of Gross Building Area constructed thereon in accordance with the Plans (such building referred to hereinafter as the "Facility of Cryolife Phase I"), for a term (the "Term") commencing on the Commencement Date and ending _____ months after the Commencement Date (the "Termination Date"); provided, however, that if the Commencement Date is not the first (1st) day of the calendar month, the Term shall end _____ calendar months after the first (1st) day of the calendar month immediately succeeding the calendar month

in which the Commencement Date occurs, unless sooner terminated as provided herein, subject to the agreements herein contained. The parties agree and acknowledge that the Commencement Date for the Facility of Cryolife Phase I is _____ and the Termination Date for Cryolife Phase I will be the termination date for Cryolife Phase II.

Landlord hereby Leases to Tenant, and Tenant hereby accepts, the Land of Cryolife Phase II, located in Cobb County, Georgia, together with all improvements now or hereafter located on the Land Cryolife Phase II, including without limitation a building of Ninety-Eight Thousand Two Hundred Sixty-Eight (98,268) sq. ft. of Gross Building Area to be constructed thereon in accordance with the Plans pursuant to the Pre-Occupancy Agreement (such building being referred to herein as the "Facility of Cryolife Phase II") for a term (the "Term") commencing on the Commencement Date and ending One Hundred Eighty (180) calendar months from the Commencement Date (the "Termination Date"); provided, however, that if the Commencement Date is not the first (1st) date of a calendar month, the Term shall end One Hundred Eighty (180) calendar months after the first 1st day of the calendar month immediately succeeding the calendar month in which the Commencement Date occurs unless sooner terminated as provided herein, subject to the agreements herein contained."

In Paragraph 3, on Page 8 the paragraph is hereby deleted in its entirety and the following is substituted in lieu therefor:

" 3. Commencement Date: Except as otherwise expressly provided for in this Lease or the Pre-Occupancy Agreement, the "Commencement Date " for Cryolife Phase II shall be One Hundred Twenty-Two (122) days after the later to occur of (i) the Substantial Completion Date or (ii) October 31, 2000 ("Anticipated Commencement Date"). The parties shall confirm the date of the Commencement Date of Cryolife Phase II in writing as provided in Section 17 of the Pre-Occupancy Agreement."

In Paragraph 6.2, add the following as a new paragraph at the end of the paragraph:

"Landlord represents that the amount of the assessments for the 1999 calendar year is estimated to equal approximately Three Hundred and no/100 Dollars ($300.00) per acre".

c. In Paragraph 23, Page 41, add the following as a new paragraph at the end of the paragraph:

"23.8 Casualty Affecting Cryolife Phase I - Crolife Phase II. Amli and Tenant hereby acknowledge and agree that any Casualty as described in this Paragraph 24, which only affects either Cryolife Phase I or Cryolife Phase II and not both Cryolife Phase I and Cryolife Phase II, Tenant can only exercise its right of termination of the Lease as it relates only to the phase which is affected, i.e. either Cryolife Phase I or Cryolife Phase I, unless both phases, i.e. Cryolife Phase I and Cryolife Phase II, are effected by such Casualty."

d. In Paragraph 24, Page 46, add the following as a new paragraph at the end of the paragraph:

"24.7 Condemnation Affecting Cryolife Phase I - Crolife Phase II. Amli and Tenant hereby acknowledge and agree that any Condemnation as described in this Paragraph 24, which only affects Cryolife Phase I or Cryolife Phase II and not both Cryolife Phase I or Cryolife Phase II, Tenant can only exercise its right of termination of the Lease as it relates only to the phase which is affected, i.e. Cryolife Phase I or Cryolife Phase I, unless both phases, i.e. Cryolife Phase I or Cryolife Phase II, are effected by such condemnation"

e. In Paragraph 37(a)(i), Page 57, the first sentence of the subparagraph is striken in its entirety and the following is substituted in lieu therefor:

"The initial Base Rent payable during the first year of the Renewal Term shall be at a rate equal to one hundred two (102%) percent of the Base Rent applicable to the Nineteenth (19th) Lease Year for Cryolife Phase I and to the fifteenth (15th) Lease Year applicable to Cryolife Phase II".

f. In Paragraph 39, Page 59, is hereby deleted in its entirety.

g. In Paragraph 41, Page 60, is hereby deleted in its entirety.

h. In Paragraph 43, Page 61, add the following at the end of the paragraph:

"The Moving Allowance and Design Allowance described in this paragraph are applicable to Cryolife Phase I".

Further add at the end of the paragraph the following new paragraph"

"The Landlord shall pay the Tenant (i) a moving allowance of Ninety-Five Thousand Two Hundred Ten and no/100 Dollars ($95,210.00) (the "Moving Allowance Cryolife Phase II") and (ii) a space planning and design allowance of Ninety-Five Thousand Two Hundred Ten and no/100 Dollars ($95,210.00) (the "Design Allowance Cryolife Phase II"). The Moving Allowance Cryolife Phase II and the Design Allowance Cryolife Phase II shall be due and payable on the date on which Tenant takes occupancy of Cryolife Phase II. Tenant shall not be required to provide verification of Tenant's actual moving expenses or space planning or design expenses in order to be entitled to payment of the Moving Allowance of Cryolife Phase II and the Design Allowance of Cryolife Phase II."

The following shall be added as a new paragraph 44:

"44. Tenant Allowance. Landlord shall provide Tenant with a Tenant Improvement Allowance ("TIA") in accordance with the Pre-Occupancy Agreement which TIA shall be fully amortized over the initial fifteen (15) year Term of Cryolife Phase II".

i. Exhibit B is hereby deleted in its entirety and Exhibit B attached hereto and incorporated herein by reference is substituted in lieu therefor.

j. Attached hereto as Exhibit B-1 is a Schedule of Base Rent payments for Cryolife Phase II, which Exhibit B1 is incorporated herein by reference.

k. In Exhibit C, the form of estoppel letter for Cryolife Phase II shall refer to the year 2000 and the Premises shall refer to the nine and one half (9.5) acres together with the Ninety-Eight Thousand Two Hundred Sixty-Eight (98,268) sq. ft. building (plus the interconnection) known as Cryolife Phase II Building in Barrett, Cobb County, Georgia.

l. Exhibit E, the form of Memorandum of Lease for Cryolife Phase II, shall refer to the year 2000, the First Amendment to Lease as of the date of _____, 1999, the sq. footage of the Cryolife Phase II Building shall be Ninety-Eight Thousand Two Hundred Sixty-Eight (98,268) sq. ft. (plus the square footage within the interconnection) and the term of the Lease shall be from the Substantial Completion date or October 31, 2000.

m. The following shall be added as a new paragraph 45:

"45. Base Building and Leasehold Improvements Cryolife Phase II: Landlord shall design and build the base building shell, which

shall include but is not necessarily limited to the following features: a two-story block building over a steel frame, with mirrored glass; sprinklers to meet code (heads turned up); floor-to-ceiling glass on five-foot centers on four sides of the building (adjusted for loading area); paving, striping, leased pole lighting, curb and gutter in the parking lot; parking commensurate with Cryolife Phase I; landscaping commensurate with Cryolife Phase I; design specifications for Tenant Improvements; two (2) hydraulic elevators and entry lobby stairs and docking/receiving area similar to Cryolife Phase I.

As part of the construction of the base building shell for Cryolife Phase II, Landlord shall construct an interconnection between Cryolife Phase I building and Cryolife Phase II building of approximately seven thousand (7,000) square feet. Landlord shall be responsible for the cost of the interconnection not to exceed One Hundred Thousand and no/100 Dollars ($100,000.00) and any cost over and above the first One Hundred Thousand and no/100 Dollars ($100,000.00) for the construction of the interconnection shall be borne by the Tenant. Tenant may, at its election, use Tenant Improvement Allowance up to but not to exceed One Hundred Seventy-Five Thousand and no/100 Dollars ($175,000.00) for the payment of the construction cost of the interconnection over and above the first One Hundred Thousand and no/100 Dollars ($100,000.00).

The leasehold improvements to be constructed by the Tenant and for which the Tenant Improvement Allowance has been allocated and established in the Pre-Occupancy Agreement shall be used for the construction of Tenant Improvements over and above the base building shell, including but not limited to: lobby finishes; tenant build-out; mechanical, electrical, plumbing design cost beyond the base building; interior design fees including the preparation of construction drawings for Tenant Improvements; moving allowance; space planning; restrooms beyond stub-in; tenant identification signage; installation of all HVAC, plumbing and electrical systems (beyond minimum required by code in compliance with mutually accrued locations, specifications and capacity; construction management by Tenant; and bonding and insurance for the construction of the Tenant Improvements.

The Tenant shall be responsible for the designing and constructing all Tenant Improvements, over and above the base building, and for providing its own construction management services for the Tenant Improvements to be made by Tenant."

The parties hereto hereby ratify, affirm and confirm the Lease, as amended hereby, and that the Lease is in full force and effect and that the parties are bound by the terms and conditions of the Lease as hereby amended.

TENANT:

CRYOLIFE, INC.
a Florida corporation

By:_____
Steven G. Anderson
Its Chairman, President & CEO

[CORPORATE SEAL]

Date of Signature _____, 1999

LANDLORD:

AMLI LAND DEVELOPMENT -
I LIMITED PARTNERSHIP
an Illinois limited partnership

By: AMLI REALTY CO.,

a Delaware corporation, its sole general partner

By: _____
Philip N. Tague
Executive Vice President

[CORPORATE SEAL]

Date of Signature _____, 1999

EXHIBIT 10.24(a)

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.

(h) 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: _____

President

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

(CORPORATE SEAL)

LENDER:

NATIONSBANK, N.A. (SOUTH)

By:

Senior Vice President

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

EXHIBIT 10.24(d)

THIRD MODIFICATION OF THIRD AMENDED AND RESTATED LOAN AGREEMENT

THIS MODIFICATION is made and entered into as of the 12th day of June, 1998, by and between CRYOLIFE, INC., a Florida corporation ("Borrower"), and NATIONSBANK, N.A., a national banking association which is the successor by merger to NationsBank, N.A. (South), the successor by merger to Bank South, formerly known as Bank South, N.A. ("Lender").

Statement of Facts

Borrower and Lender are parties to that certain Third Amended and Restated Loan Agreement, dated as of August 30, 1996, as amended by First Modification of Third Amended and Restated Loan Agreement, dated as of April 14, 1997, and as further amended by Second Modification of Third Amended and Restated Loan Agreement, dated as of December 16, 1997 (the "Loan Agreement").

Borrower and Lender desire to further amend the Loan Agreement as hereinafter provided.

NOW, THEREFORE, for and in consideration of the premises and the mutual agreements, warranties and representations herein made, as well as $10.00 in hand paid by each party hereto to the other, and other good and valuable consideration, the receipt and sufficiency which are hereby acknowledged, Borrower and Lender agree that all capitalized terms used herein (and not otherwise defined herein) shall have the meanings given them in the Loan Agreement as herein amended and Borrower and Lender further agree as follows:

Statement of Terms

1. The Loan Agreement is hereby amended effective as of the date hereof by deleting from Section 101 thereof the definition of the term "Maximum Availability" and substituting in lieu thereof the following replacement definition:

> "Maximum Availability" shall mean $2,000,000, as such amount may be reduced or amended pursuant to this Agreement.

2. The Loan Agreement is hereby further amended effective as of the date hereof by deleting the first sentence of Section 201(e) thereof in its entirety and substituting in lieu thereof the following:

> 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 one-quarter of one percent (.25%).

3. The Loan Agreement is hereby further amended by deleting Exhibit A-1 attached to the Loan Agreement and substituting in lieu thereof the new Exhibit A-1 attached hereto.

4. The effectiveness of this Modification is subject to:

(a) the prior or concurrent receipt by Lender of this Modification, duly executed by Borrower;

(b) the prior or concurrent receipt by Lender of a replacement Revolving Note in the principal face amount of the reduced Maximum Availability;

(c) any and all guarantors of the Loans shall have consented to the execution, delivery and performance of this Modification and the new Note and all of the transactions contemplated hereby by signing one or more counterparts of this Modification in the appropriate space indicated below and returning same to Lender;

(d) the prior or concurrent receipt by Lender of a certificate of Borrower in the form of Exhibit B attached hereto, and a certificate of each Guarantor in the form of Exhibit C attached hereto;

(e) the payment of all fees and expenses due from Borrower hereunder as set forth in Section 7 below; and

(f) the truth and accuracy in all material respects of Borrower's representations and warranties in Section 6 below.

5. Except as expressly modified herein, the Loan Agreement shall remain in full force and effect. Nothing contained herein shall be deemed to be or operate as a novation or an accord and satisfaction of the Loan Agreement or of any indebtedness arising thereunder.

6. Borrower hereby represents and warrants to Lender that (a) this Modification and the supplemental Financing Documents executed in connection herewith have been duly authorized, executed and delivered by Borrower, (b) after giving effect to this Modification, no Default or Event of Default has occurred and is continuing as of this date and (c) all of the representations and warranties made by Borrower in the Loan Agreement are true and correct in all material respects on and as of the date of this Modification (except to the extent that any such representations or warranties expressly referred to a specific prior date). Any breach by Borrower of its representations and warranties contained in this Section shall be an Event of Default for all purposes of the Loan Agreement.

7. Borrower further agrees to reimburse Lender for all reasonable expenses (including without limitation attorney's fees) incurred by Lender in the negotiation, documentation or consummation of this Modification and the transactions contemplated hereby.

8. This Modification shall be governed and construed in accordance with the laws of the State of Georgia and this Modification shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and permitted assigns.

9. This Modification may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which when taken together shall constitute one and the same instrument.

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

LENDER:

NATIONSBANK, N.A.

By: _____
Vice President

BORROWER:

CRYOLIFE, INC.

By:_____
Title:

(CORPORATE SEAL)

CONSENT OF GUARANTOR

All capitalized terms used herein and not otherwise defined herein shall have the meanings given such terms in the Third Amended and Restated Loan Agreement, dated as of August 30, 1996, between CryoLife, Inc. ("Borrower") and NationsBank, N.A., successor by merger to NationsBank, N.A. (South) ("Lender"), as amended (the "Loan Agreement").

The undersigned acknowledges that it is indebted to Lender under the terms of the Guaranty Agreement, dated as of August 30, 1996, executed by the

undersigned in favor of Lender (the "Guaranty"), and that the Guaranty is in full force and effect as of the date hereof, has not been amended, rescinded, revoked or terminated by such party through the date hereof, and continues to constitute the legal, valid and binding obligation of the undersigned enforceable against the undersigned in accordance with its terms. The undersigned hereby confirms and reaffirms all of its obligations and liabilities to Lender under the Guaranty and further confirms and agrees that pursuant to the Guaranty, the undersigned has guaranteed the payment and performance of the Revolving Note, the Additional Term Note and each Hedge Agreement now or hereafter in effect, and all obligations, liabilities and indebtedness of Borrower arising thereunder or evidenced thereby.

The undersigned also consents to and approves the execution, delivery and performance of the Third Modification of Third Amended and Restated Loan Agreement, dated as of the date hereof, between Lender and Borrower (the "Third Modification"), the new Revolving Note executed and delivered in connection therewith, and all the transactions contemplated thereby. The undersigned also agrees that all indebtedness, obligations and liabilities of Borrower to Lender which may now or hereafter arise under or by reason of the Loan Agreement, including without limitation Borrower's obligations in respect of Loans advanced pursuant to the Loan Agreement, and all obligations arising under any Hedge Agreement, constitute part of the obligations of Borrower to Lender which are guaranteed by the undersigned under the terms and conditions of the Guaranty.

SIGNED, SEALED AND DELIVERED as of the 12th day of June, 1998.

CRYOLIFE INTERNATIONAL, INC.

By:_____
Title:_____

(CORPORATE SEAL)

CONSENT OF GUARANTOR

All capitalized terms used herein and not otherwise defined herein shall have the meanings given such terms in the Third Amended and Restated Loan Agreement, dated as of August 30, 1996, between CryoLife, Inc. ("Borrower") and NationsBank, N.A., successor by merger to NationsBank, N.A. (South) ("Lender"), as amended (the "Loan Agreement").

The undersigned acknowledges that it is indebted to Lender under the terms of the Guaranty Agreement, dated as of April 14, 1997, executed by the undersigned in favor of Lender (the "Guaranty"), and that the Guaranty is in full force and effect as of the date hereof, has not been amended, rescinded, revoked or terminated by such party through the date hereof, and continues to constitute the legal, valid and binding obligation of the undersigned enforceable against the undersigned in accordance with its terms. The undersigned hereby confirms and reaffirms all of its obligations and liabilities to Lender under the Guaranty and further confirms and agrees that pursuant to the Guaranty, the undersigned has guaranteed the payment and performance of the Revolving Note, the Additional Term Note and each Hedge Agreement now or hereafter in effect, and all obligations, liabilities and indebtedness of Borrower arising thereunder or evidenced thereby.

The undersigned also consents to and approves the execution, delivery and performance of the Third Modification of Third Amended and Restated Loan Agreement, dated as of the date hereof, between Lender and Borrower (the "Third Modification"), the new Revolving Note executed and delivered in connection therewith, and all the transactions contemplated thereby. The undersigned also agrees that all indebtedness, obligations and liabilities of Borrower to Lender which may now or hereafter arise under or by reason of the Loan Agreement, including without limitation Borrower's obligations in respect of Loans advanced pursuant to the Loan Agreement, and all obligations arising under any Hedge Agreement, constitute part of the obligations of Borrower to Lender which are guaranteed by the undersigned under the terms and conditions of the Guaranty.

SIGNED, SEALED AND DELIVERED as of the 12th day of June, 1998.

IDEAS FOR MEDICINE, INC.

By:_____________________________________

Title:__________________________________

(CORPORATE SEAL)

EXHIBIT 10.24(e)

FOURTH MODIFICATION OF THIRD AMENDED AND RESTATED LOAN AGREEMENT AND FIRST MODIFICATION OF REVOLVING NOTE

THIS MODIFICATION (this "Modification") is made and entered into as of the 31st day of December, 1999, by and between CRYOLIFE, INC., a Florida corporation ("Borrower"), and BANK OF AMERICA, N.A., a national banking association which is the successor by merger to NationsBank, N.A., formerly known as NationsBank, N.A. (South), formerly known as Bank South, formerly known as Bank South, N.A. ("Lender").

Statement of Facts

Borrower and Lender are parties to that certain Third Amended and Restated Loan Agreement, dated as of August 30, 1996, as amended by First Modification of Third Amended and Restated Loan Agreement, dated as of April 14, 1997, as further amended by Second Modification of Third Amended and Restated Loan Agreement, dated as of December 16, 1997, and as further amended by Third Modification of Third Amended and Restated Loan Agreement, dated as of June 12, 1998 (the "Loan Agreement").

Pursuant to the Loan Agreement, the Borrower has issued in favor of the Lender a $2,000,000 Revolving Note, dated June 12, 1998 (the "Revolving Note").

Borrower and Lender desire to further amend the Loan Agreement and to amend the Revolving Note as hereinafter provided.

NOW, THEREFORE, for and in consideration of the premises and the mutual agreements, warranties and representations herein made, as well as $10.00 in hand paid by each party hereto to the other, and other good and valuable consideration, the receipt and sufficiency which are hereby acknowledged, Borrower and Lender agree that all capitalized terms used herein (and not otherwise defined herein) shall have the meanings given them in the Loan Agreement as herein amended and Borrower and Lender further agree as follows:

Statement of Terms

1. Section 101 of the Loan Agreement is hereby amended effective as of the date hereof as follows:

(a) the date "December 31, 1999" in the definition of the term "Credit Expiration Date" is hereby deleted, and the date "December 31, 2001" is substituted in lieu thereof; and

(b) the date "December 31, 2004" in the definition of the term "Final Maturity Date" is hereby deleted, and the date "December 31, 2001" is substituted in lieu thereof.

2. Section 403 of the Loan Agreement is hereby amended effective as of the date hereof by deleting from subpart (2) thereof the phrase "Not later than 30 days after and as of the end of each month (other than the final month of each fiscal year)" and inserting in lieu thereof the following:

"Not later than 45 days after and as of the end of each quarter (other than the final quarter of each fiscal year)"

3. Section 507 of the Loan Agreement is hereby amended effective as of the date hereof by deleting subpart (b) thereof in its entirety and by substituting in lieu thereof the following:

"Borrower shall not make Capital Expenditures in any fiscal year, with the exception of fiscal year 2000, which exceeds $5,000,000.00 in total amount for such year."

4. Section 507 of the Loan Agreement is hereby amended effective as of the date hereof by deleting subpart (e) thereof in its entirety and by substituting in lieu thereof the following:

"Borrower shall not permit its Net Worth at any time after the date hereof to be less than $80,000,000 plus (i) 80% of the positive amount of net income of Borrower for each fiscal quarter ending after such date and (ii) the amount of any increase in Net Worth resulting from the issuance of stock, corporate reorganizations, recapitalizations or any similar event."

5. The Revolving Note is hereby amended by deleting in its entirety paragraph (b) on page 3 thereof and by substituting in lieu thereof the following new paragraph (b):

"(b) The principal balance of this Note shall be repayable in full on the Final Maturity Date (as defined in the Loan Agreement referred to below)."

6. The effectiveness of this Modification is subject to:

(a) the prior or concurrent receipt by Lender of this Modification, duly executed by Borrower;

(b) any and all guarantors of the Loans shall have consented to the execution, delivery and performance of this Modification and all of the transactions contemplated hereby by signing one or more counterparts of this Modification in the appropriate space indicated below and returning same to Lender;

(c) the prior or concurrent receipt by Lender of a certificate of Borrower in the form of Exhibit A attached hereto;

(d) the payment of all fees and expenses due from Borrower hereunder as set forth in Section 9 below; and

(e) the truth and accuracy in all material respects of Borrower's representations and warranties in Section 8 below.

7. Except as expressly modified herein, each of the Loan Agreement and the Revolving Note shall remain in full force and effect. Nothing contained herein shall be deemed to be or operate as a novation or an accord and satisfaction of either the Loan Agreement or the Revolving Note or of any indebtedness arising thereunder.

8. Borrower hereby represents and warrants to Lender that (a) this Modification and the supplemental Financing Documents executed in connection herewith have been duly authorized, executed and delivered by Borrower, (b) after giving effect to this Modification, no Default or Event of Default has occurred and is continuing as of this date and (c) all of the representations and warranties made by Borrower in the Loan Agreement are true and correct in all material respects on and as of the date of this Modification (except to the extent that any such representations or warranties expressly referred to a specific prior date). Any breach by Borrower of its representations and warranties contained in this Section shall be an Event of Default for all purposes of the Loan Agreement.

9. Borrower further agrees to reimburse Lender for all reasonable expenses (including without limitation attorney's fees) incurred by Lender in the negotiation, documentation or consummation of this Modification and the transactions contemplated hereby.

10. This Modification shall be governed and construed in accordance with the laws of the State of Georgia and this Modification shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and permitted assigns.

11. This Modification may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which when taken together shall constitute one and the same instrument.

[remainder of this page intentionally left blank]

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

LENDER:

BANK OF AMERICA, N.A.,

By:_____
Vice President

BORROWER:

CRYOLIFE, INC.

By:_____
Name:_____
Title:_____

(CORPORATE SEAL)

CONSENT OF GUARANTOR

All capitalized terms used herein and not otherwise defined herein shall have the meanings given such terms in the Third Amended and Restated Loan Agreement, dated as of August 30, 1996, between CryoLife, Inc. ("Borrower") and Bank of America, N.A., successor by merger to NationsBank, N.A., formerly known as NationsBank, N.A. (South) ("Lender"), as amended (the "Loan Agreement").

The undersigned acknowledges that it is indebted to Lender under the terms of the Guaranty Agreement, dated as of August 30, 1996, executed by the undersigned in favor of Lender (the "Guaranty"), and that the Guaranty is in full force and effect as of the date hereof, has not been amended, rescinded, revoked or terminated by such party through the date hereof, and continues to constitute the legal, valid and binding obligation of the undersigned enforceable against the undersigned in accordance with its terms. The undersigned hereby confirms and reaffirms all of its obligations and liabilities to Lender under the Guaranty and further confirms and agrees that pursuant to the Guaranty, the undersigned has guaranteed the payment and performance of the Revolving Note, the Additional Term Note and each Hedge Agreement now or hereafter in effect, and all obligations, liabilities and indebtedness of Borrower arising thereunder or evidenced thereby.

The undersigned also consents to and approves the execution, delivery and performance of the Fourth Modification of Third Amended and Restated Loan Agreement and First Modification of Revolving Note, dated as of the date hereof, between Lender and Borrower (the "Fourth Modification") and all the transactions contemplated thereby. The undersigned also agrees that all indebtedness, obligations and liabilities of Borrower to Lender which may now or hereafter arise under or by reason of the Loan Agreement, including without limitation Borrower's obligations in respect of Loans advanced pursuant to the Loan Agreement, and all obligations arising under any Hedge Agreement, constitute part of the obligations of Borrower to Lender which are guaranteed by the undersigned under the terms and conditions of the Guaranty.

SIGNED, SEALED AND DELIVERED as of the 31st day of December, 1999.

CRYOLIFE INTERNATIONAL, INC.

By:_____
Name:_____
Title:_____

(CORPORATE SEAL)

CONSENT OF GUARANTOR

All capitalized terms used herein and not otherwise defined herein shall have the meanings given such terms in the Third Amended and Restated Loan Agreement, dated as of August 30, 1996, between CryoLife, Inc. ("Borrower") and Bank of America, N.A., successor by merger to NationsBank, N.A., formerly known as NationsBank, N.A. (South) ("Lender"), as amended (the "Loan Agreement").

The undersigned acknowledges that it is indebted to Lender under the terms of the Guaranty Agreement, dated as of April 14, 1997, executed by the undersigned in favor of Lender (the "Guaranty"), and that the Guaranty is in full force and effect as of the date hereof, has not been amended, rescinded, revoked or terminated by such party through the date hereof, and continues to constitute the legal, valid and binding obligation of the undersigned enforceable against the undersigned in accordance with its terms. The undersigned hereby confirms and reaffirms all of its obligations and liabilities to Lender under the Guaranty and further confirms and agrees that pursuant to the Guaranty, the undersigned has guaranteed the payment and performance of the Revolving Note, the Additional Term Note and each Hedge Agreement now or hereafter in effect, and all obligations, liabilities and indebtedness of Borrower arising thereunder or evidenced thereby.

The undersigned also consents to and approves the execution, delivery and performance of the Fourth Modification of Third Amended and Restated Loan Agreement and First Modification of Revolving Note, dated as of the date hereof, between Lender and Borrower (the "Fourth Modification") and all the transactions contemplated thereby. The undersigned also agrees that all indebtedness, obligations and liabilities of Borrower to Lender which may now or hereafter arise under or by reason of the Loan Agreement, including without limitation Borrower's obligations in respect of Loans advanced pursuant to the Loan Agreement, and all obligations arising under any Hedge Agreement, constitute part of the obligations of Borrower to Lender which are guaranteed by the undersigned under the terms and conditions of the Guaranty.

SIGNED, SEALED AND DELIVERED as of the 31st day of December, 1999.

IDEAS FOR MEDICINE, INC.

By:_____
Name:_____
Title:_____

(CORPORATE SEAL)

Exhibit A

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. The resolutions of the Directors of the Borrower adopted as of August 28, 1996, March 27, 1997, December 19, 1997 and July 24, 1998, which resolutions were previously certified by officers of the Borrower as being true and correct (the "Resolutions"), are in full force and effect and have not been amended, altered or repealed as of the date hereof. 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 Articles of Incorporation, as in effect on the date hereof, is attached hereto as Exhibit 1. A true and correct copy of the Borrower's By-Laws, as in effect on the date hereof, is attached hereto as Exhibit 2.

3. The Borrower has duly authorized, executed and delivered, and approved by all necessary corporate action, the Fourth Modification of Third Amended and Restated Loan Agreement and First Modification of Note, dated as of December 31, 1999, by an between the Borrower and Bank of America, N.A. (the "Fourth Modification"), pursuant to, and in full compliance with, authority granted by the Directors of the Borrower in the Resolutions. The Borrower hereby acknowledges receipt of an executed counterpart or photocopy (as executed) of

the Fourth Modification.

4. The persons named below are on the date hereof the duly elected and qualified incumbents of the offices of the Borrower set forth below next to their respective names, and the signatures appearing at the right of their respective names below are the genuine signatures of such officers:

Name and Title		Signature
Steven G. Anderson,	President and Chief Executive Officer	_____
Edwin B. Cordell, Jr.,	Vice President and Chief Financial Officer	_____

5. The Borrower has the corporate power to execute the Fourth Modification and to perform the obligations required to be performed by the Borrower under the terms of the Fourth Modification.

6. As of the date hereof, and after giving effect to the execution and delivery of the Fourth Modification, each of the representations and warranties of the Borrower in the Fourth Modification is true and correct in all material respects and no Default or Event of Default (as such terms are defined in the Fourth Modification or the Loan Agreement referred to therein) has occurred and is continuing.

7. The seal affixed to this certificate and the Fourth Modification is the legally adopted, proper and only official corporate seal of the Borrower.

8. 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 1986, as amended) is located in Cobb County, Georgia.

9. The Borrower's federal taxpayer identification number is 59-2417093.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures and the seal of the Borrower as of the 31st day of December, 1999.

_____
Steven G. Anderson, President and Chief Executive Officer of CryoLife, Inc.

(CORPORATE SEAL)

_____
Edwin B. Cordell, Jr., Vice President and Chief Financial Officer of CryoLife, Inc.

EXHIBIT 1

See attached Articles of Incorporation

EXHIBIT 2

See attached By-Laws

Standard Form of Agreements Between
Owner and Design/Builder

AIA Document A191 - Electronic Format

1996 EDITION

TABLE OF ARTICLES

PART 1 AGREEMENT

PART 2 AGREEMENT

INITIAL_____

Standard Form of Agreements Between

Owner and Design/Builder

AIA Document A191 - Electronic Format

This document comprises two separate Agreements: Part 1 Agreement and Part 2 Agreement. Before executing the Part 1 Agreement, the parties should reach substantial agreement on the Part 2 Agreement. To the extent referenced in these Agreements, subordinate parallel agreements to A191 consist of AIA Documents A491, Standard Form of Agreements Between Design/Builder and Contractor, and AIA Document B901, Standard Form of Agreements Between Design/Builder and Architect.

PART 1 AGREEMENT

1996 EDITION

AGREEMENT

made as of the 19th day of January in the year of Two Thousand.
(In words, indicate day, month and year.)

BETWEEN the Owner:
(Name and address)
CryoLife, Inc.
1655 Roberts Blvd, NW
Kennesaw, GA 30144

and the Design/Builder:
(Name and address)
Choate Design & Build Company
1640 Powers Ferry Road
Building 11, Suite 300
Marietta, GA 30067

For the following Project:
(Include Project name, location and a summary description.)
CryoLife, Inc - Phase II Interiors
1655 Roberts Blvd, NW
Kennesaw, GA 30144

The architectural services described in Article 1 will be provided by the following person or entity who is lawfully licensed to practice architecture:

(Name and address)	(Registration Number)	(Relationship to Design/Builder)
Lockwood Greene Engineering, Inc. Inforum, Suite 4000, 250 Williams St. Atlanta, GA 30303-1306		Subcontractor-Architecture & Engineering

Normal structural, mechanical and electrical engineering services will be provided contractually through the Architect except as indicated below:

(Name, address and discipline)	(Registration Number)	(Relationship to Design/Builder)

The Owner and the Design/Builder agree as set forth below.

TERMS AND CONDITIONS-PART 1 AGREEMENT

ARTICLE 1
DESIGN/BUILDER

1.1 SERVICES

1.1.1 Preliminary design, budget, and schedule comprise the services required to accomplish the preparation and submission of the Design/Builder's Proposal as

well as the preparation and submission of any modifications to the Proposal prior to execution of the Part 2 Agreement.

1.2 RESPONSIBILITIES

1.2.1 Design services required by this Part 1 Agreement shall be performed by qualified architects and other design professionals. The contractual obligations of such professional persons or entities are undertaken and performed in the interest of the Design/Builder.

1.2.2 The agreements between the Design/Builder and the persons or entities identified in this Part 1 Agreement, and any subsequent modifications, shall be in writing. These agreements, including financial arrangements with respect to this Project, shall be promptly and fully disclosed to the owner upon request.

1.2.3 Construction budgets shall be prepared by qualified professionals, cost estimators or contractors retained by and acting in the interest of the Design/Builder.

1.2.4 The Design/Builder shall be responsible to the Owner for acts and omissions of the Design/Builder's employees, subcontractors and their agents and employees, and other persons, including the Architect and other design professionals, performing any portion of the Design/Builder's obligations under this Part 1 Agreement. The Design/Builder shall be limited in liability to the extent of the Architect's professional design liability insurance.

1.2.5 If the Design/Builder believes or is advised by the Architect or by another design professional retained to provide services on the Project that implementation of any instruction received from the Owner would cause a violation of any applicable law, the Design/Builder shall notify the Owner in writing. Neither the Design/Builder nor the Architect shall be obligated to perform any act which either believes will violate any applicable law.

1.2.6 Nothing contained in this Part 1 Agreement shall create a contractual relationship between the Owner and a person or entity other than the Design/Builder.

1.3 BASIC SERVICES

1.3.1 The Design/Builder has provided a preliminary evaluation (Exhibit "A", Final Build-Out Interiors dated 10/19/99) of the Owner's program and project budget requirements, each in terms of the other.

1.3.2 The Design/Builder shall visit the site, become familiar with the local conditions, and correlate observable conditions with the requirements of the Owner's program, schedule, and budget.

1.3.3 The Design/Builder shall review laws applicable to design and construction of the Project; correlate such laws with the Owner's program requirements; and advise the Owner if any program requirement may cause a violation of such laws. Necessary changes to the Owner's program shall be accomplished by appropriate written modification or disclosed as described in Paragraph 1.3.5.

1.3.4 The Design/Builder shall review with the Owner a alternative approaches to design and construction of the Project.

1.3.5 The Design/Builder shall submit to the Owner a Proposal, including the completed Preliminary Design Documents, a statement of the proposed contract sum, and a proposed schedule for completion of the Project. Preliminary Design Documents shall consist of preliminary design drawings, outline specifications or other documents sufficient to establish the size, quality and character of the entire Project, its architectural, mechanical and electrical systems, and the materials and such other elements of the Project as may be appropriate. Deviations from the Owner's program shall be disclosed in the Proposal. [intentionally omitted] . The Part 2 Agreement is accepted herein by the Owner.

1.4 ADDITIONAL SERVICES

1.4.1 The Additional Services described under this Paragraph 1.4 shall be provided by the Design/Builder and paid for by the Owner if authorized or confirmed in writing by the Owner.

1.4.2 Making revisions in the Preliminary Design Documents, budget or other documents when such revisions are:

.1 inconsistent with approvals or instructions previously given by the Owner, including revisions made necessary by adjustments in the Owner's program or Project budget;

.2 required by the enactment or revision of codes, laws or regulations subsequent to the preparation of such documents; or

.3 due to changes required as a result of the Owner's failure to render decisions in a timely manner.

1.4.3 Providing more extensive programmatic criteria than that furnished by the Owner as described in Paragraph 2.1. When authorized, the Design/Builder shall provide professional services to assist the Owner in the preparation of the program. Programming services may consist of:

.1 consulting with the Owner and other persons or entities not designated in this Part 1 Agreement to define the program requirements of the Project and to review the understanding of such requirements with the Owner;

.2 documentation of the applicable requirements necessary for the various Project functions or operations;

.3 providing a review and analysis of the functional and organizational relationships, requirements, and objectives for the Project;

.4 setting forth a written program of requirements for the Owner's approval which summarizes the Owner's objectives, schedule, constraints, and criteria.

1.4.4 Providing financial feasibility or other special studies.

1.4.5 Providing planning surveys, site evaluations, or comparative studies of prospective sites.

1.4.6 Providing special surveys, environmental studies and submissions required for approvals of governmental authorities or others having jurisdiction over the Project.

1.4.7 Providing services relative to future facilities, systems, and equipment.

1.4.8 Providing services at the Owner's specific request to perform detailed investigations of existing conditions or facilities or to make measured drawings thereof.

1.4.9 Providing services at the Owner's specific request to verify the accuracy of drawings or other information furnished by the Owner.

1.4.10 Coordinating services in connection with the work of separate persons or entities retained by the Owner, subsequent to the execution of this Part 1 Agreement.

1.4.11 Providing analyses of owning and operating costs.

1.4.12 Providing interior design and other similar services required for or in connection with the selection, procurement or installation of furniture, furnishings, and related equipment.

1.4.13 [intentionally omitted]

1.4.14 Making investigations, inventories of materials or equipment, or valuations and detailed appraisals of existing facilities.

ARTICLE 2
OWNER

2.1 RESPONSIBILITIES

2.1.1 The Owner shall provide full information in a timely manner regarding requirements for the Project, including a written program which shall set forth the Owner's objectives, schedule, constraints and criteria.

2.1.2 The Owner shall establish and update an overall budget for the Project, including reasonable contingencies. This budget shall not constitute the contract sum.

2.1.3 The Owner shall designate a representative authorized to act on the Owner's behalf with respect to the Project. The Owner or such authorized representative shall render decisions in a timely manner pertaining to documents submitted by the Design/Builder in order to avoid unreasonable delay in the orderly and sequential progress of the Design/Builder's services. The Owner may obtain independent review of the documents by a separate architect, engineer, contractor, or cost estimator under contract to or employed by the Owner. Such independent review shall be undertaken at the Owner's expense in a timely manner and shall not delay the orderly progress of the Design/Builder's services. The Owner designates Al Heacox/Tony Schreiber as the Owner's Representatives.

2.1.4 The Owner shall furnish surveys describing physical characteristics, legal limitations and utility locations for the site of the Project, and a written legal description of the site. The surveys and legal information shall include, as applicable, grades and lines of streets, alleys, pavements, and adjoining property and structures; adjacent drainage; rights-of-way, restrictions, easements, encroachments, zoning, deed restrictions, boundaries and contours of the site; locations, dimensions and necessary data pertaining to existing buildings, other improvements and trees; and information concerning available utility services and lines, both public and private, above and below grade, including inverts and depths. All the information on the survey shall be referenced to a Project benchmark.

2.1.5 The Owner shall furnish the services of geotechnical engineers when such services are stipulated in this Part 1 Agreement, or deemed reasonably necessary by the Design/Builder. Such services may include but are not limited to test borings, test pits, determinations of soil bearing values, percolation tests, evaluations of hazardous materials, ground corrosion and resistivity tests, and necessary operations for anticipating subsoil conditions. The services of geotechnical engineer(s) or other consultants shall include preparation and submission of all appropriate reports and professional recommendations.

2.1.6 The Owner shall disclose, to the extent known to the Owner, the results and reports of prior tests, inspections or investigations conducted for the Project involving: structural or mechanical systems; chemical, air and water pollution; hazardous materials; or other environmental and subsurface conditions. The Owner shall disclose all information known to the Owner regarding the presence of pollutants at the Project's site. The Owner shall furnish a list of all Owner furnished-Owner installed (OFOI) and Owner Furnished-Contractor Installed (OFCI) equipment completed with cut cheets, drawings, diagrams, etc. The Owner shall furnish a list of "Sole Source" vendors whose products or equipment must be used as part of the work.

2.1.7 The Owner shall furnish all legal, accounting and insurance counseling services as may be necessary at any time for the Project, including such auditing services as the Owner may require to verify the Design/Builder's Applications for Payment.

2.1.8 The Owner shall promptly obtain easements, zoning variances, and legal authorizations regarding site utilization where essential to the execution of the Owner's program.

2.1.9 Those services, information, surveys, and reports required by Paragraphs 2.1.4 through 2.1.8 which are within the Owner's control shall be furnished at the Owner's expense, and the Design/Builder shall be entitled to rely upon the accuracy and completeness thereof, except to the extent the Owner advises the Design/Builder to the contrary in writing.

2.1.10 If the Owner requires the Design/Builder to maintain any special insurance coverage, policy, amendment, or rider, the Owner shall pay the additional cost thereof, except as otherwise stipulated in this Part 1 Agreement.

2.1.11 The Owner shall communicate with persons or entities employed or retained by the Design/Builder through the Design/Builder, unless otherwise directed by the Design/Builder.

ARTICLE 3
OWNERSHIP AND USE OF DOCUMENTS AND ELECTRONIC DATA

3.1 Drawings, specifications, and other documents and electronic data furnished by the Design/Builder are instruments of service. [intentionally omitted] .

Drawings, specifications, and other documents and electronic data are furnished for use solely with respect to this Part 1 Agreement. The Owner shall be permitted to retain copies, including reproducible copies, of the drawings, specifications, and other documents and electronic data furnished by the Design/Builder for information and reference in connection with the Project except as provided in Paragraphs 3.2 and 3.3.

3.2 [intentionally omitted]

3.3 If the Design/Builder defaults in the Design/Builder's obligations to the Owner, the Architect shall grant a license to the Owner to use the drawings, specifications, and other documents and electronic data furnished by the Architect to the Design/Builder for the completion of the Project, conditioned upon the Owner's execution of an agreement to cure the Design/Builder's default in payment to the Architect for services previously performed and to indemnify the Architect with regard to claims arising from such reuse without the Architect's professional involvement.

3.4 Submission or distribution of the Design/Builder's documents to meet official regulatory requirements or for similar purposes in connection with the Project is not to be construed as publication in derogation of the rights reserved in Paragraph 3. 1.

ARTICLE 4
TIME

4.1 Upon the request of the Owner, the Design/Builder shall prepare a schedule for the performance of the Basic and Additional Services which shall not exceed the time limits contained in Paragraph 10.1 and shall include allowances for periods of time required for the Owner's review and for approval of submissions by authorities having jurisdiction over the Project. Exhibit "C" Schedule.

4.2 If the Design/Builder is delayed in the performance of services under this Part 1 Agreement through no fault of the Design/Builder, any applicable schedule shall be equitably adjusted.

ARTICLE 5
PAYMENTS

5.1 The initial payment provided in Article 9 shall be made upon execution of this Part 1 Agreement and credited to the Owner's account as provided in Subparagraph 9.1.2.

5.2 Subsequent payments for Basic Services, Additional Services, and Reimbursable Expenses provided for in this Part 1 Agreement shall be made monthly on the basis set forth in Article 9.

5.3 Within ten (10) days of the Owner's receipt of a properly submitted and correct Application for Payment, the Owner shall make payment to the Design/Builder.

5.4 Payments due the Design/Builder under this Part 1 Agreement which are not paid when due shall bear interest from the date due at the rate specified in Paragraph 9.5, or in the absence of a specified rate, at the legal rate prevailing where the Project is located.

ARTICLE 6
DISPUTE RESOLUTION-MEDIATION AND ARBITRATION

6.1 Claims, disputes or other matters in question between the parties to this Part 1 Agreement arising out of or relating to this Part 1 Agreement or breach thereof shall be subject to and decided by mediation or arbitration. Such mediation or arbitration shall be conducted in accordance with the Construction Industry Mediation or Arbitration Rules of the American Arbitration Association currently in effect.

6.2 In addition to and prior to arbitration, the parties shall endeavor to settle disputes by mediation. Demand for mediation shall be filed in writing with the other party to this Part 1 Agreement and with the American Arbitration Association. A demand for mediation shall be made within a reasonable time after the claim, dispute or other matter in question has arisen. In no event shall the demand for mediation be made after the date when institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statute of repose or limitations.

6.3 Demand for arbitration shall be filed in writing with the other party to this Part 1 Agreement and with the American Arbitration Association. A demand for arbitration shall be made within a reasonable time after the claim, dispute or other matter in question has arisen. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statutes of repose or limitations.

6.4 An arbitration pursuant to this Paragraph may be joined with an arbitration involving common issues of law or fact between the Design/Builder and any person or entity with whom the Design/Builder has a contractual obligation to arbitrate disputes. No other arbitration arising out of or relating to this Part 1 Agreement shall include, by consolidation, joinder or in any other manner, an additional person or entity not a party to this Part 1 Agreement or not a party to an agreement with the Design/Builder, except by written consent containing a specific reference to this Part 1 Agreement signed by the Owner, the Design/Builder and all other persons or entities sought to be joined. Consent to arbitration involving an additional person or entity shall not constitute consent to arbitration of any claim, dispute or other matter in question not described in the written consent or with a person or entity not named or described therein. The foregoing agreement to arbitrate and other agreements to arbitrate with an additional person or entity duly consented to by the parties to this Part 1 Agreement shall be specifically enforceable in accordance with applicable law in any court having jurisdiction thereof.

6.5 The award rendered by the arbitrator or arbitrators shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

ARTICLE 7
MISCELLANEOUS PROVISIONS

7.1 Unless otherwise provided, this Part 1 Agreement shall be governed by the law of the place where the Project is located.

7.2 The Owner and the Design/Builder, respectively, bind themselves, their partners, successors, assigns and legal representatives to the other party to this Part 1 Agreement and to the partners, successors and assigns of such other party with respect to all covenants of this Part 1 Agreement. Neither the Owner nor the Design/Builder shall assign this Part 1 Agreement without the written consent of the other.

7.3 Unless otherwise provided, neither the design for nor the cost of remediation of hazardous materials shall be the responsibility of the Design/Builder.

7.4 [intentionally omitted] This Part 1 Agreement may be amended only by written instrument signed by both the Owner and the Design/Builder.

7.5 Prior to the termination of the services of the Architect or any other design professional designated in this Part 1 Agreement, the Design/Builder shall identify to the Owner in writing another architect or design professional with respect to whom the Owner has no [intentionally omitted] objection, who will provide the services originally to have been provided by the Architect or other design professional whose services are being terminated.

ARTICLE 8
TERMINATION OF THE AGREEMENT

8.1 This Part 1 Agreement may be terminated by either party upon seven (7) days' written notice should the other party fail to perform substantially in accordance with its terms through no fault of the party initiating the termination.

8.2 This Part 1 Agreement may be terminated by the Owner without cause upon at least seven (7) days' written notice to the Design/Builder.

8.3 In the event of termination not the fault of the Design/Builder, the Design/Builder shall be compensated for services performed to the termination date, together with Reimbursable Expenses then due and Termination Expenses. Termination Expenses are expenses directly attributable to termination, including a reasonable amount for overhead and profit, for which the Design/Builder is not otherwise compensated under this Part 1 Agreement.

ARTICLE 9
BASIS OF COMPENSATION

The Owner shall compensate the Design/Builder in accordance with Article 5, Payments, and the other provisions of this Part 1 Agreement as described below.

9.1 COMPENSATION FOR BASIC SERVICES

9.1.1 FOR BASIC SERVICES, compensation shall be as follows:

9.1.2 AN INITIAL PAYMENT of See Part Two Dollars ($) shall be made upon execution of this Part 1 Agreement and credited to the Owner's account as follows:

9.1.3 SUBSEQUENT PAYMENTS shall be as follows: See Part Two.

9.2 COMPENSATION FOR ADDITIONAL SERVICES

9.2.1 FOR ADDITIONAL SERVICES, compensation shall be as follows: See Part Two.

9.3 REIMBURSABLE EXPENSES

9.3.1 Reimbursable Expenses are in addition to Compensation for Basic and Additional Services, and include actual expenditures made by the Design/Builder and the Design/Builder's employees and contractors in the interest of the Project, as follows:

9.3.2 FOR REIMBURSABLE EXPENSES, compensation shall be a multiple of See Part Two ( ) times the amounts expended.

9.4 DIRECT PERSONNEL EXPENSE is defined as the direct salaries of personnel engaged on the Project, and the portion of the cost of their mandatory and customary contributions and benefits related thereto, such as employment taxes and other statutory employee benefits, insurance, sick leave, holidays, vacations, pensions, and similar contributions and benefits.

9.5 INTEREST PAYMENTS

9.5.1 The rate of interest for past due payments shall be as follows: 1% per month.

(Usury laws and requirements under the Federal Truth in Lending Act, similar state and local consumer credit laws and other regulations at the Owner's and Design/Builder's principal places of business, at the location of the Project and elsewhere may affect the validity of this provision. Specific legal advice should be obtained with respect to deletion, modification or other requirements, such as written disclosures or waivers.)

9.6 IF THE SCOPE of the Project is changed materially, the amount of compensation shall be equitably adjusted.

9.7 The compensation set forth in this Part 1 Agreement shall be equitably adjusted if through no fault of the Design/Builder the services have not been completed within Exhibit "C" ( ) months of the date of this Part 1 Agreement.

ARTICLE 10
OTHER CONDITIONS AND SERVICES

10.1 The Basic Services to be performed shall be commenced on and, subject to authorized adjustments and to delays not caused by the Design/Builder, shall be completed in (Exhibit "C") calendar days. The Design/Builder's Basic Services consist of those described in Paragraph 1.3 as part of Basic Services, and include normal professional engineering and preliminary design services, unless otherwise indicated.

10.2 Services beyond those described in Paragraph 1.4 are as follows: (Insert descriptions of other services, identify Additional Services included within Basic Compensation and modifications to the payment and compensation terms included in this Agreement.)

10.3 The Owner's preliminary program, budget, and other documents, if any, are enumerated as follows:

Title Date

Exhibit "A" - CryoLife, Inc. Final Build-Out Interiors dated 10/19/99.
Exhibit "B" - Contract Breakdown (One Page).
Exhibit "C" - Preliminary Project Schedule.
Exhibit "D" - List of Shell Drawings - Phase I (One Page).
Exhibit "El" - Lockwood Greene - Hourly Rate Compensation (One Page).
Exhibit "E2" - Lockwood Greene - Reimbursable Expenses (One Page).

This Agreement entered into as of the day and year first written above.

OWNER	DESIGN BUILDER
/s/ Albert E. Heacox	/s/ Wm. M. Choate
(Signature)	(Signature)
Al Heacox, VP - Lab Operators	Choate Design & Build Company
Cryolife, Inc.	(Printed name and title)
(Printed name and title)	

Standard Form of Agreements Between
Owner and Design/Builder

AIA Document A191 - Electronic Format

This document comprises two separate Agreements: Part 1 Agreements and Part 2 Agreement. Before executing the Part 1 Agreement, the parties should reach substantial agreement on the Part 2 Agreement. To the extent referenced in these Agreements, subordinate parallel agreements to A191 consists of AIA Document A491, Standard Form of Agreements Between Design/Builder and Contractor, and AIA Document B901, Standard Form of Agreements Between Design/Builder and Architect.

PART 2 AGREEMENT

1996 EDITION

AGREEMENT

made as of the 19th day of January in the year of Two Thousand.
(In words, indicate day, month and year.)

BETWEEN the Owner:
(Name and address)
CryoLife Inc.
1655 Roberts Blvd, NW
Kennesaw, GA 30144

and the Design/Builder:
(Name and address)
Choate Design & Build Company
1640 Powers Ferry Road
Building 11, Suite 300
Marietta, GA 30067

For the following Project:
(Include Project name, location and a summary description.)
CryoLife, Inc. - Phase II Interiors
1655 Roberts Blvd, NW
Kennesaw, GA 30144

The architectural services described in Article 3 will be provided by the following person or entity who is lawfully licensed to practice architecture:

(Name and address)	(Registration Number)	(Relationship to Design/Builder)
Lockwood Greene Engineering, Inc. Inforum, Suite 4000, 250 Williams St. Atlanta, GA 30303-1306		Subcontractor-Architecture & Engineering

Normal mechanical and electrical engineering services will be provided contractually through the Architect except as indicated below:

(Name. address and discipline) (Registration Number) (Relationship to Design/Builder)

The Owner and the Design/Builder agree as set forth below.

ARTICLE 1
GENERAL PROVISIONS

1.1 BASIC DEFINITIONS

1.1.1 The Contract Documents consist of the Part 1 Agreement to the extent not modified by this Part 2 Agreement, this Part 2 Agreement, the Design/Builder's Proposal and written addenda to the Proposal identified in Article 14, the Construction Documents approved by the Owner in accordance with Subparagraph 3.2.3 and Modifications issued after execution of this Part 2 Agreement. A Modification is a Change Order or a written amendment to this Part 2 Agreement signed by both parties, or a Construction Change Directive issued by the Owner in accordance with Paragraph 8.3.

1.2.2 The term "Work" means the construction and services provided by the Design/Builder to fulfill the Design/Builder's obligations.

1.2 EXECUTION, CORRELATION AND INTENT

1.2.1 It is the intent of the Owner and Design/Builder that the Contract Documents include all items necessary for proper execution and completion of the Work. The Contract Documents are complementary, and what is required by one shall be as binding as if required by all; performance by the Design/Builder shall be required only to the extent consistent with and reasonably inferable from the Contract Documents as being necessary to produce the intended results. Words that have well-known technical or construction industry meanings are used in the Contract Documents in accordance with such recognized meanings.

1.2.2 If the Design/Builder believes or is advised by the Architect or by another design professional retained to provide services on the Project that implementation of any instruction received from the Owner would cause a violation of any applicable law, the Design/Builder shall notify the Owner in writing. Neither the Design/Builder nor the Architect shall be obligated to perform any act which either believes will violate any applicable law.

1.2.3 Nothing contained in this Part 2 Agreement shall create a contractual relationship between the Owner and any person or entity other than the Design/Builder.

1.3 OWNERSHIP AND USE OF DOCUMENTS

1.3.1 Drawings, specifications, and other documents and electronic data furnished by the Design/Builder are instruments of service. [intentionally omitted] . Drawings, specifications, and other documents and electronic data are furnished for use solely with respect to this Part 2 Agreement. The Owner shall be permitted to retain copies, including reproducible copies, of the drawings, specifications, and other documents and electronic data furnished by the Design/Builder for information and reference in connection with the Project except as provided in Subparagraphs 1.3.2 and 1.3.3.

1.3.2 Drawings, specifications, and other documents and electronic data furnished by the Design/Builder shall not be used by the Owner or others on other projects, for additions to this Project or for completion of this Project by others, except by agreement in writing and with appropriate compensation to the Design/Builder, unless the Design/Builder is adjudged to be in default under this Part 2 Agreement or under any other subsequently executed agreement.

1.3.3 If the Design/Builder defaults in the Design/Builder's obligations to the Owner, the Architect shall grant a license to the Owner to use the drawings, specifications, and other documents and electronic data furnished by the Architect to the Design/Builder for the completion of the Project, [intentionally omitted] .

1.3.4 Submission or distribution of the Design/Builder's documents to meet

official regulatory requirements or for similar purposes in connection with the Project is not to be construed as publication in derogation of the rights reserved in Subparagraph 1.3.1.

ARTICLE 2
OWNER

2.1 The Owner shall designate a representative authorized to act on the Owner's behalf with respect to the Project. The Owner or such authorized representative shall examine documents submitted by the Design/Builder and shall render decisions in a timely manner and in accordance with the schedule accepted by the Owner. The Owner may obtain independent review of the Contract Documents by a separate architect, engineer, contractor, or cost estimator under contract to or employed by the Owner. Such independent review shall be undertaken at the Owner's expense in a timely manner and shall not delay the orderly progress of the Work. The Owner designates Al Heacox/Tony Schreiber as the Owner's Representatives.

2.2 The Owner may appoint an on-site project representative to observe the Work and to have such other responsibilities as the Owner and Design/Builder agree in writing.

2.3 The Owner shall cooperate with the Design/Builder in securing building and other permits, licenses and inspections. The Owner shall not be required to pay the fees for such permits, licenses and inspections unless the cost of such fees is excluded from the Design/Builder's Proposal.

2.4 The Owner shall furnish services of land surveyors, geotechnical engineers, and other consultants for subsoil, air and water conditions, in addition to those provided under the Part 1 Agreement, when such services are deemed necessary by the Design/Builder to properly carry out the design services required by this Part 2 Agreement.

2.5 The Owner shall disclose, to the extent known to the Owner, the results and reports of prior tests, inspections or investigations conducted for the Project involving: structural or mechanical systems; chemical, air and water pollution; hazardous materials; or other environmental and subsurface conditions. The Owner shall disclose all information known to the Owner regarding the presence of pollutants at the Project's site.

2.6 The Owner shall furnish all legal, accounting and insurance counseling services as may be necessary at any time for the Project, including such auditing services as the Owner may require to verify the Design/Builder's Applications for Payment.

2.7 Those services, information, surveys and reports required by Paragraphs 2.4 through 2.6 which are within the Owner's control shall be furnished at the Owner's expense, and the Design/Builder shall be entitled to rely upon the accuracy and completeness thereof, except to the extent the Owner advises the Design/Builder to the contrary in writing.

2.8 If the Owner requires the Design/Builder to maintain any special insurance coverage, policy, amendment, or rider, the Owner shall pay the additional cost thereof, except as otherwise stipulated in this Part 2 Agreement.

2.9 If the Owner observes or otherwise becomes aware of a fault or defect in the Work or nonconformity with the Design/Builder's Proposal or the Construction Documents, the Owner shall give prompt written notice thereof to the Design/Builder.

2.10 The Owner shall, at the request of the Design/Builder, prior to execution of this Part 2 Agreement and promptly upon request thereafter, furnish to the Design/Builder reasonable evidence that financial arrangements have been made to fulfill the Owner's obligations under the Contract.

2.11 The Owner shall communicate with persons or entities employed or retained by the Design/Builder through the Design/Builder, unless otherwise directed by the Design/Builder.

ARTICLE 3
DESIGN/BUILDER

3.1 SERVICES AND RESPONSIBILITIES

3.1.1 Design services required by this Part 2 Agreement shall be performed by

qualified architects and other design professionals. The contractual obligations of such professional persons or entities are undertaken and performed in the interest of the Design/Builder.

3.1.2 The agreements between the Design/Builder and the persons or entities identified in this Part 2 Agreement, and any subsequent modifications, shall be in writing. These agreements, including financial arrangements with respect to this Project, shall be promptly and fully disclosed to the Owner upon request.

3.1.3 The Design/Builder shall be responsible to the Owner for acts and omissions of the Design/Builder's employees, subcontractors and their agents and employees, and other persons, including the Architect to the extent of the Architect's professional design liability and other design professionals, performing any portion of the Design/Builder's obligations under this Part 2 Agreement.

3.2 BASIC SERVICES

3.2.1 The Design/Builder's Basic Services are described below and in Article 14.

3.2.2 The Design/Builder shall designate a representative authorized to act on the Design/Builder's behalf with respect to the Project.

3.2.3 The Design/Builder shall submit Construction Documents for review and approval by the Owner. Construction Documents may include drawings, specifications, and other documents and electronic data setting forth in detail the requirements for construction of the Work, and shall:

.1 be consistent with the intent of the Design/Builder's Proposal;

.2 provide information for the use of those in the building trades; and

.3 include documents customarily required for regulatory agency approvals.

3.2.4 The Design/Builder, with the assistance of the Owner, shall file documents required to obtain necessary approvals of governmental authorities having jurisdiction over the Project.

3.2.5 Unless otherwise provided in the Contract Documents, the Design/Builder shall provide or cause to be provided and shall pay for design services, labor, materials, equipment, tools, construction equipment and machinery, water, heat, utilities, transportation and other facilities and services necessary for proper execution and completion of the Work, whether temporary or permanent and whether or not incorporated or to be incorporated in the Work.

3.2.6 The Design/Builder shall be responsible for all construction means, methods, techniques, sequences and procedures, and for coordinating all portions of the Work under this Part 2 Agreement.

3.2.7 The Design/Builder shall keep the Owner informed of the progress and quality of the Work.

3.2.8 The Design/Builder shall be responsible for correcting Work which does not conform to the Contract Documents.

3.2.9 The Design/Builder warrants to the Owner that materials and equipment furnished under the Contract will be of good quality and new unless otherwise required or permitted by the Contract Documents, that the construction will be free from faults and defects, and that the construction will conform with the requirements of the Contract Documents. Construction not conforming to these requirements, including substitutions not properly approved by the Owner, shall be corrected in accordance with Article 9.

3.2.10 The Design/Builder shall pay all sales, consumer, use and similar taxes which had been legally enacted at the time the Design/Builder's Proposal was first submitted to the Owner, and shall secure and pay for building and other permits and governmental fees, licenses and inspections necessary for the proper execution and completion of the Work which are either customarily secured after execution of a contract for construction or are legally required at the time the Design/Builder's Proposal was first submitted to the Owner.

3.2.11 The Design/Builder shall comply with and give notices required by laws, ordinances, rules, regulations and lawful orders of public authorities relating

to the Project.

3.2.12 The Design/Builder shall pay royalties and license fees for patented designs, processes or products. The Design/Builder shall defend suits or claims for infringement of patent rights and shall hold the Owner harmless from loss on account thereof, but shall not be responsible for such defense or loss when a particular design, process or product of a particular manufacturer is required by the Owner. However, if the Design/Builder has reason to believe the use of a required design, process or product is an infringement of a patent, the Design/Builder shall be responsible for such loss unless such information is promptly furnished to the Owner.

3.2.13 The Design/Builder shall keep the premises and surrounding area free from accumulation of waste materials or rubbish caused by operations under this Part 2 Agreement. At the completion of the Work, the Design/Builder shall remove from the site waste materials, rubbish, the Design/Builder's tools, construction equipment, machinery, and surplus materials.

3.2.14 The Design/Builder shall notify the Owner when the Design/Builder believes that the Work or an agreed upon portion thereof is substantially completed. If the Owner concurs, the Design/Builder shall issue a Certificate of Substantial Completion which shall establish the Date of Substantial Completion which shall establish the Date of Substantial Completion, shall state the responsibility of each party for security, maintenance, heat, utilities, damage to the Work and insurance, shall include a list of items to be completed or corrected and shall fix the time within which the Design/Builder shall complete items listed therein. Disputes between the Owner and Design/Builder regarding the Certificate of Substantial Completion shall be resolved in accordance with provisions of Article 10.

3.2.15 The Design/Builder shall maintain at the site for the Owner one record copy of the drawings, specifications, product data, samples, shop drawings, Change Orders and other modifications, in good order and regularly updated to record the completed construction. These shall be delivered to the Owner upon completion of construction and prior to final payment.

3.3 ADDITIONAL SERVICES

3.3.1 The services described in this Paragraph 3.3 are not included in Basic Services unless so identified in Article 14, and they shall be paid for by the Owner as provided in this Part 2 Agreement, in addition to the compensation for Basic Services. The services described in this Paragraph 3.3 shall be provided only if authorized or confirmed in writing by the Owner.

3.3.2 Making revisions in drawings, specifications, and other documents or electronic data when such revisions are required by the enactment or revision of codes, laws or regulations subsequent to the preparation of such documents or electronic data.

3.3.3 Providing consultation concerning replacement of Work damaged by fire or other cause during construction, and furnishing services required in connection with the replacement of such Work.

3.3.4 Providing services in connection with a public hearing, arbitration proceeding or legal proceeding, except where the Design/Builder is a party thereto.

3.3.5 Providing coordination of construction performed by the Owner's own forces or separate contractors employed by the Owner, and coordination of services required in connection with construction performed and equipment supplied by the Owner.

3.3.6 Preparing a set of reproducible record documents or electronic data showing significant changes in the Work made during construction.

3.3.7 Providing assistance in the utilization of equipment or systems such as preparation of operation and maintenance manuals, training personnel for operation and maintenance [intentionally omitted] .

ARTICLE 4
TIME

4.1 Unless otherwise indicated, the Owner and the Design/Builder shall perform their respective obligations expeditiously as is consistent with reasonable skill and care and the orderly progress of the Project.

4.2 Time limits stated in the Contract Documents are of the essence. The Work to be performed under this Part 2 Agreement shall commence upon receipt of a notice to proceed unless otherwise agreed and, subject to authorized Modifications, Substantial Completion shall be achieved on or before the date established in Article 14.

4.3 Substantial Completion is the stage in the progress of the Work when the Work or designated portion thereof is sufficiently complete in accordance with the Contract Documents so the Owner can occupy or utilize the Work for its intended use.

4.4 Based on the Design/Builder's Proposal, a construction schedule shall be provided consistent with Paragraph 4.2 above.

4.5 If the Design/Builder is delayed at any time in the progress of the Work by an act or neglect of the Owner, Owner's employees, or separate contractors employed by the Owner, or by changes ordered in the Work, or by labor disputes, fire, unusual delay in deliveries, adverse weather conditions not reasonably anticipatable, unavoidable casualties or other causes beyond the Design/Builder's control, or by delay authorized by the Owner pending arbitration, or by other causes which the Owner and Design/Builder agree may justify delay, then the Contract Time shall be reasonably extended by Change Order.

ARTICLE 5
PAYMENTS

5.1 PROGRESS PAYMENTS

5.1.1 The Design/Builder shall deliver to the Owner itemized Applications for Payment in such detail as indicated in Article 14.

5.1.2 Within ten (10) days of the Owner's receipt of a properly submitted and correct Application for Payment, the Owner shall make payment to the Design/Builder.

5.1.3 The Application for Payment shall constitute a representation by the Design/Builder to the Owner that the design and construction have progressed to the point indicated; the quality of the Work covered by the application is in accordance with the Contract Documents; and the Design/Builder is entitled to payment in the amount requested.

5.1.4 Upon receipt of payment from the Owner, the Design/Builder shall promptly pay the Architect, other design professionals and each contractor the amount to which each is entitled in accordance with the terms of their respective contracts.

5.1.5 The Owner shall have no obligation under this Part 2 Agreement to pay or to be responsible in any way for payment to the Architect, another design professional, or a contractor performing portions of the work.

5.1.6 Neither progress payment nor partial or entire use or occupancy of the Project by the Owner shall constitute an acceptance of Work not in accordance with the Contract Documents.

5.1.7 The Design/Builder warrants that title to all construction covered by an Application for Payment will pass to the Owner no later than the time of payment. The Design/Builder further warrants that upon submittal of an Application for Payment all construction for which payments have been received from the Owner shall be free and clear of liens, claims, security interests or encumbrances in favor of the Design/Builder or any other person or entity performing construction at the site or furnishing materials or equipment relating to the construction.

5.1.8 At the time of Substantial Completion, the Owner shall pay the Design/Builder the retainage, if any, less reasonable cost to correct or complete incorrect or incomplete Work. Final payment of such withheld sum shall be made upon correction or completion of such Work.

Insert A:

5.2 FINAL PAYMENT

5.2.1 Neither final payment nor amounts retained, if any, shall become due until

the Design/Builder submits to the Owner (1) an affidavit that payrolls, bills for materials and equipment, and other indebtedness connected with the Work for which the Owner or Owner's property might be responsible or encumbered (less amounts withheld by the Owner) have been paid or otherwise satisfied; (2) a certificate evidencing that insurance required by the Contract Documents to remain in force after final payment is currently in effect and will not be canceled or allowed to expire until at least 30 days' prior written notice has been given to the Owner; (3) a written statement that the Design/Builder knows of no substantial reason that the insurance will not be renewable to cover the period required by the Contract Documents; (4) consent of surety, if any, to final payment; and (5) if required by the Owner, other data establishing payment or satisfaction of obligations, such as receipts, releases and waivers of liens, claims, security interests or encumbrances arising out of the Contract, to the extent and in such form as may be designed by the Owner. If a contractor or other person or entity entitled to assert a lien against the Owner's property refuses to furnish a release or waiver required by the Owner, the Design/Builder may furnish a bond satisfactory to the Owner to indemnify the Owner against such lien. If such lien remains unsatisfied after payments are made, the Design/Builder shall indemnify the Owner for all loss and cost, including reasonable attorneys' fees incurred as a result of such lien. (6) Completion of all punch list items.

5.2.2 When the Work has been completed and the contract fully performed, the Design/Builder shall submit a final application for payment to the Owner, who shall make final payment within 30 days of receipt.

5.2.3 The making of final payment shall constitute a waiver of claims by the Owner except those arising from:

.1 liens, claims, security interests or encumbrances arising out of the Contract and unsettled;

.2 failure of the Work to comply with the requirements of the Contract Documents; or

.3 terms of special warranties required by the Contract Documents.

5.2.4 Acceptance of final payment shall constitute a waiver of all claims by the Design/Builder except those previously made in writing and identified by the Design/Builder as unsettled at the time of final Application for Payment. The Owner shall reserve the right to review the Design/Builder's accounting files for up to 12 months after the date of Substantial Completion.

5.3 INTEREST PAYMENTS

5.3.1 Payments due the Design/Builder under this Part 2 Agreement which are not paid when due shall bear interest from the date due at the rate specified in Article 13, or in the absence of a specified rate, at the legal rate prevailing where the Project is located.

ARTICLE 6
PROTECTION OF PERSONS AND PROPERTY

6.1 The Design/Builder shall be responsible for initiating, maintaining and providing supervision of all safety precautions and programs in connection with the performance of this Part 2 Agreement.

6.2 The Design/Builder shall take reasonable precautions for the safety of, and shall provide reasonable protection to prevent damage, injury or loss to: (1) employees on the Work and other persons who may be affected thereby; (2) the Work and materials and equipment to be incorporated therein, whether in storage on or off the site, under care, custody, or control of the Design/Builder or the Design/Builder's contractors; and (3) other property at or adjacent thereto, such as trees, shrubs, lawns, walks, pavements, roadways, structures and utilities not designated for removal relocation, or replacement in the course of construction.

6.3 The Design/Builder shall give notices and comply with applicable laws, ordinances, rules, regulations and lawful orders of public authorities bearing on the safety of persons or property or their protection from damage, injury or loss.

6.4 The Design/Builder shall promptly remedy damage and loss (other than damage or loss insured under property insurance provided or required by the Contract Documents) to property at the site caused in whole or in part by the

Design/Builder, a contractor of the Design/Builder or anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable.

ARTICLE 7
INSURANCE AND BONDS

7.1 DESIGN/BUILDER'S LIABILITY INSURANCE

7.1.1 The Design/Builder shall purchase from and maintain, in a company or companies lawfully authorized to do business in the jurisdiction in which the Project is located, such insurance as will protect the Design/Builder from claims set forth below which may arise out of or result from operations under this Part 2 Agreement by the Design/Builder or by a contractor of the Design/Builder, or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable:

.1 claims under workers' compensation, disability benefit and other similar employee benefit laws that are applicable to the Work to be performed;

.2 claims for damages because of bodily injury, occupational sickness or disease, or death of the Design/Builder's employees;

.3 claims for damages because of bodily injury, sickness or disease, or death of persons other than the Design/Builder's employees;

.4 claims for damages covered by usual personal injury liability coverage which are sustained (1) by a person as a result of an offense directly or indirectly related to employment of such person by the Design/Builder or (2) by another person;

.5 claims for damages, other than to the Work itself, because of injury to or destruction of tangible property, including loss of use resulting therefrom;

.6 claims for damages because of bodily injury, death of a person or property damage arising out of ownership, maintenance or use of a motor vehicle; and

.7 claims involving contractual liability insurance applicable to the Design/Builder's obligations under Paragraph 11.5.

7.1.2 The insurance required by Subparagraph 7.1.1 shall be written for not less than limits of liability specified in this Part 2 Agreement or required by law, whichever coverage is greater. Coverages, whether written on an occurrence or claims-made basis, shall be maintained without interruption from date of commencement of the Work until date of final payment and termination of any coverage required to be maintained after final payment.

7.1.3 Certificates of Insurance acceptable to the Owner shall be delivered to the Owner immediately after execution of this Part 2 Agreement. These Certificates and the insurance policies required by this Paragraph 7.1 shall contain a provision that coverages afforded under the policies will not be canceled or allowed to expire until at least 30 days' prior written notice has been given to the Owner. If any of the foregoing insurance coverages are required to remain in force after final payment, an additional certificate evidencing continuation of such coverage shall be submitted with the application for final payment. Information concerning reduction of coverage shall be furnished by the Design/Builder with reasonable promptness in accordance with the Design/Builder's information and belief.

7.2 OWNER'S LIABILITY INSURANCE

7.2.1 The Owner shall be responsible for purchasing and maintaining the Owner's usual liability insurance. Optionally, the Owner may purchase and maintain other insurance for self-protection against claims which may arise from operations under this Part 2 Agreement. The Design/Builder shall not be responsible for purchasing and maintaining this optional Owner's liability insurance unless specifically required by the Contract Documents.

7.3 PROPERTY INSURANCE

7.3.1 Unless otherwise provided under this Part 2 Agreement, the Owner shall

purchase and maintain, in a company or companies authorized to do business in the jurisdiction in which the principal improvements are to be located, property insurance upon the Work to the full insurable value thereof on a replacement cost basis without optional deductibles. Such property insurance shall be maintained, unless otherwise provided in the Contract Documents or otherwise agreed in writing by all persons and entities who are beneficiaries of such insurance, until final payment has been made or until no person or entity other than the Owner has an insurable interest in the property required by this Paragraph 7.3 to be insured, whichever is earlier. This insurance shall include interests of the Owner, the Design/Builder, and their respective contractors and subcontractors in the Work.

7.3.2 Property insurance shall be on an all-risk policy form and shall insure against the perils of fire and extended coverage and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, falsework, temporary buildings and debris removal including demolition occasioned by enforcement of any applicable legal requirements, and shall cover reasonable compensation for the services and expenses of the Design/Builder's Architect and other professionals required as a result of such insured loss. Coverage for other perils shall not be required unless otherwise provided in the Contract Documents.

7.3.3 If the Owner does not intend to purchase such property insurance required by this Part 2 Agreement and with all of the coverages in the amount described above, the Owner shall so inform the Design/Builder prior to commencement of the construction. The Design/Builder may then effect insurance which will protect the interests of the Design/Builder and the Design/Builder's contractors in the construction, and by appropriate Change Order the cost thereof shall be charged to the Owner. If the Design/Builder is damaged by the failure or neglect of the Owner to purchase or maintain insurance as described above, then the Owner shall bear all reasonable costs properly attributable thereto.

7.3.4 Unless otherwise provided, the Owner shall purchase and maintain such boiler and machinery insurance required by this Part 2 Agreement or by law, which shall specifically cover such insured objects during installation and until final acceptance by the Owner. This insurance shall include interests of the Owner, the Design/Builder, the Design/Builder's contractors and subcontractors in the Work, and the Design/Builder's Architect and other design professionals. The Owner and the Design/Builder shall be named insureds.

7.3.5 A loss insured under the Owner's property insurance shall be adjusted by the Owner as trustee and made payable to the Owner as trustee for the insureds, as their interests may appear, subject to requirements of any applicable mortgagee clause and of Subparagraph 7.3.10. The Design/Builder shall pay contractors their shares of insurance proceeds received by the Design/Builder, and by appropriate agreement, written where legally required for validity, shall require contractors to make payments to their subcontractors in similar manner.

7.3.6 Before an exposure to loss may occur, the Owner shall file with the Design/Builder a copy of each policy that includes insurance coverages required by this Paragraph 7.3. Each policy shall contain all generally applicable conditions, definitions, exclusions and endorsements related to this Project. Each policy shall contain a provision that the policy will not be canceled or allowed to expire until at least 30 days' prior written notice has been given to the Design/Builder.

7.3.7 If the Design/Builder requests in writing that insurance for risks other than those described herein or for other special hazards be included in the property insurance policy, the Owner shall, if possible, obtain such insurance, and the cost thereof shall be charged to the Design/Builder by appropriate Change Order.

7.3.8 The Owner and the Design/Builder waive all rights against each other and the Architect and other design professionals, contractors, subcontractors, agents and employees, each of the other, for damages caused by fire or other perils to the extent covered by property insurance obtained pursuant to this Paragraph 7.3 or other property insurance applicable to the Work, except such rights as they may have to proceeds of such insurance held by the Owner as trustee. The Owner or Design/Builder, as appropriate, shall require from contractors and subcontractors by appropriate agreements, written where legally required for validity, similar waivers each in favor of other parties enumerated in this Paragraph 7.3. The policies shall provide such waivers of subrogation by endorsement or otherwise. A waiver of subrogation shall be effective as to a person or entity even though that person or entity would otherwise have a duty of indemnification, contractual or otherwise, did not pay the insurance premium

directly or indirectly, and whether or not the person or entity had an insurable interest in the property damaged.

7.3.9 If required in writing by a party in interest, the Owner as trustee shall, upon occurrence of an insured loss, give bond for proper performance of the Owner's duties. The cost of required bonds shall be charged against proceeds received as fiduciary. The Owner shall deposit in a separate account proceeds so received, which the Owner shall distribute in accordance with such agreement as the parties in interest may reach, or in accordance with an arbitration award in which case the procedure shall be as provided in Article 10. If after such loss no other special agreement is made, replacement of damaged Work shall be covered by appropriate Change Order.

7.3.10 The Owner as trustee shall have power to adjust and settle a loss with insurers unless one of the parties in interest shall object in writing, within five (5) days after occurrence of loss to the Owner's exercise of this power; if such objection be made, the parties shall enter into dispute resolution under procedures provided in Article 10. If distribution of insurance proceeds by arbitration is required, the arbitrators will direct such distribution.

7.3.11 Partial occupancy or use prior to Substantial Completion shall not commence until the insurance company or companies providing property insurance have consented to such partial occupancy or use by endorsement or otherwise. The Owner and the Design/Builder shall take reasonable steps to obtain consent of the insurance company or companies and shall not, without mutual written consent, take any action with respect to partial occupancy or use that would cause cancellation, lapse or reduction of coverage.

7.4 LOSS OF USE INSURANCE

7.4.1 The Owner, at the Owner's option, may purchase and maintain such insurance as will insure the Owner against loss of use of the Owner's property due to fire or other hazards, however caused. The Owner waives all rights of action against the Design/Builder for loss of use of the Owner's property, including consequential losses due to fire or other hazards, however caused.

ARTICLE 8
CHANGES IN THE WORK

8.1 CHANGES

8.1.1 Changes in the Work may be accomplished after execution of this Part 2 Agreement, without invalidating this Part 2 Agreement, by Change Order, Construction Change Directive, or order for a minor change in the Work, subject to the limitations stated in the Contract Documents.

8.1.2 A Change Order shall be based upon agreement between the Owner and the Design/Builder; a Construction Change Directive may be issued by the Owner without the agreement of the Design/Builder; an order for a minor change in the Work may be issued by the Design/Builder alone.

8.1.3 Changes in the Work shall be performed under applicable provisions of the Contract Documents, and the Design/Builder shall proceed promptly, unless otherwise provided in the Change Order, Construction Change Directive, or order for a minor change in the Work.

8.1.4 If unit prices are stated in the Contract Documents or subsequently agreed upon, and if quantities originally contemplated are so changed in a proposed Change Order or Construction Change Directive that application of such unit prices to quantities of Work proposed will cause substantial inequity to the Owner or the Design/Builder, the applicable unit prices shall be equitably adjusted.

8.2 CHANGE ORDERS

8.2.1 A Change Order is a written instrument prepared by the Design/Builder and signed by the Owner and the Design/Builder, stating their agreement upon all of the following:

.1 a change in the Work;

.2 the amount of the adjustment, if any, in the Contract Sum; and

.3 the extent of the adjustment, if any, in the Contract Time.

8.2.2 If the Owner requests a proposal for a change in the Work from the Design/Builder and subsequently elects not to proceed with the change, a Change Order shall be issued to reimburse the Design/Builder for any costs incurred for estimating services, design services or preparation of proposed revisions to the Contract Documents.

8.3 CONSTRUCTION CHANGE DIRECTIVES

8.3.1 A Construction Change Directive is a written order prepared and signed by the Owner, directing a change in the Work prior to agreement on adjustment, if any, in the Contract Sum or Contract Time, or both.

8.3.2 Except as otherwise agreed by the Owner and the Design/Builder, the adjustment to the Contract Sum shall be determined on the basis of reasonable expenditures and savings of those performing the Work attributable to the change, including the expenditures for design services and revisions to the Contract Documents. In case of an increase in the Contract Sum, the cost shall include a reasonable allowance for overhead and profit. In such case, the Design/Builder shall keep and present an itemized accounting together with appropriate supporting data for inclusion in a Change Order. Unless otherwise provided in the Contract Documents, costs for these purposes shall be limited to the following:

.1 costs of labor, including social security, old age and unemployment insurance, fringe benefits required by agreement or custom, and workers' compensation insurance;

.2 costs of materials, supplies and equipment, including cost of transportation, whether incorporated or consumed;

.3 rental costs of machinery and equipment exclusive of hand tools, whether rented from the Design/Builder or others;

.4 costs of premiums for all bonds and insurance permit fees, and sales, use or similar taxes;

.5 additional costs of supervision and field office personnel directly attributable to the change; and fees paid to the Architect, engineers and other professionals.

8.3.3 Pending final determination of cost to the Owner, amounts not in dispute may be included in Applications for Payment. The amount of credit to be allowed by the Design/Builder to the Owner for deletion or change which results in a net decrease in the Contract Sum will be actual net cost. When both additions and credits covering related Work or substitutions are involved in a change, the allowance for overhead and profit shall be figured on the basis of the net increase, if any, with respect to that change.

8.3.4 When the Owner and the Design/Builder agree upon the adjustments in the Contract Sum and Contract Time, such agreement shall be effective immediately and shall be recorded by preparation and execution of an appropriate Change Order.

8.4 MINOR CHANGES IN THE WORK

8.4.1 The Design/Builder shall have authority to make minor changes in the Construction Documents and construction consistent with the intent of the Contract Documents when such minor changes do not involve adjustment in the Contract Sum or extension of the Contract Time. The Design/Builder shall promptly inform the Owner, in writing, of minor changes in the Construction Documents and construction.

8.5 CONCEALED CONDITIONS

8.5.1 If conditions are encountered at the site which are (1) subsurface or otherwise concealed physical conditions which differ materially from those indicated in the Contract Documents, or (2) unknown physical conditions of an unusual nature which differ materially from those ordinarily found to exist and generally recognized as inherent in construction activities of the character provided for in the Contract Documents, then notice by the observing party shall be given to the other party promptly before conditions are disturbed and in no event later than 21 days after first observance of the conditions. The Contract Sum shall be equitably adjusted for such concealed or unknown conditions by Change Order upon claim by either party made within 21 days after the claimant becomes aware of the conditions.

8.6 REGULATORY CHANGES

8.6.1 The Design/Builder shall be compensated for changes in the construction necessitated by the enactment or revisions of codes, laws or regulations subsequent to the submission of the Design/Builder's Proposal.

ARTICLE 9
CORRECTION OF WORK

9.1 The Design/Builder shall promptly correct Work rejected by the Owner or known by the Design/Builder to be defective or failing to conform to the requirements of the Contract Documents, whether observed before or after Substantial Completion and whether or not fabricated, installed or completed. The Design/Builder shall bear costs of correcting such rejected Work, including additional testing and inspections.

9.2 If, within one (1) year after the date of Substantial Completion of the Work or, after the date for commencement of warranties established in a written agreement between the Owner and the Design/Builder, or by terms of an applicable special warranty required by the Contract Documents, any of the Work is found to be not in accordance with the requirements of the Contract Documents, the Design/Builder shall correct it promptly after receipt of a written notice from the Owner to do so unless the Owner has previously given the Design/ Builder a written acceptance of such condition.

9.3 Nothing contained in this Article 9 shall be construed to establish a period of limitation with respect to other obligations which the Design/Builder might have under the Contract Documents. Establishment of the time period of one (1) year as described in Subparagraph 9.2 relates only to the specific obligation of the Design/Builder to correct the Work, and has no relationship to the time within which the obligation to comply with the Contract Documents may be sought to be enforced, nor to the time within which proceedings may be commenced to establish the Design/Builder's liability with respect to the Design/Builder's obligations other than specifically to correct the Work.

9.4 If the Design/Builder fails to correct nonconforming Work as required or fails to carry out Work in accordance with the Contract Documents, the Owner, by written order signed personally or by an agent specifically so empowered by the Owner in writing, may order the Design/Builder to stop the Work, or any portion thereof, until the cause for such order has been eliminated; however, the Owner's right to stop the Work shall not give rise to a duty on the part of the Owner to exercise the right for benefit of the Design/Builder or other persons or entities.

9.5 If the Design/Builder defaults or neglects to carry out the Work in accordance with the Contract Documents and fails within seven (7) days after receipt of written notice from the Owner to commence and continue correction of such default or neglect with diligence and promptness, the Owner may give a second written notice to the Design/Builder and, seven (7) days following receipt by the Design/Builder of that second written notice and without prejudice to other remedies the Owner may have, correct such deficiencies. In such case an appropriate Change Order shall be issued deducting from payments then or thereafter due the Design/ Builder, the costs of correcting such deficiencies. If the payments then or thereafter due the Design/Builder are not sufficient to cover the amount of the deduction, the Design/Builder shall pay the difference to the Owner. Such action by the Owner shall be subject to dispute resolution procedures as provided in Article 10.

ARTICLE 10
DISPUTE RESOLUTION--
MEDIATION AND ARBITRATION

10.1 Claims, disputes or other matters in question between the parties to this Part 2 Agreement arising out of or relating to this Part 2 Agreement or breach thereof shall be subject to and decided by mediation or arbitration. Such mediation or arbitration shall be conducted in accordance with the Construction Industry Mediation or Arbitration Rules of the American Arbitration Association currently in effect.

10.2 In addition to and prior to arbitration, the parties shall endeavor to settle disputes by mediation. Demand for mediation shall be filed in writing with the other party to this Part 2 Agreement and with the American Arbitration Association. A demand for mediation shall be made within a reasonable time after the claim, dispute, or other matter in question has arisen. In no event shall

the demand for mediation be made after the date when institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statutes of repose or limitations.

10.3 Demand for arbitration shall be filed in writing with the other party to this Part 2 Agreement and with the American Arbitration Association. A demand for arbitration shall be made within a reasonable time after the claim, dispute or other matter in question has arisen. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statutes of repose or limitations.

10.4 An arbitration pursuant to this Article may be joined with an arbitration involving common issues of law or fact between the Design/Builder and any person or entity with whom the Design/Builder has a contractual obligation to arbitrate disputes. No other arbitration arising out of or relating to this Part 2 Agreement shall include, by consolidation, joinder or in any other manner, an additional person or entity not a party to this Part 2 Agreement or not a party to an agreement with the Design/Builder, except by written consent containing a specific reference to this Part 2 Agreement signed by the Owner, the Design/Builder and any other person or entities sought to be joined. Consent to arbitration involving an additional person or entity shall not constitute consent to arbitration of any claim, dispute or other matter in question not described in the written consent or with a person or entity not named or described therein. The foregoing agreement to arbitrate and other agreements to arbitrate with an additional person or entity duly consented to by the parties to this Part 2 Agreement shall be specifically enforceable in accordance with applicable law in any court having jurisdiction thereof.

10.5 The award rendered by the arbitrator or arbitrators shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

ARTICLE 11
MISCELLANEOUS PROVISIONS

11.1 Unless otherwise provided, this Part 2 Agreement shall be governed by the law of the place where the Project is located.

11.2 SUBCONTRACTS

11.2.1 The Design/Builder, as soon as practicable after execution of this Part 2 Agreement, shall furnish to the Owner in writing the names of the persons or entities the Design/Builder will engage as contractors for the Project. The Owner will be given 5 days to approve the Subcontractors and Entities of the Design/Builder or show a reasonable objection for rejection of a Subcontractor or Entity. After Owner's approval, the Design/Builder may not release a Subcontractor or entity without written approval from the Owner, unless the Subcontractor or entity fails to perform the work as outlined in the Contract Documents.

11.3 WORK BY OWNER OR OWNER'S CONTRACTORS

11.3.1 The Owner reserves the right to perform construction or operations related to the Project with the Owner's own forces, and to award separate contracts in connection with other portions of the Project or other construction or operations on the site under conditions of insurance and waiver of subrogation identical to the provisions of this Part 2 Agreement. If the Design/Builder claims that delay or additional cost is involved because of such action by the Owner, the Design/Builder shall assert such claims as provided in Subparagraph 11.4.

11.3.2 The Design/Builder shall afford the Owner's separate contractors reasonable opportunity for introduction and storage of their materials and equipment and performance of their activities and shall connect and coordinate the Design/Builder's construction and operations with theirs as required by the Contract Documents.

11.3.3 Costs caused by delays or by improperly timed activities or defective construction shall be borne by the party responsible therefor.

11.4 CLAIMS FOR DAMAGES

11.4.1 If either party to this Part 2 Agreement suffers injury or damage to person or property because of an act or omission of the other party, of any of

the other party's employees or agents, or of others for whose acts such party is legally liable, written notice of such injury or damage, whether or not insured, shall be given to the other party within a reasonable time not exceeding 21 days after first observance. The notice shall provide sufficient detail to enable the other party to investigate the matter. If a claim of additional cost or time related to this claim is to be asserted, it shall be filed in writing.

11.5 INDEMNIFICATION

11.5.1 To the fullest extent permitted by law, the Design/Builder shall indemnify and hold harmless the Owner, Owner's consultants, and agents and employees of any of them from and against claims, damages, losses and expenses, including but not limited to attorneys' fees, arising out of or resulting from performance of the Work, provided that such claim, damage, loss or expense is attributable to bodily injury, sickness, disease or death, or to injury to or destruction of tangible property (other than the Work itself) including loss of use resulting therefrom, but only to the extent caused in whole or in part by negligent acts or omissions of the Design/Builder, anyone directly or indirectly employed by the Design/Builder or anyone for whose acts the Design/Builder may be liable, regardless of whether or not such claim, damage, loss or expense is caused in part by a party indemnified hereunder. Such obligation shall not be construed to negate, abridge, or reduce other rights or obligations of indemnity which would otherwise exist as to a party or person described in this Paragraph 11.5.

11.5.2 In claims against any person or entity indemnified under this Paragraph 11.5 by an employee of the Design/Builder, anyone directly or indirectly employed by the Design/Builder or anyone for whose acts the Design/Builder may be liable, the indemnification obligation under this Paragraph 11.5 shall not be limited by a limitation on amount or type of damages, compensation or benefits payable by or for the Design/Builder under workers' compensation acts, disability benefit acts or other employee benefit acts.

11.6 SUCCESSORS AND ASSIGNS

11.6.1 The Owner and Design/Builder, respectively, bind themselves, their partners, successors, assigns and legal representatives to the other party to this Part 2 Agreement and to the partners, successors and assigns of such other party with respect to all covenants of this Part 2 Agreement. Neither the Owner nor the Design/Builder shall assign this Part 2 Agreement without the written consent of the other. The Owner may assign this Part 2 Agreement to any institutional lender providing construction financing, and the Design/Builder agrees to execute all consents reasonably required to facilitate such an assignment. If either party makes such an assignment, that party shall nevertheless remain legally responsible for all obligations under this Part 2 Agreement, unless otherwise agreed by the other party.

11.7 TERMINATION OF PROFESSIONAL DESIGN SERVICES

11.7.1 Prior to termination of the services of the Architect or any other design professional designated in this Part 2 Agreement, the Design/Builder shall identify to the Owner in writing another architect or other design professional with respect to whom the Owner has no objection, who will provide the services originally to have been provided by the Architect or other design professional whose services are being terminated. Owner must approve termination of Architect.

11.8 EXTENT OF AGREEMENT

11.8.1 This Part 2 Agreement represents the entire agreement between the Owner and the Design/Builder and supersedes prior negotiations, representations or agreements, either written or oral. This Part 2 Agreement may be amended only by written instrument and signed by both the Owner and the Design/Builder.

ARTICLE 12
TERMINATION OF THE AGREEMENT

12.1 TERMINATION BY THE OWNER

12.1.1 This Part 2 Agreement may be terminated by the Owner upon 14 days' written notice to the Design/Builder in the event that the Project is abandoned. If such termination occurs, the Owner shall pay the Design/Builder for Work completed and for proven loss sustained upon materials, equipment, tools, and construction equipment and machinery, including reasonable profit and applicable damages.

12.1.2 If the Design/Builder defaults or persistently fails or neglects to carry out the Work in accordance with the Contract Documents or fails to perform the provisions of this Part 2 Agreement, the Owner may give written notice that the Owner intends to terminate this Part 2 Agreement. If the Design/Builder fails to correct the defaults, failure or neglect within seven (7) days after being given notice, the Owner may then give a second written notice and, after an additional seven (7) days, the Owner may without prejudice to any other remedy terminate the employment of the Design/Builder and take possession of the site and of all materials, equipment, tools and construction equipment and machinery thereon owned by the Design/Builder and finish the Work by whatever method the Owner may deem expedient. If the unpaid balance of the Contract Sum exceeds the expense of finishing the Work and all damages incurred by the Owner, such excess shall be paid to the Design/Builder. If the expense of completing the Work and all damages incurred by the Owner exceeds the unpaid balance, the Design/Builder shall pay the difference to the Owner. This obligation for payment shall survive termination of this Part 2 Agreement.

12.2 TERMINATION BY THE DESIGN/BUILDER

12.2.1 If the Owner fails to make payment when due, the Design/Builder may give written notice of the Design/Builder's intention to terminate this Part 2 Agreement. If the Design/Builder fails to receive payment within seven (7) days after receipt of such notice by the Owner, the Design/Builder may give a second written notice and, seven (7) days after receipt of such second written notice by the Owner, may terminate this Part 2 Agreement and recover from the Owner payment for Work executed and for proven losses sustained upon materials, equipment, tools, and construction equipment and machinery, including reasonable profit and applicable damages.

ARTICLE 13
BASIS OF COMPENSATION

The Owner shall compensate the Design/Builder in accordance with Article 5, Payments, and the other provisions of this Part 2 Agreement as described below.

13.1 COMPENSATION

13.1.1 For the Design/Builder's performance of the Work, as described in Paragraph 3.2 and including any other services listed in Article 14 as part of Basic Services, the Owner shall pay the Design/Builder in current funds the Contract Sum as follows: Exhibit "B".

13.1.2 For Additional Services, as described in Paragraph 3.3 and including any other services listed in Article 14 as Additional Services, compensation shall be as follows:

13.2 REIMBURSABLE EXPENSES

13.2.1 Reimbursable Expenses are in addition to the compensation for Basic and Additional Services, and include actual expenditures made by the Design/Builder and the Design/Builder's employees and contractors in the interest of the Project, as follows:

13.2.2 FOR REIMBURSABLE EXPENSES, compensation shall be a multiple of ( ) times the amounts expended.

13.3 INTEREST PAYMENTS

13.3.1 The rate of interest for past due payments shall be as follows: 1% per month.

(Usury laws and requirements under the Federal Truth in Lending Act, similar State and local consumer credit laws and other regulations at the Owner's and Design/Builder's principal places of business, at the location of the Project and elsewhere may affect the validity of this provision. Specific legal advice should be obtained with respect to deletion, modification or other requirements, such as written disclosures or waivers.)

ARTICLE 14
OTHER CONDITIONS AND SERVICES

14.1 The Basic Services to be performed shall be commenced on and, subject to authorized adjustments and to delays not caused by the Design/Builder, Substantial Completion shall be achieved in the Contract Time of ( ) calendar

days.

14.2 The Basic Services beyond those described in Article 3 are as follows:

14.3 Additional Services beyond those described in Article 3 are as follows:

14.4 The Design/Builder shall submit an Application for Payment on the ( ) day of each month.

14.5 The Design/Builder's Proposal includes the following documents:

(List the documents by specific title and date; include any required performance and payment bonds.)

Title Date

Exhibit "A" - CryoLife, Inc. Final Build-Out Interiors dated 10/19/99.
Exhibit "B" - Contract Breakdown (One Page).
Exhibit "C" - Preliminary Project Schedule.
Exhibit "D" - List of Shell Drawings - Phase I (One Page).
Exhibit "E1" - Lockwood Greene - Hourly Rate Compensation (One Page).
Exhibit "E2" - Lockwood Greene - Reimbursable Expenses (One Page)This Agreement entered into as of the day and year first written above.

OWNER	DESIGN BUILDER
/s/ Albert E. Heacox	/s/ Wm. M. Choate
(Signature)	(Signature)
Al Heacox, VP - Lab Operators	Choate Design & Build Company
Cryolife, Inc.	(Printed name and title)
(Printed name and title)	Wm. M. Choate President

Item 5. Market for Registrant's Equity and Related Stockholder Matters - page 35 of annual shareholder report below:

MARKET PRICE OF COMMON STOCK

The Company's Common Stock is traded under the symbol "CRY." The following table sets forth, for the periods indicated, the intra-day high and low sale prices per share of Common Stock on the NYSE.

1999	High	Low
First quarter	12 3/4	10 1/4
Second quarter	12 5/8	10
Third quarter	15 1/4	11 1/4
Fourth quarter	13 7/8	11 1/16

1998	High	Low
First quarter	17 15/16	12 1/4
Second quarter	18 1/4	14 3/4
Third quarter	16 1/4	12 1/16
Fourth quarter	15 11/16	9 3/16

Item 6. Selected Financial Data - page 36 of annual shareholder report below:

SELECTED FINANCIAL INFORMATION
(In thousands except per share data) December 31,

OPERATIONS	1999	1998	1997	1996	1995
Revenues	$66,722	$60,691	$50,571	$36,866	$29,226
Net income	4,451	6,486	4,725	3,927	2,202
Research and development as a percentage of revenues	6.6%	7.8%	7.8%	7.6%	9.0%
EARNINGS PER SHARE1,2					
Basic	$0.36	$0.54	$0.49	$0.41	$0.23
Diluted	$0.36	$0.53	$0.48	$0.40	$0.23
YEAR-END FINANCIAL POSITION					
Total assets	$94,023	$98,390	$54,402	$34,973	$24,132
Working capital	59,928	62,310	19,478	10,787	15,217
Long-term liabilities	6,177	8,577	17,846	2,799	--
Shareholders' equity	80,226	80,421	30,227	24,929	20,465
Current					
ratio	9:1	8:1	4:1	3:1	5:1
Shareholders' equity per diluted common share1,2	$6.40	$6.56	$3.04	$2.52	$2.14

1 Reflects adjustment for the 2-for-1 stock split effected June 28, 1996.

2 Presented, and where appropriate, restated to conform to Statement 128 requirements.

Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations - page 16-21 of annual shareholder report below:

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

CryoLife, Inc. was organized in 1984 to address market opportunities in the area of biological implantable products and materials, and today is the leader in the cryopreservation of viable human tissue for cardiovascular, vascular, and orthopedic applications. The Company began cryopreserving aortic heart valves in 1984, pulmonary heart valves in 1986, and mitral heart valves in 1995. The Company has also expanded into the cryopreservation of other human tissue,

including vascular tissue and connective tissue of the knee.

The Company pays a fee to an organ procurement agency or tissue bank at the time such organization consigns human tissue to the Company. The Company generates revenues from cryopreservation services by charging hospitals a fee, which covers the Company's services, the associated procurement fee, and applicable shipping expenses. The Company records revenue upon shipping tissue. Costs associated with the procurement, processing, and storage of tissue are accounted for as deferred preservation costs on the Company's consolidated balance sheet and are expensed when the tissue is shipped. The Company continually monitors cryopreserved tissue in its possession to determine its viability. Tissue determined not to be suitable for implantation is disposed of and the associated deferred preservation costs are expensed. As part of an effort to reduce its working capital needs, while simultaneously facilitating the use of cryopreserved tissue, the Company consigns liquid nitrogen freezers to a number of hospitals. The Company retains ownership of the liquid nitrogen freezers and, consequently, incurs associated depreciation charges. The hospitals are responsible for operating expenses related to the use of the liquid nitrogen freezers.

The Company has expanded, and intends to continue to expand, its portfolio of products and services. Much of this expansion has been accomplished through acquisitions of intellectual property and businesses. In 1992, the Company purchased for $730,000 the exclusive distribution rights for a line of stentless aortic porcine heart valves and in 1996 purchased for $275,000 a patent for an advanced design stentless pulmonary porcine heart valve, both of which the Company currently markets in Europe, South America, the Middle East, and South Africa. In 1996, the Company purchased the patent for BioGlue, a surgical adhesive which the Company currently markets in North America, Europe, South America, Asia, South Africa, and the Middle East. In 1996, the Company also acquired the assets of UCFI, a tissue processor, for $750,000 in cash and a $1.3 million note. In 1997, the Company acquired Ideas for Medicine, Inc. ("IFM") and its line of single-use medical devices for $4.5 million in cash, and a $5.0 million convertible debenture.

On September 30, 1998 the Company completed the sale of substantially all of the IFM product line and certain related assets to Horizon Medical Products, Inc. ("HMP") for $15 million in cash pursuant to an asset purchase agreement. Concurrently, IFM and HMP signed a Manufacturing Agreement (the "Agreement") which provides for the manufacture by IFM of specified minimum dollar amounts of IFM products to be purchased exclusively by HMP over each of the four years following the sale. Thereafter, responsibility for such manufacturing is to be assumed by HMP. The Company recorded a deferred gain at the transaction date totaling $2.9 million, representing the selling price less the net book value of the assets sold, which included $7.7 million of goodwill, net of accumulated amortization, and the costs related to the sale. The gain was deferred because the sale and the manufacturing agreements represent, in the aggregate, a single transaction for which the related income should be recognized over the term of the Agreement. Accordingly, the deferred gain is being amortized in cost of goods sold over the four-year term of the manufacturing agreement in a manner which is expected to result in approximately equal margins over the four-year period on the products manufactured and sold by IFM to HMP. During 1999 and 1998 amortization of deferred revenue totaled $1.2 million and $387,000, respectively. As more fully discussed under nonrecurring charges in the Results of Operations section, HMP defaulted on the Agreement in June of 1999.

The composition of the Company's revenues is expected to change in future years, reflecting, among other things, the anticipated growth in shipments of human vascular tissue and human connective tissue for the knee, and the introduction of BioGlue surgical adhesive into domestic and international markets, as well as other expected new products.

Results of Operations

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Revenues increased 10% to $66.7 million in 1999 from $60.7 million in 1998. The increase in revenues was primarily due to increased acceptance in the medical community of cryopreserved tissues, the Company's ability to procure greater amounts of tissue, price increases for certain cryopreservation services instituted during the third quarter of 1998 which continued during 1999, a full year of BioGlue international revenue in 1999 as compared to nine months in

1998, and revenues attributable to the Company's introduction of osteoarticular grafts in January 1999. These increases in revenues have been offset by certain decreases in revenues as discussed below.

Revenues from human heart valve and conduit cryopreservation services decreased 6% to $29.0 million in 1999 from $30.8 million in 1998, representing 44% and 51%, respectively, of total revenues during such periods. This decrease in revenues resulted from an 8% decrease in the number of heart allograft shipments primarily resulting from a 9% decrease in the number of pulmonary heart valve shipments due to a decrease in the number of Ross procedures being performed and competitive price pressures on pulmonary valves. In a Ross procedure, the patient's pulmonary valve is transplanted into the aortic position and a human pulmonary allograft is transplanted into the patient's pulmonary position. The Company has attempted to promote the positive clinical results of the Ross procedure by hosting science forums around the country with its cardiovascular surgeon customers. Although we are currently unable to predict the annual trend in pulmonary heart valve shipments, shipments through March 10, 2000 are up 12% over shipments through March 10, 1999.

Revenues from human vascular tissue cryopreservation services increased 35% to $19.3 million in 1999 from $14.3 million in 1998, representing 29% and 24%, respectively, of total revenues during such periods. This increase in revenues was primarily due to a 32% increase in the number of vascular allograft shipments attributable to an increased demand for preserved vascular tissue, the Company's ability to procure greater amounts of tissue, and the introduction of the femoral vein program for use as A-V shuts in dialysis patients. The increase in revenues was also due to the Company's focus on procuring and distributing long segment veins, which have a higher per unit revenue than the short segment veins.

Revenues from human connective tissue of the knee cryopreservation services increased 45% to $11.2 million in 1999 from $7.7 million in 1998, representing 17% and 13%, respectively, of total revenues during such periods. This increase in revenues was primarily due to a 31% increase in the number of allograft shipments due to increased demand, the Company's ability to procure greater amounts of tissue, and the introduction of preserved osteoarticular grafts in January of 1999. Additional revenue increases resulted from price increases for the cryopreservation of menisci and tendons during the third quarter of 1998.

Revenues from IFM decreased 34% to $3.7 million in 1999 from $5.7 million in 1998, representing 6% and 9%, respectively, of total revenues during such periods. The decrease in revenues is due to HMP's failure to meet the minimum purchase requirements set forth in the Agreement as more fully discussed below.

Revenues from bioprosthetic cardiovascular devices increased 20% to $955,000 in 1999 from $798,000 in 1998, representing 1% of total revenues during such periods. This increase in revenues was due to a 7% increase in the number of bioprosthetic cardiovascular device shipments due to an increase in demand, a full year of international revenues from the CryoLife-Ross Pulmonary Valve in 1999 as compared to three months of revenues in 1998, and price increases in November of 1998 that continued throughout 1999.

Revenues from BioGlue surgical adhesive increased 93% to $1.7 million for 1999 from $883,000 in 1998, representing 2% and 1%, respectively, of total revenues during such periods. The increase in revenues is due to a 95% increase in the volume of BioGlue shipments due to increased product awareness as a result of the introduction of BioGlue in international markets in April of 1998, increased surgeon training, and the receipt of the CE mark approval for the use of BioGlue for pulmonary indications in Europe in March 1999.

Grant revenues increased to $877,000 in 1999 from $512,000 in 1998. This increase in grant revenues is primarily attributable to the SynerGraft research and development programs.

Other income decreased to $224,000 in 1999 from $1.1 million in 1998. Other income in 1998 relates primarily to proceeds from the sale of the Company's port product line.

Cost of cryopreservation services and products aggregated $30.2 million in 1999 compared to $25.3 million in 1998, representing 46% and 42%, respectively, of total cryopreservation and product revenues. The increase of the cost of cryopreservation services and products as a percentage of revenues in 1999 results from a smaller percentage of 1999 revenues being derived from human

heart valve and conduit cryopreservation services, which carry a significantly higher gross margin than other cryopreservation services. An additional reason for the increase in costs in 1999 results from the switch in October of 1998 to OEM manufacturing of single-use medical devices, which generates lower gross margins than cryopreservation services and lower gross margins than the IFM products generated prior to the sale of the IFM product line.

General, administrative, and marketing expenses increased 3% to $24.7 million in 1999, compared to $23.9 million in 1998, representing 38% and 40%, respectively, of total cryopreservation and product revenues in such periods. The increase in expenditures in 1999 resulted from expenses incurred to support the increase in revenues, partially offset by increased absorption of overhead expenses associated with increased production of new products.

Research and development expenses decreased 7% to $4.4 million in 1999, compared to $4.7 million in 1998, representing 7% and 8%, respectively, of total cryopreservation and product revenues for each period. Research and development spending relates principally to the Company's focus on its bioadhesives and SynerGraft technologies.

The Company recorded a nonrecurring charge of $2.4 million in 1999 primarily as a result of HMP's default on its manufacturing contract with IFM. On June 22, 1999 IFM notified HMP that it was in default of certain provisions of the Agreement. Specifically, HMP is in violation of the payment provisions contained within the Agreement, which calls for inventory purchases to be paid for within 45 days of delivery. Additionally, HMP is in violation due to nonpayment of interest related to such past due accounts receivable.

After notification of the default, HMP indicated to the Company that it would not be able to meet and has not met the minimum purchase requirements outlined in the Agreement. The Company has been negotiating with HMP in order to reach a mutually agreeable solution to the default; however, due to the significant uncertainties related to the Company's ability to realize its investment in IFM, the Company determined that it had incurred an impairment loss on its IFM assets. In calculating the amount of the impairment loss, management used its best estimate to determine the realizable value of its increase in working capital due to the HMP default, and the recoverability of IFM's long-lived assets, consisting primarily of leasehold improvements and equipment. As a result, management recorded a $2.1 million impairment loss on working capital and a $2.6 million impairment loss on leasehold improvements. Additionally, the Company offset the above charges with $2.5 million of deferred gain recorded in connection with the sale of the IFM product line to HMP. The net pretax effect of the above nonrecurring charges is $2.2 million, and has been included under the caption "Nonrecurring charges" in the accompanying Consolidated Income Statements.

Net interest income was $1.2 million and $820,000 in 1999 and 1998, respectively. This increase in interest income is due to recording a full year of interest income on the invested proceeds from the follow-on equity offering (the "Offering") completed in April 1998, lower interest expense resulting from the repayment of certain indebtedness with the proceeds from the Offering, and the conversion of certain convertible debentures into common stock of the Company.

The increase in the effective income tax rate to 32% in 1999 from 25% in 1998, is the result of the nonrecurrence of income tax benefits realized in 1998 from the implementation of certain income tax planning strategies in the fourth quarter, which had a significant one-time impact on 1998 taxes. Despite the increase in the tax rate between 1999 and 1998, the 1999 effective tax rate is reflective of the ongoing impact of these tax planning strategies.

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

Revenues increased 20% to $60.7 million in 1998 from $50.6 million in 1997. The increase in revenues was primarily due to increased acceptance in the medical community of cryopreserved tissues, the Company's ability to procure greater amounts of tissue, price increases for certain cryopreservation services, revenues attributable to the Company's line of single-use medical devices following the IFM acquisition in March of 1997, and revenues attributable to the Company's introduction of BioGlue surgical adhesive in international markets in April 1998.

Revenues from human heart valve and conduit cryopreservation services increased 6% to $30.8 million in 1998 from $29.0 million in 1997, representing 51% and

57%, respectively, of total revenues during such periods. This increase in revenues was primarily due to a 6% increase in the number of heart allograft shipments due to an increased demand and the Company's ability to procure greater amounts of tissue.

Revenues from human vascular tissue cryopreservation services increased 36% to $14.3 million in 1998 from $10.5 million in 1997, representing 24% and 21%, respectively, of total revenues during such periods. This increase in revenues was primarily due to a 37% increase in the number of vascular allograft shipments due to an increased demand and the Company's ability to procure greater amounts of tissue.

Revenues from human connective tissue for the knee cryopreservation services increased 63% to $7.7 million in 1998 from $4.7 million in 1997, representing 13% and 9%, respectively, of total revenues during such periods. This increase in revenues was primarily due to a 50% increase in the number of allograft shipments due to increased demand and the Company's ability to procure greater amounts of tissue. Additional revenue increases resulted from a greater proportion of the 1998 shipments consisting of cryopreserved menisci, which have a significantly higher per unit revenue than the Company's cryopreserved tendons, and price increases for the cryopreservation of menisci and tendons.

Revenues from IFM increased 1% to $5.7 million in 1998 from $5.6 million in 1997, representing 9% and 11%, respectively, of total revenues during such periods. This increase in revenues was due to 1998 having two additional months of IFM revenue than 1997 due to the IFM acquisition closing on March 5, 1997, partially offset by the sale of the IFM product line to HMP pursuant to which the Company became an OEM manufacturer of such products on October 1, 1998.

Revenues from bioprosthetic cardiovascular devices increased 33% to $798,000 in 1998 from $576,000 in 1997, representing 1% of total revenues during such periods. This increase in revenues was primarily due to a 36% increase in the number of bioprosthetic cardiovascular device shipments due to increased manufacturing capacity. Revenues in 1998 also benefited from the introduction of the CryoLife-Ross Pulmonary Valve into international markets in October 1998.

Revenues from BioGlue were $883,000 for 1998. The Company introduced the product into international markets in April 1998.

Grant revenues increased to $512,000 in 1998 from $162,000 in 1997. This increase in grant revenues is primarily attributable to the SynerGraft research and development programs.

Other income increased to $1,078,000 in 1998 from $290,000 in 1997. Other income in 1998 relates primarily to proceeds from the sale of the Company's port product line.

Cost of cryopreservation services and products aggregated $25.3 million in 1998 compared to $17.8 million in 1997, representing 42% and 35%, respectively, of total cryopreservation and product revenues. The increase in 1998 of the cost of cryopreservation services and products as a percentage of revenues results from a lesser portion of 1998 revenues being derived from human heart valve and conduit cryopreservation services, which carry significantly higher gross margins than other cryopreservation services, from increased manufacturing overhead costs associated with the Company's new manufacturing facilities, from the switch in October of 1998 to OEM manufacturing of single-use medical devices, which generates lower gross margins than cryopreservation services and lower gross margins than the IFM products generated prior to the sale of the IFM product line, compared with ten months of IFM sales in 1997, and from a one-time charge of $500,000 associated with the start-up of the bioprosthetic cardiovascular device manufacturing facility. The increase in the cost of cryopreservation services and products as a percentage of revenues was partially offset by a decrease in the IFM products sold in 1998 relative to those sold in 1997, which generate lower gross margins than cryopreservation services, and the impact of the fourth quarter amortization of deferred gain resulting from the sale of the IFM product line, which has the impact of reducing cost of goods sold.

General, administrative, and marketing expenses increased 16% to $23.9 million in 1998, compared to $20.5 million in 1997, representing 40% and 41%, respectively, of total cryopreservation and product revenues in such periods. The increase in expenditures in 1998 resulted from expenses incurred to support

the increase in revenues and costs associated with the introduction of BioGlue into international markets.

Research and development expenses increased 19% to $4.7 million in 1998, compared to $3.9 million in 1997, representing 8% of total cryopreservation and product revenues for each period. Research and development spending relates principally to the Company's focus on its bioadhesives and SynerGraft technologies.

Net interest income was $820,000 in 1998 compared to net interest expense of $970,000 in 1997. This variance is due to the repayment of certain indebtedness with the proceeds from the follow-on equity offering completed in April 1998, as well as the conversion of a portion of a convertible debenture into common stock of the Company, and the receipt of interest income on the invested proceeds from the Offering.

The decline in the effective income tax rate to 25% in 1998 from 38% in 1997 is due to the implementation of certain income tax planning strategies including the recognition of approximately $600,000 of research and development tax credits during the fourth quarter of 1998, during which period studies were completed which quantified the amounts related thereto.

Seasonality

The demand for the Company's human heart valve and conduit cryopreservation services is seasonal, with peak demand generally occurring in the second and third quarters. Management believes this trend for human heart valve and conduit cryopreservation services is primarily due to the high number of surgeries scheduled during the summer months. Management believes the trends experienced by the Company for its human connective tissue of the knee cryopreservation services indicate this business may also be seasonal because it is an elective procedure which may be performed less frequently during the fourth quarter's holiday season. However, the demand for the Company's vascular tissue cryopreservation services, bioprosthetic cardiovascular devices, single-use medical devices, and BioGlue surgical adhesive does not appear to experience seasonal trends.

Liquidity and Capital Resources

At December 31, 1999 net working capital was $59.9 million, compared to $62.3 million at December 31, 1998, with a current ratio of 9 to 1. The Company's primary capital requirements arise out of general working capital needs, capital expenditures for facilities and equipment, funding of research and development projects, and a common stock repurchase plan approved by the board of directors in October of 1998. The Company historically has funded these requirements through bank credit facilities, cash generated by operations, and equity offerings.

Net cash provided by operating activities was $1.0 million in 1999, as compared to net cash provided by operating activities of $1.2 million in 1998. This decrease primarily resulted from 1) an increase in the growth of deferred preservation costs due to the inventory build up associated with the introduction of new product lines, and 2) an increase in the amount of accounts payable liquidated in the first quarter of 1999 as compared to the first quarter of 1998 due to the expansion of the BioGlue manufacturing laboratory at corporate headquarters, partially offset by 1) an increase in net income excluding the nonrecurring charge of $2.4 million, 2) a decrease in prepaid expenses, and 3) an increase in accrued expenses due to an increase in tissue procurement.

Net cash used in investing activities was $3.3 million in 1999, as compared to $18.9 million in 1998. This decrease in cash used was primarily attributable to a decrease in capital expenditures and in purchases of marketable equity securities during 1999, partially offset by the absence of proceeds from the sale of the IFM product line in 1999, as compared to 1998.

Net cash used in financing activities was $4.5 million in 1999, as compared to net cash provided by financing activities of $30.5 million in 1998. The 1998 net cash inflow was primarily attributable to a follow-on equity offering in March of 1998 that generated proceeds of $45.4 million, partially offset by the repayment of borrowings on the Company's bank loans, and accrued interest thereon, totaling $13.3 million. The Company used funds in 1999 primarily to

increase repurchases of treasury stock.

Management is currently seeking to complete a potential private placement of equity or equity-oriented securities to form a subsidiary company for the commercial development of its serine proteinase light activation technologies. This strategy, if successful, will allow an affiliated entity to fund the light activation technology and should expedite the commercial development of its blood clot dissolving and surgical sealant product applications without additional research and development expenditures by the Company (other than through the affiliated company). This strategy, if successful, will favorably impact the Company's liquidity going forward. The Company has ceased further development of light activation technology pending the identification of a corporate partner to fund future development. The Company began its search for a corporate partner in October 1998 and anticipates locating a partner during fiscal 2000. As of December 31, 1999, the Company classified approximately $1.5 million of equipment and other assets related to the light activation technologies as being held for sale.

The Company anticipates that current cash and marketable securities and cash generated from operations will be sufficient to meet its operating and development needs for at least the next 12 months, including the expansion of the Company's corporate headquarters and manufacturing facilities. Additionally, the Company currently maintains a $2.0 million unrestricted line of credit that expires on December 31, 2001. However, the Company's future liquidity and capital requirements beyond that period will depend upon numerous factors, including the timing of the Company's receipt of FDA approvals to begin clinical trials for its products currently in development, the resources required to

further develop its marketing and sales capabilities if and when those products gain approval, the resources required to expand its corporate headquarters and manufacturing facility, and the extent to which the Company's products generate market acceptance and demand. There can be no assurance the Company will not require additional financing or will not seek to raise additional funds through bank facilities, debt or equity offerings, or other sources of capital to meet future requirements. These additional funds may not be available when needed or on terms acceptable to the Company, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk - page 20 of annual shareholder report below:

The Company's interest income and expense are most sensitive to changes in the general level of U.S. interest rates. In this regard, changes in U.S. interest rates affect the interest earned on the Company's cash equivalents of $5.0 million and short-term investments of $15.9 million in municipal obligations as of December 31, 1999, as well as interest paid on its debt. To mitigate the impact of fluctuations in U.S. interest rates, the Company generally maintains 80% to 90% of its debt as fixed rate in nature. As a result, the Company is subject to a risk that interest rates will decrease and the Company may be unable to refinance its debt.

Item 8. Financial Statements and Supplementary Data - pages 22-35 of annual shareholder report below:

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To CryoLife, Inc.:

We have audited the accompanying consolidated balance sheet of CRYOLIFE, INC. AND SUBSIDIARIES as of December 31, 1999 and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of December 31, 1998 and for each of the two years ended December 31, 1998 were audited by other auditors whose report dated February 2, 1999 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CryoLife, Inc. and subsidiaries as of December 31, 1999 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN, LLP

Atlanta, Georgia
February 7, 2000

CryoLife, Inc.
Consolidated Balance Sheets
(in thousands, except per share data)

ASSETS

December 31,	1999	1998
Current assets:		
Cash and cash equivalents	$6,128	$12,885
Marketable securities, at market	24,403	26,713
Receivables:		
Trade accounts, less allowance for doubtful accounts of $528 in 1999 and $256 in 1998	11,694	10,733
Income taxes	31	71
Other	608	383
Total receivables	12,333	11,187
Deferred preservation cost	17,652	14,239
Inventories	4,597	3,385
Prepaid expenses	1,454	1,945
Deferred income taxes	983	1,348
Total current assets	67,550	71,702
Property and equipment:		
Equipment	11,882	12,145
Furniture and fixtures	3,147	3,011
Leasehold improvements	14,487	14,254
Construction in progress	1,001	2,266
	30,517	31,676
Less accumulated depreciation and amortization	11,843	10,216
Net property and equipment	18,674	21,460
Other assets:		
Goodwill, less accumulated amortization of $311 in 1999 and $215 in 1998	1,590	1,685
Patents, less accumulated amortization of $794 in 1999 and $660 in 1998	2,363	2,216
Other, less accumulated amortization of $742 in 1999 and $566 in 1998	2,449	1,327
Deferred income taxes	1,399	--
Total assets	$94,025	$98,390

See accompanying notes to consolidated financial statements.

CryoLife, Inc.
Consolidated Balance Sheets
(in thousands, except per share data)

LIABILITIES AND SHAREHOLDERS' EQUITY December 31,	1999	1998
Current liabilities:		
Accounts payable	$975	$1,655
Accrued expenses	2,145	2,968
Accrued compensation	913	726
Accrued fees to technical service representatives	248	459
Accrued procurement fees	2,874	1,806
Current maturities of capital lease obligation	180	224
Current maturities of long-term debt	287	516
Deferred income	--	1,038
Total current liabilities	7,622	9,392
Deferred income, less current amount	--	1,525
Deferred income taxes	--	410
Capital lease obligations, less current maturities	1,534	1,714
Convertible debenture	4,393	4,393
Other long-term debt	250	535
Total liabilities	13,799	17,969
Commitments and Contingencies		
Shareholders' equity:		
Preferred stock $.01 par value per share; authorized 5,000 shares including 2,000 shares of series A junior participating preferred stock; no shares issued	--	--
Common stock $.01 par value per share; authorized 50,000 shares; issued 13,361 shares in 1999 and 1998	134	134
Additional paid-in capital	64,425	64,347
Retained earnings	23,564	19,113
Deferred compensation	(57)	--
Accumulated other comprehensive income	(785)	139
Treasury stock; 1,134 shares in 1999 and 845 shares in 1998, at cost	(7,055)	(3,312)
Total shareholders' equity	80,226	80,421
Total liabilities and shareholders' equity	$94,025	$98,390

See accompanying notes to consolidated financial statements.

CryoLife, Inc.
Consolidated Income Statements
(in thousands, except per share data)

Year Ended December 31,	1999	1998	1997
Revenues:			
Preservation services and products	$65,845	$60,179	$50,409
Research grants and licenses	877	512	162
	66,722	60,691	50,571
Costs and Expenses:			
Preservation services and products	30,170	25,303	17,764
General, administrative, and marketing	24,693	23,907	20,548
Research and development	4,396	4,708	3,946
Nonrecurring charges	2,355	--	--
Interest expense	387	670	978
Interest income	(1,556)	(1,490)	(8)
Other income, net	(224)	(1,078)	(290)
	60,221	52,020	42,938
Income before income taxes	6,501	8,671	7,633
Income tax expense	2,050	2,185	2,908
Net income	$4,451	$6,486	$4,725

Earnings per share:			
Basic	$ 0.36	$ 0.54	$ 0.49
Diluted	$ 0.36	$ 0.53	$ 0.48
Weighted average shares outstanding:			
Basic	12,341	11,974	9,642
Diluted	12,533	12,264	9,942

See accompanying notes to consolidated financial statements.

CryoLife, Inc.
Consolidated Statements of Cash Flows
(in thousands)

Year Ended December 31,	1999	1998	1997
Net cash flows from operating activities:			
Net income	$4,451	$6,486	$4,725
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:			
Deferred income recognized	(1,176)	(387)	--
Gain on sale of marketable equity securities	(112)	(4)	--
Depreciation of property and equipment	2,854	2,586	1,842
Amortization	300	905	814
Provision for doubtful accounts	121	176	46
Deferred income taxes	(970)	(1,948)	972
Nonrecurring charges	2,355	--	--
Changes in operating assets and liabilities:			
Trade and other receivables	(1,707)	(1,797)	(533)
Income taxes	40	771	(438)
Deferred preservation costs	(3,413)	(1,982)	(5,079)
Inventories	(2,882)	(3,010)	(864)
Prepaid expenses and other assets	491	(706)	(506)
Accounts payable	(686)	295	(2,756)
Accrued expenses	1,321	(158)	(468)
Net cash flows provided by (used in) operating activities	987	1,227	(2,245)
Net cash flows from investing activities:			
Capital expenditures	(3,853)	(6,693)	(5,059)
Cash paid for acquisitions, net of cash acquired	--	--	(4,418)
Net proceeds from sale of IFM product line	--	15,000	--
Other assets	(452)	(752)	(148)
Purchases of marketable securities	(5,123)	(34,063)	--
Sales of marketable securities	6,149	7,604	3
Net cash flows used in investing activities	(3,279)	(18,904)	(9,622)
Net cash flows from financing activities:			
Principal payments of debt	(514)	(13,990)	(6,607)
Proceeds from debt issuance	--	1,680	16,643
Principal payments on obligations under capital leases	(224)	(203)	--
Proceeds from exercise of options and issuance of stock	571	46,298	567
Purchase of treasury stock	(4,296)	(3,350)	--
Net payments on notes receivable from shareholders	--	16	5
Net cash flows (used in) provided by financing activities:	(4,463)	30,451	10,608
Increase (decrease) in cash	(6,755)	12,774	(1,259)
Effect of exchange rate changes on cash	(2)	--	--
Cash and cash equivalents, beginning of year	12,885	111	1,370
Cash and cash equivalents, end of year	$6,128	$12,885	$111
Supplemental disclosures of cash flow information - cash paid during the year for:			
Interest	$369	$742	$920
Income taxes	3,816	3,568	2,380
Noncash investing and financing activities:			
Establishing capital lease obligation	$--	$2,141	$--
Debt conversion into common stock	$--	$608	$--
Purchase of property and equipment in accounts payable	$6	$185	$440
Net cash paid for acquisition	$--	$--	$1,768
Cost in excess of assets acquired	--	--	8,541
Liabilities assumed	--	--	(891)
Notes issued for assets acquired	--	--	(5,000)

Fair value of assets acquired	$--	$--	$4,418

See accompanying notes to consolidated financial statements.

CryoLife, Inc.
Consolidated Statements of Shareholders' Equity and Comprehensive Income
(in thousands)

	Common Shares Outstanding Shares	Amount	Additional Paid-In Capital	Retained Earnings	Deferred Compsation	Unrealized Gains on Investments	Translation Gain	Treasury Stock	Notes Receivable From Shareholders	Total Shareholders' Equity
Balance at December 31, 1996	9,567	$ 101	$ 17,128	$ 7,902	$ --	$ (1)	$ --	$ (180)	$ (21)	$ 24,929
Net income	--	--	--	4,725	--	--	--	--	--	4,725
Unrealized gains on investments	--	--	--	--	--	1	--	--	--	1
Comprehensive income										4,726
Exercise of options	105	1	298	--	--	--	--	--	--	299
Employee stock purchase plan	30	--	268	--	--	--	--	--	--	268
Additions to shareholder notes	--	--	--	--	--	--	--	--	(21)	(21)
Payments on shareholder notes	--	--	--	--	--	--	--	--	26	26
Balance at December 31, 1997	9,702	102	17,694	12,627	--	--	--	(180)	(16)	30,227
Net income	--	--	--	6,486	--	--	--	--	--	6,486
Unrealized gains on investments	--	--	--	--	--	139	--	--	--	139
Comprehensive income										6,625
Follow-on equity offering, net of $703 of offering costs	2,976	30	45,417	--	--	--	--	--	--	45,447
Exercise of options	100	1	338	--	--	--	--	121	--	460
Employee stock purchase plan	31	--	294	--	--	--	--	97	--	391
Convertible debenture	50	1	604	--	--	--	--	--	--	605
Purchase of treasury stock	(343)	--	--	--	--	--	--	(3,350)	--	(3,350)
Payment on shareholder note	--	--	--	--	--	--	--	--	16	16
Balance at December 31, 1998	12,516	134	64,347	19,113	--	139	--	(3,312)	--	80,421
Net income	--	--	--	4,451	--	--	--	--	--	4,451
Unrealized losses on investments	--	--	--	--	--	(922)	--	--	--	(922)
Translation adjustment	--	--	--	--	--	--	(2)	--	--	(2)
Comprehensive income										3,527
Exercise of options	49	--	(126)	--	--	--	--	305	--	179
Employee stock purchase plan	40	--	144	--	--	--	--	248	--	392
Issuance of stock options to a nonemployee	--	--	60	--	(60)	--	--	--	--	--
Amortization of de-ferred compensation	--	--	--	--	3	--	--	--	--	3
Purchase of treasury stock	(378)	--	--	--	--	--	--	(4,296)	--	(4,296)
Balance at December 31, 1999	12,227	$134	$ 64,425	$23,564	$ (57)	$ (783)	$ (2)	$(7,055)	$ --	$ 80,226

See accompanying notes to consolidated financial statements.

CRYOLIFE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Nature of Business

Founded in 1984, CryoLife, Inc. (the "Company") is the leader in the cryopreservation of viable human tissues for transplant, and is developing and commercializing additional implantable and single-use nonimplantable devices for use in vascular, cardiovascular, and orthopaedic applications. The Company has one primary business segment, cryopreservation of human tissues, marketed in North and South America, Europe, and Asia. The Company's bioprosthetic implantable products include stentless porcine heart valves marketed in Europe,

South America, the Middle East, and South Africa, as well as a proprietary project to transplant human cells onto the structure of animal tissue. The Company also serves as an original equipment manufacturer for single-use medical devices for use in vascular surgical procedures. In addition, the Company develops proprietary implantable bioadhesives, including BioGlue surgical adhesive, which it has begun commercializing for vascular and pulmonary applications in North America, Europe, South America, Asia, South Africa, and the Middle East. International revenues were $4.0 million for 1999 and 1998 and were $2.7 million in 1997. Net sales by product for the years ended December 31, 1999, 1998, and 1997 were as follows:

	1999	1998	1997
Cryopreservation services:			
Heart valve and conduit	$29,043	$30,836	$29,046
Vascular tissue	19,273	14,270	10,469
Connective tissue	11,200	7,720	4,727
Total cryopreservation services	59,516	52,826	44,242
Bioprosthetic products	955	798	576
Single-use medical devices	3,717	5,672	5,591
BioGlue surgical adhesive	1,657	883	---

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances are eliminated.

Reclassifications
Certain prior year balances have been reclassified to conform to the 1999 presentation.

Use of Estimates
The consolidated financial statements have been prepared in conformity with generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

Cash and cash equivalents
Cash equivalents consist primarily of highly liquid investments with insignificant interest rate risk and maturity dates of 90 days or less at the time of acquisition. The carrying value of cash equivalents approximates fair value.

Marketable Securities
The Company maintains cash equivalents and investments in several large, well-capitalized financial institutions, and the Company's policy disallows investment in any securities rated less than "investment-grade" by national rating services.

Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designations as of each balance sheet date. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost. Debt securities not classified as held-to-maturity or trading and marketable equity securities not classified as trading are classified as available-for-sale. Available-for-sale securities are stated at their fair values, with the unrealized gains and losses, net of tax, reported in a separate component of shareholders' equity. The amortized cost of debt securities classified as available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity.

Such amortization is included in investment income. Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income. At December 31, 1999 and 1998, all marketable equity securities and debt securities were designated as available-for-sale.

Deferred Preservation Costs and Revenue Recognition
Tissue is procured from deceased human donors by organ procurement organizations and tissue banks which consign the tissue to the Company for processing and preservation. Preservation costs related to tissue held by the Company are deferred until shipment to the implanting hospital. Deferred preservation costs consist primarily of laboratory expenses, tissue procurement fees, fringe and facility allocations, and freight-in charges, and are stated at average cost, determined annually, on a first-in, first-out basis. When the tissue is shipped to the implanting hospital, revenue is recognized and the related deferred preservation costs are charged to operations. The Company does not require collateral or other security for its receivables.

Inventories
Inventories are comprised of single-use medical devices, bioprosthetic implantable products, and implantable bioadhesives and are valued at the lower of cost (first-in, first-out) or market.

Property and Equipment
Property and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the assets, generally five to ten years, on a straight-line basis. Leasehold improvements are amortized on a straight-line basis over the lease term or the estimated useful lives of the assets, whichever is shorter.

Assets Held for Sale
As of December 31, 1999, other assets included approximately $1.5 million of equipment and other assets related to the Company's FibRx technologies. In January 1999, the Company ceased further development of FibRx pending the identification of a corporate partner to fund future development. The Company continues to actively pursue a strategic partner for the FibRx technologies. The nonrecurring charge taken in the fourth quarter of 1999 includes approximately $158,000 in costs associated with the location of a corporate partner.

Intangible Assets
Goodwill resulting from business acquisitions is amortized on a straight-line basis over 20 years. Patent costs are amortized over the expected useful lives of the patents (primarily 17 years) using the straight-line method. Other intangibles, which consist primarily of manufacturing rights and agreements, are being amortized over the expected useful lives of the related assets (primarily five years).

The Company periodically evaluates the recoverability of noncurrent tangible and intangible assets and measures the amount of impairment, if any, by assessing current and future levels of income and cash flows as well as other factors, such as business trends and prospects and market and economic conditions.

Income Taxes
Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Research Grant and License Revenues
Revenues from research grants are recognized in the period the associated costs are incurred. License revenues are recognized in the period the cash is received and all licensor obligations have been fulfilled.

Earnings Per Share
In 1997 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("Statement 128"). Statement 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants, and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented and, where appropriate, restated to conform to the Statement 128 requirements.

Comprehensive Income

In 1997 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("Statement 130"), which established standards for the reporting and display of comprehensive income and its components in a full set of comparative general-purpose financial statements. The statement became effective for the Company in 1998. Comprehensive income is defined in Statement 130 as net income plus other comprehensive income, which, under existing accounting standards, includes foreign currency items, minimum pension liability adjustments and unrealized gains and losses on certain investments in debt and equity securities. Comprehensive income disclosures are included in the Consolidated Statements of Shareholders' Equity and Comprehensive Income.

2. Follow-On Equity Offering

On April 3, 1998 the Company completed a follow-on equity offering (the "Offering") of 2,588,000 new shares of its common stock resulting in net proceeds of $39.4 million. On April 16, 1998 the Company issued an additional 387,500 shares of common stock pursuant to the underwriters' overallotment option resulting in $6.0 million of additional net proceeds to the Company. A portion of the net proceeds was used to repay $13.3 million of principal and interest outstanding under the Company's bank loans.

3. Ideas for Medicine, Inc.

On March 5, 1997 the Company acquired the stock of Ideas for Medicine, Inc. ("IFM"), a medical device company specializing in the manufacture and distribution of single-use medical devices, for consideration of approximately $4.5 million in cash and approximately $5.0 million in convertible debentures plus related expenses. The cash portion of the purchase price was financed by borrowings under the Company's revolving term loan agreement. Pursuant to the purchase agreement, an additional consideration of $700,000 was paid in January 2000. The acquisition was accounted for as a purchase; accordingly, the results of operations have been included in the accompanying consolidated income statements from the date of acquisition. Based on the allocation of the purchase price, the Company's unaudited condensed pro forma results of operations for 1997, assuming consummation of the purchase as of January 1, 1997, are as follows (in thousands, except per share data):

	1997
Revenues	$52,082
Net income	4,756
Earnings per share:	
Basic	$0.49
Diluted	0.48

In connection with this acquisition, the Company also entered into a consulting agreement with the former majority shareholder of IFM requiring monthly payments to such shareholder of approximately $17,000 until March 2002.

On September 30, 1998 the Company completed the sale of substantially all of the IFM product line and certain related assets to Horizon Medical Products, Inc. ("HMP") for $15 million in cash pursuant to an asset purchase agreement. Concurrently, IFM and HMP signed a Manufacturing Agreement (the "Agreement") which provides for the manufacture by IFM of specified minimum dollar amounts of IFM products to be purchased exclusively by HMP over each of the four years following the sale. Thereafter, responsibility for such manufacturing is to be assumed by HMP.

The Company recorded deferred income at the transaction date totaling $2.9 million, representing the selling price less the net book value of the assets sold, which included $7.7 million of goodwill, net of accumulated amortization, and the costs related to the sale. The income was deferred because the sale and manufacturing agreements represent, in the aggregate, a single transaction for which the related income should be recognized over the term of the manufacturing agreement. Accordingly, the deferred income is being reflected in cost of goods sold over the four-year term of the Agreement in a manner which is expected to result in approximately equal margins over the four-year period on the products manufactured and sold by IFM to HMP. During 1999 and 1998 amortization of deferred income totaled $1.2 million and $387,000, respectively.

On June 22, 1999 IFM notified HMP that it was in default of certain provisions of the Agreement. Specifically, HMP is in violation of the payment provisions contained within the Agreement, which calls for inventory purchases to be paid for within 45 days of delivery. Additionally, HMP is in violation due to

nonpayment of interest related to such past due accounts receivable.

After notification of the default, HMP indicated to the Company that it would not be able to meet and has not met the minimum purchase requirements outlined in the Agreement. The Company has been negotiating with HMP in order to reach a mutually agreeable solution to the default; however, due to the significant uncertainties related to the Company's ability to realize its investment in IFM, the Company determined that it had incurred an impairment loss on its IFM

assets. In calculating the amount of the impairment loss, management used its best estimate to determine the realizable value of its increase in working capital due to the HMP default and the recoverability of IFM's long-lived assets, consisting primarily of leasehold improvements and equipment. As a result, management recorded a $2.1 million impairment loss on working capital and a $2.6 million impairment loss on leasehold improvements. Additionally, the Company offset the above charges with $2.5 million of deferred income recorded in connection with the sale of the IFM product line to HMP. The net pretax effect of the above nonrecurring charges is $2.2 million and has been included under the caption "Nonrecurring charges" in the accompanying Consolidated Income Statements.

At December 31, 1999, after recognition of the impairment loss, IFM assets consist of $800,000 of accounts receivable, $1.7 million of inventory, $1.6 million of a building, and $360,000 of equipment. Management believes any potential resolution to the default on the manufacturing agreement will not have a material adverse impact on the Company's future operating results.

4. Marketable Securities

The following is a summary of available-for-sale securities (in thousands):

December 31, 1999	Cost	Unrealized Holding Losses	Estimated Market Value
Municipal obligations	$ 20,223	$ (226)	$ 19,997
Equity securities	9,444	(959)	8,485
	$ 29,667	$ (1,185)	$ 28,482

December 31, 1998	Cost	Unrealized Holding Gains	Estimated Market Value
Municipal obligations	$ 24,963	$ 35	$ 24,998
Equity securities	10,440	175	10,615
	$ 35,403	$ 210	$ 35,613

The gross realized gains on sales of available-for-sale securities totaled $112,000 and $4,000 in 1999 and 1998, respectively. Differences between cost and market of a $1.2 million loss (less deferred taxes of $403,000) and a $210,000 gain (less deferred taxes of $71,000) are included as a separate component of shareholders' equity as of December 31, 1999 and 1998, respectively.

At December 31, 1999 and 1998, approximately $4.1 million and $8.9 million, respectively, of debt securities with original maturities of 90 days or less at their acquisition dates were included in cash and cash equivalents. At December 31, 1999 no investments had a maturity date between 90 days and 1 year and approximately $15.9 million of investments mature between 1 and 5 years.

5. Inventories

Inventories at December 31 are comprised of the following (in thousands):

	1999	1998
Raw materials	$1,555	$1,296
Work -in process	578	1,037
Finished goods	2,464	1,052
	$4,597	$3,385

6. Long-Term Debt

Long-term debt at December 31 consists of the following (in thousands):

	1999	1998
7% convertible debenture, due in March 2002	$4,393	$4,393
8.25% note payable due in equal annual installments of $250,000	500	750
Note payable due in 2000 with an effective interest rate of 8%, net of unamortized discount of $3,000 in 1999 and $29,000 in 1998	37	301
	4,930	5,444
Less current maturities	287	516
Total long-term debt	$4,643	$4,928

On August 30, 1996 the Company executed a $10 million revolving loan agreement (the "Loan Agreement") with a bank which, as amended on June 12, 1998, permits the Company to borrow up to $2.0 million at either the bank's prime rate of interest (8.5% at December 31, 1999) or at adjusted LIBOR, as defined, plus an applicable LIBOR margin. The Loan Agreement expires on December 31, 2001. The Loan Agreement contains certain restrictive covenants including, but not limited to, maintenance of certain financial ratios and a minimum tangible net worth requirement. The Loan Agreement is secured by substantially all of the Company's assets, including IFM's stock but excluding intellectual property. Commitment fees are paid based on the unused portion of the facility.

In March 1997 the Company issued a $5.0 million convertible debenture in connection with the IFM acquisition. The debenture bears interest at 7% and is due in March 2002. The debenture is convertible into common stock of the Company at any time prior to the due date at $12.08 per common share. In conjunction with the Offering, $607,000 of the convertible debenture was converted into 50,000 shares of the Company's common stock on March 30, 1998.

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 veins for transplant. The Company issued a $1.25 million note in connection with the acquisition. The note bears interest at prime, as adjusted annually on the anniversary date of the acquisition.

In April 1996 the Company issued a $910,000 noninterest bearing note in connection with the acquisition of its BioGlue technology. The note is payable in three annual installments of $290,000, plus a final payment of $40,000 at maturity.

Scheduled maturities of long-term debt for the next five years are as follows (in thousands):

2000	$287
2001	250
2002	4,393

	$4,930

7. Fair Values of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments", requires the Company to disclose estimated fair values for its financial instruments. The carrying amounts of receivables and accounts payable approximate their fair values due to the short-term maturity of these instruments. The carrying value of the Company's other financial instruments approximated fair value at December 31, 1999 and 1998.

8. Leases

The Company leases equipment, furniture, and office space under various leases with terms of up to 15 years. Commencing January 5, 1998 IFM leased office and manufacturing facilities under a capital lease for $24,125 per month through January 2008 from the former majority shareholder of IFM. Certain leases contain

escalation clauses and renewal options for additional periods. Future minimum lease payments under noncancelable leases as of December 31, 1999 are as follows (in thousands):

	Capitalized Leases	Operating Leases
2000	$ 310	$ 1,422
2001	290	1,324
2002	290	975
2003	290	952
2004	290	933
Thereafter	868	11,342
Total minimum lease payments	2,338	$ 16,948
Less amount representing interest	624	
Present value of net minimum lease payments	1,714	
Less current portion	180	
	$ 1,534	

Property acquired under capital leases at December 31, 1999 consists of the following (in thousands):

Buildings	$ 1,987
Furniture and fixtures	150
	2,137
Accumulated depreciation	529
	$ 1,608

Total rental expense for operating leases amounted to $1,457,000, $1,321,000, and $1,282,000 for 1999, 1998, and 1997, respectively.

9. Stock Option Plans

The Company has stock option plans which provide for grants of options to employees and directors to purchase shares of the Company's common stock at exercise prices generally equal to the fair values of such stock at the dates of grant, which generally become exercisable over a five-year vesting period and expire within ten years of the grant dates. Under the 1993 Employee Incentive Stock Option Plan, the 1998 Long-Term Incentive Plan, and the amended and restated Nonemployee Director's Plan, the Company has authorized the grant of options of up to 700,000, 300,000, and 396,000 shares of common stock, respectively. As of December 31, 1999 and 1998, there were 383,000 and 569,000

shares of common stock reserved for future issuance under the Company's stock option plans. A summary of stock option transactions under the plans follows:

	Shares	Exercise Price	Weighted Average Exercise Price
Outstanding at December 31, 1996	708,000	$2.25-18.43	$7.36
Granted	201,000	10.25-15.88	11.97
Exercised	(105,000)	2.25-7.50	2.85
Canceled	(50,000)	2.25-16.75	10.06
Outstanding at December 31, 1997	754,000	3.00-18.43	8.95
Granted	331,000	12.00-17.13	15.48
Exercised	(103,000)	3.12-10.25	4.80
Canceled	(155,000)	3.12-18.43	16.03
Outstanding at December 31, 1998	827,000	3.00-17.13	10.73
Granted	335,000	11.88-17.13	13.86
Exercised	(49,000)	3.00-10.25	3.66
Canceled	(100,000)	10.25-17.13	16.94
Outstanding at December 31, 1999	1,013,000	$3.00-17.13	$11.49

The following table summarizes information concerning currently outstanding and exercisable options:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$3.00-10.25	341,000	1.1	$6.26	284,000	$5.92
11.28-12.75	351,000	5.0	12.36	112,000	12.05
13.50-17.13	321,000	4.5	16.11	219,000	16.49
$3.00-17.13	1,013,000	3.5	11.49	615,000	$10.79

In September 1999, the Company granted options to a nonemployee to purchase 12,000 shares of common stock at an exercise price of $12.31 per share. In connection with the issuance of these options, the Company recognized $60,000 as deferred compensation for the estimated fair value of the options. Deferred compensation is amortized ratably over the vesting period of the options.

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations ("APB 25") in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("Statement 123"), requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of the grant, no compensation expense is recognized.

Pro forma information regarding net income and earnings per share is required by Statement 123, which also requires that the information be determined as if the Company has accounted for its employee stock options granted subsequent to December 31, 1994 under the fair value method of that statement. The fair values for these options were estimated at the dates of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	1999	1998	1997
Expected dividend yield	0%	0%	0%
Expected stock price volatility	.540	.520	.533
Risk-free interest rate	5.78%	5.30%	5.75%
Expected life of options	3.6Years	3.8 Years	4.7 Years

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair values of the options are amortized to expense over the options' vesting periods. The Company's pro forma information follows (in thousands, except per share data):

	1999	1998	1997
Net income--as reported	$4,451	$6,486	$4,725
Net income--pro forma	$3,421	$5,705	$4,164
Earnings per share--as reported:			
Basic	$ 0.36	$ 0.54	$ 0.49
Dilutive	$ 0.36	$ 0.53	$ 0.48
Earnings per share--pro forma:			
Basic	$ 0.28	$ 0.48	$ 0.43
Dilutive	$ 0.27	$ 0.47	$ 0.42

Other information concerning stock options follows:

	1999	1998	1997
Weighted average fair value of options granted during the year	$5.62	$6.54	$6.69
Number of shares as to which options are exercisable at end of year	615,000	505,000	308,000

Because Statement 123 is applicable only to options granted subsequent to December 31, 1994, its pro forma effect is not fully reflected until 1999.

10. Shareholder Rights Plan

On November 27, 1995 the Board of Directors adopted a shareholder rights plan to protect long-term share value for the Company's shareholders. Under the plan, the Board declared a distribution of one Right for each outstanding share of the Company's Common Stock to shareholders of record on December 11, 1995. Additionally, the Company has further authorized and directed the issuance of one Right with respect to each Common Share that shall become outstanding between December 11, 1995 and the earliest of the Right's exercise date or expiration date. Each Right entitles the registered holder to purchase from the Company one-tenth of a share of a newly created Series A Junior Participating Preferred Stock at an exercise price of $100. The Rights, which expire on November 27, 2005, may be exercised only if certain conditions are met, such as the acquisition of 15% or more of the Company's Common Stock by a person or affiliated group ("Acquiring Person").

In the event the Rights become exercisable, each Right will enable the owner, other than the Acquiring Person, to purchase, at the Right's then current exercise price, that number of shares of Common Stock with a market value equal to twice the exercise price. In addition, unless the Acquiring Person owns more

than 50% of the outstanding shares of Common Stock, the Board of Directors may elect to exchange all outstanding Rights (other than those owned by such Acquiring Person) at an exchange ratio of one share of Common Stock, or one-tenth of a Preferred Share, per Right.

11. Stock Repurchase

On October 14, 1998, the Company's Board of Directors authorized the Company to purchase up to 1 million shares of its common stock. The purchase of shares will be made from time -to time in open market or privately negotiated transactions on such terms as management deems appropriate. As of December 31, 1999 and 1998, the Company had purchased 721,000 and 343,000 shares, respectively, of its common stock for an aggregate purchase price of $7,646,000 and $3,350,000, respectively.

12. Employee Benefit Plans

The Company has a 401(k) savings plan (the "Plan") providing retirement benefits to all employees who have completed at least six months of service. The Company makes matching contributions of 50% of each participant's contribution up to 5% of each participant's salary. Total company contributions approximated $351,000, $241,000, and $139,000 for 1999, 1998, and 1997, respectively. Additionally, the Company may make discretionary contributions to the Plan that are allocated to each participant's account. No such discretionary contributions were made in 1999, 1998, or 1997.

On May 16, 1996 the Company's shareholders approved the CryoLife, Inc. Employee Stock Purchase Plan (the "ESPP"). The ESPP allows eligible employees the right to purchase common stock on a quarterly basis at the lower of 85% of the market price at the beginning or end of each three-month offering period. As of December 31, 1999 and 1998 there were 503,000 and 543,000, respectively, shares of common stock reserved under the ESPP and there had been 97,000 and 57,000, respectively, shares issued under the plan.

13. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	1999	1998	1997
Numerator for basic and diluted earnings per share -- income available to common shareholders	$4,451	$6,486	$4,725
Denominator for basic earnings per share - weighted-average basis	12,341	11,974	9,642
Effect of dilutive stock options	192	290	300
Denominator for diluted earnings per share -- adjusted weighted-average shares	12,533	12,264	9,942
Basic earnings per share	$ 0.36	$ 0.54	$ 0.49
Diluted earnings per share	$ 0.36	$ 0.53	$ 0.48

14. Income Taxes

Income tax expense consists of the following (in thousands):

	1999	1998	1997
Current:			
Federal	$2,912	$3,854	$1,533
State	95	279	403
	3,007	4,133	1,936
Deferred	(957)	(1,948)	972

	$2,050	$2,185	$2,908

Such amounts differ from the amounts computed by applying the U.S. federal income tax rate of 34% to pretax income as a result of the following (in thousands):

	1999	1998	1997
Tax expense at statutory rate	$2,210	$2,947	$2,593
Increase (reduction) in income taxes resulting from:			
Change in valuation allowance for deferred tax assets	--	--	(30)
Entertainment expenses	47	90	42
State income taxes, net of federal benefit	163	173	266
Nontaxable interest income	(232)	(63)	--
Research and development credits	(100)	(585)	--
State and local tax refunds	--	(256)	--
Other	(38)	(121)	37
	$2,050	$2,185	$2,908

The tax effects of temporary differences which give rise to deferred tax liabilities and assets at December 31 are as follows (in thousands):

	1999	1998
Long-term deferred tax assets (liabilities):		
Impairment of IFM long-lived assets	$993	$--
Intangible assets	579	547
Property	(556)	(1,537)
Deferred income	--	580
	1,016	(410)
Current deferred tax assets (liabilities):		
Impairment of IFM inventory	634	--
Unrealized gain on marketable securities	403	(71)
Allowance for bad debts	201	97
Accrued expenses	98	872
Deferred income	--	394
Deferred preservation costs and inventory reserves	57	20
Other	(27)	36
	1,366	1,348
Net deferred tax assets	$2,382	$938

At December 31, 1999, the Company has recorded a net deferred tax asset of $2.4 million. Realization of the net deferred tax asset is dependent on generating sufficient taxable income in future periods. Although realization is not ensured, management believes that it is more likely than not that the deferred tax asset will be realized.

15. Executive Insurance Plan

Pursuant to a supplemental life insurance program for certain executive officers of the Company, the Company and the executives share in the premium payments and ownership of insurance policies on the lives of such executives. The Company's aggregate premium contributions under this program were $33,000, $43,000, and $38,000 for 1999, 1998, and 1997, respectively.

16. Equipment on Loan to Implanting Hospitals

The Company consigns liquid nitrogen freezers with certain implanting hospitals for tissue storage. The freezers are the property of the Company. At December 31, 1999 freezers with a total cost of approximately $1.8 million and related accumulated depreciation of approximately $1.0 million were located at the implanting hospitals' premises. Depreciation is provided over the estimated useful lives of the freezers on a straight-line basis.

17. Transactions with Related Parties

The Company expensed $60,000, $68,000, and $65,000 during 1999, 1998, and 1997, respectively, relating to services performed by a law firm whose sole proprietor is a member of the Company's Board of Directors and a shareholder of the Company. The Company expensed $64,000 and $75,000 in 1999 and 1998, respectively, relating to consulting services performed by a member of the Company's Board of Directors and a shareholder of the Company. The Company expensed $195,000, $210,000, and $175,000 in 1999, 1998, and 1997, respectively, relating to consulting services performed by a shareholder of the Company.

SELECTED QUARTERLY FINANCIAL INFORMATION
(In thousands except per share data)

	Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
REVENUES					
	1999	$16,325	$17,395	$16,529	$16,473
	1998	14,561	15,554	16,014	14,562
	1997	10,413	12,723	14,641	13,092
NET INCOME					
	1999	$1,380	$1,727	$1,714	$ (370)
	1998	1,172	2,048	1,902	1,364
	1997	952	1,160	1,458	$1,155
EARNINGS PER SHARE - DILUTED1,2					
	1999	$0.11	$0.14	$0.14	$ (0.03)
	1998	0.12	0.16	0.15	0.11
	1997	0.10	0.12	0.15	0.12

1 Reflects adjustment for the 2-for-1 stock split effected June 28, 1996.

2 Presented, and where appropriate, restated to conform to Statement 128 requirements.

EXHIBIT 21.1

SUBSIDIARIES OF CRYOLIFE, INC.

Subsidiary	Jurisdiction
Ideas for Medicine, Inc.	Florida
CryoLife Technology, Inc.	Nevada
CryoLife Foreign Sales, Inc.	Barbados
CryoLife Europa, LTD.	United Kingdom

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our reports dated February 7, 2000, appearing on pages 8 of Exhibit 13.1 and S-1 of this Form 10-K, into the Company's previously filed Registration Statement File Nos. 33-83996, 33-84048, 333-03513, 333-75535 333-59853, 333-59849, 333-06141, and 333-34025.

ARTHUR ANDERSEN, LLP

Atlanta, Georgia
March 27, 2000

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the use of our report dated February 2, 1999, with respect to the consolidated financial statements of CryoLife, Inc. for the two years ended December 31, 1998, included in this Annual Report (Form 10-K).

Our audits also included the financial statement schedule of CryoLife, Inc. listed in Item 14(a) for each of the years in the period ended December 31, 1998. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, as of the date of our report referred to in the preceding paragraph, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein for each of the years in the period ended December 31, 1998.

We also consent to the incorporation by reference in Registration Statements No. 33-83996, 33-84048, 333-03513, 333-59853, 333-59849, 333-06141, 333-75535, and 333-34025, of our report dated February 2, 1999, with respect to the consolidated financial statements and our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of CryoLife, Inc. for the year ended December 31, 1999.

Atlanta, Georgia
March 27, 2000

/s/ Ernst & Young, LLP

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF CRYOLIFE, INC. FOR THE YEAR ENDED DECEMBER 31, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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