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

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

For the Quarterly Period Ended September 30, 2002
Commission File Number 1-13165

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

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

1655 Roberts Boulevard, NW
Kennesaw, Georgia 30144
(Address of principal executive offices)
(zip code)

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

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

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

YES X NO
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The number of shares of common stock, par value $0.01 per share, outstanding on October 28, 2002 was 19,573,970.

Part I - FINANCIAL INFORMATION

Item 1. Financial statements

CRYOLIFE, INC. AND SUBSIDIARIES
SUMMARY CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
	(Unaudited)		(Unaudited)	
Revenues:				
Human tissue preservation services, net	$ 11,300	$ 19,737	$ 49,074	$ 57,069
Products	5,354	2,600	15,892	8,029
Distribution and grant	235	230	658	598
	16,889	22,567	65,624	65,696
Costs and expenses:				
Human tissue preservation services (including write-down of $22,691 and $32,715 in the three and nine months ended September 30, 2002)	27,978	8,188	53,244	23,558
Products	4,739	1,196	8,817	4,051
General, administrative, and marketing	11,193	8,290	32,118	24,569

Research and development	1,347	1,232	3,696	3,604
Goodwill impairment	1,399	--	1,399	--
Interest expense	155	37	543	53
Interest income	(188)	(449)	(725)	(1,587)
Other expense (income), net	35	114	(37)	856
	46,658	18,608	99,055	55,104
(Loss) income before income taxes	(29,769)	3,959	(33,431)	10,592
Income tax (benefit) expense	(10,123)	1,267	(11,367)	3,390
Net (loss) income	$ (19,646)	$ 2,692	$ (22,064)	$ 7,202
Net (loss) earnings per share:				
Basic	$ (1.01)	$ 0.14	$ (1.14)	$ 0.38
Diluted	$ (1.01)	$ 0.14	$ (1.14)	$ 0.37
Weighted average shares outstanding:				
Basic	19,526	18,832	19,388	18,785
Diluted	19,526	19,771	19,388	19,635

See accompanying notes to summary consolidated financial statements.

Item 1. Financial Statements

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

	September 30, 2002	December 31, 2001
ASSETS	(Unaudited)	
Current Assets:		
Cash and cash equivalents	$ 12,227	$ 7,204
Marketable securities, at market	15,926	26,483
Trade receivables, net	5,851	13,305
Other receivables, net	5,095	2,820
Note receivable, net	--	1,169
Deferred preservation costs, net	1,662	24,199
Inventories	4,659	6,259
Prepaid expenses and other assets	3,650	2,341
Deferred income taxes	12,292	688
Total current assets	61,362	84,468
Property and equipment, net	39,448	39,246
Goodwill	--	1,399
Patents, net	5,500	2,919
Other, net	1,128	1,278
TOTAL ASSETS	$ 107,438	$ 129,310
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 1,782	$ 555
Accrued expenses and other current liabilities	2,739	1,491
Accrued compensation	762	2,560
Accrued procurement fees	6,153	6,592
Current maturities of capital lease obligations	640	609
Current maturities of long-term debt	6,000	1,600
Convertible debenture	--	4,393
Total current liabilities	18,076	17,800
Capital lease obligations, less current maturities	2,655	3,140
Bank loan, less current maturities	--	5,600
Deferred income taxes	433	449
Other long-term liabilities	1,049	882

Total liabilities	22,213	27,871
Shareholders' equity:		
Preferred stock	--	--
Common stock (issued 20,879 shares in 2002 and 20,172 shares in 2001)	208	202
Additional paid-in capital	73,550	66,828
Retained earnings	18,483	40,547
Deferred compensation	(24)	(33)
Accumulated other comprehensive income (loss)	172	(145)
Less: Treasury stock at cost (1,377 shares in 2002 and 1,286 shares in 2001)	(7,164)	(5,960)
Total shareholders' equity	85,225	101,439
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 107,438	$ 129,310

See accompanying notes to summary consolidated financial statements.

Item 1. Financial Statements

CRYOLIFE, INC.
SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Nine Months Ended September 30,	
	2002	2001
	(Unaudited)	
Net cash from operating activities:		
Net (loss) income	$ (22,064)	$ 7,202
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Loss on sale of marketable equity securities	240	--
Depreciation and amortization	3,926	3,294
Provision for doubtful accounts	72	72
Write-down of deferred preservation costs and inventories	35,816	--
Other non-cash adjustments to income	1,399	748
Deferred income taxes	(11,674)	(85)
Tax effect of nonqualified option exercises	481	179
Changes in operating assets and liabilities:		
Receivables	8,190	(2,821)
Income taxes	(3,083)	(97)
Deferred preservation costs and inventories	(11,679)	(3,746)
Prepaid expenses and other assets	(1,309)	(800)
Accounts payable, accrued expenses, and other liabilities	321	671
Net cash flows provided by operating activities	636	4,617
Net cash flows from investing activities:		
Capital expenditures	(3,877)	(9,531)
Other assets	(2,575)	(1,281)
Purchases of marketable securities	(10,025)	(20,254)
Sales and maturities of marketable securities	20,496	16,489
Proceeds from note receivable	1,169	1,846
Net cash flows provided by (used in) investing activities	5,188	(12,731)
Net cash flows from financing activities:		
Principal payments of debt	(1,200)	(650)
Proceeds from debt issuance	--	1,165
Payment of obligations under capital leases	(454)	(128)
Proceeds from exercise of stock options and issuance of common stock	1,313	1,166
Purchase of treasury stock	(663)	--

Net cash (used in) provided by financing activities	(1,004)	1,553
Increase (decrease) in cash	4,820	(6,561)
Effect of exchange rate changes on cash	203	52
Cash and cash equivalents, beginning of period	7,204	17,480
Cash and cash equivalents, end of period	$ 12,227	$ 10,971

See accompanying notes to summary consolidated financial statements.

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

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with (i) accounting principles generally accepted in the United States for interim financial information and (ii) the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission ("SEC"). Accordingly, the statements do not include all of the information and disclosures required by accounting principles generally accepted in the United States for a complete presentation of financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and estimated write-downs and accruals resulting from an order and the supplement to the order received from the United States Food and Drug Administration ("FDA")) considered necessary for a fair presentation have been included. Certain prior year balances have been reclassified to conform to the 2002 presentation. CryoLife, Inc.'s ("CryoLife" or the "Company") unaudited September 30, 2001 year to date results of operations have been revised from the amounts previously reported in the Form 10-Q for the quarter ended September 30, 2001, as indicated in Note 20 to the consolidated financial statements included in the CryoLife Form 10-K for the year ended December 31, 2001. Operating results for the three and nine months ended September 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. For further information, refer to the consolidated financial statements and notes thereto included in the CryoLife Form 10-K for the year ended December 31, 2001.

In addition to the current effects of the FDA Order, defined in Note 2, the Company anticipates that the FDA Order will have significant adverse effects on its future financial position, results of operations, and cash flows as compared to prior year periods. The Company expects its liquidity to decrease significantly over the remainder of this year and next year due to the anticipated significant decrease in revenues as compared to prior year as a result of the FDA Order and an expected use of cash due to the increased legal and professional costs relating to the defense of lawsuits and to addressing the FDA Order. As a result, the Company reduced its employee force by approximately 105 employees on September 3, 2002. Severance and related costs are approximately $690,000 and were recorded in the third quarter of 2002 in general and administrative expenses. As a result of the employee reduction, management anticipates personnel costs will be reduced by approximately $385,000 per month. The Company believes that anticipated revenue generation, expense management, savings resulting from the reduction in the number of employees to reflect the reduction in revenues, tax refunds expected to be in excess of $10 million, and the Company's existing cash and marketable securities will enable the Company to meet its liquidity needs through September 30, 2003. Even if the Company is able to satisfactorily address the observations detailed in the FDA's Warning Letter dated June 17, 2002 (the "Warning Letter"), as noted in Note 2, there is no assurance that the Company will experience a return to the level of demand for its tissue services that existed prior to the FDA Order because of the adverse publicity or as a result of customers and tissue recovery organizations switching to competitors.

The Company's long term liquidity and capital requirements will depend upon numerous factors, including the Company's ability to address the observations detailed in the FDA's Warning Letter, the extent of any future revenue

decreases, the costs associated with becoming compliant with the FDA requirements as outlined in the FDA Warning Letter and Order, the outcome of litigation against the Company as described in Note 11, the level of demand for tissue based on adverse publicity in the event the FDA Order is resolved in a manner favorable to the Company, the default on the Term Loan as described in Note 6 and whether or not the Company can find suitable funding sources to replace the funds no longer available due to the Company's inability to borrow on its line of credit as described in Note 6. The Company may require additional financing or seek to raise additional funds through bank facilities, debt or equity offerings, or other sources of capital to meet liquidity and capital requirements beyond September 30, 2003. 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, results of operations, and cash flows. These are factors that indicate that the Company may be unable to continue operations.

NOTE 2 - FDA ORDER ON HUMAN TISSUE PRESERVATION

On August 13, 2002 the Company received an order from the Atlanta district office of the FDA regarding the non-valved cardiac, vascular, and orthopaedic tissue processed by the Company since October 3, 2001 (the "FDA Order"). Revenue from human tissue preservation services accounted for 78% of the Company's revenues for the six months ended June 30, 2002, and of those revenues 67% or $26.9 million were derived from preservation of tissues subject to the FDA Order. The Company announced the receipt of the FDA Order in a press release dated August 14, 2002. The FDA Order follows an FDA Warning Letter dated June 17, 2002, which the Company announced in a press release dated June 24, 2002. Subsequently, the Company responded to the Warning Letter and requested a meeting with the FDA. The FDA Order contains the following principal provisions:

- The FDA alleges that, based on its inspection of the Company's facility on March 25 through April 12, 2002, certain human tissue processed and distributed by the Company may be in violation of 21 Code of Federal Regulations ("CFR") Part 1270. (Part 1270 requires persons or entities engaged in the recovery, screening, testing, processing, storage, or distribution of human tissue to perform certain medical screening and testing on human tissue intended for transplantation. The rule also imposes requirements regarding procedures for the prevention of contamination or cross-contamination of tissues during processing and the maintenance of certain records related to these activities.)

- The FDA alleges that the Company has not validated procedures for the prevention of infectious disease contamination or cross-contamination of tissue during processing at least since October 3, 2001.

- Non-valved cardiac, vascular, and orthopaedic tissue processed by the Company since October 3, 2001 must be retained until it is recalled, destroyed, the safety is confirmed, or an agreement is reached with the FDA for its proper disposition under the supervision of an authorized official of the FDA.

- The FDA strongly recommends that the Company perform a retrospective review of all tissue in inventory (i.e. currently in storage at the Company) that is not referenced in the FDA Order to assure that it was recovered, processed, stored, and distributed in conformance with 21 CFR 1270.

- The Center for Devices and Radiological Health ("CDRH"), a division of the FDA, is evaluating whether there are similar risks that may be posed by the Company's allograft heart valves, and will take further regulatory action if appropriate.

Pursuant to the FDA Order, the Company placed all non-valved cardiac, vascular, and orthopaedic tissue subject to the FDA Order on quality assurance quarantine and is recalling all non-valved cardiac, vascular, and orthopaedic tissues subject to the FDA Order (i.e. processed since October 3, 2001) that have been distributed but not implanted. The Company appealed the FDA Order on August 14, 2002 and requested a hearing with the FDA, which has been set for December 12, 2002. After the FDA issued its order regarding the recall, Health Canada also

issued a recall on the same types of tissue and other countries have inquired about the circumstances surrounding the FDA Order.

On September 5, 2002, the Company reached an agreement with the FDA (the "Agreement") that supplements the FDA Order and permits the Company to resume processing and limited distribution of its life-saving and limb-saving non-valved cardiac and vascular tissues. The Agreement allows the tissue to be released for distribution after the Company completes steps to assure that the tissue is used for approved purposes and that patients will be notified of risks associated with tissue use. Specifically, the Company must obtain physician prescriptions and tissue packaging must contain appropriate warning labels. The Agreement also calls for the Company to undertake to identify third-party records of donor tissue testing, and to destroy tissue from donors in whom microorganisms associated with an infection are found. In addition, the Agreement, which has a forty-five working-day term ending November 7, 2002, specifies interim operating procedures to permit the Company to distribute

tissues processed during the term of the Agreement. The Company also agreed to establish a corrective action plan within 30 days with steps to validate processing procedures. The corrective action plan was submitted on October 5, 2002. The FDA will review records and other relevant information related to the Company's release of tissue under the Agreement, as well as the status of the Company's corrective action plan, before determining whether this Agreement should be renewed or modified to provide for any further release of tissue subject to the FDA Order.

After receiving the FDA Order, the Company met with representatives of the FDA's CDRH division regarding CDRH's review of the Company's processed allograft heart valves, which are not required to be recalled pursuant to the FDA Order. On August 21, 2002 the FDA publicly stated that allograft heart valves have not been included in the FDA recall order as these devices are essential for the correction of congenital cardiac lesions in neonate and pediatric patients and no satisfactory alternative device exists. However, the FDA also publicly stated that it still has serious concerns regarding the processing and handling of allograft heart valves. The FDA also recommended that surgeons carefully consider using processed allografts from alternative sources, that surgeons inform prospective patients of the FDA's concerns with the Company's allograft heart valves, and that patients be carefully monitored for both fungal and bacterial infections.

As a result of the FDA Order, the Company recorded a reduction to pretax income of $12.6 million in the quarter ended June 30, 2002. The reduction was comprised of a net $8.9 million increase to cost of human tissue preservation services, a $2.4 million reduction to revenues (and accounts receivable) for the estimated return of the tissues subject to recall by the FDA Order, and a $1.3 million accrual recorded in general, administrative, and marketing expenses for retention levels under the Company's product liability and directors' and officers' insurance policies of $1.2 million (see Note 11), and for estimated expenses of $75,000 for packaging and handling for the return of affected tissues under the FDA Order. The net increase of $8.9 million to cost of preservation services is comprised of a $10.0 million write-down of deferred preservation costs for tissues subject to the FDA Order, offset by a $1.1 million decrease in cost of preservation services due to the estimated tissue returns resulting from the FDA Order (the costs of such recalled tissue are included in the $10.0 million write-down). The Company evaluated many factors in determining the magnitude of impairment to deferred preservation costs as of June 30, 2002, including the impact of the FDA Order, the possibility of continuing action by the FDA or other United States and foreign government agencies, and the possibility of unfavorable actions by physicians, customers, procurement organizations, and others. As a result of this evaluation, management believed that since all non-valved cardiac, vascular, and orthopaedic allograft tissues processed since October 3, 2001 are under recall pursuant to the FDA Order, and the Company did not know if it would obtain a favorable resolution of its appeal and request for modification of the FDA Order, the deferred preservation costs for tissues subject to the FDA Order had been significantly impaired. The Company estimated that this impairment approximated the full balance of the deferred preservation costs of the tissues subject to the FDA Order, which included the tissues stored by the Company and the tissues to be returned to the Company, and therefore recorded a write-down of $10.0 million for these assets.

In the quarter ended September 30, 2002, the Company recorded a reduction to pretax income of $24.6 million as a result of the FDA Order. The reduction was comprised of a net $22.2 million increase to cost of human tissue preservation services, a $1.4 million write-down of goodwill, and a $1.0 million reduction to revenues (and accounts receivable) for the estimated return of the tissues shipped during the third quarter subject to recall by the FDA Order. The net $22.2 million increase to cost of preservation services is comprised of a $22.7 million write-down of deferred preservation costs, offset by a $0.5 million decrease in cost of preservation services due to the estimated and actual tissue returns resulting from the FDA Order (the costs of such recalled tissue are included in the $22.7 million write-down).

The Company evaluated multiple factors in determining the magnitude of impairment to deferred preservation costs, including the impact of the current FDA Order, the possibility of continuing action by the FDA or other United States and foreign government agencies, the possibility of unfavorable actions

by physicians, customers, procurement organizations, and others, the progress made to date on the corrective action plan, and the requirement in the Agreement that tissues subject to the FDA Order be replaced with tissues processed under validated methods. As a result of this evaluation, management believes that all tissues subject to the FDA Order as well as the majority of tissues processed prior to October 3, 2001, including heart valves which are not subject to the FDA Order, are fully impaired. Management believes that most of the Company's customers will only order tissues processed under the interim operating procedures established under the Agreement or tissues processed under future procedures approved by the FDA once these tissues are available. The Company anticipates the tissues processed under the interim operating procedures established under the Agreement will be available early to mid-November. Thus, the Company has recorded a write-down of deferred preservation costs for processed tissues in excess of the supply required to meet demand prior to the release of these interim processed tissues. As of September 30, 2002 the balance of the deferred preservation costs after the write-down was $545,000 of allograft heart valves, $176,000 of non-valved cardiac tissues, $931,000 of vascular tissues, and $10,000 of orthopaedic tissues.

As a result of the write-down of deferred preservation costs, the Company has recorded a deferred tax asset of $12.2 million. Upon destruction of the tissues associated with the deferred preservation costs, the deferred tax asset will be reclassed as an income tax receivable. An expected refund will be generated through a carry back of losses resulting from the deferred preservation cost write-downs. In addition, the Company has recorded $4.2 million in income tax receivables related to $1.7 million of tax overpayments for 2001 and an estimated $2.5 million of tax overpayments for 2002.

Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), requires the write-down of a long-lived asset to be held and used if the carrying value of the asset or the asset group to which the asset belongs, is not recoverable and exceeds its fair value. The asset or asset group is not recoverable if its carrying value exceeds the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of the asset or asset group. In applying SFAS 144, the Company determined that the asset groups consisted of the long-lived assets related to the Company's two reporting segments, as these represent the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The Company used a fourteen-year period for the undiscounted future cash flows. This period of time was selected based upon the remaining life of the primary assets of the asset groups, which are leasehold improvements. Based on its analysis, management does not believe an impairment of the Company's intangible and tangible assets related to the tissue preservation business or medical device business had occurred as of September 30, 2002. However, depending on the Company's ability to address the observations detailed in the Warning Letter and the future effects of adverse publicity surrounding the FDA Order and reported infections on preservation revenues, these assets may become impaired. Management will continue to evaluate the recoverability of these assets.

Goodwill resulting from business acquisitions is not amortized, but is instead subject to periodic impairment testing in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). As a result of the FDA Order, the Company determined that an evaluation of the possible impairment of

intangible assets under SFAS 142 was necessary. The Company engaged an independent valuation expert to perform the valuation using a discounted cash flow methodology, and as a result of this analysis, the Company determined that goodwill related to its tissue processing reportable unit was fully impaired as of September 30, 2002. Therefore, the Company recorded a write-down of $1.4 million in goodwill during the quarter ended September 30, 2002. Management does not believe an impairment exists related to the other intangible assets. Management will continue to evaluate the recoverability of these intangible assets.

NOTE 3 - CASH EQUIVALENTS AND MARKETABLE SECURITIES

The Company maintains cash equivalents, which consist primarily of highly liquid investments with maturity dates of 90 days or less at the time of acquisition, and marketable securities 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. At September 30, 2002 and December 31, 2001, all marketable equity securities and debt securities were designated 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. Interest income, dividends, realized gains and losses, and declines in value judged to be other than temporary are included in investment income. The cost of securities sold is based on the specific identification method.

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

September 30, 2002	Cost Basis	Adjustments to Cost Basis	Adjusted Cost Basis	Unrealized Holding Gains/(Losses)	Estimated Market Value
Cash equivalents:					
Money market funds	$ 47	$ --	$ 47	$ --	$ 47
Municipal obligations	5,636	--	5,636	--	5,636
	$ 5,683	$ --	$ 5,683	$ --	$ 5,683
Marketable securities:					
Municipal obligations	$ 15,615	$ --	$ 15,615	$ 311	$ 15,926

December 31, 2001	Cost Basis	Adjustments to Cost Basis	Adjusted Cost Basis	Unrealized Holding Gains/(Losses)	Estimated Market Value
Cash equivalents:					
Money market funds	$ 1,301	$ --	$ 1,301	$ --	$ 1,301
Municipal obligations	500	--	500	--	500
	$ 1,801	$ --	$ 1,801	$ --	$ 1,801
Marketable securities:					
Municipal obligations	$ 17,696	$ --	$ 17,696	$ 147	$ 17,843
Debt securities	6,227	(1,217)	5,010	--	5,010
Equity securities	3,900	(343)	3,557	10	3,567
Certificates of deposit	63	--	63	--	63
	$ 27,886	$ (1,560)	$ 26,326	$ 157	$ 26,483

The Adjustments to Cost Basis column includes a $1.6 million loss as of December 31, 2001 recorded for an other than temporary decline in the market value of debt and equity securities. Differences between cost and market listed above, consisting of a net unrealized holding gain less deferred taxes of $106,000 at September 30, 2002 and $50,000 as of December 31, 2001, are included in the

accumulated other comprehensive income account of shareholders' equity.

The marketable securities of $15.9 million on September 30, 2002 and $26.5 million on December 31, 2001 had maturity dates as follows: approximately $1.3 million and zero, respectively, had a maturity date of less than 90 days, approximately $3.2 million and $3.4 million, respectively, had a maturity date between 90 days and 1 year, approximately $11.4 million and $14.5 million, respectively, had a maturity date between 1 and 5 years, and approximately zero and $8.6 million matured in more than 5 years or did not have a maturity date.

NOTE 4 - INVENTORIES

Inventories are comprised of the following (in thousands):

	September 30, 2002	December 31, 2001
Raw materials	$ 2,598	$ 1,987
Work-in-process	264	1,183
Finished goods	1,797	3,089
	$ 4,659	$ 6,259

In the third quarter of 2002, the Company recorded a $3.1 million write-down of bioprosthetic valves, including SynerGraft(R) and non-SynerGraft treated porcine heart valves, due to the Company's decision to stop future expenditures on the development and marketing of these valves and to maintain its focus on its preservation services business, and its BioGlue(R) and SynerGraft vascular graft product lines.

NOTE 5 - EARNINGS/(LOSS) PER SHARE

The following table sets forth the computation of basic and diluted earnings/(loss) per share (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Numerator for basic and diluted earnings per share:				
Net (loss) income available to common shareholders	$ (19,646)	$ 2,692	$ (22,064)	$ 7,202
Denominator for basic earnings per share:				
Weighted-average basis	19,526	18,832	19,388	18,785
Effect of dilutive stock options	--	939	--	850
Denominator for diluted earnings per share:				
Adjusted weighted-average shares	19,526	19,771	19,388	19,635
Net (loss) earnings per share:				
Basic	$ (1.01)	$ 0.14	$ (1.14)	$ 0.38
Diluted	$ (1.01)	$ 0.14	$ (1.14)	$ 0.37

The effects of stock options of 791,000 and 975,000 shares for the three and nine months ended September 30, 2002, respectively, were excluded from the calculation because the amounts are antidilutive for the periods presented.

On July 23, 2002 the Company's Board of Directors authorized the purchase of up to $10 million of its common stock. As of August 13, 2002 the Company had repurchased 68,000 shares of its common stock for $663,000. No further purchases are anticipated in the near term.

NOTE 6 - DEBT

On April 25, 2000 the Company entered into a loan agreement permitting the Company to borrow up to $8 million under a line of credit during the expansion of the Company's corporate headquarters and manufacturing facilities. Borrowings under the line of credit accrued interest equal to Adjusted LIBOR plus 2% adjusted monthly. On June 1, 2001, the line of credit was converted to a term loan (the "Term Loan") to be paid in 60 equal monthly installments of principal

plus interest computed at Adjusted LIBOR plus 1.5% (3.32% at September 30, 2002). At September 30, 2002 the principal balance of the Term Loan was $6.0 million. The Term Loan is secured by substantially all of the Company's assets. The Term Loan contains certain restrictive covenants including, but not limited to, maintenance of certain financial ratios, a minimum tangible net worth requirement, and the requirement that no materially adverse event has occurred. The lender has notified the Company that the FDA Order, as described in Note 2, and the inquiries of the SEC, as described in Note 11, have had a material adverse effect on the Company that constitutes an event of default. Additionally, as of September 30, 2002, the Company is in violation of the debt coverage ratio and net worth financial covenants. As of October 28, 2002 the lender has elected not to declare an event of default, but reserves the right to exercise any such right under the terms of the Term Loan. Therefore, all amounts due under the Term Loan as of September 30, 2002 are reflected as a current liability on the Summary Consolidated Balance Sheets.

In March 1997 the Company issued a $5.0 million convertible debenture in connection with the Ideas for Medicine, Inc. acquisition. The debenture accrued interest at 7% and was convertible into common stock of the Company at any time prior to the due date of March 5, 2002 at $8.05 per common share. On March 30, 1998 $607,000 of the convertible debenture was converted into 75,000 shares of the Company's common stock, and on March 4, 2002 the remaining $4.4 million was converted into 546,000 shares of the Company's common stock.

On July 30, 2002 the Company entered into a line of credit agreement with the same lender as for the Term Loan, permitting the Company to borrow up to $10 million. Borrowings under the line of credit agreement accrue interest equal to Adjusted LIBOR plus 1.25% adjusted monthly. This loan is secured by substantially all of the Company's assets. As of September 30, 2002 no amounts were drawn on the line of credit. As a result of the FDA Order, as discussed in Note 2, the Company is not in compliance with the lender's requirements for advances of funds under the line of credit. On August 21, 2002 the lender notified the Company that it was not entitled to any further advances under the line of credit.

NOTE 7 - DERIVATIVES

The Company's Term Loan, which accrues interest computed at Adjusted LIBOR plus 1.5%, exposes the Company to changes in interest rates going forward. On March 16, 2000, the Company entered into a $4.0 million notional amount forward-starting interest swap agreement, which took effect on June 1, 2001 and expires in 2006. This swap agreement was designated as a cash flow hedge to effectively convert a portion of the Term Loan balance to a fixed rate basis, thus reducing the impact of interest rate changes on future income. This agreement involves the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement, without an exchange of the underlying principal amounts. The differential to be paid or received is recognized in the period in which it accrues as an adjustment to interest expense on the Term Loan.

On January 1, 2001 the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") as amended. SFAS 133 requires the Company to recognize all derivative instruments on the balance sheet at fair value, and changes in the derivative's fair value must be recognized currently in earnings or other comprehensive income, as applicable. The adoption of SFAS 133 impacts the accounting for the Company's forward-starting interest rate swap agreement. Upon adoption of SFAS 133, the Company recorded an unrealized loss of approximately $175,000 related to the interest rate swap, which was recorded as part of long-term liabilities and accumulated other comprehensive income as the cumulative effect of adopting SFAS 133 within the Statement of Shareholders' Equity.

In August 2002 the Company determined that changes in the derivative's fair value could no longer be recorded in other comprehensive income, as a result of the uncertainty of future cash payments on the Term Loan caused by the lender's ability to declare an event of default as discussed in Note 6. Beginning in August 2002 the Company is recording all changes in the fair value of the derivative currently in other expense/income on the Summary Consolidated

Statements of Operation, and is amortizing the amounts previously recorded in other comprehensive income into other expense/income over the remaining life of the agreement. If the lender accelerates the payments due under the Term Loan by declaring an event of default, any remaining balance in other comprehensive income will be reclassed into other expense/income during that period.

At September 30, 2002 the notional amount of this swap agreement was $3.0 million, and the fair value of the interest rate swap agreement, as estimated by the bank based on its internal valuation models, was a liability of $305,000. The fair value of the swap agreement is recorded as part of long-term liabilities. For the three and nine months ended September 30, 2002 the Company recorded a loss of $26,000 on the interest rate swap. The unamortized value of the swap agreement, recorded in the accumulated other comprehensive income account of shareholders' equity, was $279,000 at September 30, 2002.

NOTE 8 - COMPREHENSIVE INCOME/(LOSS)

Components of comprehensive income/(loss) consist of the following, net of tax (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Net (loss) income	$ (19,646)	$ 2,692	$ (22,064)	$ 7,202
Unrealized gain/(loss) on investments	56	(45)	98	772
Change in fair value of interest rate swap (including cumulative effect of adopting SFAS 133 in 2001)	(6)	(67)	17	(225)
Translation adjustment	(12)	176	205	52
Comprehensive income	$ (19,608)	$ 2,756	$ (21,744)	$ 7,801

The tax effect on the change in unrealized gain/loss on investments is $29,000 and zero for the three months ended September 30, 2002 and 2001, respectively. The tax effect for the nine months ended September 30, 2002 and 2001 is $56,000 and $398,000, respectively. The tax effect on the change in fair value of the interest rate swap is $4,000 and $34,000 for the three months ended September 30, 2002 and 2001, respectively. The tax effect for the nine months ended September 30, 2002 and 2001 is $2,000 and $115,000, respectively. The translation adjustment is not currently adjusted for income taxes, as it relates to a permanent investment in a foreign subsidiary.

NOTE 9 - ACCOUNTING PRONOUNCEMENTS

On January 1, 2002 the Company was required to adopt SFAS 142 and SFAS 144. SFAS 142 specifies that goodwill and certain other intangible assets will no longer be amortized but instead will be subject to periodic impairment testing. SFAS 144 clarifies accounting and reporting for assets held for sale, scheduled for abandonment or other disposal, and recognition of impairment loss related to the carrying value of long-lived assets. See Note 2 for a discussion of the impact of these two statements on the current quarter results.

The Company will be required to adopt SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143") on January 1, 2003. SFAS 143 addresses accounting and reporting for retirement costs of long-lived assets resulting from legal obligations associated with acquisition, construction, or development transactions. The Company has determined that the adoption of SFAS 143 will not have a material effect on the results of operations or financial position of the

Company.

The Company will be required to adopt SFAS No. 145, "Rescission of FASB Statements 4, 44 and 64, Amendment to FASB Statement 13, and Technical Corrections" ("SFAS 145"), on January 1, 2003. SFAS 145 rescinds SFAS No. 4, 44 and 64, which required gains and losses from extinguishments of debt to be

classified as extraordinary items. SFAS 145 also amends SFAS No. 13 eliminating inconsistencies in certain sale-leaseback transactions. The provisions of SFAS 145 are effective for fiscal years beginning after May 15, 2002. The Company is currently evaluating the impact of this Statement.

The Company will be required to adopt SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146") on January 1, 2003. SFAS 146 requires that costs associated with exit or disposal activities be recorded at their fair values when a liability has been incurred. Under previous guidance, certain exit costs were accrued upon management's commitment to an exit plan, which is generally before an actual liability has been incurred. The Company is currently evaluating the impact of this Statement.

NOTE 10 - SEGMENT INFORMATION

The Company has two reportable segments: Human Tissue Preservation Services and Implantable Medical Devices. The Company's segments are organized according to services and products.

The HUMAN TISSUE PRESERVATION SERVICES segment includes external revenue from cryopreservation services of cardiac, vascular, and orthopaedic allograft tissues. The IMPLANTABLE MEDICAL DEVICES segment includes external revenue from product sales of BioGlue Surgical Adhesive and bioprosthetic devices, including stentless porcine heart valves, SynerGraft treated porcine heart valves, and SynerGraft treated bovine vascular grafts. There are no intersegment revenues.

The primary measure of segment performance, as viewed by the Company's management, is segment gross margin, or net external revenues less cost of preservation services and products. The Company does not segregate assets by segment, therefore asset information is excluded from the segment disclosures below.

The following table summarizes revenues, cost of preservation services and products, and gross margins for the Company's operating segments (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Revenue:				
Human tissue preservation services, net a	11,300	19,737	49,074	57,069
Implantable medical devices	5,354	2,600	15,892	8,029
All other b	235	230	658	598
	$ 16,889	$ 22,567	$ 65,624	$ 65,696
Cost of Preservation Services and Products:				
Human tissue preservation services c	27,978	8,188	53,244	23,558
Implantable medical devices	4,739	1,196	8,817	4,051
All other b	--	--	--	--
	32,717	9,384	62,061	27,609
Gross Margin (Loss):				
Human tissue preservation services	(16,678)	11,549	(4,170)	33,511
Implantable medical devices	615	1,404	7,075	3,978
All other b	235	230	658	598
	$ (15,828)	$ 13,183	$ 3,563	$ 38,087

a Revenue from human tissue preservation services includes the estimated effect of the return of tissues subject to recall by the FDA Order of $1.0 million and $3.5 million, respectively, in the three and nine months ended September 30, 2002.

b The "All other" designation includes 1) grant revenue and 2) distribution

revenue.

c Cost of human tissue preservation services includes the write-down of deferred preservation costs for tissues subject to the FDA Order of $22.7 and $32.7 million, respectively, in the three and nine months ended September 30, 2002.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Revenue:				
Human tissue preservation services, net a:				
Cardiovascular tissue	$ 5,487	$ 8,209	$ 20,131	$ 22,307
Vascular tissue	3,260	6,192	14,918	18,617
Orthopaedic tissue	2,553	5,336	14,025	16,145
Total preservation services	11,300	19,737	49,074	57,069
BioGlue surgical adhesive	5,183	2,431	15,308	7,505
Bioprosthetic devices	171	169	584	524
Distribution and grant	235	230	658	598
	$ 16,889	$ 22,567	$ 65,624	$ 65,696

a Revenue from tissue preservation services includes the estimated effect of the return of tissues subject to recall by the FDA Order of $170,000 and $510,000, respectively, in cardiovascular tissue, $833,000 and $2.5 million, respectively, in vascular tissue, and $28,000 and $408,000, respectively, in orthopaedic tissue, totaling $1.0 and $3.5 million, respectively, for the three and nine months ended September 30, 2002.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

In the normal course of business as a medical device and services company the Company has product liability complaints filed against it. As of October 28, 2002 fifteen cases had been filed against the Company between May 18, 2000 and October 8, 2002. The cases are currently in the pre-discovery or discovery stages. Of these cases, nine allege product liability claims arising out of the Company's orthopaedic tissue, four allege product liability claims arising out of the Company's allograft heart valve tissue, one alleges product liability claims arising out of the Company's allograft vascular tissue, and one alleges product liability claims arising out of the non-tissue products made by Ideas for Medicine, when it was a subsidiary of the Company.

Included in these cases is the complaint filed against the Company in the Superior Court of Cobb County, Georgia, on July 12, 2002 by Steve Lykins, as Trustee for the benefit of next of kin of Brian Lykins. This complaint alleges strict liability, negligence, professional negligence, and breach of warranties related to tissue implanted in November of 2001. The plaintiff seeks unspecified compensatory and punitive damages.

The Company maintains insurance policies, which the Company believes to be adequate to defend against these suits. The Company's insurance company has been notified of these actions. The Company intends to vigorously defend against these claims. Nonetheless, an adverse judgment in excess of the Company's insurance coverage could have a material adverse effect on the Company's financial position, results of operations, and cash flows.

Several putative class action lawsuits were filed in July through September 2002 against the Company and certain officers of the Company alleging that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated there under, by issuing a series of materially false and misleading statements to the market throughout the Class Period of August of 2000 through August of 2002, which statements had the effect of artificially inflating the market price of the Company's securities. The

principal allegations of the complaints are that the Company failed to disclose its alleged lack of compliance with certain FDA regulations regarding the handling and processing of certain tissues and other product safety matters. The plaintiffs seek unspecified compensatory damages in an amount to be proven at trial. The Company believes these cases will be consolidated into one putative class action lawsuit. The Company believes the claims made in the lawsuits are without merit and intends to vigorously defend against these claims. Management has retained the services of the Atlanta based law firm of King & Spalding to defend the Company. The Company carries director's and officer's liability insurance, which the Company believes to be adequate to defend against these suits. Nonetheless, an adverse judgment in excess of the Company's insurance coverage could have a material adverse effect on the Company's financial position, results of operations, and cash flows.

The Company received notice in October that a complaint had been filed instituting a shareholder derivative action against the Company and Company officers and directors Steven G. Anderson, Albert E. Heacox, John W. Cook, Ronald C. Elkins, Virginia C. Lacy, Ronald D. McCall, Alexander C. Schwartz and Bruce J. Van Dyne. The suit was filed in the Superior Court of Gwinnett County, Georgia, by Rosemary Lichtenberger but has not been served on the defendants. The suit alleges the individual defendants breached their fiduciary duties to the Company by causing or allowing the Company to engage in practices that caused the Company to suffer damages by being out of compliance with FDA guidelines, and by causing the Company to issue press releases that erroneously portrayed CryoLife's products, operations, financial results and future prospects. The complainant seeks undisclosed damages, costs and attorney's fees, punitive damages and prejudgment interest against the individual defendants derivatively on behalf of the Company as a nominal defendant. Filing of the complaint was preceded by a demand letter on behalf of the complainant dated one day prior to the filing of the suit. Another derivative demand letter of similar import was received on behalf of complainant Robert F. Fraley; however, to the Company's knowledge, no suit has yet been filed by Mr. Fraley. The Company's Board of Directors has established an independent committee to investigate the claims asserted in the Lichtenberger complaint and the demands made in the Fraley letter and report back to the Board with its recommendations for action in response to the shareholders' demands. The independent committee has engaged independent legal counsel to assist in the investigation.

On August 7, 2002 the Company announced the settlement of its ongoing litigation with Colorado State University Research Foundation ("CSURF") over the ownership of the Company's SynerGraft technology. The settlement resolves all disputes between the parties and extinguishes all CSURF ownership claims to any aspect of the Company's SynerGraft technology. The settlement includes an unconditional assignment to the Company of CSURF tissue engineering patents, trade secrets and know-how relating to tissue decellularization and recellularization. The technology assignment supercedes the 1996 technology license, which was terminated by the terms of the settlement. Payment terms include a nonrefundable advance of $400,000 paid by the Company to CSURF that will be applied to earned royalties as they accrue through March 2011. The Company recorded these amounts as prepaid royalties and will expense the amounts as the royalties accrue. The earned royalty rate is a maximum of 0.75% of net revenues from products or tissue services utilizing the SynerGraft technology. Royalties earned under the agreement for revenues through September 30, 2002 were approximately $33,000.

On August 17, 2002 the Company received a letter from the United States Securities and Exchange Commission (the "SEC Letter") that stated that the Company was subject to an investigation related to the Company's August 14, 2002 announcement of the FDA Order and requesting information from the Company from the period between September 1, 2001 through the date of the Company's response to the SEC Letter. The SEC Letter stated, in part, that "We are trying to determine whether there have been any violations of the federal securities laws. The investigation and the subpoena do not mean that we have concluded that anyone has broken the law. Also, the investigation does not mean that we have a negative opinion of any person, entity or security." The staff of the SEC subsequently confirmed that its investigation is informal in nature, and that it does not have subpoena power at this time. At the present time, the Company is unable to predict the outcome of this matter.

The Company has concluded that it is probable that it will incur losses relating to claims and litigation of at least $1.2 million; which represents the aggregate amount of the Company's deductibles under its product liability and directors' and officers' insurance policies. Therefore the Company has recorded an accrual of $1.2 million as of June 30, 2002.

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

RECENT EVENTS

On August 13, 2002 the Company received an order from the Atlanta district office of the FDA regarding the non-valved cardiac, vascular, and orthopaedic tissue processed by the Company since October 3, 2001 (the "FDA Order"). Revenue from human tissue preservation services accounted for 78% of the Company's revenues for the six months ended June 30, 2002, and of those revenues 67% or $26.9 million were derived from preservation of tissues subject to the FDA Order. The Company announced the receipt of the FDA Order in a press release dated August 14, 2002. The FDA Order follows an FDA Warning Letter dated June 17, 2002, which the Company announced in a press release dated June 24, 2002. Subsequently, the Company responded to the Warning Letter and requested a meeting with the FDA. The FDA Order contains the following principal provisions:

- The FDA alleges that, based on its inspection of the Company's facility on March 25 through April 12, 2002, certain human tissue processed and distributed by the Company may be in violation of 21 Code of Federal Regulations ("CFR") Part 1270. (Part 1270 requires persons or entities engaged in the recovery, screening, testing, processing, storage, or distribution of human tissue to perform certain medical screening and testing on human tissue intended for transplantation. The rule also imposes requirements regarding procedures for the prevention of contamination or cross-contamination of tissues during processing and the maintenance of certain records related to these activities.)

- The FDA alleges that the Company has not validated procedures for the prevention of infectious disease contamination or cross-contamination of tissue during processing at least since October 3, 2001.

- Non-valved cardiac, vascular, and orthopaedic tissue processed by the Company since October 3, 2001 must be retained until it is recalled, destroyed, the safety is confirmed, or an agreement is reached with the FDA for its proper disposition under the supervision of an authorized official of the FDA.

- The FDA strongly recommends that the Company perform a retrospective review of all tissue in inventory (i.e. currently in storage at the Company) that is not referenced in the FDA Order to assure that it was recovered, processed, stored, and distributed in conformance with 21 CFR 1270.

- The Center for Devices and Radiological Health ("CDRH"), a division of the FDA, is evaluating whether there are similar risks that may be posed by the Company's allograft heart valves, and will take further regulatory action if appropriate.

Pursuant to the FDA Order, the Company placed all non-valved cardiac, vascular, and orthopaedic tissue subject to the FDA Order on quality assurance quarantine and is recalling all non-valved cardiac, vascular, and orthopaedic tissues subject to the FDA Order (i.e. processed since October 3, 2001) that have been distributed but not implanted. The Company appealed the FDA Order on August 14, 2002 and requested a hearing with the FDA, which has been set for December 12, 2002. After the FDA issued its order regarding the recall, Health Canada also issued a recall on the same types of tissue and other countries have inquired about the circumstances surrounding the FDA Order.

On September 5, 2002, the Company reached an agreement with the FDA (the "Agreement") that supplements the FDA Order and permits the Company to resume processing and limited distribution of its life-saving and limb-saving

non-valved cardiac and vascular tissues. The Agreement allows the tissue to be released for distribution after the Company completes steps to assure that the tissue is used for approved purposes and that patients will be notified of risks associated with tissue use. Specifically, the Company must obtain physician prescriptions and tissue packaging must contain appropriate warning labels. The Agreement also calls for the Company to undertake to identify third-party records of donor tissue testing, and to destroy tissue from donors in whom microorganisms associated with an infection are found. In addition, the Agreement, which has a forty-five working-day term ending November 7, 2002,

specifies interim operating procedures to permit the Company to distribute tissues processed during the term of the Agreement. The Company also agreed to establish a corrective action plan within 30 days with steps to validate processing procedures. The corrective action plan was submitted on October 5, 2002. The FDA will review records and other relevant information related to the Company's release of tissue under the Agreement, as well as the status of the Company's corrective action plan, before determining whether this Agreement should be renewed or modified to provide for any further release of tissue subject to the FDA Order.

After receiving the FDA Order, the Company met with representatives of the FDA's CDRH division regarding CDRH's review of the Company's processed allograft heart valves, which are not required to be recalled pursuant to the FDA Order. On August 21, 2002 the FDA publicly stated that allograft heart valves have not been included in the FDA recall order as these devices are essential for the correction of congenital cardiac lesions in neonate and pediatric patients and no satisfactory alternative device exists. However, the FDA also publicly stated that it still has serious concerns regarding the processing and handling of allograft heart valves. The FDA also recommended that surgeons carefully consider using processed allografts from alternative sources, that surgeons inform prospective patients of the FDA's concerns with the Company's allograft heart valves, and that patients be carefully monitored for both fungal and bacterial infections.

As a result of the adverse publicity surrounding the FDA Warning Letter, the Company's procurement of cardiac tissues, from which heart valves and non-valved cardiac tissues are processed, decreased 15% in September 2002 as compared to September 2001. Although, the Company expects to be able to maintain the current level of cardiac tissue procurement if it continues to make progress in addressing the observations detailed in the Warning Letter, there is no guarantee that sufficient tissue will be available. The Company has continued to process and distribute heart valves since the receipt of the FDA Order, as these tissues are not subject to the FDA Order. The Company reduced the level of processing for non-valved cardiac tissue to minimum levels after the receipt of the FDA Order. After the Agreement, the Company resumed processing of non-valved cardiac tissues under the interim operating procedures.

Upon receipt of the FDA Order, the Company ceased the procurement and processing of vascular tissues until it entered into the Agreement allowing for interim processing and distribution of vascular tissues. On September 17, 2002 the Company resumed the procurement and processing of vascular tissues under the interim operating procedures. The Company anticipates it will procure and process vascular tissues at reduced levels as compared to prior year periods at least until it addresses the observations detailed in the Warning Letter and evaluates the demand for the vascular tissues.

Upon receipt of the FDA Order, the Company ceased the procurement and processing of orthopaedic tissues. The Company does not anticipate procuring and processing additional orthopaedic tissues until after it has satisfied the observations detailed in the Warning Letter.

As a result of the FDA Order, the Company recorded a reduction to pretax income of $12.6 million in the quarter ended June 30, 2002. The reduction was comprised of a net $8.9 million increase to cost of human tissue preservation services, a $2.4 million reduction to revenues (and accounts receivable) for the estimated return of the tissues subject to recall by the FDA Order, and a $1.3 million accrual recorded in general, administrative, and marketing expenses for retention levels under the Company's product liability and directors' and officers' insurance policies of $1.2 million (see Note 11), and for estimated expenses of $75,000 for packaging and handling for the return of affected tissues under the FDA Order. The net increase of $8.9 million to cost of

preservation services is comprised of a $10.0 million write-down of deferred preservation costs for tissues subject to the FDA Order, offset by a $1.1 million decrease in cost of preservation services due to the estimated tissue returns resulting from the FDA Order (the costs of such recalled tissue are included in the $10.0 million write-down). The Company evaluated many factors in determining the magnitude of impairment to deferred preservation costs as of June 30, 2002, including the impact of the FDA Order, the possibility of continuing action by the FDA or other United States and foreign government agencies, and the possibility of unfavorable actions by physicians, customers, procurement organizations, and others. As a result of this evaluation, management believed that since all non-valved cardiac, vascular, and orthopaedic allograft tissues processed since October 3, 2001 are under recall pursuant to

the FDA Order, and the Company did not know if it would obtain a favorable resolution of its appeal and request for modification of the FDA Order, the deferred preservation costs for tissues subject to the FDA Order had been significantly impaired. The Company estimated that this impairment approximated the full balance of the deferred preservation costs of the tissues subject to the FDA Order, which included the tissues stored by the Company and the tissues to be returned to the Company, and therefore recorded a write-down of $10.0 million for these assets.

In the quarter ended September 30, 2002, the Company recorded a reduction to pretax income of $24.6 million as a result of the FDA Order. The reduction was comprised of a net $22.2 million increase to cost of human tissue preservation services, a $1.4 million write-down of goodwill, and a $1.0 million reduction to revenues (and accounts receivable) for the estimated return of the tissues shipped during the third quarter subject to recall by the FDA Order. The net $22.2 million increase to cost of preservation services is comprised of a $22.7 million write-down of deferred preservation costs, offset by a $0.5 million decrease in cost of preservation services due to the estimated and actual tissue returns resulting from the FDA Order (the costs of such recalled tissue are included in the $22.7 million write-down).

The Company evaluated multiple factors in determining the magnitude of impairment to deferred preservation costs, including the impact of the current FDA Order, the possibility of continuing action by the FDA or other United States and foreign government agencies, the possibility of unfavorable actions by physicians, customers, procurement organizations, and others, the progress made to date on the corrective action plan, and the requirement in the Agreement that tissues subject to the FDA Order be replaced with tissues processed under validated methods. As a result of this evaluation, management believes that all tissues subject to the FDA Order as well as the majority of tissues processed prior to October 3, 2001, including heart valves which are not subject to the FDA Order, are fully impaired. Management believes that most of the Company's customers will only order tissues processed under the interim operating procedures established under the Agreement or tissues processed under future procedures approved by the FDA once these tissues are available. The Company anticipates the tissues processed under the interim operating procedures established under the Agreement will be available early to mid-November. Thus, the Company has recorded a write-down of deferred preservation costs for processed tissues in excess of the supply required to meet demand prior to the release of these interim processed tissues. As of September 30, 2002 the balance of the deferred preservation costs after the write-down was $545,000 of allograft heart valves, $176,000 of non-valved cardiac tissues, $931,000 of vascular tissues, and $10,000 of orthopaedic tissues.

As a result of the write-down of deferred preservation costs, the Company has recorded a deferred tax asset of $12.2 million. Upon destruction of the tissues associated with the deferred preservation costs, the deferred tax asset will be reclassed as an income tax receivable. An expected refund will be generated through a carry back of losses resulting from the deferred preservation cost write-downs. In addition, the Company has recorded $4.2 million in income tax receivables related to $1.7 million of tax overpayments for 2001 and an estimated $2.5 million of tax overpayments for 2002.

Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), requires the write-down of a long-lived asset to be held and used if the carrying value of the asset or the asset group to which the asset belongs, is not recoverable and exceeds its fair value. The asset or asset group is not recoverable if its

carrying value exceeds the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of the asset or asset group. In applying SFAS 144, the Company determined that the asset groups consisted of the long-lived assets related to the Company's two reporting segments, as these represent the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The Company used a fourteen-year period for the undiscounted future cash flows. This period of time was selected based upon the remaining life of the primary assets of the asset groups, which are leasehold improvements. Based on its analysis, management does not believe an impairment of the Company's intangible and tangible assets related to the tissue preservation business or medical device business had occurred as of September 30, 2002. However, depending on the Company's ability to address the observations detailed in the Warning Letter and the future effects of adverse publicity surrounding the FDA Order and reported infections on preservation revenues, these assets may become impaired. Management will continue to evaluate the recoverability of these assets.

Goodwill resulting from business acquisitions is not amortized, but is instead subject to periodic impairment testing in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). As a result of the FDA Order, the Company determined that an evaluation of the possible impairment of intangible assets under SFAS 142 was necessary. The Company engaged an independent valuation expert to perform the valuation using a discounted cash flow methodology, and as a result of this analysis, the Company determined that goodwill related to its tissue processing reportable unit was fully impaired as of September 30, 2002. Therefore, the Company recorded a write-down of $1.4 million in goodwill during the quarter ended September 30, 2002. Management does not believe an impairment exists related to the other intangible assets. Management will continue to evaluate the recoverability of these intangible assets.

On September 3, 2002 the Company announced a reduction in employee force of approximately 105 employees. The Company anticipates that severance and related costs will be approximately $690,000, which was recorded in the third quarter of 2002. As a result of the employee reduction, management anticipates personnel costs will be reduced by approximately $385,000 per month.

See Part II, Item 1 "Legal Proceedings" for a discussion of certain material legal proceedings.

CRITICAL ACCOUNTING POLICIES

A summary of the Company's significant accounting policies is included in Note 1 to the consolidated financial statements, as filed in the Form 10-K for the fiscal year ended December 31, 2001. Management believes that the consistent application of these policies enables the Company to provide users of the financial statements with useful and reliable information about the Company's operating results and financial condition. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require the Company to make estimates and assumptions. The following are accounting policies that management believes are most important to the portrayal of the Company's financial condition and results and may involve a higher degree of judgment and complexity.

REVENUE RECOGNITION: The Company recognizes revenue in accordance with SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which provides guidance on applying generally accepted accounting principles to revenue recognition issues. Revenues for human tissue preservation services are recognized when services are completed and tissue is delivered to the customer. The Company accepts returned human tissue within 72 hours of original shipment if certain quality criteria are maintained. The Company has recorded the estimated revenues of tissues to be recalled pursuant to the FDA Order as a service revenue return. Revenues for products are recognized at the time the product is shipped, at which time title passes to the customer. There are no further performance obligations and delivery occurs upon shipment. Revenues from research grants are recognized in the period the associated costs are incurred. The Company assesses the likelihood of collection based on a number of factors, including past transaction history with the customer and the credit-worthiness of the customer.

DEFERRED PRESERVATION COSTS: Tissue is procured from deceased human donors by

organ and tissue procurement agencies, which consign the tissue to the Company for processing and preservation. Preservation costs related to tissue held by the Company are deferred until revenue is recognized upon shipment of the tissue 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, net of reserve, on a first-in, first-out basis.

As of September 30, 2002 the deferred preservation costs were $545,000 for allograft heart valve tissues, $176,000 for non-valved cardiac tissues, $931,000 for vascular tissues, and $10,000 for orthopaedic tissues. For the three and

nine months ended September 30, 2002, respectively, the Company recorded a write-down of deferred preservation costs of $8.7 million and $8.7 million for valved cardiac tissues, $1.3 million and $2.9 million for non-valved cardiac tissues, $6.9 million and $11.9 million for vascular tissues, and $5.8 million and $9.2 million for orthopaedic tissue totaling $22.7 and $32.7 million. These write-downs were recorded as a result of the FDA Order as discussed in the Recent Events section. The amount of these write-downs reflects management's estimate based on information currently available to it. These estimates may prove inaccurate, as the scope and impact of the FDA Order are determined. Management will continue to evaluate the recoverability of these deferred preservation costs based on the factors discussed in the Recent Events section and record additional write-downs if it becomes clear that additional impairments have occurred.

VALUATION OF LONG-LIVED AND INTANGIBLE ASSETS AND GOODWILL: The Company assesses the impairment of its long-lived, identifiable intangible assets and related goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that management considers important that could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant negative industry or economic trends;
- significant decline in the Company's stock price for a sustained period; and
- the Company's market capitalization relative to net book value.

Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), requires the write-down of a long-lived asset to be held and used if the carrying value of the asset or the asset group to which the asset belongs, is not recoverable and exceeds its fair value. The asset or asset group is not recoverable if its carrying value exceeds the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of the asset or asset group. In applying SFAS 144, the Company determined that the asset groups consisted of the long-lived assets related to the Company's two reporting segments, as these represent the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The Company used a fourteen-year period for the undiscounted future cash flows. This period of time was selected based upon the remaining life of the primary assets of the asset groups, which are leasehold improvements. Based on its analysis, management does not believe an impairment of the Company's intangible and tangible assets related to the tissue preservation business or medical device business had occurred as of September 30, 2002. However, depending on the Company's ability to address the observations detailed in the Warning Letter and the future effects of adverse publicity surrounding the FDA Order and reported infections on preservation revenues, these assets may become impaired. Management will continue to evaluate the recoverability of these assets.

Goodwill resulting from business acquisitions is not amortized, but is instead subject to periodic impairment testing in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). 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 amortized over the expected useful lives of the related assets (primarily five years). As a result of the FDA

Order, the Company determined that an evaluation of the possible impairment of intangible assets under SFAS 142 was necessary. The Company engaged an independent valuation expert to perform the valuation using a discounted cash flow methodology, and as a result of this analysis, the Company determined that goodwill related to its tissue processing reportable unit was fully impaired as of September 30, 2002. Therefore, the Company recorded a write-down of $1.4 million in goodwill during the quarter ended September 30, 2002. Management does not believe an impairment exists related to the other intangible assets. Management will continue to evaluate the recoverability of these intangible assets.

NEW ACCOUNTING PRONOUNCEMENTS

On January 1, 2002 the Company was required to adopt SFAS 142 and SFAS 144. See Critical Accounting policies for a discussion of the impact of these pronouncements on current financial results.

The Company will be required to adopt SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143") on January 1, 2003. SFAS 143 addresses accounting and reporting for retirement costs of long-lived assets resulting from legal obligations associated with acquisition, construction, or development transactions. The Company has determined that the adoption of SFAS 143 will not have a material effect on the financial position, results of operations, and cash flows of the Company.

The Company will be required to adopt SFAS No. 145, "Rescission of FASB Statements 4, 44 and 64, Amendment to FASB Statement 13, and Technical Corrections" ("SFAS 145") on January 1, 2003. SFAS 145 rescinds SFAS No. 4, 44 and 64, which required gains and losses from extinguishments of debt to be classified as extraordinary items. SFAS 145 also amends SFAS No. 13 eliminating inconsistencies in certain sale-leaseback transactions. The provisions of SFAS 145 are effective for fiscal years beginning after May 15, 2002. The Company is currently evaluating the impact of this Statement.

The Company will be required to adopt SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146") on January 1, 2003. SFAS 146 requires that costs associated with exit or disposal activities be recorded at their fair values when a liability has been incurred. Under previous guidance, certain exit costs were accrued upon management's commitment to an exit plan, which is generally before an actual liability has been incurred. The Company is currently evaluating the impact of this Statement.

RESULTS OF OPERATIONS

REVENUES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Revenues as reported	$ 16,889	$ 22,567	$ 65,624	$ 65,696
Reduction in revenues due to estimated tissue returns	1,031	--	3,464	--
Revenues prior to reduction for estimated tissue returns	$ 17,920	$ 22,567	$ 69,088	$ 65,696

	One Month Ended September 30,	
	2002	2001
Revenues prior to reduction for estimated tissue returns	$ 3,632	$ 7,394

Revenues prior to the reduction for the estimated effect of tissue returns as a result of the FDA Order decreased 51% and 21% and increased 5%, respectively, for the one, three, and nine months ended September 30, 2002. This decrease in revenues for the one and three months ended September 30, 2002, respectively, was primarily due to a 72% and 38% decrease in human tissue preservation service

revenues as a result of the FDA Order's restriction on shipments of certain tissues and decreased demand as a result of the adverse publicity surrounding the FDA Order, partially offset by a 82% and 113% increase in BioGlue(R) Surgical Adhesive revenues for the one and three months ended September 30, 2002. The increase in revenues for the nine month period ended September 30, 2002 was primarily due to a 104% increase in sales of BioGlue Surgical Adhesive,

partially offset by a 14% decrease in human tissue preservation service revenues as a result of the FDA Order's restriction on shipments of certain tissues and decreased demand as a result of the adverse publicity surrounding the FDA Order and reported incidents of infection. The BioGlue increases are primarily attributable to the receipt of FDA approval for BioGlue in December 2001.

Revenues as reported decreased 25% and less than 1%, respectively, for the three and nine months ended September 30, 2002. Revenues were adversely impacted by the estimated effect of the return of tissues subject to recall by the FDA Order, which resulted in an estimated decrease of $1.0 million and $3.5 million, respectively, in preservation service revenues during the three and nine months ended September 30, 2002. As discussed herein, the estimated effect of the return of tissues subject to recall includes credits for tissues actually returned to the Company to date and the expected credits for future tissues to be returned to the Company as a result of the FDA Order.

Although the Company has not yet determined the full impact of the FDA Order on future revenues, the September revenues for 2002 as compared to 2001 decreased 51% primarily as a result of the FDA Order and adverse publicity. Management believes that a decrease in revenues as compared to prior periods will continue. In the event the Company is not successful in addressing the issues detailed in the Warning Letter as described in the recent events section or is unable to reach a satisfactory agreement with the FDA, future revenues can be expected to decrease significantly as compared to prior year periods.

BIOGLUE SURGICAL ADHESIVE

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Revenues as reported	$ 5,183	$ 2,431	$ 15,308	$ 7,505
Percentage of total revenue as reported	31%	11%	23%	11%
Percentage of total revenue prior to reduction for estimated tissue returns	29%	11%	22%	11%

	One Month Ended September 30,	
	2002	2001
Revenues	$ 1,786	$ 981
Percentage of total revenue	49%	13%

Revenues from the sale of BioGlue Surgical Adhesive increased 82%, 113% and 104%, respectively, for the one, three, and nine month periods ended September 30, 2002. The increase in revenues for the one, three, and nine month periods ended September 30, 2002 was due to an increase in the milliliters of BioGlue shipped of 56%, 89% and 82%, respectively, and an increase in the average selling price of the BioGlue shipped. The increase in shipments was primarily due to the receipt of FDA approval in December 2001 for the use of BioGlue in the United States as an adjunct in open surgical repair of large vessels for adult patients. Domestic revenues accounted for 78% and 69% of total BioGlue revenues for the three months ended September 30, 2002 and 2001, respectively. Domestic revenues accounted for 78% and 67% of total BioGlue revenues for the nine months ended September 30, 2002 and 2001, respectively.

Although BioGlue revenue increased as compared to prior year and BioGlue was not included in the FDA Order, future sales of BioGlue could be adversely affected due to the adverse publicity surrounding the FDA's review of and correspondence with the Company. Additionally, there is a possibility the Company's BioGlue operations could come under increased scrutiny from the FDA as a result of their review of the Company's tissue processing laboratories.

CARDIOVASCULAR PRESERVATION SERVICES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Revenues as reported	$ 5,487	$ 8,209	$ 20,131	$ 22,307
Percentage of total revenue as reported	32%	36%	31%	34%
Revenues prior to reduction for estimated tissue returns	$ 5,657	$ 8,209	$ 20,643	$ 22,307
Percentage of total revenue prior to reduction for estimated tissue returns	32%	36%	30%	34%

	One Month Ended September 30,	
	2002	2001
Revenues prior to reduction for estimated tissue returns	$ 1,196	$ 2,487
Percentage of total revenue	33%	34%

Revenues from cardiovascular preservation services, prior to the reduction for estimated returns of tissue subject to the FDA Order, decreased 52%, 31% and 7%, respectively, for the one, three, and nine months ended September 30, 2002. This decrease in revenues for the one, three, and nine month periods ended September 30, 2002 was primarily due to a decline in customer demand due to the adverse publicity surrounding the FDA Order, certain reported tissue infections, and the restrictions on shipments of certain tissues subject to the FDA Order.

Revenues as reported from cardiovascular preservation services decreased 33% and 10%, respectively, for the three and nine months ended September 30, 2002. The revenues from cardiovascular preservation services were adversely impacted by the estimated effect of the non-valved cardiac tissues returned subject to recall by the FDA Order, which resulted in an estimated decrease of $170,000 and $510,000 in service revenues during the three and nine months ended September 30, 2002.

The Company anticipates a future decrease in cardiovascular preservation revenues as compared to prior year periods as a result of the adverse publicity surrounding the FDA Warning Letter, FDA Order, and certain reported tissue infections. If the Company is unable to address the observations detailed in the Warning Letter, future non-valved cardiac preservation revenue, if any, may be immaterial.

VASCULAR PRESERVATION SERVICES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Revenues as reported	$ 3,260	$ 6,192	$ 14,918	$ 18,617
Percentage of total revenue as reported	19%	27%	23%	28%
Revenues prior to reduction for estimated tissue returns	$ 4,093	$ 6,192	$ 17,464	$ 18,617
Percentage of total revenue prior to reduction for estimated tissue returns	23%	27%	25%	28%

	One Month Ended September 30,	
	2002	2001

Revenues prior to reduction for estimated tissue returns	$ 573	$ 1,942
Percentage of total revenue	16%	26%

Revenues from human vascular tissue preservation services, prior to reduction for estimated returns of tissue subject to the FDA Order, decreased 70%, 34% and 6%, respectively, for the one, three, and nine months ended September 30, 2002. This decrease in revenues for the one, three, and nine month periods ended September 30, 2002 was primarily due to a decline in customer demand due to the adverse publicity surrounding the FDA Order, certain reported tissue infections, and the restrictions on shipments of certain tissues subject to the FDA Order.

Revenues as reported from human vascular tissue preservation services decreased 47% and 20%, respectively, for the three and nine months ended September 30, 2002. The revenues from vascular tissue preservation services were adversely impacted by the estimated effect of the return of tissues subject to recall by the FDA Order, which resulted in an estimated decrease of $833,000 and $2.5 million, respectively, in vascular preservation service revenues during the three and nine months ended September 30, 2002.

The Company anticipates a future decrease in vascular preservation revenues as compared to prior year periods as a result of the adverse publicity surrounding the FDA Warning Letter, FDA Order, and certain reported tissue infections. If the Company is unable to address the observations detailed in the Warning Letter, future vascular preservation revenues, if any, may be immaterial.

ORTHOPAEDIC PRESERVATION SERVICES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Revenues as reported	$ 2,553	$ 5,336	$ 14,025	$ 16,145
Percentage of total revenue as reported	15%	24%	21%	25%
Revenues prior to reduction for estimated tissue returns	$ 2,581	$ 5,336	$ 14,433	$ 16,145
Percentage of total revenue prior to reduction for estimated tissue returns	14%	24%	21%	25%

	One Month Ended September 30,	
	2002	2001
(Credits) revenues prior to reduction for estimated tissue returns	$ (22)	$ 1,870
Percentage of total revenue	(1%)	25%

Revenues from human orthopaedic tissue preservation services, prior to reduction for estimated returns of tissue subject to the FDA Order, decreased 101%, 52% and 11% for the one, three, and nine months ended September 30, 2002. This decrease in revenues for the one, three, and nine month periods ended September 30, 2002 was primarily due to a decline in customer demand due to the adverse publicity surrounding the FDA Order, certain reported tissue infections, and the restrictions on shipments of certain tissues subject to the FDA Order.

Revenues as reported from human orthopaedic tissue preservation services decreased 52% and 13% for the three and nine months ended September 30, 2002. The revenues from orthopaedic tissue preservation services were adversely impacted by the estimated effect of the return of tissues subject to recall by the FDA Order, which resulted in an estimated decrease of $28,000 and $408,000, respectively, in orthopaedic preservation service revenues during the three and nine months ended September 30, 2002.

The Company anticipates a substantial decrease in the orthopaedic preservation revenues as compared to prior year periods due to the Company's inability to ship orthopaedic grafts processed since October 3, 2001 pursuant to the FDA Order, the adverse publicity resulting from the FDA Warning Letter and FDA Order, and the reported infections in some orthopaedic allograft recipients. If the Company is unable to address the observations detailed in the Warning Letter

to enable the Company to process and ship orthopaedic tissue, or if demand for these tissues does not return after the observations are addressed, future orthopaedic preservation revenue, if any, may be immaterial.

BIOPROSTHETIC DEVICES

Revenues from bioprosthetic cardiovascular devices increased 1% to $171,000 for the three months ended September 30, 2002 from $169,000 for the three months ended September 30, 2001, representing 1% of total revenues during each such period. Revenues from bioprosthetic cardiovascular devices increased 11% to $584,000 for the nine months ended September 30, 2002 from $524,000 for the nine months ended September 30, 2001, representing 1% of total revenues during each such period.

DISTRIBUTION AND GRANT REVENUES

Distribution and grant revenues increased to $235,000 for the three months ended September 30, 2002 from $230,000 for the three months ended September 30, 2001. Distribution and grant revenues increased to $658,000 for the nine months ended September 30, 2002 from $598,000 for the nine months ended September 30, 2001. Grant revenues of $77,000 and $230,000, for the three months ended September 30, 2002 and 2001, respectively, and $208,000 and $598,000, for the nine months ended September 30, 2002 and 2001, respectively, are primarily attributable to the SynerGraft(R) research and development programs. Distribution revenues of $158,000 for the three months ended September 30, 2002 and $450,000 for the nine months ended September 30, 2002 are for commissions received for the distribution of orthopaedic tissues for another processor. Distribution revenues for 2001 were zero.

COSTS AND EXPENSES

Cost of human tissue preservation services aggregated $28.0 million for the three months ended September 30, 2002 as compared to $8.2 million for the three months ended September 30, 2001, representing 248% and 41%, respectively, of total human tissue preservation service revenues for each such period. Cost of human tissue preservation services aggregated $53.2 million for the nine months ended September 30, 2002 as compared to $23.6 million for the nine months ended September 30, 2001, representing 108% and 41%, respectively of total human tissue preservation service revenues for each period. The cost of human tissue preservation services for the three and nine months ended September 30, 2002, respectively, includes a $22.7 million and $32.7 million write-down of deferred preservation costs related to the FDA Order as discussed in Recent Events. The Company anticipates a reduction in the cost of human tissue preservation services due to a reduction in shipments of tissues as a result of the FDA Order; however the current cost of human tissue preservation services as a percent of revenue is likely to increase, especially if the decline in the demand for the tissues continues.

Cost of products aggregated $4.7 million for the three months ended September 30, 2002 as compared to $1.2 million for the three months ended September 30, 2001, representing 89% and 46%, respectively, of product revenues for each such period. Cost of products aggregated $8.8 million for the nine months ended September 30, 2002 as compared to $4.1 million for the nine months ended September 30, 2001, representing 55% and 50%, respectively, of total product revenues for each period. The increase in the 2002 cost of products as a percentage of total product revenues is primarily due to a $3.1 million write-down of bioprosthetic valves, including SynerGraft and non-SynerGraft treated porcine valves, in the third quarter of 2002 due to the Company's

decision to stop future expenditures on the development and marketing of these valves and to maintain its focus on its preservation services business, and its BioGlue and SynerGraft vascular graft product lines. The decrease in the 2002 cost of products as a percentage of total product revenues was partially offset by a favorable product mix that was impacted by an increase in revenues from BioGlue Surgical Adhesive, which carries higher gross margins than bioprosthetic devices.

General, administrative, and marketing expenses increased 35% to $11.2 million for the three months ended September 30, 2002, compared to $8.3 million for the three months ended September 30, 2001, representing 66% and 37%, respectively, of total revenues during each such period. General, administrative, and

marketing expenses increased 31% to $32.1 million for the nine months ended September 30, 2002, compared to $24.6 million for the nine months ended September 30, 2001, representing 49% and 37%, respectively, of total revenues during each such period. The increase in expenditures for the three and nine months ended September 30, 2002 was primarily due to increased overhead costs in connection with the expansion of the corporate headquarters and manufacturing facility, which was substantially completed in the first quarter of 2002, an increase in insurance premiums, an increase in legal and accounting costs, a $1.2 million accrual for retention levels under the Company's liability and directors' and officers' insurance policies (see Legal Proceedings at Part II, Item 1), and additional professional fees required to address the observations detailed in the Warning Letter. The Company expects to incur significant increases in legal costs and professional fees over the remainder of the year to defend the lawsuits filed against the Company, to address the observations detailed in the Warning Letter and to appeal the FDA Order. Additional marketing expenses may also be incurred to address the effects of the adverse publicity surrounding the FDA Order.

Research and development expenses increased 9% to $1.3 million for the three months ended September 30, 2002, compared to $1.2 million for the three months ended September 30, 2001, representing 8% and 5%, respectively, of total revenues for each such period. Research and development expenses increased 3% to $3.7 million for the nine months ended September 30, 2002, compared to $3.6 million for the nine months ended September 30, 2001, representing 6% and 5%, respectively, of total revenues for each such period. Research and development spending for the three and nine months ended September 30, 2002 was primarily focused on the Company's SynerGraft and Protein Hydrogel Technologies.

As discussed in New Accounting Pronouncements, the Company has recorded a $1.4 million write-down of its goodwill, which is shown as a separate line on the Summary Consolidated Statements of Operation for the three and nine months ended September 30, 2002.

Interest income, net of interest expense, was $33,000 and $412,000 for the three months ended September 30, 2002 and 2001, respectively. Interest income, net of interest expense, was $182,000 and $1.5 million for the nine months ended September 30, 2002 and 2001, respectively. The 2002 decrease in net interest income is due to reduced interest rates in 2002 as compared to 2001 and the lack of interest expense capitalized in 2002 in connection with the expansion of the corporate headquarters and manufacturing facility, which was substantially completed in the first quarter of 2002.

The effective income tax rate was 34% and 32% for the three and nine months ended September 30, 2002 and 2001, respectively.

SEASONALITY

The demand for the Company's cardiovascular tissue preservation services is seasonal, with peak demand generally occurring in the second and third quarters. Management believes this trend for cardiovascular tissue preservation services is primarily due to the high number of surgeries scheduled during the summer months. However, the demand for the Company's human vascular and orthopaedic tissue preservation services, BioGlue Surgical Adhesive, and bioprosthetic cardiovascular and vascular devices does not appear to experience seasonal trends.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2002 net working capital was $43.3 million, with a current ratio of 3 to 1, compared to $66.7 million at December 31, 2001. The Company's primary capital requirements historically arose out of general working capital needs, capital expenditures for facilities and equipment, and funding of research and development projects. The Company funded these requirements through bank credit facilities, cash generated by operations and equity offerings. Based on the anticipated decrease in revenues resulting from the FDA Order and associated adverse publicity, the Company expects that its cash generated by operations will decrease significantly over the near term, and that net working capital will decrease. The Company believes that anticipated revenue generation, expense management, savings resulting from the reduction in the number of employees to reflect the reduction in revenues, tax refunds expected to be in

excess of $10 million, and the Company's existing cash and marketable securities will enable the Company to meet its liquidity needs through September 30, 2003. It is possible that the Company will not have sufficient funds to meet its primary capital requirements over the long term.

Net cash provided by operating activities was $636,000 for the nine months ended September 30, 2002, as compared to $4.6 million for the nine months ended September 30, 2001. The $636,000 in current year cash provided was primarily due to $8.2 million in net income before depreciation, taxes, and excluding non-cash items, partially offset by a decrease in cash of $7.6 million due to an increase in working capital requirements from planned revenue growth, expansion of product lines, and an increase in tissue procurement. Non-cash adjustments to net income for the nine months ended September 30, 2002 include a $32.7 million write-down for the impairment of deferred preservation costs resulting from the FDA Order as discussed in Recent Events, a $3.1 million write-down for the impairment of inventory as discussed in Costs and Expenses, and a $1.4 million write-down of goodwill as discussed in New Accounting Pronouncements.

Net cash provided by investing activities was $5.2 million for the nine months ended September 30, 2002, as compared to cash used of $12.7 million for the nine months ended September 30, 2001. The $5.2 million in current year cash provided was primarily due to a net $10.5 million increase in cash from marketable securities, primarily due to the maturity of debt securities, and $1.2 million in proceeds from notes receivable, partially offset by a $3.9 million decrease due to capital expenditures in 2002, as the expansion and renovation of the Company's corporate headquarters and manufacturing facilities approached completion, and a decrease due to spending on patents of $2.6 million, primarily relating to costs incurred to defend the SynerGraft technology patents, as discussed in Legal Proceedings.

Net cash used by financing activities was $1.0 million for the nine months ended September 30, 2002, as compared to cash provided of $1.6 million for the nine months ended September 30, 2001. The $1.0 million in current year cash used was primarily due to $1.2 million in principal payments on the Term Loan, $663,000 for the purchase of treasury stock, and $454,000 in principal payments on capital leases, offset by a $1.3 million increase due to proceeds from stock option exercises.

The Company's Term Loan, of which the principal balance was $5.9 million as of October 28, 2002, contains certain restrictive covenants including, but not limited to, maintenance of certain financial ratios and a minimum tangible net worth requirement, and the requirement that no materially adverse event has occurred. The lender has determined that the FDA Order, as described in Note 2 to the Summary Consolidated Financial Statements, and the inquiries of the Securities and Exchange Commission, as described in Note 11 to the Summary Consolidated Financial Statements, have a material adverse effect on the Company that constitutes an event of default. Additionally, as of September 30, 2002, the Company is in violation of the debt coverage ratio and net worth financial covenants. As of October 28, 2002 the lender has elected not to declare an event of default, but reserves the right to exercise any such right under the terms of the Term Loan. Therefore, all amounts due under the Term Loan as of September 30, 2002 are reflected as a current liability on the Consolidated Balance Sheet. In the event the lender calls the Term Loan, the Company at present has adequate funds to pay the principal amount outstanding. The Term Loan is secured by substantially all of the Company's assets.

The Company's Term Loan, which accrues interest computed at Adjusted LIBOR plus 1.5%, exposes the Company to changes in interest rates going forward. On March 16, 2000, the Company entered into a $4 million notional amount forward-starting interest swap agreement, which took effect on June 1, 2001 and expires in 2006. This swap agreement was designated as a cash flow hedge to effectively convert a portion of the Term Loan balance to a fixed rate basis, thus reducing the impact of interest rate changes on future income. This agreement involves the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement, without an exchange of the underlying principal amounts. The differential to be paid or received is recognized in the period in which it accrues as an adjustment to interest expense on the Term Loan.

On January 1, 2001 the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") as amended. SFAS 133 requires the Company to recognize all derivative instruments on the balance sheet at fair value, and changes in the derivative's fair value must be recognized currently

in earnings or other comprehensive income, as applicable. The adoption of SFAS 133 impacts the accounting for the Company's forward-starting interest rate swap agreement. Upon adoption of SFAS 133, the Company recorded an unrealized loss of approximately $175,000 related to the interest rate swap, which was recorded as part of long-term liabilities and accumulated other comprehensive income within the Statement of Shareholders' Equity.

In August 2002 the Company determined that changes in the derivative's fair value could no longer be recorded in other comprehensive income, as a result of the uncertainty of future cash payments on the Term Loan caused by the lender's ability to declare an event of default as discussed in Note 6. Beginning in August 2002 the Company is recording all changes in the fair value of the derivative currently in other expense/income on the Summary Consolidated Statements of Operation, and is amortizing the amounts previously recorded in other comprehensive income into other expense/income over the remaining life of the agreement. If the lender accelerates the payments due under the term load by declaring an event of default, any remaining balance in other comprehensive income will be reclassed into other expense/income during that period.

At September 30, 2002 the notional amount of this swap agreement was $3.0 million, and the fair value of the interest rate swap agreement, as estimated by the bank based on its internal valuation models, was a liability of $305,000. The fair value of the swap agreement is recorded as part of long-term liabilities. For the three and nine months ended September 30, 2002 the Company recorded a loss of $26,000 on the interest rate swap. The unamortized value of the swap agreement, recorded in the accumulated other comprehensive income account of shareholders' equity, was $279,000 at September 30, 2002.

On July 23, 2002 the Company's Board of Directors authorized the purchase of up to $10 million of its common stock. As of August 13, 2002 the Company had repurchased 68,000 shares of its common stock for $663,000. No further purchases are anticipated in the near term.

On July 30, 2002 the Company entered into a line of credit agreement with the lender that made the Term Loan, permitting the Company to borrow up to $10 million. Borrowings under the line of credit agreement accrue interest equal to Adjusted LIBOR plus 1.25% adjusted monthly. This loan is secured by substantially all of the Company's assets. As of October 28, 2002 no amounts were drawn on the line of credit. As a result of the FDA Order, as discussed in Note 2 to the Summary Consolidated Financial Statements, the Company is not in compliance with the lender's requirements for advances of funds under the line of credit. On August 21, 2002 the lender notified the Company that it was not entitled to any further advances under the line of credit.

Since October 1998 management has been seeking to enter into a corporate collaboration or to complete a potential private placement of equity or equity-oriented securities to fund the commercial development of its Activation Control Technology ("ACT"). This technology is now held by the Company's wholly owned subsidiary AuraZyme Pharmaceutical, Inc.(R), ("AuraZyme") which was formed on February 26, 2001. This strategy, if successful, will allow an affiliated entity to fund the ACT and should expedite the commercial development of its oncology, fibrin olysis (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.

However, if the Company is unable to obtain funds for the commercial development of the ACT and/or if the Company decides to fund the technology itself, the expenses required to fund the ACT could adversely impact the Company's liquidity going forward. The Company expects that it will reduce its efforts to fund the commercial development of ACT in the near term until it has evaluated the financial impact of the recent FDA Order.

The Company expects its liquidity to decrease significantly over the next year due to the anticipated significant decrease in revenues as compared to the prior year period, as a result of the FDA Order and an expected decrease in cash due to the increased legal and professional costs relating to the defense of lawsuits and the FDA Order. On September 3, 2002 the Company announced a reduction in employee force of approximately 105 employees. Severance and related costs are approximately $690,000 and were recorded in the third quarter of 2002. As a result of the employee reduction, management anticipates personnel

costs will be reduced by approximately $385,000 per month. The Company believes that anticipated revenue generation, expense management including the cessation of the development of the bioprosthetic valves, savings resulting from the reduction in the number of employees to reflect the reduction in revenues, tax refunds expected to be in excess of $10 million (consisting of $1.7 million of overpayments from 2001 received in October of 2002, $2.5 million of expected overpayments for the 2002 tax year which is expected to be received in the first quarter of 2003, and at least $5.8 million of loss carrybacks generated from deferred preservation cost write-downs the receipt of which will be based upon the timing of the destruction of the related tissues), and the Company's existing cash and marketable securities will enable the Company to meet its liquidity needs through September 30, 2003. Even if the Company is able to address the observations detailed in the FDA's Warning Letter, there is no assurance that the Company will be able to return to the level of demand for its tissue services that existed prior to the FDA Order as a result of the adverse publicity or as a result of customers and tissue banks switching to competitors.

The Company's long term liquidity and capital requirements will depend upon numerous factors, including the ability of the Company to address the observations detailed in the Warning Letter, the ability to have the Agreement with the FDA extended, the extent of the anticipated revenue decreases, the costs associated with becoming compliant with the FDA requirements as outlined in the FDA Order, the outcome of litigation against the Company as described in Part II Item 1 of this Form 10-Q, the level of demand for tissue based on adverse publicity in the event the FDA Order is resolved in a manner favorable to the Company, the timing of the Company's receipt of FDA approvals to begin clinical trials for its products currently in development, the availability of resources required to further develop its marketing and sales capabilities if and when those products gain approval, the extent to which the Company's products generate market acceptance and demand and the resolution of the "Risk Factors" discussed below. The ultimate impact of many of these factors will be affected by the outcome of others. 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. 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, results of operations, and cash flows.

RISK FACTORS

FDA ORDER ON HUMAN TISSUE-DEPENDENCE ON PRESERVATION OF HUMAN TISSUE

On August 13, 2002 the Company received an order from the FDA calling for the retention, recall, and/or destruction of all non-valved cardiac, vascular, and orthopaedic tissue processed by the Company at its headquarters since at least October 3, 2001 based upon allegations of FDA violations by the Company of its handling of such tissue and alleged contamination through the Company's processing of such tissue that resulted in 14 post-transplant infections including one death. A significant portion of the Company's current revenues is derived from the preservation of human tissues. Revenues of human tissue preservation services for the six months ended June 30, 2002, the last period ending prior to the issuance of FDA Order, were 78% of the Company's revenues. Of those revenues, 67% were derived from preservation of tissues subject to the FDA Order representing $26.9 million. Revenues for human tissue preservation services for the year ended 2001 were 86% of the Company's revenues. Of those revenues, 68% were derived from preservation of tissues subject to the FDA Order. On September 30, 2002, the first full month in which the Company was subject to the FDA Order as supplemented by the Agreement, revenues derived from the preservation of tissues for the Company were $1.7 million, a 72% decrease in revenues from September 2001.

The FDA Order has had a material adverse effect on the Company's business, financial condition, results of operations and cash flows. As a result of the FDA Order, the Company has experienced, and continues to expect to experience, decreases in revenues and profits and there is a possibility that the Company may not generate sufficient cash from operations to fund its operations. Although the Agreement that supplements the FDA Order has allowed the Company to process vascular and non-valve cardiac patch tissues subject to the FDA Order with certain restrictions, the Company has continued to experience a reduced demand for such tissues due to the adverse publicity generated from the recall

and from implanting physicians' or risk managers at implanting institutions decisions to use human tissue from the Company's competitors. Even if the Company is able to address the observations detailed in the FDA's Warning Letter, demand for such tissue has been, and may continue to be, reduced by the adverse publicity generated from the recall or from implanting physicians' and risk managers' decisions to use human tissue from the Company's competitors. Therefore, even if the Company is able to address the observations detailed in the FDA's Warning Letter, the Company could still experience significant decreases in revenues and profits and there is a possibility that the Company would not generate sufficient cash from operations to fund its operations. Even if the Company is able to address the observations detailed in the FDA's Warning Letter, the Company currently believes that the time for processing human tissue and the costs of such processing are likely to increase, which could have a material adverse affect on the Company's business, results of operations and financial position.

In the event that the Company is able to address the observations detailed in the FDA's Warning Letter, the success of the Company 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 and tissue banks (most of which are not-for-profit) and others to educate the public and foster a willingness to donate tissue. Because of the adverse publicity associated with the recall and uncertainty regarding future tissue processing, some procurement agencies have ceased sending tissue to the Company for processing. If the Company's relationships with procurement agencies continue to be adversely affected or the Company is unable to obtain tissues from procurement agencies that have ceased sending tissue to the Company for processing, the Company may be unable to obtain adequate supplies of donated tissues to operate profitably.

EFFECTS OF FDA ORDER ON LIQUIDITY AND CAPITAL RESOURCES

Based upon the FDA Order, the Company anticipates a continued decrease in liquidity. Based upon the anticipated decrease in revenues and profits from the FDA Order and associated adverse publicity, the Company expects that cash generated by operations will continue to decrease over the near term and working capital could decrease. Although the Company has reduced its level of operation and the number of personnel employed in response to the FDA Order, there is a possibility that the Company may not have sufficient funds to fund its primary capital requirements or to meet its operating and development needs.

CURRENT DEMAND FOR OUR ORTHOPAEDIC TISSUE PRESERVATION SERVICES IS MINIMAL AND MAY NOT RETURN

As a result of the FDA Order and related adverse publicity the Company has received only nominal revenue from the cryopreservation of orthopaedic tissues since August 14, 2002. For the year ended December 2001, human tissue preservation services revenues for orthopaedic tissues were $22.5 million, which represented 26% of the Company's revenues. For the six months ended June 30, 2002, revenues for preservation services for orthopaedic tissues were $11.9 million, which represented 23% of the Company's revenues. Even if the Company is able to address the observations in the FDA's Warning Letter and the Company is allowed to resume processing and shipping of orthopaedic tissues, because orthopaedic tissue is generally not involved in life-saving or limb-saving procedures and due to the adverse publicity, the demand for orthopaedic tissue from the Company may be minimal and may never return to the levels in existence before the FDA Order. As a result, this portion of the Company's business may have to be permanently discontinued or may only continue at an extremely reduced level. Any of these occurrences would result in a significant decrease in the Company's revenues and profitability in the future as compared to historical results.

PHYSICIANS MAY BE RELUCTANT TO IMPLANT THE COMPANY'S PRESERVED TISSUES

Even if the Company is able to address the observations detailed in the FDA's Warning Letter, and the Company is allowed to resume shipping all of the tissues subject to the FDA Order without the restrictions set forth in the Agreement, there is a risk that physicians or implanting institutions will be reluctant to choose the Company's preserved tissues for use in implantation, due to a perception that they may not be safe or to a belief that the implanting physician or hospital may be subject to a heightened liability risk if the

Company's tissues are used. In addition, for similar reasons, hospital risk managers may forbid implanting surgeons to utilize the Company's tissues where alternatives are available. If a significant number of implanting hospitals or physicians refused to use tissues preserved by the Company, the Company's revenues and profits would be materially adversely affected.

HEART VALVES PROCESSED BY THE COMPANY MAY ALSO BE RECALLED

On August 21, 2002 the FDA publicly stated that allograft heart valves have not been included in the FDA recall order as these devices are essential for the correction of congenital cardiac lesions in neonate and pediatric patients and no satisfactory alternative device exists. However, the FDA also publicly stated that it still has serious concerns regarding the processing and handling of allograft heart valves. The FDA also recommended that surgeons carefully consider using processed allografts from alternative sources, that surgeons should inform prospective patients of the FDA's concerns with the Company's allograft heart valves, and that patients should be carefully monitored for both fungal and bacterial infections. The FDA could institute a recall or other corrective measures if it felt that the Company was not making progress in complying with the FDA Order. Any adverse finding by the FDA regarding allograft heart valves, including a recall, would cause further decreases in the Company's revenue base and profits and significantly reduce the Company's potential for growth. If such a recall occurs, the Company may also be required to write-down all or a portion of the deferred preservation costs for allograft heart valves, which could have a material adverse effect on the results of operations and financial condition of the Company.

DEMAND FOR HEART VALVES PROCESSED BY THE COMPANY HAS DECREASED AND MAY CONTINUE TO DECREASE

Possibly as a result of the FDA's public statement on August 21, 2002 regarding allograft heart valves, and due to the adverse publicity associated with the FDA Order, some physicians and implanting institutions have been reluctant to choose the Company's allograft heart valves for use in implantation, due to a perception that they may not be safe or to a belief that the implanting institutions or hospitals may be subject to a heightened liability risk if the Company's preserved tissues are used, especially if alternatives are available. If adverse publicity continues, and if the Company is unable to address the observations in the FDA's Warning Letter and the FDA's public statement is not retracted, the demand for Company's allograft heart valves could continue to decrease and may never return to the levels exhibited before the FDA Order. In such an event, the Company's revenues and profits would be materially adversely affected as compared to historical results.

ESTIMATED COSTS OF RECALL AND RELATED WRITE-DOWNS

The Company's financial statements reflect the estimated cost of recalling tissue pursuant to the FDA Order. The Company has recorded a write-down of $32.7 million of deferred preservation costs for tissues subject to the FDA Order. While these estimates are based on the Company's best estimate of the costs associated with the recall and the impairment of deferred preservation costs subject to the FDA Order, there can be no assurance that these costs and write-downs will in fact be limited to the amount estimated.

RISKS RELATED TO PRODUCTS NOT AFFECTED BY THE FDA RECALL

Even though the Company's BioGlue products and its porcine heart valve products (which are not sold in the United States) are not included in the FDA Order, there is a possibility that surgeons or risk managers at institutions that use such products may be reluctant to use such products because of the adverse publicity associated with the FDA Order. Decreased demand for such products, particularly BioGlue, could have a material adverse effect on the Company's business, results of operations and financial position.

REGULATORY ACTION OUTSIDE OF THE UNITED STATES

After the FDA issued its order regarding the recall, Health Canada also issued a recall on the same types of tissue. In addition, other countries have inquired as to the tissues exported by the Company, although their inquiries are now, to the Company's knowledge, complete. In addition, the Company has not shipped tissue out of the United States without following the restrictions set forth in the FDA Order as supplemented by the Agreement. In the event that the Company is

unable address the observations detailed in the FDA's Warning Letter or additional regulatory concerns raised by other countries, the Company may be unable to export tissues subject to the FDA Order.

THE COMPANY MAY BE FORCED TO CEASE TISSUE PRESERVATION

If the Company is not able to address the observations detailed in the Warning Letter, or if the allograft heart valves processed by the Company are also recalled, or if the Agreement expires and is not extended, the Company may not be able to profitably continue its tissue processing business. In such an event, the Company would attempt to continue as a smaller adhesives and valve manufacturing company; however, in order to do so the Company would be required to divest itself of a number of assets related to its tissue processing business and would have to institute large-scale workforce reductions. There is no guarantee that the resulting entity would be able to generate sufficient revenues to operate profitably, and in any event, the Company would be much smaller and would likely be valued at a reduced level by the marketplace.

THE COMPANY'S COMMON STOCK IS POTENTIALLY AT RISK OF BEING DELISTED FROM THE NEW YORK STOCK EXCHANGE

Because of the FDA Order and the current trading price of the Company's common stock, there is a possibility that the Company's common stock could be delisted from the New York Stock Exchange. If the stock is delisted, there is no guarantee that there will be a liquid market for the stock and the trading price of the stock would likely be adversely affected.

THE COMPANY IS THE SUBJECT OF AN ONGOING SEC INVESTIGATION

The Company received notice from the Securities and Exchange Commission on August 17, 2002 that it is the subject of an investigation with respect to accounting issues and trades in the Company's stock related to the FDA Order. The Company does not know any details of what the SEC is specifically investigating, but believes that an adverse finding by the SEC could have a material adverse effect on its business financial position, results of operations, and cash flows. The staff of the SEC subsequently confirmed that its investigation is informal in nature, and that it does not have subpoena power at this time. At the present time, the Company is unable to predict the outcome of this matter.

EFFECTS OF THE FDA RECALL ON CREDIT FACILITY

The Term Loan contains certain restrictive covenants including, but not limited to, maintenance of certain financial ratios, a minimum tangible net worth requirement, and the requirement that no materially adverse event has occurred. The lender has determined that the FDA Order, as described in Note 2 to the Summary Consolidated Financial Statements, and the inquiries of the Securities and Exchange Commission, as described in Note 12 to the Summary Consolidated Financial Statements, have a material adverse effect on the Company that constitutes an event of default. Additionally, as of September 30, 2002, the Company is in violation of the debt coverage ratio and net worth financial covenants. As of October 28, 2002 the lender has elected not to declare an event of default, but reserves the right to exercise any such right under the terms of the Term Loan. There is no assurance the lender will not exercise its rights, which could have a material adverse effect on the Company's liquidity.

THE COMPANY'S INSURANCE COVERAGE MAY BE INSUFFICIENT TO COVER CURRENT AND FUTURE CLAIMS AND ADDITIONAL COVERAGE MAY BE DIFFICULT OR IMPOSSIBLE TO OBTAIN IN THE FUTURE

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. As a result, the use of the Company's products and human tissue processed by the Company involves the possibility of adverse effects that could expose the Company to product liability claims, including the lawsuits filed against the Company relating to infection of implanted tissue described below in Part II, Item 1 "Legal Proceedings." The recent FDA Order could adversely influence the outcome of current product liability claims relating to infection of tissue processed by the Company. In addition, due to the publicity surrounding the recent FDA Order more product liability claims relating to alleged infection of tissue processed by the Company could be filed.

In addition, a recent United States Supreme Court decision held that product liability may exist despite FDA approval, and future court decisions may also increase the Company's risk of product liability.

Whether or not the Company is ultimately determined to be liable for product liability claims, the Company will 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, the Company may incur significant losses in the future. Management believes that the coverage is adequate to cover any losses due to product claims if actually incurred however, there can be no assurance that such coverage will be adequate. In addition, there can be no assurance that such coverage will continue to be available on terms acceptable to the Company, especially in light of the FDA Order and the number of product liability claims the Company has had made against it. Furthermore, if any product liability claims are successful, it could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

Because of the current litigation and the adverse publicity from the FDA Order, the Company may be unable to obtain additional insurance coverage in the future, causing the Company to be subject to additional future exposure from product liability claims.

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 and companies that market wound closure products. During the time that the Company has been restricted in its processing and distribution of human tissue due to the FDA Order as supplemented by the Agreement, tissue preservation service customers have been forced to obtain tissue from the Company's competitors, which could lead to permanent substitution when, and if, the Company resumes processing tissues without the restrictions of the FDA Order, as supplemented by the Agreement.

Management believes that at least four tissue banks offer preservation services for allograft 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 Edwards Life Sciences. 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 would 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, results of operations and cash flows. The FDA Order and related adverse publicity have had an adverse effect on the Company's competitive position, which has had a material adverse effect on the Company's results of operations. The FDA Order and related adverse publicity may continue to have an adverse effect on the Company's competitive position, which may continue to have a material adverse effect on the Company's results of operations. As a result of the FDA Order, the Company's competitors may gain competitive advantages that may be difficult to overcome.

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, results

of operations, and cash flows.

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 BioGlue and SynerGraft technologies and its ACT. The Company may be required to undertake time consuming and costly development activities and seek regulatory clearance or approval for new products. The Company has had minimal reduction in its development efforts since the receipt of the FDA Order. The Company may have to further reduce its development efforts in the future because of the impact of the FDA Order on the Company's financial condition or if it is unable to address the observations detailed in the Warning Letter.

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 expanded clinical studies will be consistent with earlier trial 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, the Company's products under development may not be successfully developed or manufactured or, if developed and manufactured, such products may not 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, results of operations, and cash flows. The Company's porcine heart valve products, including its SynerGraft treated porcine valves, are currently only offered for sale outside of the United States. 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 United States. 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. The introduction of new human tissue products may require 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.

UNCERTAINTIES REGARDING THE FUNDING OF THE ACT TECHNOLOGY

The ACT is a reversible linker technology that has potential uses in the areas of cancer therapy, fibrin olysis (blood clot dissolving) and other drug delivery applications. The Company has formed AuraZyme, a wholly owned subsidiary, in order to seek a corporate collaboration or to complete a potential private placement of equity or equity-oriented securities to fund the commercial development of the ACT.

This strategy is designed to allow the Company to continue development of this technology without incurring additional research and development expenditures, other than through AuraZyme. There can be no guarantee that such funding can be obtained on acceptable terms, if at all, especially in light of the recent FDA Order. If such funding is not obtained, the Company may be unable to effectively

test and develop the ACT, and may therefore be unable to determine its effectiveness. Even if such financing is obtained, there is no guarantee that the ACT will in fact prove to be effective in the above applications. Failure to obtain the desired financing, or failure of the ACT to perform as anticipated in future tests, could have a material adverse effect on the Company's future expansion plans and could limit future growth.

UNCERTAINTIES REGARDING THE SYNERGRAFT TECHNOLOGY

The Company processes porcine, bovine and human tissues with the SynerGraft process. In animal studies, explanted porcine heart valves have been shown to repopulate with the hosts' cells. However, should SynerGraft-treated tissues implanted in humans not repopulate with the human host cells, the SynerGraft-treated tissues may not have the improved longevity over the CryoLife standard processing technology that the Company currently expects. This could have a material adverse effect on future expansion plans and could limit future growth.

EXTENSIVE GOVERNMENT REGULATION

Government regulation in the United States, the EC and other jurisdictions represents a potentially determinative factor in the success of the Company's efforts to market and develop its products. The allograft heart valves to which the Company applies its preservation services are currently regulated as Class II medical devices by the FDA and are subject to significant regulatory requirements, including Quality System Regulations and record keeping requirements. Changes in regulatory treatment or the adoption of new statutory or regulatory requirements are likely to 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 rules promulgated by the FDA pursuant to the Public Health Services Act. These rules establish requirements for donor testing and screening of human tissue and record keeping

relating to these activities and impose certain registration and product listing requirements on establishments that process or distribute human tissue or cellular-based products. The FDA has proposed and is refining a regulation that will improve good tissue practices, akin to good manufacturing practices, followed by tissue banks and processors of human tissue. It is anticipated that these good tissue practices regulations when promulgated will enhance regulatory oversight of the Company and other processors of human tissue.

BioGlue Surgical Adhesive is regulated as a Class III medical device and the Company believes that its ACT may be regulated as a biologic or drug by the FDA. The ACT has not been approved for commercial distribution in the United States. 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 porcine heart valve products in the United States. Distribution of these products within the EC 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 premarket approval ("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 United States 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 investigators, 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 or services marketed by the Company pursuant to FDA or foreign oversight or approvals are subject to continuing regulation. In the United States, devices and biologics must be manufactured in registered establishments (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, warnings, citations, product recalls or detentions and other penalties and could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows. As noted above, the FDA Order has had, and may continue to have such an effect.

In addition, The National Organ Transplant Act ("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 preservation services. The Company's laboratory operations are subject to the United States 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.

More restrictive state laws or regulations may be adopted in the future and they could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

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, results of operations, and cash flows. 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, results of operations, and cash flows.

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 preservation services with respect to its cardiac, vascular, and orthopaedic tissues may be particularly susceptible to third-party cost containment measures. For example, the initial cost of a cryopreserved allograft 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, hospitals, 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, results of operations and cash flows.

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 who 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, results of operations and cash flows.

VOLATILITY OF SECURITIES PRICES

The trading price of the Company's common stock has been subject to wide fluctuations recently and may continue to be subject to such volatility in the future. Trading price fluctuations can be caused by a variety of factors, including regulatory actions such as the recent FDA Order, recent product liability claims, 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 further, 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. If the Company's share prices do not meet the requirements of the New York Stock Exchange, the Company's shares may be delisted. The Company's closing stock price since January 1, 2002 has ranged from a high of $31.31 to a low of $1.89.

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 of Directors 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-Q 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 herein which address activities, events or developments which the Company expects or anticipates will or may occur in the future, including statements regarding the impact of recent accounting pronouncements, adequacy of product liability insurance to defend against lawsuits, the outcome of lawsuits filed against the Company, the impact of the FDA Order and related Agreement on future revenues, profits and business operations, the effect of the FDA Order on sales of BioGlue, future tissue procurement levels resulting from the FDA Order, the Company's ability to address the observations detailed in the Warning Letter, the outcome of the Company's appeal of the FDA Order, the estimates underlying the charges recorded in the second quarter due to the FDA Order, the estimates underlying the accrual to second quarter earnings established to account for the cost to the Company of the FDA Order and the legal and professional fees necessary because of the FDA Order, the estimates of the amounts accrued for the retention levels under its product liability and directors' and officers' insurance policies, future costs of human tissue preservation services, changes in liquidity and capital resources as a result of the FDA Order, the outcome of any evaluation of allograft heart valves by the FDA, the possible adverse outcome of the SEC investigation referenced in the SEC Letter, future product development plans as a result of the FDA Order, the Company's competitive position, the successful development of its SynerGraft porcine heart valves, funding available to continue development of the ACT, estimated dates relating to the Company's proposed regulatory submissions, the Company's expectations regarding the adequacy of current financing arrangements, product demand and market growth, the potential of the ACT for use in cancer therapies, fibrin olysis (blood clot dissolving), and other drug delivery applications, the outcome of litigation, the impact on the Company of adverse results of surgery

utilizing tissue processed by it, 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 to the Company's expectations and predictions is subject to a number of risks and uncertainties, as is the Company's business. These risks and uncertainties, which could cause actual results to differ materially from the Company's expectations, include the risk factors discussed in this Form 10-Q and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this Form 10-Q are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Company or its business or operations. The Company assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company's interest income and expense are most sensitive to changes in the general level of United States interest rates. In this regard, changes in United States interest rates affect the interest earned on the Company's cash and cash equivalents of $12.2 million and short-term investments in municipal obligations of $15.9 million as of September 30, 2002, as well as interest paid on its debt. A 10% adverse change in interest rates affecting the Company's cash equivalents and short-term investments would not have a material impact on the Company's interest income for 2002.

The Company manages interest rate risk through the use of fixed debt and an interest rate swap agreement. At September 30, 2002 approximately $3.0 million of the Company's $6.0 million in debt charged interest at a fixed rate. This fixed rate debt includes a portion of the Company's outstanding term loan balance that has been effectively converted to fixed rate debt through an interest rate swap agreement. A 10% increase in interest rates affecting the Company's variable rate debt, net of the effect of the interest rate swap agreement, would not have a material increase in the Company's interest expense for 2002.

Item 4. Controls and Procedures.

With the participation of management, the Company's President and Chief Executive Officer along with the Company's Vice President of Finance and Chief Financial Officer evaluated the Company's disclosure controls and procedures within 90 days of the filing date of this quarterly report. Based upon this evaluation, the Company's President and Chief Executive Officer along with the Company's Vice President of Finance and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in ensuring that material information required to be disclosed is included in the reports that it files with the Securities and Exchange Commission.

There were no significant changes in the Company's internal controls or, to the knowledge of the management of the Company, in other factors that could significantly affect these controls subsequent to the evaluation date.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings.

In the normal course of business as a medical device and services company the Company has product liability complaints filed against it. As of October 28, 2002 fifteen cases had been filed against the Company

between May 18, 2000 and October 8, 2002. The cases are currently in the pre-discovery or discovery stages. Of these cases, nine allege product liability claims arising out of the Company's orthopaedic tissue, four allege product liability claims arising out of the Company's allograft heart valve tissue, one alleges product liability claims arising out of the Company's allograft vascular tissue, and one alleges product liability claims arising out of the non-tissue products made by Ideas for Medicine, when it was a subsidiary of the Company.

Included in these cases is the complaint filed against the Company in the Superior Court of Cobb County, Georgia, on July 12, 2002 by Steve Lykins, as Trustee for the benefit of next of kin of Brian Lykins. This complaint alleges strict liability, negligence, professional negligence, and breach of warranties related to tissue implanted in November of 2001. The plaintiff seeks unspecified compensatory and punitive damages.

The Company maintains insurance policies, which the Company believes to be adequate to defend against these suits. The Company's insurance company has been notified of these actions. The Company intends to vigorously defend against these claims. Nonetheless, an adverse judgment in excess of the Company's insurance coverage could have a material adverse effect on the Company's financial position, results of operations, and cash flows.

Several putative class action lawsuits were filed in July through September 2002 against the Company and certain officers of the Company alleging that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated there under, by issuing a series of materially false and misleading statements to the market throughout the Class Period of August of 2000 through August of 2002, which statements had the effect of artificially inflating the market price of the Company's securities. The principal allegations of the complaints are that the Company failed to disclose its alleged lack of compliance with certain FDA regulations regarding the handling and processing of certain tissues and other product safety matters. The plaintiffs seek unspecified compensatory damages in an amount to be proven at trial. The Company believes these cases will be consolidated into one putative class action lawsuit. The Company believes the claims made in the lawsuits are without merit and intends to vigorously defend against these claims. Management has retained the services of the Atlanta based law firm of King & Spalding to defend the Company. The Company carries director's and officer's liability insurance, which the Company believes to be adequate to defend against these suits. Nonetheless, an adverse judgment in excess of the Company's insurance coverage could have a material adverse effect on the Company's financial position, results of operations, and cash flows.

The Company received notice in October that a complaint had been filed instituting a shareholder derivative action against the Company and Company officers and directors Steven G. Anderson, Albert E. Heacox, John W. Cook, Ronald C. Elkins, Virginia C. Lacy, Ronald D. McCall, Alexander C. Schwartz and Bruce J. Van Dyne. The suit was filed in the Superior Court of Gwinnett County, Georgia, by Rosemary Lichtenberger but has not been served on the defendants. The suit alleges the individual defendants breached their fiduciary duties to the Company by causing or allowing the Company to engage in practices that caused the Company to suffer damages by being out of compliance with FDA guidelines, and by causing the Company to issue press releases that erroneously portrayed CryoLife's products, operations, financial results and future prospects. The complainant seeks undisclosed damages, costs and attorney's fees, punitive damages and prejudgment interest against the individual defendants derivatively on behalf of the Company as a nominal defendant. Filing of the complaint was preceded by a demand letter on behalf of the complainant dated one day prior to the filing of the suit. Another derivative demand letter of similar import was received on behalf of complainant Robert F. Fraley; however, to the Company's knowledge, no suit has yet been filed by Mr. Fraley. The

Company's Board of Directors has established an independent committee to investigate the claims asserted in the Lichtenberger complaint and the demands made in the Fraley letter and report back to the Board with its

recommendations for action in response to the shareholders' demands. The independent committee has engaged independent legal counsel to assist in the investigation.

On August 7, 2002 the Company announced the settlement of its ongoing litigation with Colorado State University Research Foundation ("CSURF") over the ownership of the Company's SynerGraft technology. The settlement resolves all disputes between the parties and extinguishes all CSURF ownership claims to any aspect of the Company's SynerGraft technology. The settlement includes an unconditional assignment to the Company of CSURF tissue engineering patents, trade secrets and know-how relating to tissue decellularization and recellularization. The technology assignment supercedes the 1996 technology license, which was terminated by the terms of the settlement. Payment terms include a nonrefundable advance of $400,000 paid by the Company to CSURF that will be applied to earned royalties as they accrue through March 2011. The Company recorded these amounts as prepaid royalties and will expense the amounts as the royalties accrue. The earned royalty rate is a maximum of 0.75% of net revenues from products or tissue services utilizing the SynerGraft technology. Royalties earned under the agreement for revenues through September 30, 2002 were approximately $33,000.

On August 17, 2002 the Company received a letter from the United States Securities and Exchange Commission (the "SEC Letter") that stated that the Company was subject to an investigation related to the Company's August 14, 2002 announcement of the FDA Order and requesting information from the Company from the period between September 1, 2001 through the date of the Company's response to the SEC Letter. The SEC Letter stated, in part, that "We are trying to determine whether there have been any violations of the federal securities laws. The investigation and the subpoena do not mean that we have concluded that anyone has broken the law. Also, the investigation does not mean that we have a negative opinion of any person, entity or security." The staff of the SEC subsequently confirmed that its investigation is informal in nature, and that it does not have subpoena power at this time. At the present time, the Company is unable to predict the outcome of this matter.

The Company has concluded that it is probable that it will incur losses relating to claims and litigation of at least $1.2 million; which represents the aggregate amount of the Company's deductibles under its product liability and directors and officer's insurance policies. Therefore the Company has recorded an accrual of $1.2 million as of June 30, 2002.

Item 2. Changes in Securities.
None

Item 3. Defaults Upon Senior Securities.
See Note 6 to the Summary Consolidated Financial Statements for information regarding a notification by the Company's lender that the FDA Order and the inquiries of the SEC have had a material adverse effect on the Company, which constitutes an event of default. The lender has elected not to declare an event of default at this time.

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

Item 5. Other information.
Alexander C. Schwartz, Jr. resigned from the Board of Directors on October 14, 2002 due to health reasons following a lengthy illness.

Item 6. Exhibits and Reports on Form 8-K

(a) The exhibit index can be found below.

Exhibit

Number	Description
3.1	Restated Certificate of Incorporation of the Company, as amended. (Incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.)
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.)
3.3	Articles of Amendment to the Articles of Incorporation of the Company. (Incorporated by reference to Exhibit 3.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.)
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).
10.1*	Second Amendment to Construction Loan and Permanent Financing Agreement, dated July 30, 2002, by and between the Company and Bank of America.
10.2*	Promissory Note by and between the Company and Bank of America, dated July 30, 2002.
10.3*	Settlement and Release Agreement, dated August 2, 2002, by and between Colorado State University Research Foundation, the Company and Dr. E. Christopher Orton.
10.4*	Employment Agreement, by and between the Company and D. Ashley Lee, dated September 3, 2002.
10.5*	Employment Agreement, by and between the Company and Sidney B. Ashmore, dated September 3, 2002.
10.6*	Employment Agreement, by and between the Company and Kirby S. Black, dated September 3, 2002.
10.7*	Employment Agreement, by and between the Company and Albert E. Heacox, dated September 3, 2002.
10.8*	Employment Agreement, by and between the Company and David M. Fronk, dated September 3, 2002.
10.9*	Employment Agreement, by and between the Company and James C. Vander Wyk, dated September 3, 2002.
10.10*	Employment Agreement, by and between the Company and Steven G. Anderson, dated September 3, 2002.

10.11	Letter Agreement between the Company and FDA, dated September 5, 2002. (Incorporated by reference to Exhibit 10.38 to the registrant's report of Form 8-K filed on September 6, 2002).
10.12*	Eighth 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 November 18, 1998.
10.13*	Ninth 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 July 25, 2001.
10.14*	Tenth 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 June 25, 2002.
10.15*	First Amendment to Lease dated July 23, 1993, by and between Newmarket Partners I, Laing Properties, Inc. and Laing Management Company, General Partner, as Landlord, and the Company as Tenant, dated June 9, 1994.
10.16*	Second Amendment to Lease dated July 23, 1993, by and between Newmarket Partners I, Laing Properties, Inc. and Laing Management Company, General Partner, as Landlord, and the Company as Tenant, dated June 6, 1998.
10.17*	Third Amendment to Lease dated July 23, 1993, by and between Newmarket Partners I, Laing Properties, Inc. and Laing Management Company, General Partner, as Landlord, and the Company as Tenant, dated August 3, 2001.
10.18*	Fourth Amendment to Lease dated July 23, 1993, by and between Newmarket Partners I, Laing Properties, Inc. and Laing Management Company, General Partner, as Landlord, and the Company as Tenant, dated June 25, 2002.
99.1*	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002.

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* Filed herewith.

(b) Current Reports on Form 8-K.

The Registrant filed a Current Report on Form 8-K with the Commission on September 6, 2002 with respect to the Letter Agreement between the Company and the FDA.

SIGNATURES

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

CRYOLIFE, INC.
(Registrant)

/s/ STEVEN G. ANDERSON	/s/ DAVID ASHLEY LEE
STEVEN G. ANDERSON Chairman, President, and Chief Executive Officer	DAVID ASHLEY LEE Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
October 29, 2002	
DATE	

CERTIFICATIONS

I, Steven G. Anderson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CryoLife, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 29, 2002

/s/ STEVEN G. ANDERSON

Chief Executive Officer

I, David Ashley Lee, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CryoLife, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this

quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 29, 2002

/s/ DAVID ASHLEY LEE

Chief Financial Officer

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EXHIBIT 10.1

SECOND AMENDMENT TO CONSTRUCTION LOAN
AND PERMANENT FINANCING AGREEMENT

This Second Amendment to Construction Loan and Permanent Financing Agreement (this "Amendment") is made and entered into as of July 30, 2002 by and between CRYOLIFE, INC. (the "Borrower"), and BANK OF AMERICA, N.A. (the "Lender");

W I T N E S S E T H:

WHEREAS, the Borrower and the Lender have made and entered into that Construction Loan and Permanent Financing Agreement, dated as of April 25, 2000, as amended through the date hereof (the "Original Loan Agreement" and, as amended hereby, the "Loan Agreement"; capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Loan Agreement);

WHEREAS, the Borrower's obligations to the Lender are secured by that certain Security Agreement, dated as of April 25, 2000, as amended through the date hereof (the "Original Security Agreement" and, as so amended, the "Security Agreement");

WHEREAS, pursuant to the Original Loan Agreement, the Lender has extended to the Borrower a construction/permanent loan facility in the original principal amount of up to $8,000,000;

WHEREAS, the Lender has previously extended to the Borrower a revolving loan facility in the original principal amount of up to $2,000,000, which has expired;

WHEREAS, Borrower desires to obtain a new revolving loan facility of up to $10,000,000 and to make certain other changes to the Loan Agreement;

WHEREAS, the Borrower desires to amend certain provisions of the Loan Agreement, and the Lender is willing to agree to the same on the terms and conditions set forth herein;

NOW THEREFORE, for and in consideration of the foregoing and for ten dollars ($10.00) and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1.
AMENDMENTS TO LOAN AGREEMENT

SECTION 1.1 DEFINITION AMENDMENTS. The following definitions in Section 1.1 of the Loan Agreement are hereby amended in their entirety to read as follows:

"Adjusted LIBO Rate" means:

(i) with respect to the Construction Loan (and Term Loan), the LIBO Rate divided by a percentage equal to one (1) minus the then average stated maximum amount (stated as a decimal) of all reserve requirements applicable to any member of the Federal Reserve System in respect of Eurocurrency liabilities as defined in Regulation D of the Board of Governors of the Federal Reserve System (or any successor categories for such liabilities under such Regulation D). The Adjusted LIBO Rate shall be set on the date of Closing and shall be recalculated each thirtieth (30th) day thereafter. The Adjusted LIBO Rate, once so calculated or recalculated, shall remain in effect until the next scheduled recalculation date. If any recalculation date for the Adjusted LIBO Rate is not a Business Day, the recalculation of the Adjusted LIBO Rate shall be made on the next Business Day following such date.

(ii) with respect to the Line of Credit, the fluctuating rate of interest (rounded upwards, if necessary to the nearest 1/100 of 1%) appearing on Telerate Page 3750 (or any successor page) as the 1 month London interbank offered rate for deposits in United States Dollars at approximately 11:00 a.m. (London time) on the second preceding business day, as adjusted from time to time in Lender's sole discretion for then-applicable reserve requirements, deposit insurance assessment rates and other regulatory costs; if for any reason such rate is not available, the term "LIBOR Daily Floating Rate" shall mean the fluctuating rate of interest equal to the

rate of interest (rounded upwards, if necessary to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the 1 month London interbank offered rate for deposits in United States Dollars at approximately 11:00 a.m. (London time) on the second preceding day, as adjusted from time to time in Lender's sole discretion for then-applicable reserve requirements, deposit insurance assessment rates and other regulatory costs; provided, however, if more than one rate is specified on Reuters Screen LIBO page, the applicable rate shall be the arithmetic mean of all such rates (the "Index"). The Index is not necessarily the lowest charged by Lender on its loans, Lender may make loans based on other rates as well and if the Index becomes unavailable during the term of this Line of Credit, Lender may designate a substitute index after notice to Borrower. The interest rate change applicable to the Line of Credit will not occur more often than each date of such change in the Index.

"Advances" means, (i) with respect to the Construction Loan, any direct or indirect advance made by Lender to Borrower pursuant to Article Two of this Agreement, and (ii) with respect to the Line of Credit, any direct or indirect advance made by Lender to Borrower pursuant to Article IIIA of this Agreement.

"Commitment" means, (i) with respect to the Construction Loan (and Term Loan), $8,000,000, and (ii) with respect to the Line of Credit, $10,000,000.

"Commitment Letter" means, (i) with respect to the Construction Loan (and Term Loan), that certain letter from Lender to Borrower dated March 9, 2000, a copy of which is attached hereto as Exhibit B, and (ii) with respect to the Line of Credit, that certain letter from Lender to Borrower dated June 18, 2002, a copy of which is attached hereto as Exhibit B-1.

"Line of Credit" means the revolving line of credit extended by Lender to Borrower pursuant to Section IIIA hereof.

"Loan" means (i) either the Construction Loan or the Term Loan, or both, as the context may require, or (ii) the Line of Credit, or both (i) and (ii) as the context may require.

"Note" means (i) with respect to the Construction Loan (and Term Loan), the promissory note, dated as of April 25, 2000, from Borrower to Lender, in the principal amount of $8,000,000, as amended, modified, supplemented, restated or renewed from time to time, and (ii) with respect to the Line of Credit, the promissory note, dated as of July 30, 2002, from Borrower to Lender, in the principal amount of $10,000,000, as amended, modified, supplemented, restated or renewed from time to time.

SECTION 1.2 NEW DEFINITIONS. The following definitions are hereby added in Section 1.1 of the Loan Agreement to read in their entirety as follows:

"Line of Credit Commitment" means $10,000,000.

"Termination Date" means July 30, 2005.

SECTION 1.3 LOAN AGREEMENT AMENDMENT. The Loan Agreement is hereby amended by adding a new Article IIIA to read in its entirety as follows:

3.01A The Line of Credit. (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 Termination Date amounts which do not exceed the Line of Credit Commitment in aggregate outstanding principal amount at any one time. Notwithstanding anything in this Agreement to the contrary, Lender shall not be obligated hereunder to make any Advance under the Line of Credit on or after the earlier of (i) the Termination Date or (ii) the occurrence of a Default or Event of Default hereunder. Subject to the terms and conditions hereof, prior to the Termination Date, Borrower, at its option, from time to time may borrow, repay and reborrow all or any portion of the Line of Credit.

(b) The proceeds of the Line of Credit may be used by Borrower only to finance Borrower's and its Subsidiaries' working capital and other general

corporate needs.

(c) The Advances under the Line of Credit shall bear interest at a floating rate per annum equal to the Adjusted LIBO Rate plus one and one-quarter percent (1.25%). To the extent permitted by law, any overdue interest on the Advances under the Line of Credit shall bear interest, payable on demand, for each day until paid at a rate equal to the Default Rate.

(d) Borrower shall pay to Lender unused facility fees for Borrower's Line of Credit facility hereunder during the term hereof computed on the daily average unused portion of the Line of Credit Commitment at a rate per annum

of one-quarter of one percent (.25%). Such unused facility fees shall be payable by Borrower to Lender monthly in arrears, commencing on August 31, 2002, and continuing to be due on the last Business Day of each month thereafter as well as on the Termination Date.

(e) Interest on the principal amount of the Advances under the Line of Credit shall be due and payable monthly in arrears on the first (1st) day of each calendar month commencing September 1, 2002 with respect to all interest accrued during the calendar month immediately preceding the interest payment date, and on the Termination Date.

(f) The outstanding principal balance of the Advances under the Line of Credit, together with all accrued but unpaid interest thereon, shall be due and payable in full on the Termination Date.

(g) Borrower hereby authorizes Lender automatically to deduct from Borrower's account numbered 6218199 the amount of any interest payments on Line of Credit when and as due. If the funds in the account are insufficient to cover any such interest payment, Lender shall not be obligated to advance funds to cover the payment. At any time and for any reason, Borrower or Lender may voluntarily terminate automatic payments of interest on the Line of Credit. In the event that Borrower terminates the automatic payment arrangement with Lender, Borrower agrees that the interest rate for the Line of Credit will increase, at the discretion of the Lender, by one-half percentage point (0.50%) per annum over the rate of interest stated above, and the amount of each interest installment will be increased accordingly. The effective rate of interest under the Line of Credit shall not in any event exceed the maximum rate permitted by law.

(h) The Line of Credit may be prepaid, in whole or in part, by Borrower at any time or from time to time hereafter without premium or penalty.

(i) All of the Advances under the Line of Credit shall constitute one loan by Lender to Borrower. Lender shall maintain a loan account on its books in which shall be recorded all Advances under the Line of Credit, all payments made by Borrower on the Line of Credit 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 of 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 1.4 LOAN AGREEMENT AMENDMENT. Section 5.02 of the Loan Agreement

shall apply to the Construction Loan Advances only and the Loan Agreement is hereby further amended by adding a new Section 5.03 to read in its entirety as follows:

5.03 Conditions Precedent to Each Line of Credit Advance. The following conditions, in addition to any other requirements set forth in this Agreement, shall have been met or performed by the date of such Line of Credit Advance with respect to any request for a Line of Credit Advance and each request for an Advance (whether or not a written Advance request is required) shall be deemed to be a representation that all such conditions have been satisfied:

(a) All provisions of the Commitment Letter with respect to the Line of Credit shall have been complied with;

(b) Borrower's representations and warranties set forth herein and in the other Financing Documents shall remain true and correct in all material respects;

(c) No Default or Event of Default shall have occurred under this Agreement or under any other Financing Document;

(d) There shall have occurred no act, omission or undertaking which would, singly or in the aggregate, have a materially adverse effect upon the business, assets, liabilities, financial condition, results of operations or financial prospects of Borrower, or upon the ability of Borrower to perform any material obligations arising under the Financing Documents;

(e) The proposed Advance shall not cause the outstanding principal balance of the Line of Credit to exceed the Line of Credit Commitment.

(f) Borrower shall have delivered such further documentation or assurances as Lender may reasonably require.

SECTION 1.5 LOAN AGREEMENT AMENDMENT. The Loan Agreement is hereby amended by adding new Section 7.25 to read in its entirety as follows:

7.25 New Subsidiaries. Within thirty (30) days after Borrower's creation or acquisition of any Subsidiary, Borrower shall cause such Subsidiary to guaranty the repayment of the Liabilities and Obligations to Lender, pursuant to a Subsidiary Guaranty and other documents as are acceptable in all respects to the Lender. Borrower also shall provide Lender with any and all closing certificates, opinions of counsel and other closing documents as the Lender may request with respect to such guaranty and other documents.

SECTION 1.6 LOAN AGREEMENT AMENDMENT. The reference to "$5,000,000" in Section 8.03(iii)(e) of the Loan Agreement is hereby amended to read "$10,000,000".

SECTION 1.7 LOAN AGREEMENT AMENDMENT. Section 8.08(c) of the Loan Agreement is hereby amended in its entirety to read as follows:

(c) Borrower shall not permit its Leverage Ratio to exceed 0.5 to 1.0 at any time.

SECTION 1.8 LOAN AGREEMENT AMENDMENT. Section 8.08(d) of the Loan Agreement is hereby amended in its entirety to read as follows:

(d) Borrower shall not permit its Net Worth at any time after the date of this Agreement to be less than $90,000,000 plus (i) 80% of the positive amount of Net Income of Borrower for each fiscal quarter ending after the date hereof and (ii) the amount of any increase in Net Worth resulting from the issuance of stock, corporate reorganizations, recapitalizations or any similar event.

SECTION 1.9 LOAN AGREEMENT AMENDMENT. The Loan Agreement is hereby amended by adding a new Section 8.12 to read in its entirety as follows:

8.12 Investments. Borrower shall not make loans or advances to any Person,

or investments in any Person, except for (a) investments permitted by Section 8.03 hereof, (b) U.S. dollar denominated time deposits and certificates of deposit issued by Lender or another domestic commercial bank of recognized standing having capital and surplus in excess of $500,000,000, (c) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided the full faith and credit of the United States of America is pledged in support thereof), (d) municipal bonds or equity securities that have an investment grade rating from a nationally recognized ratings service, and (e) loans and advances not in excess of $250,000 in the aggregate at any time.

SECTION 1.10 LOAN AGREEMENT AMENDMENT. Notwithstanding anything to the contrary herein, all notices and communications to the Lender shall be directed to the following address:

Bank of America, N.A.
Jacksonville CLSC; Attn: Notice Desk
9000 Southside Blvd., 3rd Floor
Jacksonville, FL 32256

SECTION 1.11 EXHIBITS. The Loan Agreement is hereby amended by adding a new Exhibit B-1 in the form attached hereto as Exhibit B-1, Exhibit E to the Loan Agreement is hereby amended in its entirety to read in the form attached hereto as Exhibit E, and Schedule 6.05 to the Loan Agreement is hereby amended in its entirety to read in the form attached hereto as Schedule 6.05.

ARTICLE 2.
CONDITIONS TO EFFECTIVENESS

SECTION 2.1 CONDITIONS. The amendments to the Loan Agreement set forth in this Amendment shall become effective as of the date first above written (the "Effective Date") after all of the conditions set forth in Sections 2.2 through 2.6 hereof shall have been satisfied.

SECTION 2.2 EXECUTION OF AMENDMENT. This Amendment shall have been executed and delivered by the Borrower.

SECTION 2.3 EXECUTION OF REVOLVING NOTE. The Revolving Note shall have been executed and delivered by the Borrower.

SECTION 2.4 GUARANTIES. Each of Cryolife Acquisition Corp., Cryolife Europa, Ltd., Cryolife Technology, Inc., AuraZyme Pharmaceuticals Inc. and Cryolife International, Inc. shall have executed and delivered a guaranty of Borrower's Obligations and Liabilities.

SECTION 2.5 SECRETARIAL AND INCUMBENCY CERTIFICATE. The Lender shall have received counterparts of a Secretarial and Incumbency Certificate from the Borrower and each corporate Guarantor.

SECTION 2.6 REPRESENTATIONS AND WARRANTIES. (a) As of the Effective Date, except as modified by Schedule 4.06 hereto, the representations and warranties set forth in the Loan Agreement, and the representations and warranties set forth in each of the Loan Documents, shall be true and correct in all material respects; (b) as of the Effective Date, no Defaults or Events of Default shall have occurred and be continuing; (c) the Lender shall have received from the Borrower a certificate dated the Effective Date, certifying the matters set forth in subsections (a) and (b) of this Section 2.6.

ARTICLE 3.
MISCELLANEOUS

SECTION 3.1 ENTIRE AGREEMENT; NO NOVATION OR RELEASE. This Amendment, together with the Loan Documents, as in effect on the Effective Date, reflects the entire understanding with respect to the subject matter contained herein, and supersedes any prior agreements, whether written or oral. This Amendment is not intended to be, and shall not be deemed or construed to be, a satisfaction, novation or release of the Loan Agreement or any other Loan Document. Except as expressly amended hereby, all representations, warranties, terms, covenants and conditions of the Loan Agreement and the other Loan Documents shall remain

unamended and unwaived and shall continue in full force and effect.

SECTION 3.2 FEES AND EXPENSES. All fees and expenses of the Lender incurred in connection with the issuance, preparation and closing of the transactions contemplated hereby shall be payable by the Borrower promptly upon the submission of the bill therefor. If the Borrower shall fail to promptly pay such

bill, the Lender is authorized to pay such bill through an advance of funds under the Loan.

SECTION 3.3 CHOICE OF LAW; SUCCESSORS AND ASSIGNS. This Amendment shall be construed and enforced in accordance with and governed by the internal laws (as opposed to the conflicts of laws provisions) of the State of Georgia. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

WITNESS the hand and seal of each of the undersigned as of the date first written above.

LENDER:

BANK OF AMERICA, N.A.

By: /s/ Ken Topham

Title: Vice President

BORROWER:

CRYOLIFE, INC.

By: /s/ D. A. Lee

Title: VP & CFO

Attest: /s/ Suzanne K. Gabbert

Title: Asst. Corp. Secretary

[Seal]

Exhibit "B-1"

[Bank of America Letterhead]

June 18, 2002

Mr. Ashley Lee
Chief Financial Officer
Cryolife, Inc.
1655 Roberts Boulevard, NW
Kennesaw, GA 30144

Re: Letter of Commitment

Dear Mr. Lee:

Bank of America (hereafter the "Bank") is pleased to offer you a commitment (hereafter the "Commitment") for a loan (hereafter the "Loan"), subject to the following terms and conditions:

1.	BORROWER:	Cryolife, Inc.
	GENERAL CORPORATE USE LINE:	
2A.	LOAN AMOUNT:	Up to Ten Million & 00/100 Dollars ($10,000,000.00).
2B.	USE OF PROCEEDS:	The proceeds from this loan will be used for general corporate use including the funding of future acquisitions by the Borrower.
2C.	TERMS:	The Terms of this proposed loan shall be for a thirty-six (36) month period from closing. Payments will be interest only with principal due at maturity.
2D.	INTEREST RATE:	Interest on the daily unpaid balance from Loan date until maturity at a floating rate of 30-Day LIBOR, as determined by Bank of America and adjusted for reserves, deposit insurance assessments and other regulatory costs, plus 1.25%. This line shall bear a fee of 25 basis points per annum based on the unused portion of the Loan Amount.
3.	LOAN ADVANCES:	Borrower may borrow, repay, and reborrow funds under the Loan at its option during the term of the Loan.
4.	COLLATERAL:	The Acquisition Line shall be secured at all

		times by a valid, perfected, first priority security interest in all Accounts Receivable, Inventory, Equipment and Leasehold Improvements of the Borrower of every description now or hereafter acquired or existing. Note that the Bank will continue a negative pledge against the intangible assets of the company. The Acquisition Line shall be cross pledged and collateralized by the existing Term Loan.
5.	GUARANTORS:	The Loan and the other Obligations shall be fully guaranteed by the Subsidiaries of Borrower pursuant to a Subsidiary Guaranty (or confirmation of an existing Guaranty, as applicable) which shall be duly executed and delivered by each Subsidiary to Lender in connection with this Agreement. The list of guarantors is and is not limited to the following: Cryolife Acquisition Corp. Cryolife Technology, Inc.

Cryolife Foreign Sales, Inc.
Cryolife Europa, LTD.
AuraZyme Pharmaceuticals, Inc.

6. SPECIAL PROVISIONS:

a. Borrower will provide the Bank, annually, within one hundred twenty (120) days of the end of its fiscal year end, with CPA Audited financial statements to include a statement of revenues and expenditures as well as a balance sheet. Three statements shall be presented on a consolidated basis.

b. Borrower will provide the Bank with quarterly internally-prepared financial statements within forty-five (45) days of the end of each quarter. These statements shall be presented on a consolidated basis.

c. Each Financial statement submitted to the Bank shall be accompanied by a duly completed Compliance Certificate executed on behalf of Borrower by its Chief Financial Officer.

d. Borrower will provide to the Bank from time to time such financial or other information, as the Bank shall reasonably request.

e. Borrower will maintain adequate property damage insurance, naming the Bank as mortgagee/loss payee, and furnish evidence thereof at Loan closing.

f. Borrower will provide the Bank with certain legal information at Loan closing to include "Articles of Incorporation", "Certificate of Incorporation", "Corporate Resolution", and a "Certificate of Good Standing" with the Office of the Secretary of State.

g. Borrower will maintain all primary operating deposit accounts with Bank of America during the life of the Loan.

h. Borrower will maintain certain financial covenants as described on Exhibit "A" attached.

7. COSTS, EXPENSES, AND ATTORNEY'S FEES:

Borrower shall pay to Bank immediately upon demand the full amount of all costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel if permitted by applicable law), incurred by Bank in connection with negotiation and preparation of this Agreement and each of the Loan Documents.

8. EXTENSIONS OF CREDIT:

In an amount not to exceed $250,000.00, Borrower can make loans or advances to any partnership, corporation, individual or other entity, including the normal extensions of trade credit

in the ordinary course of Borrower's business.

9. OUTSIDE BORROWING: Borrower shall not create, incur, assume or become liable in any manner for any indebtedness in excess of $250,000.00 (for borrowed money, deferred payment for the purchase of assets, lease payments, as surety or guarantor for the debt of another, or otherwise) other than to Bank, except for normal trade debts incurred in the ordinary course of Borrower's business.

10. SUCCESSORS AND ASSIGNS: This Commitment shall be binding on all parties thereto, their successors, assigns and representatives.

11. COUNTERPARTS: This Commitment may be executed simultaneously in two or more counterparts, each of which shall be deemed an original for evidentiary purposes, but all of which together shall constitute one and the same instrument.

12. DEFAULT: Borrower shall be in default under this Commitment and under any and all promissory notes executed by Borrower in favor of Bank and any and all other documents, instruments, deeds of trust, mortgages, security agreements, guarantees executed and/or delivered by Borrower in connection with the Loan (collectively, the "Loan Documents"), if it shall default in the payment of any amounts due and owing under the Loan or to some other party (if the default to some other party would materially impact the Borrower's ability to operate their business) or should it fail to timely and properly perform, keep and observe any term, covenant, agreement or condition in this Commitment or any of the Loan Documents.

13. CANCELLATION: The Bank reserves the right to cancel this

Commitment and terminate the obligation thereunder at any time upon the occurrence of any of the following: (a) Failure of the Borrower to comply with any of the applicable conditions of this Commitment within the time specified, (b) Non-payment of any of the fees or expenses to be paid by the Borrower in connection with this Commitment, or (c) Any filing by or against the Borrower of any petition in bankruptcy or insolvency or for the appointment of a receiver, or the reorganization of Borrower under such conditions or the making of any assignment for the benefit of creditors.

14. ERRORS OR OMISSIONS: Borrower agrees that should any inadvertent errors or omissions later be discovered in any documents executed at closing, Borrower shall promptly execute such corrective documents and remit such sums as may be required to adjust or correct such errors or omissions.

15. MATERIAL ADVERSE CHANGE: This Commitment is conditioned upon there having occurred no act, omission or undertaking which would, singly, or in the aggregate, have a materially adverse effect upon the business, assets, liabilities, financial condition, results of operations or business prospects of the Borrower, and any of its subsidiaries or of any

		Guarantor, or upon the ability of the Borrower to perform any material obligations arising under the Loan Documents.
16.	ARBITRATION:	Any controversy or claim between or among the parties hereto including but not limited to those arising out of or relating to this Commitment or any related instruments, agreements or documents including any claim based on or arising from an alleged tort, shall be determined by binding arbitration in accordance with the Federal

		Arbitration Act (or if not applicable, the applicable state law), and the rules of practice and procedure for the arbitration of commercial disputes of Judicial Arbitration and Mediation Services, Inc. (J.A.M.S.) as supplemented by any special rules set forth in any of the Loan Documents. Judgment upon any arbitration award may be entered in any court having jurisdiction. Any party to this Commitment may bring an action, including a summary or expedited proceeding, to compel arbitration of any controversy or claim to which this Commitment applies in any court having jurisdiction over such action.
17.	LOAN AGREEMENT:	Borrower shall execute a Loan Agreement at Loan closing in form and substance satisfactory to Bank.
18.	INCORPORATION INTO DOCUMENTATION:	At the time of Loan closing, this executed Letter of Commitment shall become a part of the Loan documentation.
19.	ENTIRE AGREEMENT:	This Commitment, together with Loan Documents, supersede all prior written or oral understandings or agreements between Borrower and Bank with respect to the matters addressed in the Loan Documents.

If the terms and conditions of this Letter of Commitment meet with your approval, please indicate your acceptance by signing and returning the original to us.

This Letter of Commitment shall become null and void if not accepted within fifteen (15) days of the date hereof, and closed within thirty (30) days of acceptance of this Commitment.

Thank you for banking with Bank of America.

Sincerely,

/s/ Ken Topham

Ken Topham
Vice President

Signed and accepted the 19th day of June, 2002.

BORROWER:

Cryolife, Inc.

BY: /s/ D. A. Lee

NAME: D. Ashley Lee

TITLE: VP & CFO

EXHIBIT "A"

Debt Coverage Ratio: Borrower shall not permit its Debt Coverage Ratio for any fiscal quarter or year-end to be less than 1.3 to 1.0. The Debt Coverage Ratio is defined as, 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.

Leverage Ratio. Borrower agrees to maintain a ratio of Total Liabilities to its Net Worth of no greater than 0.5 to 1.0 at all times. 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. Net Worth means, 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.

Net Worth Minimum. Borrower agrees to maintain a minimum net worth of $90,000,000 at all times. Borrower shall increase its minimum net worth by 80% of the positive amount of Net Income of Borrower for each fiscal year period after the date hereof and the amount of any increase in Net Worth resulting from the issuance of stock, corporate reorganizations, capitizations or similar event. Net Worth means, 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.

Maximum Annual Capital Expenditures. Borrower agrees to spend no more than $5,000,000 annually on capital expenditures. Borrower shall not make Capital Expenditures in excess of $5,000,000 in the aggregate in any fiscal year.

Exhibit "E"

FORM OF
COMPLIANCE CERTIFICATE

This Certificate is delivered pursuant to that certain Loan Agreement, dated as of April 25, 2000, as amended (the "Agreement"), by and between

CRYOLIFE, INC., a Florida corporation (the "Borrower"), and BANK OF AMERICA, N.A., a national banking association (the "Lender"). All capitalized terms used in this Certificate which are defined in the Agreement are used in this Certificate with the same meanings given such terms in the Agreement. Unless otherwise defined in the Agreement, all accounting terms used herein shall have the meaning given such terms under generally accepted accounting principles consistently applied ("GAAP").

I hereby certify, to the best of my knowledge and believe and in my representative capacity on behalf of the Borrower, to the Lender as follows:

1. I am the duly qualified and acting chief financial officer of the Borrower.

2. I have prepared or reviewed the financial statements of the Borrower as of and for the period ending _____, _____, true, complete and correct copies of which are attached hereto as Exhibit 1 (collectively, the "Financial Statements").

3. The Financial Statements were prepared in accordance with GAAP and fairly present the financial position and results of operations of the Borrower (and its consolidated subsidiaries, if any) as of and for the period ending on the date of the Financial Statements (subject to normal year-end adjustments).

4. I further certify that as of, and for the period ending on, the date of the Financial Statements, and except as may be disclosed on Exhibit 2 attached hereto (all of the following being calculated on a consolidated basis and in accordance with GAAP and the Agreement):

(a) The Borrower's Leverage Ratio did not exceed 0.5 to 1.0 at any time during such period;

(b) The Borrower's Debt Coverage Ratio was not less than 1.3 to 1.0 for such period;

(c) The Borrower's Net Worth was not less than _____ [insert an amount equal to $90,000,000 plus 80% of the positive aggregate amount of Net Income of Borrower for each fiscal quarter beginning with quarter ending 6/30/2002 plus aggregate proceeds from issuance of stock, corporate reorganizations, recapitalization or any similar event]; and

(d) The Borrower's Capital Expenditures for such fiscal year (or for the portion thereof ending with such period) did not exceed $5,000,000 in total.

Attached hereto as Exhibit 3 are calculations demonstrating whether or not the Borrower was in compliance, as of and for the period ending on the date of the Financial Statements, with the covenants in the Loan Agreement which are summarized in items (a) through (e) above.

5. No Default or Event of Default has occurred and is continuing as of the date of this Certificate other than those Defaults or Events of Defaults (if any) which are described on the aforesaid Exhibit 2 attached hereto.

I represent the foregoing information to be true and correct to the best of my knowledge and belief and I execute this Certificate in my representative capacity on behalf of the Borrower as of this _____ day of ----------, -----.

Name:
Title:

Schedule 6.05

A. CryoLife as a Defendant:

1. Gregory A. Link and Diane Link, as Husband & Wife v. Abington Memorial Hospital, V. Paul Addonizio, M.D. and CryoLife, Inc.

Date Filed: September 15, 2000
Case No. 2000-01095
Court of Common Pleas, Montgomery County, Pennsylvania

2. Ann Regner, Leo J. Regner, Michael Shawn Steele and Brandon Steele vs. Inland Eye & Tissue Bank of Redlands; Inland Eye & Tissue Bank of Bakersfield; Pacific Coast Tissue Bank; Doheny Eye & Tissue Transplant Bank; Northern California Transplant Bank; University of California, San Diego, Regional Tissue Bank; University of California, Irvine, Willed Body Program; Musculoskeletal Transplant Foundation; American Red Cross; CryoLife, Inc.; Dr. Steven Burres; Fascia Biosystems; Edwards Life Sciences, LLP; Tissue Banks International; TBI, Inc. d/b/a Northern CA Transplant Bank; Gensci Orthobiologics, Inc.; Osteotech, Inc.; Lifecell Corporation; and Does 1 to 400, Inclusive.

Date Filed: May 4, 2000
Case No. SCVSS 66746
Superior Court of California, San Bernardino County, Central District

3. Majid Sadeghi and Sandra Sadeghi, as Husband and Wife v. CryoLife, Inc.; CryoLife International, Inc.; Jefferson Health System, Inc., d/b/a Bryn Mawr Hospital; Main Line Health, Inc., d/b/a Bryn Mawr Hospital; Orthopaedic Specialists; and William D. Emper, M.D.

Date Filed: June 21, 2001
Case No. 002695
Court of Common Pleas, Philadelphia County, Pennsylvania

4. Pamela Drahos, as Mother and Next Friend of Cassidy Dawn Chandler-Drahos a/k/a Chandler v. CryoLife, Inc.; St. Francis Hospital, Inc.; and Dr. Richard D. Ranne.

Date Filed: May 18, 2000
Case No. CJ 2000-281
District Court In and For Wagoner County, State of Oklahoma

5. Lee Travis Montgomery and wife, Ann Montgomery v. CryoLife, Inc.

Date Filed: January 22, 2002
Case No. 3:02-CV-29
United States District Court. Eastern District of Tennessee,
Northern Division

6. Alan J. Minvielle v. CryoLife, Inc., Jeffrey Carter, M.D., and Does 1 through 100, Inclusive.

Date Filed: April 10, 2002
Case No. CV 143210
Superior Court of California, County of Santa Cruz

7. Kenneth Alesescu and Pamela Alesescu v.CryoLife, Inc.; Midwest Transplant Network; Mercy General Hospital; and Does 1-50, Inclusive.

Date Filed: July 2, 2002
Case No. 02AS04017
Superior Court of California, County of Sacramento

8. Julie S. Dayton v. CryoLife, Inc.; and Breg, Inc.

Date Filed: June 11, 2002
Case No. 3:02-CV-305
United States District Court, Eastern District of Tennessee,
Northern Division at Knoxville

9. William G. Karnes and wife Kelly C. Karnes v. CryoLife, Inc.

Date Filed: June 20, 2002
Case No. 3:02-CV-330
United States District Court, Eastern District of Tennessee,
Northern Division at Knoxville

10. Steve Lykins, as Trustee for the benefit of the next of kin of Brian Lykins, Deceased v. CryoLife, Inc.; Intermountain Donor Services, Inc.; Michael White, John Doe, Inc., 1 through 5, and John Does Individually, 1 through 5.

Date Filed: July 12, 2002
Case No. 0210561324
Superior Court of Cobb County, State of Georgia

11. Joann Savitt, individually and on behalf of all other persons similarly situated v. Doheny Eye & Tissue Bank, Tissue Banks International, Lifecell Corp.; CryoLife, Inc.; Osteotech, Inc.; and Does 1-199, Inclusive.

Date Filed: June 7, 2002
Case No. BC275521
Superior Court of California, County of Los Angeles

B. CryoLife Acquisition Corporation (f/k/a Ideas for Medicine) as defendant:

1. David A. Ganz, Dr. William I. Ganz and Cecelia Hecht as co-personal representatives of the Estate of Jean Ganz, deceased v. Dr. Alan S. Livingstone; Dr. Jorge De La Pedraja; University of Miami, a private University d/b/a University of Miami School of Medicine; The Public Health Trust of Dade County d/b/a Jackson Memorial Hospital; and CryoLife, Inc.

Date Filed: June 13, 2001
Case No. 00-13275 CA 06
Circuit Court of the Eleventh Judicial Circuit In and
For Dade County, FL, General Jurisdiction Division

2. Bernard Michaels, as Administrator of the estate of Irene Michaels v. Our Lady of Victory Hospital of Lackawanna, Perala S. Rao, M.D., Perala S. Rao, P.C., Frederick M. Occhino, M.D., Frederick M. Occhino, M.D., P.C., Leo M. Michalek, M.D., and Ideas for Medicine, Inc.

Date filed: August 15, 2000
Case No. 12000/7109
Supreme Court of New York: Erie County

C. The following is a list of law firms that have filed or are contemplating filing class actions alleging securities law violations by CryoLife, Inc. CryoLife has not yet been served in any of these suits.

Berger & Montague, P.C.
Cauley Geller Bowman & Coates, LLP
Charles J. Piven, P.A.
Holzer & Holzer
Mark McNair, P.A.
Leo W. Desmond
Schiffrin & Barroway, LLP
Wolf Popper LLP
Chitwood & Harley

D. In addition, CryoLife is aware of the following suits that may be filed by the following individuals, but CryoLife has not yet been served:

Hailey Moulton
Timothy C. Talton
Andrew T. Swanson, III and/or Andrew T. Swanson, Jr. (father)
Benjamin Saile
Ramona Pursley
Kevin Ryan Wheeler, a minor, and Kimberly Leahew, individually and parent and next friend of Kevin Ryan Wheeler

Date Filed: July 2, 2002
Case No. 46834
Circuit Court for Rutherford County, Tennessee

E. On June 17, 2002 CryoLife, Inc. received a warning letter from the Food and

Drug Administration.

1549728

EXHIBIT 10.2

PROMISSORY NOTE

Atlanta, Georgia
As of July 30, 2002

For value received, CRYOLIFE, INC., a corporation organized and existing under the laws of the State of Florida (the "Borrower"), promises to pay to the order of BANK OF AMERICA, N.A. (together with any holder hereof, the "Bank"), the principal sum of TEN MILLION AND NO/100 DOLLARS ($10,000,000.00), or such lesser amount as shall equal the unpaid principal amount of the Loan advanced by the Bank to the Borrower pursuant to the Loan Agreement referred to below, on the dates and in the amounts provided in the Loan Agreement. The Borrower promises to pay interest on the unpaid principal amount of this Note on the dates and at the rate or rates provided for in the Loan Agreement. Interest on any overdue principal of and, to the extent permitted by law, overdue interest on the principal amount hereof shall bear interest at the Default Rate, as provided for in the Loan Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of Bank of America, N.A., Commercial Loan Service Center, P.O. Box 45247, Jacksonville, Florida 32256-0771, or such other address as may be specified from time to time pursuant to the Loan Agreement.

All loans and advances made by the Bank, the maturity date therefor, the interest rate from time to time applicable thereto, and all repayments of the principal thereof shall be recorded by the Bank and, such records of the Bank shall be deemed conclusive as to the information contained absent manifest error, subject to the rights of Borrower under the Loan Agreement; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the Obligations (as defined in the Loan Agreement) of the Borrower hereunder or under the Loan Agreement.

This Note evidences the Line of Credit referred to in the Construction Loan and Permanent Financing Agreement dated as of April 25, 2000, as amended, by and between the Borrower and the Bank (as the same may be amended and modified from time to time, the "Loan Agreement"). Terms defined in the Loan Agreement are used herein with the same meanings. Reference is made to the Loan Agreement for provisions for the optional and mandatory prepayment and the repayment hereof and the acceleration of the maturity hereof.

This is a revolving credit note. Borrower may borrow, repay and reborrow, and Lender may advance and readvance under this Note respectively from time to time, so long as the total indebtedness outstanding at any one time does not exceed the face principal amount hereof. Lender's obligation to advance or readvance under this Note shall be suspended if a Default or Event of Default exists.

IN WITNESS WHEREOF, the Borrower has caused this Promissory Note to be duly under seal, by its duly authorized officers as of the day and year first above written.

CRYOLIFE, INC., a Florida corporation

By: /s/ D.A. Lee

David Ashley Lee
Vice President and Chief Financial Officer

[CORPORATE SEAL]

EXHIBIT 10.3

SETTLEMENT AND RELEASE AGREEMENT

THIS SETTLEMENT AND RELEASE AGREEMENT (the "Agreement") is made and entered into this the 2nd day of August, 2002 (the "Effective Date"), by and between Colorado State University Research Foundation ("CSURF" or "Plaintiff"), CryoLife, Inc. ("CryoLife" or "Defendant"), and Dr. E. Christopher Orton ("Orton").

I. RECITALS

1. The case of Colorado State University Research Foundation v. CryoLife, Inc., Civil Action No. 01-N-933 (OES) (the "Lawsuit") is pending in the United States District Court for the District of Colorado between Plaintiff and Defendant.

2. In the Lawsuit, Plaintiff alleges, among other things, that Defendant breached a certain Technology License (the "Technology License") dated March 26, 1996 between Plaintiff and Defendant, improperly identified the inventors on certain patents, and violated the Lanham Act (15 U.S.C. ss. 1125(a)(1)), and seeks damages, termination of the Technology License, assignment of certain patents, and other relief from Defendant. Defendant denies all allegations in the Lawsuit and denies that Plaintiff is entitled to the relief it seeks from Defendant.

3. Defendant has filed a counterclaim against Plaintiff for declaratory judgment that it did not breach the Technology License. Plaintiff denies the allegations contained in Defendant's counterclaim.

4. Orton, the inventor of the ORTON PATENTS (as defined below), who has assigned to CSURF all of his rights in the ORTON Patents and certain other technology licensed under the Technology License to CryoLife , is a necessary party to this Agreement.

5. Plaintiff, Defendant, and Orton desire to compromise and settle all claims and disputes existing amongst themselves as of the Effective Date of this Agreement.

II. SETTLEMENT AND RELEASE TERMS

NOW, THEREFORE, in consideration of the foregoing recitals, the payment described below, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Plaintiff and Defendant, by and through authorized representatives whose signatures appear below, and Orton do hereby agree as follows:

A. Definitions

1. ORTON PATENTS shall mean all U.S. and foreign patents and patent applications filed as of the Effective Date or directed to inventions made as of the Effective Date naming Orton as inventor or co-inventor together with all U.S. and foreign future applications, continuations, continued prosecution applications, continuations-in-part, divisions, or substitutions thereof. ORTON PATENTS include, but are not limited to, U.S. Patent Nos. 5,192,312; 5,772,695; 5,863,296; 5,855,617, and U.S. Provisional Application Serial No. 60/219,548 as well as corresponding Non-Provisional Application Serial No. 09/909914 and PCT Application Serial No. PCT/US01/22018.

2. GOLDSTEIN PATENTS shall mean U.S. Patent Nos. 5,613,982; 5,632,778; 5,843,182; 5,899,936; and all pending and future applications and patents, both U.S. and foreign, arising from these patents, as well as any continuations, continued prosecution applications, continuations-in-part, divisions, or substitutions thereof.

3. TISSUE DECELLULARIZATION PATENT APPLICATIONS shall mean U.S. Application Serial Nos. 08/838,852 and 09/735,522 and all pending and future applications

and patents, both U.S. and foreign, arising from these patent applications, as well as any continuations, continued prosecution applications, continuations-in-part, divisions, or substitutions thereof.

4. TISSUE GRAFT PATENT APPLICATIONS shall mean U.S. Application Serial Nos. 60/178,632 and 09/769,769 and all pending and future applications and patents, both U.S. and foreign arising from these patents, as well as any continuations, continued prosecution applications, continuations-in-part, divisions, or substitutions thereof.

5. UNSTENTED HEART VALVE PATENT APPLICATIONS shall mean U.S. Application Serial No. 09/540,525 and all pending and future applications and patents, both U.S. and foreign, arising from these patents, as well as any continuations, continued prosecution applications, continuations-in-part, divisions, or substitutions thereof.

6. DECELLULARIZATION PROCESS shall mean any method that removes endogenous cells or cellular material by methods which include (a) cellular lysis in a hypotonic solution followed by nuclease digestion utilizing RNAse or DNAse or other nucleases, or (b) irradiation followed by nuclease digestion utilizing RNAse and/or DNAse or other nucleases.

7. PROCESSED TISSUE shall mean xenograft and allograft tissue CryoLife processed or processes using a DECELLULARIZATION PROCESS.

8. NET RECEIPTS FROM XENOGRAFT TISSUE SALES shall mean CryoLife's gross receipts from the sale of xenograft PROCESSED TISSUE minus any sales tax, returns, discounts and freight charges attributable to the sale or return of xenograft PROCESSED TISSUE.

9. ALLOGRAFT STANDARD TISSUE shall mean allograft tissues which have not undergone a DECELLULARIZATION PROCESS.

10. PROCESSING FEES FOR ALLOGRAFT PROCESSED TISSUE shall mean CryoLife's gross receipts from processing fees collected with the transfer of allograft PROCESSED TISSUE minus any sales tax, returns, discounts and freight charges attributable to the sale or return of allograft PROCESSED TISSUE.

11. PROCESSING FEE FOR ALLOGRAFT STANDARD TISSUE shall mean CryoLife's gross receipts from processing fees collected with the transfer of ALLOGRAFT STANDARD TISSUE minus any sales tax, returns, discounts and freight charges attributable to the sale or return of ALLOGRAFT STANDARD TISSUE.

12. NET INCREASED RECEIPTS FROM ALLOGRAFT TISSUE PROCESSING shall mean all PROCESSING FEES FOR ALLOGRAFT PROCESSED TISSUE multiplied by the following fraction (the "Fraction")

$$\frac{\text{(Average Per Unit Processing Fee for Allograft Processed Tissue) - (Average Per Unit PROCESSING FEE FOR ALLOGRAFT STANDARD TISSUE)}}{\text{Average Per Unit Processing Fee for Allograft Processed Tissue}}$$

The Processing Fees used for purposes of calculation of the Fraction shall be CryoLife's average unit processing receipts during the royalty period (except only that the Fraction calculated for the royalty period January 1, 2002 to June 30, 2002 shall be applied to determine royalties payable for allograft PROCESSED TISSUE transferred or sold from March 26, 1996 to and including June 30, 2002). A calculation of the Fraction for all tissues currently processed using a DECELLULARIZATION PROCESS is attached hereto as Exhibit "A". The determination

of the Fraction for tissues, if any, processed using a DECELLULARIZATION PROCESS in the future which are not currently processed using a DECELLULARIZATION PROCESS will be determined at the end of the first royalty period after such tissues are first offered by CryoLife on a commercial basis.

B. Payments

1. CryoLife will pay CSURF a royalty as described below on PROCESSED TISSUE transferred or sold from March 26, 1996 to and including March 28, 2011. Upon payment of royalties accruing pursuant to this Section B, Cryolife shall have no further payment obligations whatsoever, but all other provisions of this Agreement shall remain in full force and effect.

2. CryoLife will pay to CSURF the sum of four hundred thousand dollars ($400,000.00) (the "Advance") as a nonrefundable advance payment of royalties which have accrued or which will accrue pursuant to paragraphs B(1), B(3), and B(4) herein. Promptly upon execution of this Agreement, North Star Trust Company ("Escrow Agent") shall be directed, by a letter in the form of the attached Exhibit "B," to terminate the Escrow Agreement entered into between CSURF and Cryolife and to transfer to CSURF the accumulated balance of the escrow account (No. 70 - 4139), pursuant to the Escrow Agreement, as the initial payment of the Advance. CryoLife will wire transfer to CSURF the remaining portion of the Advance within ten (10) business days following distribution of the Escrow funds.

3. The royalty payable with respect to xenograft PROCESSED TISSUE sold shall be determined by multiplying 0.75% times NET RECEIPTS FROM XENOGRAFT TISSUE SALES.

4. The royalty payable with respect to allograft PROCESSED TISSUE transferred shall be determined by multiplying 0.75% times NET INCREASED RECEIPTS FROM ALLOGRAFT TISSUE PROCESSING.

5. CryoLife will pay royalties to CSURF on a semi-annual calendar basis in arrears. Payments with respect to each royalty period shall be due before the end of the following calendar quarter and shall be accompanied by a written report, signed by a Cryolife officer who certifies the accuracy of the report, which shows royalties accrued since March 26, 1996 through the end of the preceding royalty period, royalties accrued in the preceding royalty period, and royalties payable, if any, after adjustment for the Advance. The written report, and the information contained therein, shall be kept confidential by CSURF and Orton and shall not be disclosed to any other person or entity unless disclosure is required by judicial or administrative process, in which case CSURF and/or Orton will promptly notify CryoLife in order to allow CryoLife a reasonable time to oppose such process. The parties acknowledge that no royalty payments shall be due or payable unless and until the amount of the total accrued royalties exceeds the amount of the Advance.

6. CSURF shall have the right for a period of three (3) years after receiving any royalty calculation and/or payment to appoint an independent certified public accountant, who is acceptable to CryoLife and who shall have access to CryoLife's records during reasonable business hours, for the purpose of verifying the royalties payable under this Agreement. This verification right may not be exercised by CSURF more than once in any calendar year, and the accountant shall disclose to CSURF only information relating solely to the

accuracy of the royalty calculation and the royalty payments made in accordance with this Agreement. Such certified public accountant must agree to sign a confidentiality agreement prior to receiving access to CryoLife's records. Any information disclosed to CSURF by such certified public accountant shall be kept confidential by CSURF and shall not be disclosed to any other person or entity. The failure of CSURF to request verification of any royalty calculation during said three year period shall be considered acceptance of the accuracy of such calculation, and CryoLife shall have no obligation to maintain any records pertaining to such calculation beyond the three year period.

7. Orton and CSURF agree and acknowledge that Orton, by virtue of his separate agreement(s) with Colorado State University ("CSU"), will receive financial compensation directly from CSURF as a result of the settlement contained in this Agreement. Orton hereby acknowledges this as good and valuable consideration for his entering into this Agreement. CryoLife shall have no

obligation to make any payment to Orton.

C. Termination of Technology License

The Technology License is terminated as of the Effective Date of this Agreement. All obligations, undertakings and payments contained in the Technology License are no longer in effect.

D. Disposition of Patent, Other Intellectual Property and Rights to Technology

1. CSURF and Orton hereby assign to CryoLife all rights to the ORTON PATENTS and their interests in the Unstented Heart Valve Applications. Simultaneously with the execution of this Agreement, CSURF and Orton will

execute the assignment to CryoLife in the form of the attached Exhibit "C".

2. CSURF and Orton hereby assign to CryoLife all rights to inventions (whether patentable or not), technology, patents, trade secrets, know-how and information, owned or controlled by CSURF or Orton, and developed or identified by Orton or those working with Orton, related to tissue decellularization and/or recellularization. Simultaneously with the execution of this Agreement, CSURF and Orton will execute the assignment to CryoLife in the form of the attached Exhibit "C". Neither CSURF nor Orton shall have any obligation to assign to Cryolife any inventions (whether patentable or not), technology, patents, trade secrets, know-how and information, related to tissue decellularization and/or recellularization which they may create after the Effective Date .

3. CSURF and Orton represent and warrant that the only patent applications which they have placed on file anywhere and which relate to tissue decellularization or tissue recellularization are U.S. Patent Serial No. 09/909,914, PCT Application Serial No. PCT/US01/22018, U.S. Provisional Application Serial No. 60/306,673 and U.S. Provisional Application Serial No. 60/309,454 ("Pending Orton Applications"). Within ten (10) business days of the Effective Date, CSURF shall expressly abandon the Pending Orton Applications and shall immediately forward copies of the abandonment documents to counsel for CryoLife. CSURF further agrees not to file any additional patent applications, extensions or substitutions thereof claiming priority to any of the above-referenced applications or the ORTON PATENTS.

4. CSURF and Orton shall not voluntarily take any action to interfere with or oppose any CryoLife patent applications or future applications related to tissue decellularization or tissue recellularization or to deter the issuance of any such patent or patents that might issue therefrom. CSURF and Orton further agree not to contest the inventorship, enforceability or validity of the GOLDSTEIN PATENTS, the TISSUE DECELLULARIZATION PATENT APPLICATIONS, the UNSTENTED HEART VALVE PATENT APPLICATIONS or the TISSUE GRAFT PATENT APPLICATIONS.

5. Upon reasonable request, payment of a reasonable consulting fee and as may be reasonably necessary, CSURF and Orton shall provide assistance to and cooperate with Cryolife in prosecution of patent applications related to or arising from the ORTON PATENTS, the GOLDSTEIN PATENTS, the TISSUE DECELLULARIZATION PATENT APPLICATIONS, the TISSUE GRAFT PATENT APPLICATIONS or the UNSTENTED HEART VALVE PATENT APPLICATIONS.

E. Releases

1. CSURF and Orton, for and in consideration of the payments and other undertakings of CryoLife set forth in this Agreement, the receipt of which is hereby acknowledged, do hereby release, acquit, and forever discharge Defendant, and all of its past and present affiliates, agents, subsidiaries, parent companies, officers, directors, employees, insurers, attorneys, heirs, successors, and assigns and the affiliates, agents, partners, principals, employees, insurers, officers, directors, attorneys, heirs, successors and

assigns of their subsidiaries and parent companies (hereinafter collectively and individually referred to as "CryoLife Released Parties") of and from any and all claims, causes of action, suits, torts, fraud, negligence, bad faith, defamation, accounts, covenants, contracts, agreements, representations,

promises, judgments, damages, expenses, any extra-contractual damages and any act known or unknown, foreseen or unforeseen, in law or in equity, which CSURF or Orton have ever had or may have against any of the CryoLife Released Parties from the beginning of time to the date of the Effective Date of this Agreement, except as to any obligations or undertakings pursuant to this Agreement.

2. CryoLife, for and in consideration of the assignments and other undertakings of CSURF and Orton set forth in this Agreement, the receipt of which is hereby acknowledged, does hereby release, acquit, and forever discharge Plaintiff and Orton, and all of its past and present affiliates, agents, subsidiaries, parent companies, officers, directors, employees, insurers, attorneys, heirs, successors, and assigns and the affiliates, agents, partners, principals, employees, insurers, officers, directors, attorneys, heirs, successors and assigns of their subsidiaries and parent companies (hereinafter collectively and individually referred to as "CSURF Released Parties") of and from any and all claims, causes of action, suits, torts, fraud, negligence, bad faith, defamation, accounts, covenants, contracts, agreements, representations, promises, judgments, damages, expenses, any extra-contractual damages and any act known or unknown, foreseen or unforeseen, in law or in equity, which CryoLife has ever had or may have against any of the CSURF Released Parties from the beginning of time to the date of the Effective Date of this Agreement, except as to any obligations or undertakings pursuant to this Agreement.

F. Use of Disclosed Technology, Trade Secrets, Know-How

1. CryoLife shall be authorized to freely and forever make, use, sell, license, sublicense and/or commercialize any inventions (whether patentable or not), technology patents, trade secrets, know-how and information that Orton or

CSURF disclosed to CryoLife up to the Effective Date of this Agreement.

2. Orton shall have the royalty-free, non-exclusive and non-assignable right to use the ORTON PATENTS solely for non-commercial, academic research purposes and solely at an academic institution. Other than this limited right to use the ORTON PATENTS, neither CSURF nor Orton may disclose, use, sell, commercialize, license, sublicense or encumber confidential or proprietary CryoLife technology, patents, information, trade secrets, and/or know-how.

3. Notwithstanding anything to the contrary herein, CSURF and Orton are free to use any information, whether originally provided by CryoLife or otherwise, which is otherwise available for use by the public, subject to the restrictions of 35 U.S.C. ss. 1, et. seq. and related foreign laws. However, information shall not be deemed to fall within the foregoing exception merely because it may be embraced within a body of generally available public information, nor shall any combination of features be deemed to fall within such exception merely because the individual features thereof are publicly available.

G. Dismissal of Lawsuit

Promptly after the execution of this Agreement, Plaintiff and Defendant will file a Joint Stipulation of Dismissal With Prejudice in the form of the attached Exhibit "C".

H. Warranty

1. CSURF hereby represents and warrants that it has not sold, conveyed, licensed, encumbered, or otherwise transferred all or any portion of the claims asserted in the Lawsuit or its claimed rights in the ORTON PATENTS, GOLDSTEIN PATENTS, TISSUE DECELLULARIZATION PATENT APPLICATIONS, TISSUE GRAFT PATENT APPLICATIONS or UNSTENTED HEART VALVE PATENT APPLICATIONS to any person or entity.

2. Orton hereby represents and warrants that he has not sold, conveyed, licensed, encumbered, or otherwise transferred all or any portion of the claims asserted in the Lawsuit or his claimed rights in the ORTON PATENTS, GOLDSTEIN PATENTS, TISSUE DECELLULARIZATION PATENT APPLICATIONS, TISSUE GRAFT PATENT APPLICATIONS or UNSTENTED HEART VALVE PATENT APPLICATIONS to any person or entity except CSURF.

3. CryoLife hereby represents and warrants that it has not sold, conveyed, licensed, encumbered, or otherwise transferred all or any portion of the claims asserted in the Lawsuit.

4. CSURF and CryoLife each hereby represents and warrants that it is duly authorized to enter into this Agreement and the individuals executing this Agreement represent and warrant that they are duly authorized to execute this Agreement on behalf of their respective principals.

5. CryoLife represents and warrants that it currently processes certain of its allograft tissue products using a DECELLULARIZATION PROCESS.

I. Confidentiality

1. Pursuant to Paragraph 14 of the Protective Order entered in the Lawsuit, the Protective Order shall remain in full force and effect and survive the entry of any other order by the Court resulting in the termination of the Lawsuit. The parties agree, however, that the provisions of the Protective Order shall be modified by CryoLife's right, pursuant to Paragraph F(1) of this Agreement, to use information disclosed to it by CSURF or Orton.

2. CSURF and Orton hereby represent and warrant that neither of them has had access to any CryoLife information or documents designated "Attorneys Eyes Only" and produced in this lawsuit pursuant to the Protective Order. CSURF and Orton shall return to their counsel all CryoLife information or documents designated "Confidential " pursuant to the Protective order for disposition in accordance with the terms of the Protective Order.

3. CryoLife represents and warrants that it has not had access to any CSURF or Orton information or documents designated "Attorney's Eyes Only" and produced in this lawsuit pursuant to the Protective Order.

J. Miscellaneous

1. Each party to this Agreement agrees to pay all of its own costs, attorney's fees and other expenses related to the Lawsuit. No additional claim shall be filed by any party, or on its behalf or by its attorneys, for any additional fees or costs pertaining in any way to the Lawsuit.

2. This Agreement constitutes the entire agreement between the parties with respect to the resolution and settlement of the Lawsuit and the claims released by CSURF hereunder, and supersedes all prior or contemporaneous agreements, promises, or understandings between the parties thereto. Neither CSURF,

CryoLife, nor Orton is relying upon any representations, promises, understandings or agreements except as expressly set forth herein.

3. This Agreement does not constitute an admission by any party hereto of liability to the other with respect to any claim asserted in the Lawsuit or otherwise, but is entered into solely for purposes of compromising and settling the disputes between the parties and the Lawsuit, and avoiding the time and

expense that would be involved in proceeding with litigation.

4. Each of the parties has fully, finally, and completely compromised matters involving disputed issues of law and fact as between them. The parties hereto assume the risk that the facts or law may be otherwise than it believes, whether through ignorance, oversight, error, negligence, or otherwise, and which, if known, would materially affect its decision to enter into this Agreement.

5. The parties hereto each have been represented by competent legal counsel of its or his own choosing in the negotiation, preparation and execution of this Agreement. The parties further agree that they each have participated fully and freely in the negotiation and drafting of this Agreement and that as a result, this Agreement shall not be construed in favor of or against either party hereto.

6. It is further understood and agreed that should any portion of this Agreement be held invalid by operation of law or otherwise, the remaining portion shall be given full force and effect and shall not in any way be affected thereby.

7. This Agreement may be executed in multiple counterparts and, when executed by each of the parties, shall constitute a single agreement.

8. Facsimile signatures are acceptable to bind the parties hereto.

9. Venue for any action filed to enforce this Agreement shall be in the United States District Court for the District of Colorado. Any disputes arising out of or related to this Agreement shall be governed by Colorado law.

IN WITNESS WHEREOF, Colorado State University Research Foundation, CryoLife, Inc., and Dr. E. Christopher Orton have hereunder set their hands and seals on this the 2nd day of August, 2002.

[SIGNATURES ON NEXT PAGE]

PLEASE READ CAREFULLY BEFORE SIGNING

I HAVE READ, UNDERSTAND AND
AGREE TO THE FOREGOING.

Colorado State University Research
Foundation

By: /s/ Kathleen Henry

Its: President/CEO

With express authority to enter
this agreement on behalf of Colorado
State University Research Foundation

STATE OF COLORADO)
COUNTY OF LARIMER)

I, Dian Marie Kammeyer, a Notary Public in and for said county and state, hereby certify that Kathleen Henry, President/CEO of Plaintiff Colorado State University Research Foundation, whose name is signed to the foregoing Settlement and Release Agreement, and who is known to me, acknowledged before me on this day that, being informed of the contents of such instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand and seal, this 2nd day of August, 2002.

/s/ Dian Marie Kammeyer

(SEAL) Notary Public

My Commission Expires: 4-9-04

PLEASE READ CAREFULLY BEFORE SIGNING

I HAVE READ, UNDERSTAND AND AGREE TO THE FOREGOING.

CryoLife, Inc.

By: /s/ Steven G. Anderson

Its: President/CEO

With express authority to enter this agreement on behalf of CryoLife, Inc.

STATE OF GEORGIA)

COUNTY OF COBB)

I, Suzanne K. Gabbert, a Notary Public in and for said county and state, hereby certify that Steven G. Anderson, President & CEO of Defendant CryoLife, Inc., whose name is signed to the foregoing Settlement and Release Agreement, and who is known to me, acknowledged before me on this day that, being informed of the contents of such instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand and seal, this 30th day of July, 2002.

/s/ Suzanne K. Gabbert

(SEAL) Notary Public

My Commission Expires: 9-13-04

PLEASE READ CAREFULLY BEFORE SIGNING

I HAVE READ, UNDERSTAND AND
AGREE TO THE FOREGOING.

Dr. E. Christopher Orton

/s/ Dr. E. Christopher Orton

STATE OF COLORADO)

COUNTY OF LARIMER)

I, Dian Marie Kammeyer, a Notary Public in and for said county and state, hereby certify that Dr. E. Christopher Orton, whose name is signed to the foregoing Settlement and Release Agreement, and who is known to me, acknowledged before me on this day that, being informed of the contents of such instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand and seal, this 5th day of August, 2002.

/s/ Dian Marie Kammeyer

(SEAL) Notary Public

My Commission Expires: 4-9-04

EXHIBITS

A. Paragraph A(8) Calculation of the "Fraction."

B. Paragraph B(2) Joint letter to Escrow Agent authorizing release of funds

and termination of Escrow Agreement.

C. Paragraph D(1, 2) Assignment of ORTON PATENTS and all of Orton's and CSURF's technology related to decellularization and recellularization to CryoLife.

D. Paragraph G Joint Stipulation of Dismissal with Prejudice.

EXHIBIT A

	Average Service Fees as of 6/30/02	Fraction
AV	6,863	
AV-SG	8,764	21.69%
PV	6,376	
PV-SG	8,640	26.20%
NVC/P	1,973	
NVC/P-SG	2,303	14.33%
FV	2,714	
FV-SG	3,203	15.27%
SFA	2,634	
SFA-SG	2,934	10.22%

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EXHIBIT B

Ms. Kathleen Henry
Colorado State University Research Foundation
4100 University Services Center
Fort Collins, Colorado 80523

Mr. Steven G. Anderson
CryoLife, Inc.
1655 Roberts Boulevard
Kennesaw, Georgia 30144

August 1, 2002

E. Via Federal Express

Andrew Dobzyn, Esq.
North Star Trust Company
500 West Madison Street

Suite 3800
Chicago, Illinois 60661

Re: Escrow Account No. 70 - 4139
Termination of Escrow Agreement

Dear Mr. Dobzyn:

This letter is to inform you that Colorado State University Research Foundation ("CSURF") and CryoLife, Inc. ("CryoLife"), the parties to the December 4, 2001 Escrow Agreement appointing North Star Trust Company as Escrow Agent and funding Escrow Account No. 70 - 4139, have settled the dispute between them.

Under the terms of the settlement entered into between CSURF and CryoLife, the Escrow Agreement has been terminated. Please immediately wire the remaining balance of Escrow Account No. 70 - 4139 to CSURF. CSURF's wire transfer information is as follows:

Bank: First National Bank, Fort Collins, Colorado

ABA Routing Number: 107000262

Account Number: 00 9050 1

Account Name: CSURF

As of Friday, June 21, 2002, there was approximately $192,416.00 held in the Escrow Account. Pursuant to Paragraph 7(b) of the Escrow Agreement, upon your delivery of the remaining balance to CSURF, North Star Trust Company shall be released and discharged from all further obligations under the Escrow Agreement.

Finally, if there are any outstanding expenses pursuant to Paragraph 8 of the Escrow Agreement, please send an invoice to CryoLife for payment. Likewise, if CryoLife is due a refund of its expenses under the Escrow Agreement, please send the refund to CryoLife.

Thank you for your prompt cooperation.

Sincerely,

COLORADO STATE UNIVERSITY RESEARCH FOUNDATION

_____
Kathleen Henry
President

CRYOLIFE, INC.

_____
Steven G. Anderson
President and CEO

cc: Robert R. Brunelli, Esq.
Kevin B. Getzendanner, Esq.

EXHIBIT C

ASSIGNMENT

In consideration of other good and valuable consideration, of which receipt is acknowledged, Colorado State University Research Foundation, a corporation formed under the laws of the state of Colorado, and E. Christopher Orton each hereby sell and assign to CryoLife, Inc., a corporation of Florida, its and his entire right, title, and interest in and to all inventions (whether patentable or not), technology, patents, trade secrets, know-how and information, owned or controlled by Colorado State University Research Foundation or E. Christopher Orton, and developed or identified by E. Christopher Orton or those working with E. Christopher Orton, related to tissue decellularization and recellularization to be held and enjoyed by CryoLife Inc.,

its successors, and assigns, as fully and entirely as the same would have been held and enjoyed by the Colorado State University Research Foundation or E. Christopher Orton had this assignment and sale not been made. The Colorado State University Research Foundation and E. Christopher Orton further agree to execute all further papers and do all further acts appropriate to fully vest in CryoLife, Inc. the rights herein conveyed.

In testimony whereof, the Colorado State University Research Foundation and E. Christopher Orton have caused this assignment to be signed by its duly authorized officers and its seal to be attached and by E. Christopher Orton this _____ day of _____, 2002.

_____
COLORADO STATE UNIVERSITY
RESEARCH FOUNDATION

Attest

_____
By: Kathleen Henry, President

(CORPORATE SEAL)

_____
Secretary

State of Colorado
ss
County of _____

On this the ____ day of _____, 2002, before me personally appeared Kathleen Henry, who acknowledged herself to be the President of Colorado State University Research Foundation, a corporation, that she knows the seal of said corporation, that the seal affixed to the foregoing instrument is that seal, that it was so affixed by authority of the Board of Directors of the corporation, and that, by like authority, she executed the instrument for the purposes stated in it by signing the name of the corporation by herself as President.

In witness whereof I hereunto set my hand and the seal of my office.

_____
Notary Public

_____
E. CHRISTOPHER ORTON

State of Colorado
ss
County of _____

On this the ____ day of _____, 2002, before me personally appeared E. Christopher Orton, who executed the instrument for the purposes stated in it by signing his name.

In witness whereof I hereunto set my hand and the seal of my office.

_____

Notary Public

ASSIGNMENT

In consideration of other good and valuable consideration, of which receipt is acknowledged, Colorado State University Research Foundation, a corporation formed under the laws of the state of Colorado, owner of the entire right, title, and interest in the following United States Letters Patents and patent applications:

1. Letters Patent No. 5,192,312, granted in the name of E. Christopher Orton, on March 3, 1993, by assignment recorded in the U.S. Patent and Trademark Office on Reel 006169, Frame 0272,

2. Letters Patent No. 5,772,695, granted in the name of E. Christopher Orton, on June 30, 1998, by assignment recorded in the U.S. Patent and Trademark Office on Reel 009128, Frame 0392,

3. Letters Patent No. 5,863,296, granted in the name of E. Christopher Orton, on January 26, 1999, by assignment recorded in the U.S. Patent and Trademark Office on Reel _____, Frame _____,

4. Letters Patent No. 5,855,617, granted in the name of E. Christopher Orton, on January 5, 1999, by assignment recorded in the U.S. Patent and Trademark Office on Reel 009128, Frame 0392,

5. U.S. Non-Provisional Patent Application No. 09/909,914, naming E. Christopher Orton as inventor, by assignment recorded in the U.S. Patent and Trademark Office on Reel 012269, Frame 0694.

6. U.S. Provisional Application Serial No. 60/219,545, naming E. Christopher Orton as inventor, by assignment recorded in the U.S. Patent and Trademark Office on Reel ____, Frame _____.

7. PCT Application Serial No. PCT/US01/22018, naming E. Christopher Orton as inventor, by assignment recorded in the U.S. Patent and Trademark Office on Reel ____, Frame _____.

8. U.S. Application Serial No. 09/540,525, naming E. Christopher Orton, inter alia, as an inventor, by assignment of E. Christopher Orton's rights solely, recorded in the U.S. Patent and Trademark Office on Reel ____, Frame _____.

and E. Christopher Orton, inventor of the above-listed Letters Patents and patent applications, hereby sell and assign to CryoLife, Inc., a corporation of Florida, its and his entire right, title, and interest in the said Letters Patents, together with all reissues or reexaminations of said Letters Patents, all divisions and continuations of said applications, and all applications and patent rights for said inventions set forth in these applications in foreign countries, to be held and enjoyed by CryoLife Inc., its successors, and assigns, as fully and entirely as the same would have been held and enjoyed by the Colorado State University Research Foundation or E. Christopher Orton had this assignment and sale not been made. The Colorado State University Research Foundation and E. Christopher Orton further agree to execute all further papers and do all further acts appropriate to fully vest in CryoLife, Inc. the rights herein conveyed.

In testimony whereof, the Colorado State University Research Foundation and E. Christopher Orton have caused this assignment to be signed by its duly authorized officers and its seal to be attached and by E. Christopher Orton this _____ day of _____, 2002.

_____
COLORADO STATE UNIVERSITY
RESEARCH FOUNDATION

Attest

_____
By: Kathleen Henry, President

(CORPORATE SEAL)

_____
Secretary

State of Coloardo
ss
County of _____

On this the ____ day of _____, 2002, before me personally appeared Kathleen Henry, who acknowledged herself to be the President of Colorado State University Research Foundation, a corporation, that she knows the seal of said

corporation, that the seal affixed to the foregoing instrument is that seal, that it was so affixed by authority of the Board of Directors of the corporation, and that, by like authority, she executed the instrument for the purposes stated in it by signing the name of the corporation by herself as President.

In witness whereof I hereunto set my hand and the seal of my office.

_____
Notary Public

_____
E. CHRISTOPHER ORTON

State of Coloardo
ss
County of _____

On this the ____ day of _____, 2002, before me personally appeared E. Christopher Orton, who executed the instrument for the purposes stated in it by signing his name.

In witness whereof I hereunto set my hand and the seal of my office.

_____
Notary Public

EXHIBIT D

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. 01-N-0933 (OES)

COLORADO STATE UNIVERSITY
RESEARCH FOUNDATION, a Colorado
non-profit corporation,

Plaintiff/ Counterclaim Defendant,

vs.

CRYOLIFE, INC., a Florida corporation,

Defendant/Counterclaimant.

JOINT STIPULATION OF DISMISSAL WITH PREJUDICE

WHEREAS Plaintiff/Counterclaim Defendant Colorado State University Research Foundation ("Plaintiff") and Defendant/Counterclaimant CryoLife, Inc. ("Defendant") having settled all claims pending the above-referenced action, and it being the intent of Plaintiff and Defendant that all claims and actions be dismissed with prejudice, pursuant to their mutual consents set forth below;

COMES NOW Plaintiff, by and through its undersigned attorneys of record, and pursuant to F.R.C.P. 41(a), dismisses with prejudice its Complaint and all claims and actions it has asserted or instituted in the above-referenced action; and

COMES NOW Defendant, by and through its undersigned attorneys of record, and pursuant to F.R.C.P. 41(a, c), dismisses with prejudice its Counterclaim and all claims and actions it has asserted or instituted in the above-referenced action.

The parties will bear their own costs and attorneys' fees.

This 2nd day of August, 2002.

Robert R. Brunelli
Joseph. E. Kovarik
Scott R. Bialecki
SHERIDAN ROSS P.C.
1560 Broadway, Suite 1200
Denver, Colorado 80202-5141
(303) 863-9700

Attorneys for Plaintiff CSURF

Kevin B. Getzendanner
Stephen M. Dorvee
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1474312

EXHIBIT 10.4

EMPLOYMENT AGREEMENT

This Agreement ("the Agreement") dated as of the 3rd day of September, 2002 (the "Effective Date"), is by and between CryoLife, Inc., a Florida corporation ("CryoLife") and David Ashley Lee (the "Employee").

WITNESSETH:

WHEREAS, the Board of Directors of CryoLife (the "Board"), has determined that it is in the best interests of CryoLife and its shareholders to enter into this Employment Agreement in order to assure the Employee of CryoLife's commitment and, in so doing, to motivate the Employee to continue in Employee's dedicated service to CryoLife even in circumstances such as a possible future threat or occurrence of a Change of Control (defined below) of CryoLife; and,

WHEREAS, in order to accomplish these objectives, the Board has caused CryoLife to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises, the promises hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledges, it is hereby agreed as follows:

1. Employment.

(a) CryoLife hereby employs Employee in the capacity of Vice President and Chief Financial Officer and Employee hereby accepts such duties as are customarily performed and exercised by such officer subject to the supervision of the President of CryoLife. The duties of Employee shall include those duties more specifically described on Exhibit A attached hereto together with such additional duties as are assigned by the President of CryoLife.

(b) CryoLife agrees to continue the Employee in its employ, and the Employee hereby agrees to remain in the employ of CryoLife subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the second anniversary of such date (the "Employment Period"). Unless either party elects not to extend the term of this Agreement by so notifying the other in writing at least 30 days prior to the first anniversary of the Effective Date, the Employment Period shall automatically extend for an additional one year.

2. Employment Duties.

(a) During the Employment Period, (A) the Employee's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Employee's services shall be performed at the location where the Employee was employed immediately preceding the Effective Date.

(b) During the Employment Period, and excluding any periods of vacation and sick leave to which the Employee is entitled, the Employee agrees to devote reasonable attention and time to the business and affairs of CryoLife and, to the extent necessary to discharge the responsibilities assigned to the Employee hereunder, to use the Employee's reasonable best efforts to perform faithfully and efficiently such responsibilities.

(c) During the Employment Period, the Employee will not, without the prior written consent of CryoLife, directly or indirectly other than in the performance of the duties hereunder, render services of a business, professional or commercial nature to any other person or firm, whether for compensation or otherwise, except with respect to any noncompetitive family businesses of the Employee for which the rendering of such services will not have an adverse effect upon Employee's performance of his duties and obligations hereunder.

3. Compensation, Benefits and Business Expenses.

(a) For all services which Employee renders to CryoLife or any of its

subsidiaries or affiliates during the term hereof, CryoLife agrees to pay the Employee the salary and bonus compensation as set by the Compensation Advisory Committee of the Board of Directors. Employee's salary at the Effective Date is set forth on Exhibit A.

(b) CryoLife shall pay all reasonable expenses incurred by the Employee directly related to performance of his responsibilities and duties for CryoLife hereunder. Employee shall submit to CryoLife statements that justify in reasonable detail all reasonable expenses so incurred. Subject to such audits as CryoLife may deem necessary, CryoLife shall reimburse Employee the full amount of any such expenses advanced by Employee.

(c) Employee shall be entitled to a vacation each year of his employment with CryoLife, according to the standard vacation policy, as well as insurance and other employment benefits, as more particularly described on Exhibit A. Vacations not taken shall be cumulative and carried over to a subsequent year.

4. Change of Control. For the purposes of this Agreement, the term "Change of Control" shall mean a change in the beneficial ownership of CryoLife's voting stock or a change in the composition of the Board that occurs as follows:

(a) Any "person," including a "syndication" or "group" as those terms are used in Section 13(d)(3) of the Securities Exchange Act of 1934, is or becomes the beneficial owner, directly or indirectly, of securities of CryoLife representing 20% or more of the combined voting power of CryoLife's then outstanding "Voting Securities," which is any security which ordinarily possesses the power to vote in the election of the Board of Directors of a corporation without the happening of any precondition or contingency;

(b) CryoLife is merged or consolidated with another corporation and immediately after giving effect to the merger or consolidation less than 80% of the outstanding Voting Securities of the surviving or resulting entity are then beneficially owned in the aggregate by (x) the shareholders of CryoLife immediately prior to such merger or consolidation, or (y) if a record date has been set to determine the shareholders of CryoLife entitled to vote on such merger or consolidation, the shareholders of CryoLife as of such record date;

(c) If at any time the following do not constitute a majority of the Board of Directors of CryoLife (or any successor entity referred to in clause (ii) above): individuals who, prior to their election as a director of CryoLife (or successor entity if applicable) were nominated, recommended or endorsed by a formal resolution of the Board; or

(d) CryoLife transfers substantially all of its assets to another corporation which is a less than 80% owned subsidiary of CryoLife.

5. Termination of Employment.

(a) Disability or Death. If CryoLife determines in good faith that the Disability of the Employee has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Employee written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Employee's employment. In such event, the Employee's employment with CryoLife shall terminate effective on the 30th day after receipt of such notice by the Employee (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Employee shall not have returned to full-time performance of the Employee's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Employee from the Employee's duties with CryoLife on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by CryoLife or its insurers and acceptable to the Employee or the Employee's legal representative. The Employee's employment shall terminate automatically upon the Employee's death during the Employment Period.

(b) Cause. CryoLife may terminate the Employee's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Employee to perform substantially the Employee's duties with CryoLife (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Employee by the Board or the Chief Executive Officer of CryoLife which specifically identifies the manner in which CryoLife believes that the Employee has not substantially performed the Employee's duties, or

(ii) the willful engaging by the Employee in illegal conduct or gross misconduct which is materially and demonstrably injurious to CryoLife.

For purposes of this provision, no act or failure to act, on the part of the Employee, shall be considered "willful" unless it is done, or omitted to be done, by the Employee in bad faith or without reasonable belief that the Employee's action or omission was in the best interests of CryoLife. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Employee Officer or a senior officer of CryoLife or based upon the advice of counsel for CryoLife shall be conclusively presumed to be done, or omitted to be done, by the Employee in good faith and in the best interests of CryoLife.

(c) Good Reason. The Employee's employment may be terminated by the Employee for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 1(a) of this Agreement, or any other action by CryoLife which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by CryoLife promptly after receipt of notice thereof given by the Employee;

(ii) any failure by CryoLife to comply with any of the provisions of Section 3(a) or 3(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by CryoLife promptly after receipt of notice thereof given by the Employee;

(iii) any purported or threatened termination by CryoLife of the Employee's employment otherwise than for Cause, Death or Disability; or

(iv) any failure by CryoLife to comply with and satisfy Section 11(c) of this Agreement.

For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Employee shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Employee for any reason at least 90 but not more than 120 days following consummation of a Change of Control or during the 30 day period immediately following the first anniversary of a Change of Control shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

(d) Notice of Termination. Any termination by CryoLife for Cause, or by the Employee for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Employee or CryoLife to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Employee or CryoLife,

respectively, hereunder or preclude the Employee or CryoLife, respectively, from asserting such fact or circumstance in enforcing the Employee's or CryoLife's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Employee's employment is terminated by CryoLife for Cause, or by the Employee for Good Reason, the date of receipt of the Notice of Termination, or any later date specified therein, as the case may be, (ii) if the Employee's employment is terminated by CryoLife other than for Cause or Disability, the Date of Termination shall be the date on which CryoLife notifies the Employee of such termination and (iii) if the Employee's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Employee or the Disability Effective Date, as the case may be.

6. Obligations of CryoLife upon Termination.

(a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, (i) CryoLife shall terminate the Employee's employment other than for Cause, Death or Disability or (ii) the Employee shall terminate employment for Good Reason, then CryoLife shall pay to Employee as severance compensation an amount equal to $330,000.00. Such payment shall be in addition to sums due to Employee through the Date of Termination and shall be subject to normal withholding requirements of CryoLife. Payment of the amount shall be made in one lump sum payment or in six equal monthly installments as directed by the Employee.

(b) Death. If the Employee's employment is terminated by reason of the Employee's death during the Employment Period, this Agreement shall terminate without further obligations to the Employee's legal representatives under this Agreement, other than for payment of obligations accruing through the Date of Termination.

(c) Disability. If the Employee's employment is terminated by reason of the Employee's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Employee, other than for payment obligations accruing through the Date of Termination.

(d) Cause; Other than for Good Reason. If the Employee's employment shall be terminated by CryoLife for Cause or by the Employee without Good Reason during the Employment Period, this Agreement shall terminate without further obligations to the Employee other than the obligation to pay to the Employee his or her salary through the Date of Termination.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Employee's continuing or future participation in any plan, program, policy or practice provided by CryoLife or any of its affiliated companies and for which the Employee may qualify, nor shall anything herein limit or otherwise affect such rights as the Employee may have under any contract or agreement with CryoLife or any of its affiliated companies. Amounts which are vested benefits or which the Employee is otherwise entitled to receive under any plan, practice or program of or any contract or agreement with CryoLife or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. In no event shall the Employee be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Employee under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Employee obtains other employment. CryoLife agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Employee may reasonably incur as a result of any contest (regardless of the outcome thereof) by CryoLife, the Employee or others of the validity or enforceability of, or liability under, any provision of this Agreement.

9. Limitation or Expansion of Benefits.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any benefit, payment or distribution by the Company to or for the benefit of the Employee (whether payable or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") would, if paid, be subject to the excise tax imposed by Section 4999 of the Internal

Revenue Code of 1986, as amended (the "Code"; such excise tax, the "Excise Tax"), then the Payment shall be reduced to the extent necessary of avoid the imposition of the Excise Tax. The Employee may select the Payment to be limited or reduced.

(b) All determinations required to be made under this Section 9, including whether an Excise Tax would otherwise be imposed and the assumptions to be utilized in arriving at such determination and the value of the maximum amount payable without imposition of the Excise Tax, shall be made by the certified public accounting firm regularly engaged by the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Employee within 30 business days of the receipt of notice from the Employee that a Payment is due to be made, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Employee may appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and the Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Payments hereunder will have been unnecessarily limited by this Section 9 ("Underpayment"), consistent with the calculations required to be made hereunder. The Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be paid by the Company to or for the benefit of the Employee.

(c) The provisions of this Section 9 shall not apply unless and until amounts become payable to Employee pursuant to Section 6(a) hereof.

10. Confidential Information. The Employee and CryoLife are parties to one or more separate agreements respecting confidential information, trade secrets, inventions and non-competition (collectively, the "IP Agreements"). The parties agree that the IP Agreements shall not be superceded or terminated by this Agreement and shall survive any termination of this Agreement.

11. Successors.

(a) This Agreement is personal to the Employee and without the prior written consent of CryoLife shall not be assignable by the Employee otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Employee's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon CryoLife and its successors and assigns.

(c) CryoLife will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of CryoLife to assume expressly and agree to perform this Agreement in the same manner and to the same extent that CryoLife would be required to perform it if no such succession had taken place. As used in this Agreement, "CryoLife" shall mean CryoLife as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force and effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their

respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Employee:

David Ashley Lee
3802 Wieuca Terrace NE
Atlanta, GA 30342

If to CryoLife:

CryoLife, Inc.
1655 Roberts Boulevard, N.W,
Kennesaw, Georgia 30144
Attention: President

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability or any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) CryoLife may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) From and after the Effective Date this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Employee has hereunder set the Employee's hand and, pursuant to the authorization from its Board, CryoLife has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ D.A. Lee

David Ashley Lee

CRYOLIFE, INC.

By: /s/ Steven G. Anderson

Steven G. Anderson
Chairman, President and CEO

Exhibit A

Duties and Responsibilities of DAVID ASHLEY LEE:

All duties of Vice President and Chief Financial Officer and duties not inconsistent with such duties that are assigned by the President.

Compensation:

Salary of $220,000 and bonus set by the Compensation Advisory Committee.

Salary & Bonus subject to yearly review by the Compensation Advisory Committee of the Board of Directors:

Vacation and Employee Benefits:

See attached Company vacation plan, standard Company medical plan and contributory 401K plan.

Company Business:

The development, marketing, sale and distribution of tissue preservation services and biomedical and medical products.

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EXHIBIT 10.5

EMPLOYMENT AGREEMENT

This Agreement ("the Agreement") dated as of the 3rd day of September, 2002 (the "Effective Date"), is by and between CryoLife, Inc., a Florida corporation ("CryoLife") and Sidney B. Ashmore (the "Employee").

WITNESSETH:

WHEREAS, the Board of Directors of CryoLife (the "Board"), has determined that it is in the best interests of CryoLife and its shareholders to enter into this Employment Agreement in order to assure the Employee of CryoLife's commitment and, in so doing, to motivate the Employee to continue in Employee's dedicated service to CryoLife even in circumstances such as a possible future threat or occurrence of a Change of Control (defined below) of CryoLife; and,

WHEREAS, in order to accomplish these objectives, the Board has caused CryoLife to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises, the promises hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledges, it is hereby agreed as follows:

1. Employment.

(a) CryoLife hereby employs Employee in the capacity of Vice President, Marketing and Employee hereby accepts such duties as are customarily performed and exercised by such officer subject to the supervision of the President of CryoLife. The duties of Employee shall include those duties more specifically described on Exhibit A attached hereto together with such additional duties as are assigned by the President of CryoLife.

(b) CryoLife agrees to continue the Employee in its employ, and the Employee hereby agrees to remain in the employ of CryoLife subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the first anniversary of such date (the "Employment Period"). Unless either party elects not to extend the term of this Agreement by so notifying the other in writing at least 30 days prior to the first anniversary of the Effective Date, the Employment Period shall automatically extend for an additional one year.

2. Employment Duties.

(a) During the Employment Period, (A) the Employee's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Employee's services shall be performed at the location where the Employee was employed immediately preceding the Effective Date.

(b) During the Employment Period, and excluding any periods of vacation and sick leave to which the Employee is entitled, the Employee agrees to devote reasonable attention and time to the business and affairs of CryoLife and, to the extent necessary to discharge the responsibilities assigned to the Employee hereunder, to use the Employee's reasonable best efforts to perform faithfully and efficiently such responsibilities.

(c) During the Employment Period, the Employee will not, without the prior written consent of CryoLife, directly or indirectly other than in the performance of the duties hereunder, render services of a business, professional or commercial nature to any other person or firm, whether for compensation or otherwise, except with respect to any noncompetitive family businesses of the Employee for which the rendering of such services will not have an adverse effect upon Employee's performance of his duties and obligations hereunder.

3. Compensation, Benefits and Business Expenses.

(a) For all services which Employee renders to CryoLife or any of its subsidiaries or affiliates during the term hereof, CryoLife agrees to pay the Employee the salary and bonus compensation as set by the Compensation Advisory Committee of the Board of Directors. Employee's salary at the Effective Date is set forth on Exhibit A.

(b) CryoLife shall pay all reasonable expenses incurred by the Employee directly related to performance of his responsibilities and duties for CryoLife hereunder. Employee shall submit to CryoLife statements that justify in reasonable detail all reasonable expenses so incurred. Subject to such audits as CryoLife may deem necessary, CryoLife shall reimburse Employee the full amount of any such expenses advanced by Employee.

(c) Employee shall be entitled to a vacation each year of his employment with CryoLife, according to the standard vacation policy, as well as insurance and other employment benefits, as more particularly described on Exhibit A. Vacations not taken shall be cumulative and carried over to a subsequent year.

4. Change of Control. For the purposes of this Agreement, the term "Change of Control" shall mean a change in the beneficial ownership of CryoLife's voting stock or a change in the composition of the Board that occurs as follows:

(a) Any "person," including a "syndication" or "group" as those terms are used in Section 13(d)(3) of the Securities Exchange Act of 1934, is or becomes the beneficial owner, directly or indirectly, of securities of CryoLife representing 20% or more of the combined voting power of CryoLife's then outstanding "Voting Securities," which is any security which ordinarily possesses the power to vote in the election of the Board of Directors of a corporation without the happening of any precondition or contingency;

(b) CryoLife is merged or consolidated with another corporation and immediately after giving effect to the merger or consolidation less than 80% of the outstanding Voting Securities of the surviving or resulting entity are then beneficially owned in the aggregate by (x) the shareholders of CryoLife immediately prior to such merger or consolidation, or (y) if a record date has been set to determine the shareholders of CryoLife entitled to vote on such merger or consolidation, the shareholders of CryoLife as of such record date;

(c) If at any time the following do not constitute a majority of the Board of Directors of CryoLife (or any successor entity referred to in clause (ii) above): individuals who, prior to their election as a director of CryoLife (or successor entity if applicable) were nominated, recommended or endorsed by a formal resolution of the Board; or

(d) CryoLife transfers substantially all of its assets to another corporation which is a less than 80% owned subsidiary of CryoLife.

5. Termination of Employment.

(a) Disability or Death. If CryoLife determines in good faith that the Disability of the Employee has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Employee written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Employee's employment. In such event, the Employee's employment with CryoLife shall terminate effective on the 30th day after receipt of such notice by the Employee (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Employee shall not have returned to full-time performance of the Employee's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Employee from the Employee's duties with CryoLife on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by CryoLife or its insurers and acceptable to the Employee or the Employee's legal representative. The Employee's employment shall terminate automatically upon the Employee's death during the Employment Period.

(b) Cause. CryoLife may terminate the Employee's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Employee to perform substantially the Employee's duties with CryoLife (other than any such failure

resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Employee by the Board or the Chief Executive Officer of CryoLife which specifically identifies the manner in which CryoLife believes that the Employee has not substantially performed the Employee's duties, or

(ii) the willful engaging by the Employee in illegal conduct or gross misconduct which is materially and demonstrably injurious to CryoLife.

For purposes of this provision, no act or failure to act, on the part of the Employee, shall be considered "willful" unless it is done, or omitted to be done, by the Employee in bad faith or without reasonable belief that the Employee's action or omission was in the best interests of CryoLife. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Employee Officer or a senior officer of CryoLife or based upon the advice of counsel for CryoLife shall be conclusively presumed to be done, or omitted to be done, by the Employee in good faith and in the best interests of CryoLife.

(c) Good Reason. The Employee's employment may be terminated by the Employee for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 1(a) of this Agreement, or any other action by CryoLife which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by CryoLife promptly after receipt of notice thereof given by the Employee;

(ii) any failure by CryoLife to comply with any of the provisions of Section 3(a) or 3(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by CryoLife promptly after receipt of notice thereof given by the Employee;

(iii) any purported or threatened termination by CryoLife of the Employee's employment otherwise than for Cause, Death or Disability; or

(iv) any failure by CryoLife to comply with and satisfy Section 11(c) of this Agreement.

For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Employee shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Employee for any reason at least 90 but not more than 120 days following consummation of a Change of Control or during the 30 day period immediately following the first anniversary of a Change of Control shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

(d) Notice of Termination. Any termination by CryoLife for Cause, or by the Employee for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts

and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Employee or CryoLife to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Employee or CryoLife, respectively, hereunder or preclude the Employee or CryoLife, respectively, from asserting such fact or circumstance in enforcing the Employee's or CryoLife's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Employee's employment is terminated by CryoLife for Cause, or by the Employee for Good Reason, the date of receipt of the Notice of Termination, or any later date specified therein, as the case may be, (ii) if the Employee's employment is terminated by CryoLife other than for Cause or Disability, the Date of Termination shall be the date on which CryoLife notifies the Employee of such termination and (iii) if the Employee's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Employee or the Disability Effective Date, as the case may be.

6. Obligations of CryoLife upon Termination.

(a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, (i) CryoLife shall terminate the Employee's employment other than for Cause, Death or Disability or (ii) the Employee shall terminate employment for Good Reason, then CryoLife shall pay to Employee as severance compensation an amount equal to $255,000.00. Such payment shall be in addition to sums due to Employee through the Date of Termination and shall be subject to normal withholding requirements of CryoLife. Payment of the amount shall be made in one lump sum payment or in six equal monthly installments as directed by the Employee.

(b) Death. If the Employee's employment is terminated by reason of the Employee's death during the Employment Period, this Agreement shall terminate without further obligations to the Employee's legal representatives under this Agreement, other than for payment of obligations accruing through the Date of Termination.

(c) Disability. If the Employee's employment is terminated by reason of the Employee's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Employee, other than for payment obligations accruing through the Date of Termination.

(d) Cause; Other than for Good Reason. If the Employee's employment shall be terminated by CryoLife for Cause or by the Employee without Good Reason during the Employment Period, this Agreement shall terminate without further obligations to the Employee other than the obligation to pay to the Employee his or her salary through the Date of Termination.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Employee's continuing or future participation in any plan, program, policy or practice provided by CryoLife or any of its affiliated companies and for which the Employee may qualify, nor shall anything herein limit or otherwise affect such rights as the Employee may have under any contract or agreement with CryoLife or any of its affiliated companies. Amounts which are vested benefits or which the Employee is otherwise entitled to receive under any plan, practice or program of or any contract or agreement with CryoLife or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. In no event shall the Employee be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Employee under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Employee obtains other employment. CryoLife agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Employee may reasonably incur as a result of any contest (regardless of the outcome thereof) by CryoLife, the Employee or others of the validity or enforceability of, or liability under, any provision of this Agreement.

9. Limitation or Expansion of Benefits.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any benefit, payment or distribution by the Company to or for the benefit of the Employee (whether payable or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") would, if paid, be subject to the excise tax imposed by Section 4999 of the Internal

Revenue Code of 1986, as amended (the "Code"; such excise tax, the "Excise Tax"), then the Payment shall be reduced to the extent necessary of avoid the imposition of the Excise Tax. The Employee may select the Payment to be limited or reduced.

(b) All determinations required to be made under this Section 9, including whether an Excise Tax would otherwise be imposed and the assumptions to be utilized in arriving at such determination and the value of the maximum amount payable without imposition of the Excise Tax, shall be made by the certified public accounting firm regularly engaged by the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Employee within 30 business days of the receipt of notice from the Employee that a Payment is due to be made, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Employee may appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and the Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Payments hereunder will have been unnecessarily limited by this Section 9 ("Underpayment"), consistent with the calculations required to be made hereunder. The Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be paid by the Company to or for the benefit of the Employee.

(c) The provisions of this Section 9 shall not apply unless and until amounts become payable to Employee pursuant to Section 6(a) hereof.

10. Confidential Information. The Employee and CryoLife are parties to one or more separate agreements respecting confidential information, trade secrets, inventions and non-competition (collectively, the "IP Agreements"). The parties agree that the IP Agreements shall not be superceded or terminated by this Agreement and shall survive any termination of this Agreement.

11. Successors.

(a) This Agreement is personal to the Employee and without the prior written consent of CryoLife shall not be assignable by the Employee otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Employee's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon CryoLife and its successors and assigns.

(c) CryoLife will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of CryoLife to assume expressly and agree to perform this Agreement in the same manner and to the same extent that CryoLife would be required to perform it if no such succession had taken place. As used in this Agreement, "CryoLife" shall mean CryoLife as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force and effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Employee:

Sidney B. Ashmore
_____
_____

If to CryoLife:

CryoLife, Inc.
1655 Roberts Boulevard, N.W,
Kennesaw, Georgia 30144
Attention: President

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability or any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) CryoLife may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) From and after the Effective Date this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Employee has hereunder set the Employee's hand and, pursuant to the authorization from its Board, CryoLife has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ Sidney B. Ashmore

Sidney B. Ashmore

CRYOLIFE, INC.

By: /s/ Steven G. Anderson

Steven G. Anderson
Chairman, President and CEO

Exhibit A

Duties and Responsibilities of SIDNEY B. ASHMORE:

All duties of Vice President, Marketing and duties not inconsistent with such duties that are assigned by the President.

Compensation:

Salary of $170,000 and bonus set by the Compensation Advisory Committee. Salary & Bonus subject to yearly review by the Compensation Advisory Committee of the Board of Directors:

Vacation and Employee Benefits:

See attached Company vacation plan, standard Company medical plan and contributory 401K plan.

Company Business:

The development, marketing, sale and distribution of tissue preservation services and biomedical and medical products.

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EXHIBIT 10.6

EMPLOYMENT AGREEMENT

This Agreement ("the Agreement") dated as of the 3rd day of September, 2002 (the "Effective Date"), is by and between CryoLife, Inc., a Florida corporation ("CryoLife") and Kirby S. Black, Ph.D. (the "Employee").

WITNESSETH:

WHEREAS, the Board of Directors of CryoLife (the "Board"), has determined that it is in the best interests of CryoLife and its shareholders to enter into this Employment Agreement in order to assure the Employee of CryoLife's commitment and, in so doing, to motivate the Employee to continue in Employee's dedicated service to CryoLife even in circumstances such as a possible future threat or occurrence of a Change of Control (defined below) of CryoLife; and,

WHEREAS, in order to accomplish these objectives, the Board has caused CryoLife to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises, the promises hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledges, it is hereby agreed as follows:

1. Employment.

(a) CryoLife hereby employs Employee in the capacity of Senior Vice President, Research and Development and Employee hereby accepts such duties as are customarily performed and exercised by such officer subject to the supervision of the President of CryoLife. The duties of Employee shall include those duties more specifically described on Exhibit A attached hereto together with such additional duties as are assigned by the President of CryoLife.

(b) CryoLife agrees to continue the Employee in its employ, and the Employee hereby agrees to remain in the employ of CryoLife subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the first anniversary of such date (the "Employment Period"). Unless either party elects not to extend the term of this Agreement by so notifying the other in writing at least 30 days prior to the first anniversary of the Effective Date, the Employment Period shall automatically extend for an additional one year.

2. Employment Duties.

(a) During the Employment Period, (A) the Employee's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Employee's services shall be performed at the location where the Employee was employed immediately preceding the Effective Date.

(b) During the Employment Period, and excluding any periods of vacation and sick leave to which the Employee is entitled, the Employee agrees to devote reasonable attention and time to the business and affairs of CryoLife and, to the extent necessary to discharge the responsibilities assigned to the Employee hereunder, to use the Employee's reasonable best efforts to perform faithfully and efficiently such responsibilities.

(c) During the Employment Period, the Employee will not, without the prior written consent of CryoLife, directly or indirectly other than in the performance of the duties hereunder, render services of a business, professional or commercial nature to any other person or firm, whether for compensation or otherwise, except with respect to any noncompetitive family businesses of the Employee for which the rendering of such services will not have an adverse effect upon Employee's performance of his duties and obligations hereunder.

3. Compensation, Benefits and Business Expenses.

(a) For all services which Employee renders to CryoLife or any of its subsidiaries or affiliates during the term hereof, CryoLife agrees to pay the Employee the salary and bonus compensation as set by the Compensation Advisory Committee of the Board of Directors. Employee's salary at the Effective Date is set forth on Exhibit A.

(b) CryoLife shall pay all reasonable expenses incurred by the Employee directly related to performance of his responsibilities and duties for CryoLife hereunder. Employee shall submit to CryoLife statements that justify in reasonable detail all reasonable expenses so incurred. Subject to such audits as CryoLife may deem necessary, CryoLife shall reimburse Employee the full amount of any such expenses advanced by Employee.

(c) Employee shall be entitled to a vacation each year of his employment with CryoLife, according to the standard vacation policy, as well as insurance and other employment benefits, as more particularly described on Exhibit A. Vacations not taken shall be cumulative and carried over to a subsequent year.

4. Change of Control. For the purposes of this Agreement, the term "Change of Control" shall mean a change in the beneficial ownership of CryoLife's voting stock or a change in the composition of the Board that occurs as follows:

(a) Any "person," including a "syndication" or "group" as those terms are used in Section 13(d)(3) of the Securities Exchange Act of 1934, is or becomes the beneficial owner, directly or indirectly, of securities of CryoLife representing 20% or more of the combined voting power of CryoLife's then outstanding "Voting Securities," which is any security which ordinarily possesses the power to vote in the election of the Board of Directors of a corporation without the happening of any precondition or contingency;

(b) CryoLife is merged or consolidated with another corporation and immediately after giving effect to the merger or consolidation less than 80% of the outstanding Voting Securities of the surviving or resulting entity are then beneficially owned in the aggregate by (x) the shareholders of CryoLife immediately prior to such merger or consolidation, or (y) if a record date has been set to determine the shareholders of CryoLife entitled to vote on such merger or consolidation, the shareholders of CryoLife as of such record date;

(c) If at any time the following do not constitute a majority of the Board of Directors of CryoLife (or any successor entity referred to in clause (ii) above): individuals who, prior to their election as a director of CryoLife (or successor entity if applicable) were nominated, recommended or endorsed by a formal resolution of the Board; or

(d) CryoLife transfers substantially all of its assets to another corporation which is a less than 80% owned subsidiary of CryoLife.

5. Termination of Employment.

(a) Disability or Death. If CryoLife determines in good faith that the Disability of the Employee has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Employee written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Employee's employment. In such event, the Employee's employment with CryoLife shall terminate effective on the 30th day after receipt of such notice by the Employee (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Employee shall not have returned to full-time performance of the Employee's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Employee from the Employee's duties with CryoLife on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by CryoLife or its insurers and acceptable to the Employee or the Employee's legal representative. The Employee's employment shall terminate automatically upon the Employee's death during the Employment Period.

(b) Cause. CryoLife may terminate the Employee's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Employee to perform substantially the Employee's duties with CryoLife (other than any such failure

resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Employee by the Board or the Chief Executive Officer of CryoLife which specifically identifies the manner in which CryoLife believes that the Employee has not substantially performed the Employee's duties, or

(ii) the willful engaging by the Employee in illegal conduct or gross misconduct which is materially and demonstrably injurious to CryoLife.

For purposes of this provision, no act or failure to act, on the part of the Employee, shall be considered "willful" unless it is done, or omitted to be done, by the Employee in bad faith or without reasonable belief that the Employee's action or omission was in the best interests of CryoLife. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Employee Officer or a senior officer of CryoLife or based upon the advice of counsel for CryoLife shall be conclusively presumed to be done, or omitted to be done, by the Employee in good faith and in the best interests of CryoLife.

(c) Good Reason. The Employee's employment may be terminated by the Employee for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 1(a) of this Agreement, or any other action by CryoLife which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by CryoLife promptly after receipt of notice thereof given by the Employee;

(ii) any failure by CryoLife to comply with any of the provisions of Section 3(a) or 3(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by CryoLife promptly after receipt of notice thereof given by the Employee;

(iii) any purported or threatened termination by CryoLife of the Employee's employment otherwise than for Cause, Death or Disability; or

(iv) any failure by CryoLife to comply with and satisfy Section 11(c) of this Agreement.

For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Employee shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Employee for any reason at least 90 but not more than 120 days following consummation of a Change of Control or during the 30 day period immediately following the first anniversary of a Change of Control shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

(d) Notice of Termination. Any termination by CryoLife for Cause, or by the Employee for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts

and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Employee or CryoLife to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Employee or CryoLife, respectively, hereunder or preclude the Employee or CryoLife, respectively, from asserting such fact or circumstance in enforcing the Employee's or CryoLife's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Employee's employment is terminated by CryoLife for Cause, or by the Employee for Good Reason, the date of receipt of the Notice of Termination, or any later date specified therein, as the case may be, (ii) if the Employee's employment is terminated by CryoLife other than for Cause or Disability, the Date of Termination shall be the date on which CryoLife notifies the Employee of such termination and (iii) if the Employee's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Employee or the Disability Effective Date, as the case may be.

6. Obligations of CryoLife upon Termination.

(a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, (i) CryoLife shall terminate the Employee's employment other than for Cause, Death or Disability or (ii) the Employee shall terminate employment for Good Reason, then CryoLife shall pay to Employee as severance compensation an amount equal to $337,500.00. Such payment shall be in addition to sums due to Employee through the Date of Termination and shall be subject to normal withholding requirements of CryoLife. Payment of the amount shall be made in one lump sum payment or in six equal monthly installments as directed by the Employee.

(b) Death. If the Employee's employment is terminated by reason of the Employee's death during the Employment Period, this Agreement shall terminate without further obligations to the Employee's legal representatives under this Agreement, other than for payment of obligations accruing through the Date of Termination.

(c) Disability. If the Employee's employment is terminated by reason of the Employee's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Employee, other than for payment obligations accruing through the Date of Termination.

(d) Cause; Other than for Good Reason. If the Employee's employment shall be terminated by CryoLife for Cause or by the Employee without Good Reason during the Employment Period, this Agreement shall terminate without further obligations to the Employee other than the obligation to pay to the Employee his or her salary through the Date of Termination.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Employee's continuing or future participation in any plan, program, policy or practice provided by CryoLife or any of its affiliated companies and for which the Employee may qualify, nor shall anything herein limit or otherwise affect such rights as the Employee may have under any contract or agreement with CryoLife or any of its affiliated companies. Amounts which are vested benefits or which the Employee is otherwise entitled to receive under any plan, practice or program of or any contract or agreement with CryoLife or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. In no event shall the Employee be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Employee under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Employee obtains other employment. CryoLife agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Employee may reasonably incur as a result of any contest (regardless of the outcome thereof) by CryoLife, the Employee or others of the validity or enforceability of, or liability under, any provision of this Agreement.

9. Limitation or Expansion of Benefits.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any benefit, payment or distribution by the Company to or for the benefit of the Employee (whether payable or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") would, if paid, be subject to the excise tax imposed by Section 4999 of the Internal

Revenue Code of 1986, as amended (the "Code"; such excise tax, the "Excise Tax"), then the Payment shall be reduced to the extent necessary of avoid the imposition of the Excise Tax. The Employee may select the Payment to be limited or reduced.

(b) All determinations required to be made under this Section 9, including whether an Excise Tax would otherwise be imposed and the assumptions to be utilized in arriving at such determination and the value of the maximum amount payable without imposition of the Excise Tax, shall be made by the certified public accounting firm regularly engaged by the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Employee within 30 business days of the receipt of notice from the Employee that a Payment is due to be made, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Employee may appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and the Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Payments hereunder will have been unnecessarily limited by this Section 9 ("Underpayment"), consistent with the calculations required to be made hereunder. The Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be paid by the Company to or for the benefit of the Employee.

(c) The provisions of this Section 9 shall not apply unless and until amounts become payable to Employee pursuant to Section 6(a) hereof.

10. Confidential Information. The Employee and CryoLife are parties to one or more separate agreements respecting confidential information, trade secrets, inventions and non-competition (collectively, the "IP Agreements"). The parties agree that the IP Agreements shall not be superceded or terminated by this Agreement and shall survive any termination of this Agreement.

11. Successors.

(a) This Agreement is personal to the Employee and without the prior written consent of CryoLife shall not be assignable by the Employee otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Employee's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon CryoLife and its successors and assigns.

(c) CryoLife will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of CryoLife to assume expressly and agree to perform this Agreement in the same manner and to the same extent that CryoLife would be required to perform it if no such succession had taken place. As used in this Agreement, "CryoLife" shall mean CryoLife as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force and effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Employee:

Kirby S. Black, Ph.D.
1371 Peppergrass Trail
Acworth, GA 30101

If to CryoLife:

CryoLife, Inc.
1655 Roberts Boulevard, N.W,
Kennesaw, Georgia 30144
Attention: President

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability or any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) CryoLife may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) From and after the Effective Date this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Employee has hereunder set the Employee's hand and, pursuant to the authorization from its Board, CryoLife has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ Kirby S. Black

Kirby S. Black, Ph.D.

CRYOLIFE, INC.

By: /s/ Steven G. Anderson

Steven G. Anderson
Chairman, President and CEO

Exhibit A

Duties and Responsibilities of KIRBY S. BLACK, PH.D.:

All duties of Senior Vice President, Research and Development and duties not inconsistent with such duties that are assigned by the President.

Compensation:

Salary of $225,000 and bonus set by the Compensation Advisory Committee. Salary & Bonus subject to yearly review by the Compensation Advisory Committee of the Board of Directors:

Vacation and Employee Benefits:

See attached Company vacation plan, standard Company medical plan and contributory 401K plan.

Company Business:

The development, marketing, sale and distribution of tissue preservation services and biomedical and medical products.

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EXHIBIT 10.7

EMPLOYMENT AGREEMENT

This Agreement ("the Agreement") dated as of the 3rd day of September, 2002 (the "Effective Date"), is by and between CryoLife, Inc., a Florida corporation ("CryoLife") and Albert E. Heacox, Ph.D. (the "Employee").

WITNESSETH:

WHEREAS, the Board of Directors of CryoLife (the "Board"), has determined that it is in the best interests of CryoLife and its shareholders to enter into this Employment Agreement in order to assure the Employee of CryoLife's commitment and, in so doing, to motivate the Employee to continue in Employee's dedicated service to CryoLife even in circumstances such as a possible future threat or occurrence of a Change of Control (defined below) of CryoLife; and,

WHEREAS, in order to accomplish these objectives, the Board has caused CryoLife to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises, the promises hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledges, it is hereby agreed as follows:

1. Employment.

(a) CryoLife hereby employs Employee in the capacity of Senior Vice President, Laboratory Operations and Employee hereby accepts such duties as are customarily performed and exercised by such officer subject to the supervision of the President of CryoLife. The duties of Employee shall include those duties more specifically described on Exhibit A attached hereto together with such additional duties as are assigned by the President of CryoLife.

(b) CryoLife agrees to continue the Employee in its employ, and the Employee hereby agrees to remain in the employ of CryoLife subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the second anniversary of such date (the "Employment Period"). Unless either party elects not to extend the term of this Agreement by so notifying the other in writing at least 30 days prior to the first anniversary of the Effective Date, the Employment Period shall automatically extend for an additional one year.

2. Employment Duties.

(a) During the Employment Period, (A) the Employee's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Employee's services shall be performed at the location where the Employee was employed immediately preceding the Effective Date.

(b) During the Employment Period, and excluding any periods of vacation and sick leave to which the Employee is entitled, the Employee agrees to devote reasonable attention and time to the business and affairs of CryoLife and, to the extent necessary to discharge the responsibilities assigned to the Employee hereunder, to use the Employee's reasonable best efforts to perform faithfully and efficiently such responsibilities.

(c) During the Employment Period, the Employee will not, without the prior written consent of CryoLife, directly or indirectly other than in the performance of the duties hereunder, render services of a business, professional or commercial nature to any other person or firm, whether for compensation or otherwise, except with respect to any noncompetitive family businesses of the Employee for which the rendering of such services will not have an adverse effect upon Employee's performance of his duties and obligations hereunder.

3. Compensation, Benefits and Business Expenses.

(a) For all services which Employee renders to CryoLife or any of its

subsidiaries or affiliates during the term hereof, CryoLife agrees to pay the Employee the salary and bonus compensation as set by the Compensation Advisory Committee of the Board of Directors. Employee's salary at the Effective Date is set forth on Exhibit A.

(b) CryoLife shall pay all reasonable expenses incurred by the Employee directly related to performance of his responsibilities and duties for CryoLife hereunder. Employee shall submit to CryoLife statements that justify in reasonable detail all reasonable expenses so incurred. Subject to such audits as CryoLife may deem necessary, CryoLife shall reimburse Employee the full amount of any such expenses advanced by Employee.

(c) Employee shall be entitled to a vacation each year of his employment with CryoLife, according to the standard vacation policy, as well as insurance and other employment benefits, as more particularly described on Exhibit A. Vacations not taken shall be cumulative and carried over to a subsequent year.

4. Change of Control. For the purposes of this Agreement, the term "Change of Control" shall mean a change in the beneficial ownership of CryoLife's voting stock or a change in the composition of the Board that occurs as follows:

(a) Any "person," including a "syndication" or "group" as those terms are used in Section 13(d)(3) of the Securities Exchange Act of 1934, is or becomes the beneficial owner, directly or indirectly, of securities of CryoLife representing 20% or more of the combined voting power of CryoLife's then outstanding "Voting Securities," which is any security which ordinarily possesses the power to vote in the election of the Board of Directors of a corporation without the happening of any precondition or contingency;

(b) CryoLife is merged or consolidated with another corporation and immediately after giving effect to the merger or consolidation less than 80% of the outstanding Voting Securities of the surviving or resulting entity are then beneficially owned in the aggregate by (x) the shareholders of CryoLife immediately prior to such merger or consolidation, or (y) if a record date has been set to determine the shareholders of CryoLife entitled to vote on such merger or consolidation, the shareholders of CryoLife as of such record date;

(c) If at any time the following do not constitute a majority of the Board of Directors of CryoLife (or any successor entity referred to in clause (ii) above): individuals who, prior to their election as a director of CryoLife (or successor entity if applicable) were nominated, recommended or endorsed by a formal resolution of the Board; or

(d) CryoLife transfers substantially all of its assets to another corporation which is a less than 80% owned subsidiary of CryoLife.

5. Termination of Employment.

(a) Disability or Death. If CryoLife determines in good faith that the Disability of the Employee has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Employee written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Employee's employment. In such event, the Employee's employment with CryoLife shall terminate effective on the 30th day after receipt of such notice by the Employee (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Employee shall not have returned to full-time performance of the Employee's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Employee from the Employee's duties with CryoLife on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by CryoLife or its insurers and acceptable to the Employee or the Employee's legal representative. The Employee's employment shall terminate automatically upon the Employee's death during the Employment Period.

(b) Cause. CryoLife may terminate the Employee's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Employee to perform substantially the Employee's duties with CryoLife (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Employee by the Board or the Chief Executive Officer of CryoLife which specifically identifies the manner in which CryoLife believes that the Employee has not substantially performed the Employee's duties, or

(ii) the willful engaging by the Employee in illegal conduct or gross misconduct which is materially and demonstrably injurious to CryoLife.

For purposes of this provision, no act or failure to act, on the part of the Employee, shall be considered "willful" unless it is done, or omitted to be done, by the Employee in bad faith or without reasonable belief that the Employee's action or omission was in the best interests of CryoLife. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Employee Officer or a senior officer of CryoLife or based upon the advice of counsel for CryoLife shall be conclusively presumed to be done, or omitted to be done, by the Employee in good faith and in the best interests of CryoLife.

(c) Good Reason. The Employee's employment may be terminated by the Employee for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 1(a) of this Agreement, or any other action by CryoLife which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by CryoLife promptly after receipt of notice thereof given by the Employee;

(ii) any failure by CryoLife to comply with any of the provisions of Section 3(a) or 3(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by CryoLife promptly after receipt of notice thereof given by the Employee;

(iii) any purported or threatened termination by CryoLife of the Employee's employment otherwise than for Cause, Death or Disability; or

(iv) any failure by CryoLife to comply with and satisfy Section 11(c) of this Agreement.

For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Employee shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Employee for any reason at least 90 but not more than 120 days following consummation of a Change of Control or during the 30 day period immediately following the first anniversary of a Change of Control shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

(d) Notice of Termination. Any termination by CryoLife for Cause, or by the Employee for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Employee or CryoLife to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Employee or CryoLife,

respectively, hereunder or preclude the Employee or CryoLife, respectively, from asserting such fact or circumstance in enforcing the Employee's or CryoLife's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Employee's employment is terminated by CryoLife for Cause, or by the Employee for Good Reason, the date of receipt of the Notice of Termination, or any later date specified therein, as the case may be, (ii) if the Employee's employment is terminated by CryoLife other than for Cause or Disability, the Date of Termination shall be the date on which CryoLife notifies the Employee of such termination and (iii) if the Employee's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Employee or the Disability Effective Date, as the case may be.

6. Obligations of CryoLife upon Termination.

(a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, (i) CryoLife shall terminate the Employee's employment other than for Cause, Death or Disability or (ii) the Employee shall terminate employment for Good Reason, then CryoLife shall pay to Employee as severance compensation an amount equal to $337,500.00. Such payment shall be in addition to sums due to Employee through the Date of Termination and shall be subject to normal withholding requirements of CryoLife. Payment of the amount shall be made in one lump sum payment or in six equal monthly installments as directed by the Employee.

(b) Death. If the Employee's employment is terminated by reason of the Employee's death during the Employment Period, this Agreement shall terminate without further obligations to the Employee's legal representatives under this Agreement, other than for payment of obligations accruing through the Date of Termination.

(c) Disability. If the Employee's employment is terminated by reason of the Employee's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Employee, other than for payment obligations accruing through the Date of Termination.

(d) Cause; Other than for Good Reason. If the Employee's employment shall be terminated by CryoLife for Cause or by the Employee without Good Reason during the Employment Period, this Agreement shall terminate without further obligations to the Employee other than the obligation to pay to the Employee his or her salary through the Date of Termination.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Employee's continuing or future participation in any plan, program, policy or practice provided by CryoLife or any of its affiliated companies and for which the Employee may qualify, nor shall anything herein limit or otherwise affect such rights as the Employee may have under any contract or agreement with CryoLife or any of its affiliated companies. Amounts which are vested benefits or which the Employee is otherwise entitled to receive under any plan, practice or program of or any contract or agreement with CryoLife or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. In no event shall the Employee be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Employee under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Employee obtains other employment. CryoLife agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Employee may reasonably incur as a result of any contest (regardless of the outcome thereof) by CryoLife, the Employee or others of the validity or enforceability of, or liability under, any provision of this Agreement.

9. Limitation or Expansion of Benefits.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any benefit, payment or distribution by the Company to or for the benefit of the Employee (whether payable or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") would, if paid, be subject to the excise tax imposed by Section 4999 of the Internal

Revenue Code of 1986, as amended (the "Code"; such excise tax, the "Excise Tax"), then the Payment shall be reduced to the extent necessary of avoid the imposition of the Excise Tax. The Employee may select the Payment to be limited or reduced.

(b) All determinations required to be made under this Section 9, including whether an Excise Tax would otherwise be imposed and the assumptions to be utilized in arriving at such determination and the value of the maximum amount payable without imposition of the Excise Tax, shall be made by the certified public accounting firm regularly engaged by the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Employee within 30 business days of the receipt of notice from the Employee that a Payment is due to be made, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Employee may appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and the Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Payments hereunder will have been unnecessarily limited by this Section 9 ("Underpayment"), consistent with the calculations required to be made hereunder. The Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be paid by the Company to or for the benefit of the Employee.

(c) The provisions of this Section 9 shall not apply unless and until amounts become payable to Employee pursuant to Section 6(a) hereof.

10. Confidential Information. The Employee and CryoLife are parties to one or more separate agreements respecting confidential information, trade secrets, inventions and non-competition (collectively, the "IP Agreements"). The parties agree that the IP Agreements shall not be superceded or terminated by this Agreement and shall survive any termination of this Agreement.

11. Successors.

(a) This Agreement is personal to the Employee and without the prior written consent of CryoLife shall not be assignable by the Employee otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Employee's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon CryoLife and its successors and assigns.

(c) CryoLife will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of CryoLife to assume expressly and agree to perform this Agreement in the same manner and to the same extent that CryoLife would be required to perform it if no such succession had taken place. As used in this Agreement, "CryoLife" shall mean CryoLife as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force and effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their

respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Employee:

Albert E. Heacox, Ph.D.
_____
_____

If to CryoLife:

CryoLife, Inc.
1655 Roberts Boulevard, N.W,
Kennesaw, Georgia 30144
Attention: President

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability or any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) CryoLife may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) From and after the Effective Date this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Employee has hereunder set the Employee's hand and, pursuant to the authorization from its Board, CryoLife has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ Albert E. Heacox

Albert E. Heacox, Ph.D.

CRYOLIFE, INC.

By: /s/ Steven G. Anderson

Steven G. Anderson
Chairman, President and CEO

Exhibit A

Duties and Responsibilities of ALBERT E. HEACOX, PH.D.:

All duties of Senior Vice President, Laboratory Operations and duties not inconsistent with such duties that are assigned by the President.

Compensation:

Salary of $225,000 and bonus set by the Compensation Advisory Committee.

Salary & Bonus subject to yearly review by the Compensation Advisory Committee of the Board of Directors:

Vacation and Employee Benefits:

See attached Company vacation plan, standard Company medical plan and contributory 401K plan.

Company Business:

The development, marketing, sale and distribution of tissue preservation services and biomedical and medical products.

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EXHIBIT 10.8

EMPLOYMENT AGREEMENT

This Agreement ("the Agreement") dated as of the 3rd day of September, 2002 (the "Effective Date"), is by and between CryoLife, Inc., a Florida corporation ("CryoLife") and David Fronk (the "Employee").

WITNESSETH:

WHEREAS, the Board of Directors of CryoLife (the "Board"), has determined that it is in the best interests of CryoLife and its shareholders to enter into this Employment Agreement in order to assure the Employee of CryoLife's commitment and, in so doing, to motivate the Employee to continue in Employee's dedicated service to CryoLife even in circumstances such as a possible future threat or occurrence of a Change of Control (defined below) of CryoLife; and,

WHEREAS, in order to accomplish these objectives, the Board has caused CryoLife to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises, the promises hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledges, it is hereby agreed as follows:

1. Employment.

(a) CryoLife hereby employs Employee in the capacity of Vice President, Clinical Research and Employee hereby accepts such duties as are customarily performed and exercised by such officer subject to the supervision of the President of CryoLife. The duties of Employee shall include those duties more specifically described on Exhibit A attached hereto together with such additional duties as are assigned by the President of CryoLife.

(b) CryoLife agrees to continue the Employee in its employ, and the Employee hereby agrees to remain in the employ of CryoLife subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the second anniversary of such date (the "Employment Period"). Unless either party elects not to extend the term of this Agreement by so notifying the other in writing at least 30 days prior to the first anniversary of the Effective Date, the Employment Period shall automatically extend for an additional one year.

2. Employment Duties.

(a) During the Employment Period, (A) the Employee's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Employee's services shall be performed at the location where the Employee was employed immediately preceding the Effective Date.

(b) During the Employment Period, and excluding any periods of vacation and sick leave to which the Employee is entitled, the Employee agrees to devote reasonable attention and time to the business and affairs of CryoLife and, to the extent necessary to discharge the responsibilities assigned to the Employee hereunder, to use the Employee's reasonable best efforts to perform faithfully and efficiently such responsibilities.

(c) During the Employment Period, the Employee will not, without the prior written consent of CryoLife, directly or indirectly other than in the performance of the duties hereunder, render services of a business, professional or commercial nature to any other person or firm, whether for compensation or otherwise, except with respect to any noncompetitive family businesses of the Employee for which the rendering of such services will not have an adverse effect upon Employee's performance of his duties and obligations hereunder.

3. Compensation, Benefits and Business Expenses.

(a) For all services which Employee renders to CryoLife or any of its

subsidiaries or affiliates during the term hereof, CryoLife agrees to pay the Employee the salary and bonus compensation as set by the Compensation Advisory Committee of the Board of Directors. Employee's salary at the Effective Date is set forth on Exhibit A.

(b) CryoLife shall pay all reasonable expenses incurred by the Employee directly related to performance of his responsibilities and duties for CryoLife hereunder. Employee shall submit to CryoLife statements that justify in reasonable detail all reasonable expenses so incurred. Subject to such audits as CryoLife may deem necessary, CryoLife shall reimburse Employee the full amount of any such expenses advanced by Employee.

(c) Employee shall be entitled to a vacation each year of his employment with CryoLife, according to the standard vacation policy, as well as insurance and other employment benefits, as more particularly described on Exhibit A. Vacations not taken shall be cumulative and carried over to a subsequent year.

4. Change of Control. For the purposes of this Agreement, the term "Change of Control" shall mean a change in the beneficial ownership of CryoLife's voting stock or a change in the composition of the Board that occurs as follows:

(a) Any "person," including a "syndication" or "group" as those terms are used in Section 13(d)(3) of the Securities Exchange Act of 1934, is or becomes the beneficial owner, directly or indirectly, of securities of CryoLife representing 20% or more of the combined voting power of CryoLife's then outstanding "Voting Securities," which is any security which ordinarily possesses the power to vote in the election of the Board of Directors of a corporation without the happening of any precondition or contingency;

(b) CryoLife is merged or consolidated with another corporation and immediately after giving effect to the merger or consolidation less than 80% of the outstanding Voting Securities of the surviving or resulting entity are then beneficially owned in the aggregate by (x) the shareholders of CryoLife immediately prior to such merger or consolidation, or (y) if a record date has been set to determine the shareholders of CryoLife entitled to vote on such merger or consolidation, the shareholders of CryoLife as of such record date;

(c) If at any time the following do not constitute a majority of the Board of Directors of CryoLife (or any successor entity referred to in clause (ii) above): individuals who, prior to their election as a director of CryoLife (or successor entity if applicable) were nominated, recommended or endorsed by a formal resolution of the Board; or

(d) CryoLife transfers substantially all of its assets to another corporation which is a less than 80% owned subsidiary of CryoLife.

5. Termination of Employment.

(a) Disability or Death. If CryoLife determines in good faith that the Disability of the Employee has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Employee written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Employee's employment. In such event, the Employee's employment with CryoLife shall terminate effective on the 30th day after receipt of such notice by the Employee (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Employee shall not have returned to full-time performance of the Employee's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Employee from the Employee's duties with CryoLife on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by CryoLife or its insurers and acceptable to the Employee or the Employee's legal representative. The Employee's employment shall terminate automatically upon the Employee's death during the Employment Period.

(b) Cause. CryoLife may terminate the Employee's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Employee to perform substantially the Employee's duties with CryoLife (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Employee by the Board or the Chief Executive Officer of CryoLife which specifically identifies the manner in which CryoLife believes that the Employee has not substantially performed the Employee's duties, or

(ii) the willful engaging by the Employee in illegal conduct or gross misconduct which is materially and demonstrably injurious to CryoLife.

For purposes of this provision, no act or failure to act, on the part of the Employee, shall be considered "willful" unless it is done, or omitted to be done, by the Employee in bad faith or without reasonable belief that the Employee's action or omission was in the best interests of CryoLife. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Employee Officer or a senior officer of CryoLife or based upon the advice of counsel for CryoLife shall be conclusively presumed to be done, or omitted to be done, by the Employee in good faith and in the best interests of CryoLife.

(c) Good Reason. The Employee's employment may be terminated by the Employee for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 1(a) of this Agreement, or any other action by CryoLife which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by CryoLife promptly after receipt of notice thereof given by the Employee;

(ii) any failure by CryoLife to comply with any of the provisions of Section 3(a) or 3(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by CryoLife promptly after receipt of notice thereof given by the Employee;

(iii) any purported or threatened termination by CryoLife of the Employee's employment otherwise than for Cause, Death or Disability; or

(iv) any failure by CryoLife to comply with and satisfy Section 11(c) of this Agreement.

For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Employee shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Employee for any reason at least 90 but not more than 120 days following consummation of a Change of Control or during the 30 day period immediately following the first anniversary of a Change of Control shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

(d) Notice of Termination. Any termination by CryoLife for Cause, or by the Employee for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Employee or CryoLife to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Employee or CryoLife,

respectively, hereunder or preclude the Employee or CryoLife, respectively, from asserting such fact or circumstance in enforcing the Employee's or CryoLife's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Employee's employment is terminated by CryoLife for Cause, or by the Employee for Good Reason, the date of receipt of the Notice of Termination, or any later date specified therein, as the case may be, (ii) if the Employee's employment is terminated by CryoLife other than for Cause or Disability, the Date of Termination shall be the date on which CryoLife notifies the Employee of such termination and (iii) if the Employee's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Employee or the Disability Effective Date, as the case may be.

6. Obligations of CryoLife upon Termination.

(a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, (i) CryoLife shall terminate the Employee's employment other than for Cause, Death or Disability or (ii) the Employee shall terminate employment for Good Reason, then CryoLife shall pay to Employee as severance compensation an amount equal to $292,500.00. Such payment shall be in addition to sums due to Employee through the Date of Termination and shall be subject to normal withholding requirements of CryoLife. Payment of the amount shall be made in one lump sum payment or in six equal monthly installments as directed by the Employee.

(b) Death. If the Employee's employment is terminated by reason of the Employee's death during the Employment Period, this Agreement shall terminate without further obligations to the Employee's legal representatives under this Agreement, other than for payment of obligations accruing through the Date of Termination.

(c) Disability. If the Employee's employment is terminated by reason of the Employee's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Employee, other than for payment obligations accruing through the Date of Termination.

(d) Cause; Other than for Good Reason. If the Employee's employment shall be terminated by CryoLife for Cause or by the Employee without Good Reason during the Employment Period, this Agreement shall terminate without further obligations to the Employee other than the obligation to pay to the Employee his or her salary through the Date of Termination.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Employee's continuing or future participation in any plan, program, policy or practice provided by CryoLife or any of its affiliated companies and for which the Employee may qualify, nor shall anything herein limit or otherwise affect such rights as the Employee may have under any contract or agreement with CryoLife or any of its affiliated companies. Amounts which are vested benefits or which the Employee is otherwise entitled to receive under any plan, practice or program of or any contract or agreement with CryoLife or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. In no event shall the Employee be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Employee under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Employee obtains other employment. CryoLife agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Employee may reasonably incur as a result of any contest (regardless of the outcome thereof) by CryoLife, the Employee or others of the validity or enforceability of, or liability under, any provision of this Agreement.

9. Limitation or Expansion of Benefits.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any benefit, payment or distribution by the Company to or for the benefit of the Employee (whether payable or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") would, if paid, be subject to the excise tax imposed by Section 4999 of the Internal

Revenue Code of 1986, as amended (the "Code"; such excise tax, the "Excise Tax"), then the Payment shall be reduced to the extent necessary of avoid the imposition of the Excise Tax. The Employee may select the Payment to be limited or reduced.

(b) All determinations required to be made under this Section 9, including whether an Excise Tax would otherwise be imposed and the assumptions to be utilized in arriving at such determination and the value of the maximum amount payable without imposition of the Excise Tax, shall be made by the certified public accounting firm regularly engaged by the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Employee within 30 business days of the receipt of notice from the Employee that a Payment is due to be made, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Employee may appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and the Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Payments hereunder will have been unnecessarily limited by this Section 9 ("Underpayment"), consistent with the calculations required to be made hereunder. The Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be paid by the Company to or for the benefit of the Employee.

(c) The provisions of this Section 9 shall not apply unless and until amounts become payable to Employee pursuant to Section 6(a) hereof.

10. Confidential Information. The Employee and CryoLife are parties to one or more separate agreements respecting confidential information, trade secrets, inventions and non-competition (collectively, the "IP Agreements"). The parties agree that the IP Agreements shall not be superceded or terminated by this Agreement and shall survive any termination of this Agreement.

11. Successors.

(a) This Agreement is personal to the Employee and without the prior written consent of CryoLife shall not be assignable by the Employee otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Employee's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon CryoLife and its successors and assigns.

(c) CryoLife will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of CryoLife to assume expressly and agree to perform this Agreement in the same manner and to the same extent that CryoLife would be required to perform it if no such succession had taken place. As used in this Agreement, "CryoLife" shall mean CryoLife as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force and effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their

respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Employee:

David Fronk
353 Battle Woods Trail
Marietta, GA 30067

If to CryoLife:

CryoLife, Inc.
1655 Roberts Boulevard, N.W,
Kennesaw, Georgia 30144
Attention: President

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability or any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) CryoLife may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) From and after the Effective Date this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Employee has hereunder set the Employee's hand and, pursuant to the authorization from its Board, CryoLife has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ David Fronk

David Fronk

CRYOLIFE, INC.

By: /s/ Steven G. Anderson

Steven G. Anderson
Chairman, President and CEO

Exhibit A

Duties and Responsibilities of DAVID FRONK:

All duties of Vice President, Clinical Research and duties not inconsistent with such duties that are assigned by the President.

Compensation:

Salary of $195,000 and bonus set by the Compensation Advisory Committee.

Salary & Bonus subject to yearly review by the Compensation Advisory Committee of the Board of Directors:

Vacation and Employee Benefits:

See attached Company vacation plan, standard Company medical plan and contributory 401K plan.

Company Business:

The development, marketing, sale and distribution of tissue preservation services and biomedical and medical products.

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EXHIBIT 10.9

EMPLOYMENT AGREEMENT

This Agreement ("the Agreement") dated as of the 3rd day of September, 2002 (the "Effective Date"), is by and between CryoLife, Inc., a Florida corporation ("CryoLife") and James C. Vander Wyk (the "Employee").

WITNESSETH:

WHEREAS, the Board of Directors of CryoLife (the "Board"), has determined that it is in the best interests of CryoLife and its shareholders to enter into this Employment Agreement in order to assure the Employee of CryoLife's commitment and, in so doing, to motivate the Employee to continue in Employee's dedicated service to CryoLife even in circumstances such as a possible future threat or occurrence of a Change of Control (defined below) of CryoLife; and,

WHEREAS, in order to accomplish these objectives, the Board has caused CryoLife to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises, the promises hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledges, it is hereby agreed as follows:

1. Employment.

(a) CryoLife hereby employs Employee in the capacity of Vice President, Regulatory Affairs and Quality Assurance and Employee hereby accepts such duties as are customarily performed and exercised by such officer subject to the supervision of the President of CryoLife. The duties of Employee shall include those duties more specifically described on Exhibit A attached hereto together with such additional duties as are assigned by the President of CryoLife.

(b) CryoLife agrees to continue the Employee in its employ, and the Employee hereby agrees to remain in the employ of CryoLife subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the second anniversary of such date (the "Employment Period"). Unless either party elects not to extend the term of this Agreement by so notifying the other in writing at least 30 days prior to the first anniversary of the Effective Date, the Employment Period shall automatically extend for an additional one year.

2. Employment Duties.

(a) During the Employment Period, (A) the Employee's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Employee's services shall be performed at the location where the Employee was employed immediately preceding the Effective Date.

(b) During the Employment Period, and excluding any periods of vacation and sick leave to which the Employee is entitled, the Employee agrees to devote reasonable attention and time to the business and affairs of CryoLife and, to the extent necessary to discharge the responsibilities assigned to the Employee hereunder, to use the Employee's reasonable best efforts to perform faithfully and efficiently such responsibilities.

(c) During the Employment Period, the Employee will not, without the prior written consent of CryoLife, directly or indirectly other than in the performance of the duties hereunder, render services of a business, professional or commercial nature to any other person or firm, whether for compensation or otherwise, except with respect to any noncompetitive family businesses of the Employee for which the rendering of such services will not have an adverse effect upon Employee's performance of his duties and obligations hereunder.

3. Compensation, Benefits and Business Expenses.

(a) For all services which Employee renders to CryoLife or any of its

subsidiaries or affiliates during the term hereof, CryoLife agrees to pay the Employee the salary and bonus compensation as set by the Compensation Advisory Committee of the Board of Directors. Employee's salary at the Effective Date is set forth on Exhibit A.

(b) CryoLife shall pay all reasonable expenses incurred by the Employee directly related to performance of his responsibilities and duties for CryoLife hereunder. Employee shall submit to CryoLife statements that justify in reasonable detail all reasonable expenses so incurred. Subject to such audits as CryoLife may deem necessary, CryoLife shall reimburse Employee the full amount of any such expenses advanced by Employee.

(c) Employee shall be entitled to a vacation each year of his employment with CryoLife, according to the standard vacation policy, as well as insurance and other employment benefits, as more particularly described on Exhibit A. Vacations not taken shall be cumulative and carried over to a subsequent year.

4. Change of Control. For the purposes of this Agreement, the term "Change of Control" shall mean a change in the beneficial ownership of CryoLife's voting stock or a change in the composition of the Board that occurs as follows:

(a) Any "person," including a "syndication" or "group" as those terms are used in Section 13(d)(3) of the Securities Exchange Act of 1934, is or becomes the beneficial owner, directly or indirectly, of securities of CryoLife representing 20% or more of the combined voting power of CryoLife's then outstanding "Voting Securities," which is any security which ordinarily possesses the power to vote in the election of the Board of Directors of a corporation without the happening of any precondition or contingency;

(b) CryoLife is merged or consolidated with another corporation and immediately after giving effect to the merger or consolidation less than 80% of the outstanding Voting Securities of the surviving or resulting entity are then beneficially owned in the aggregate by (x) the shareholders of CryoLife immediately prior to such merger or consolidation, or (y) if a record date has been set to determine the shareholders of CryoLife entitled to vote on such merger or consolidation, the shareholders of CryoLife as of such record date;

(c) If at any time the following do not constitute a majority of the Board of Directors of CryoLife (or any successor entity referred to in clause (ii) above): individuals who, prior to their election as a director of CryoLife (or successor entity if applicable) were nominated, recommended or endorsed by a formal resolution of the Board; or

(d) CryoLife transfers substantially all of its assets to another corporation which is a less than 80% owned subsidiary of CryoLife.

5. Termination of Employment.

(a) Disability or Death. If CryoLife determines in good faith that the Disability of the Employee has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Employee written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Employee's employment. In such event, the Employee's employment with CryoLife shall terminate effective on the 30th day after receipt of such notice by the Employee (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Employee shall not have returned to full-time performance of the Employee's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Employee from the Employee's duties with CryoLife on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by CryoLife or its insurers and acceptable to the Employee or the Employee's legal representative. The Employee's employment shall terminate automatically upon the Employee's death during the Employment Period.

(b) Cause. CryoLife may terminate the Employee's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Employee to perform substantially the Employee's duties with CryoLife (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Employee by the Board or the Chief Executive Officer of CryoLife which specifically identifies the manner in which CryoLife believes that the Employee has not substantially performed the Employee's duties, or

(ii) the willful engaging by the Employee in illegal conduct or gross misconduct which is materially and demonstrably injurious to CryoLife.

For purposes of this provision, no act or failure to act, on the part of the Employee, shall be considered "willful" unless it is done, or omitted to be done, by the Employee in bad faith or without reasonable belief that the Employee's action or omission was in the best interests of CryoLife. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Employee Officer or a senior officer of CryoLife or based upon the advice of counsel for CryoLife shall be conclusively presumed to be done, or omitted to be done, by the Employee in good faith and in the best interests of CryoLife.

(c) Good Reason. The Employee's employment may be terminated by the Employee for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 1(a) of this Agreement, or any other action by CryoLife which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by CryoLife promptly after receipt of notice thereof given by the Employee;

(ii) any failure by CryoLife to comply with any of the provisions of Section 3(a) or 3(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by CryoLife promptly after receipt of notice thereof given by the Employee;

(iii) any purported or threatened termination by CryoLife of the Employee's employment otherwise than for Cause, Death or Disability; or

(iv) any failure by CryoLife to comply with and satisfy Section 11(c) of this Agreement.

For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Employee shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Employee for any reason at least 90 but not more than 120 days following consummation of a Change of Control or during the 30 day period immediately following the first anniversary of a Change of Control shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

(d) Notice of Termination. Any termination by CryoLife for Cause, or by the Employee for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Employee or CryoLife to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Employee or CryoLife,

respectively, hereunder or preclude the Employee or CryoLife, respectively, from asserting such fact or circumstance in enforcing the Employee's or CryoLife's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Employee's employment is terminated by CryoLife for Cause, or by the Employee for Good Reason, the date of receipt of the Notice of Termination, or any later date specified therein, as the case may be, (ii) if the Employee's employment is terminated by CryoLife other than for Cause or Disability, the Date of Termination shall be the date on which CryoLife notifies the Employee of such termination and (iii) if the Employee's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Employee or the Disability Effective Date, as the case may be.

6. Obligations of CryoLife upon Termination.

(a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, (i) CryoLife shall terminate the Employee's employment other than for Cause, Death or Disability or (ii) the Employee shall terminate employment for Good Reason, then CryoLife shall pay to Employee as severance compensation an amount equal to $360,000.00. Such payment shall be in addition to sums due to Employee through the Date of Termination and shall be subject to normal withholding requirements of CryoLife. Payment of the amount shall be made in one lump sum payment or in six equal monthly installments as directed by the Employee.

(b) Death. If the Employee's employment is terminated by reason of the Employee's death during the Employment Period, this Agreement shall terminate without further obligations to the Employee's legal representatives under this Agreement, other than for payment of obligations accruing through the Date of Termination.

(c) Disability. If the Employee's employment is terminated by reason of the Employee's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Employee, other than for payment obligations accruing through the Date of Termination.

(d) Cause; Other than for Good Reason. If the Employee's employment shall be terminated by CryoLife for Cause or by the Employee without Good Reason during the Employment Period, this Agreement shall terminate without further obligations to the Employee other than the obligation to pay to the Employee his or her salary through the Date of Termination.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Employee's continuing or future participation in any plan, program, policy or practice provided by CryoLife or any of its affiliated companies and for which the Employee may qualify, nor shall anything herein limit or otherwise affect such rights as the Employee may have under any contract or agreement with CryoLife or any of its affiliated companies. Amounts which are vested benefits or which the Employee is otherwise entitled to receive under any plan, practice or program of or any contract or agreement with CryoLife or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. In no event shall the Employee be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Employee under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Employee obtains other employment. CryoLife agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Employee may reasonably incur as a result of any contest (regardless of the outcome thereof) by CryoLife, the Employee or others of the validity or enforceability of, or liability under, any provision of this Agreement.

9. Limitation or Expansion of Benefits.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any benefit, payment or distribution by the Company to or for the benefit of the Employee (whether payable or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") would, if paid, be subject to the excise tax imposed by Section 4999 of the Internal

Revenue Code of 1986, as amended (the "Code"; such excise tax, the "Excise Tax"), then the Payment shall be reduced to the extent necessary of avoid the imposition of the Excise Tax. The Employee may select the Payment to be limited or reduced.

(b) All determinations required to be made under this Section 9, including whether an Excise Tax would otherwise be imposed and the assumptions to be utilized in arriving at such determination and the value of the maximum amount payable without imposition of the Excise Tax, shall be made by the certified public accounting firm regularly engaged by the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Employee within 30 business days of the receipt of notice from the Employee that a Payment is due to be made, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Employee may appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and the Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Payments hereunder will have been unnecessarily limited by this Section 9 ("Underpayment"), consistent with the calculations required to be made hereunder. The Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be paid by the Company to or for the benefit of the Employee.

(c) The provisions of this Section 9 shall not apply unless and until amounts become payable to Employee pursuant to Section 6(a) hereof.

10. Confidential Information. The Employee and CryoLife are parties to one or more separate agreements respecting confidential information, trade secrets, inventions and non-competition (collectively, the "IP Agreements"). The parties agree that the IP Agreements shall not be superceded or terminated by this Agreement and shall survive any termination of this Agreement.

11. Successors.

(a) This Agreement is personal to the Employee and without the prior written consent of CryoLife shall not be assignable by the Employee otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Employee's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon CryoLife and its successors and assigns.

(c) CryoLife will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of CryoLife to assume expressly and agree to perform this Agreement in the same manner and to the same extent that CryoLife would be required to perform it if no such succession had taken place. As used in this Agreement, "CryoLife" shall mean CryoLife as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force and effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their

respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Employee:

James C. Vander Wyk, Ph.D.
638 Goldenwood Ct.
Powder Springs, GA 30127

If to CryoLife:

CryoLife, Inc.
1655 Roberts Boulevard, N.W,
Kennesaw, Georgia 30144
Attention: President

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability or any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) CryoLife may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) From and after the Effective Date this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Employee has hereunder set the Employee's hand and, pursuant to the authorization from its Board, CryoLife has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ James C. Vander Wyk

James C. Vander Wyk, Ph.D.

CRYOLIFE, INC.

By: /s/ Steven G. Anderson

Steven G. Anderson
Chairman, President and CEO

Exhibit A

Duties and Responsibilities of JAMES C. VANDER WYK, PH.D.:

All duties of Vice President, Regulatory Affairs and Quality Assurance and duties not inconsistent with such duties that are assigned by the President.

Compensation:

Salary of $240,000 and bonus set by the Compensation Advisory Committee. Salary & Bonus subject to yearly review by the Compensation Advisory Committee of the Board of Directors:

Vacation and Employee Benefits:

See attached Company vacation plan, standard Company medical plan and contributory 401K plan.

Company Business:

The development, marketing, sale and distribution of tissue preservation services and biomedical and medical products.

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EXHIBIT 10.10

EMPLOYMENT AGREEMENT

This Agreement ("the Agreement") dated as of the 3rd day of September, 2002 (the "Effective Date"), is by and between CryoLife, Inc., a Florida corporation ("CryoLife") and Steven G. Anderson (the "Employee").

WITNESSETH:

WHEREAS, the Board of Directors of CryoLife (the "Board"), has determined that it is in the best interests of CryoLife and its shareholders to enter into this Employment Agreement in order to assure the Employee of CryoLife's commitment and, in so doing, to motivate the Employee to continue in Employee's dedicated service to CryoLife even in circumstances such as a possible future threat or occurrence of a Change of Control (defined below) of CryoLife; and,

WHEREAS, in order to accomplish these objectives, the Board has caused CryoLife to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises, the promises hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledges, it is hereby agreed as follows:

1. Employment.

(a) CryoLife hereby employs Employee in the capacity of President and Chief Executive Officer and Employee hereby accepts such duties as are customarily performed and exercised by such officer subject to the supervision of the President of CryoLife. The duties of Employee shall include those duties more specifically described on Exhibit A attached hereto together with such additional duties as are assigned by the President of CryoLife.

(b) CryoLife agrees to continue the Employee in its employ, and the Employee hereby agrees to remain in the employ of CryoLife subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the second anniversary of such date (the "Employment Period"). Unless either party elects not to extend the term of this Agreement by so notifying the other in writing at least 30 days prior to the first anniversary of the Effective Date, the Employment Period shall automatically extend for an additional one year.

2. Employment Duties.

(a) During the Employment Period, (A) the Employee's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Employee's services shall be performed at the location where the Employee was employed immediately preceding the Effective Date.

(b) During the Employment Period, and excluding any periods of vacation and sick leave to which the Employee is entitled, the Employee agrees to devote reasonable attention and time to the business and affairs of CryoLife and, to the extent necessary to discharge the responsibilities assigned to the Employee hereunder, to use the Employee's reasonable best efforts to perform faithfully and efficiently such responsibilities.

(c) During the Employment Period, the Employee will not, without the prior written consent of CryoLife, directly or indirectly other than in the performance of the duties hereunder, render services of a business, professional or commercial nature to any other person or firm, whether for compensation or otherwise, except with respect to any noncompetitive family businesses of the Employee for which the rendering of such services will not have an adverse effect upon Employee's performance of his duties and obligations hereunder.

3. Compensation, Benefits and Business Expenses.

(a) For all services which Employee renders to CryoLife or any of its

subsidiaries or affiliates during the term hereof, CryoLife agrees to pay the Employee the salary and bonus compensation as set by the Compensation Advisory Committee of the Board of Directors. Employee's salary at the Effective Date is set forth on Exhibit A.

(b) CryoLife shall pay all reasonable expenses incurred by the Employee directly related to performance of his responsibilities and duties for CryoLife hereunder. Employee shall submit to CryoLife statements that justify in reasonable detail all reasonable expenses so incurred. Subject to such audits as CryoLife may deem necessary, CryoLife shall reimburse Employee the full amount of any such expenses advanced by Employee.

(c) Employee shall be entitled to a vacation each year of his employment with CryoLife, according to the standard vacation policy, as well as insurance and other employment benefits, as more particularly described on Exhibit A. Vacations not taken shall be cumulative and carried over to a subsequent year.

4. Change of Control. For the purposes of this Agreement, the term "Change of Control" shall mean a change in the beneficial ownership of CryoLife's voting stock or a change in the composition of the Board that occurs as follows:

(a) Any "person," including a "syndication" or "group" as those terms are used in Section 13(d)(3) of the Securities Exchange Act of 1934, is or becomes the beneficial owner, directly or indirectly, of securities of CryoLife representing 20% or more of the combined voting power of CryoLife's then outstanding "Voting Securities," which is any security which ordinarily possesses the power to vote in the election of the Board of Directors of a corporation without the happening of any precondition or contingency;

(b) CryoLife is merged or consolidated with another corporation and immediately after giving effect to the merger or consolidation less than 80% of the outstanding Voting Securities of the surviving or resulting entity are then beneficially owned in the aggregate by (x) the shareholders of CryoLife immediately prior to such merger or consolidation, or (y) if a record date has been set to determine the shareholders of CryoLife entitled to vote on such merger or consolidation, the shareholders of CryoLife as of such record date;

(c) If at any time the following do not constitute a majority of the Board of Directors of CryoLife (or any successor entity referred to in clause (ii) above): individuals who, prior to their election as a director of CryoLife (or successor entity if applicable) were nominated, recommended or endorsed by a formal resolution of the Board; or

(d) CryoLife transfers substantially all of its assets to another corporation which is a less than 80% owned subsidiary of CryoLife.

5. Termination of Employment.

(a) Disability or Death. If CryoLife determines in good faith that the Disability of the Employee has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Employee written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Employee's employment. In such event, the Employee's employment with CryoLife shall terminate effective on the 30th day after receipt of such notice by the Employee (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Employee shall not have returned to full-time performance of the Employee's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Employee from the Employee's duties with CryoLife on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by CryoLife or its insurers and acceptable to the Employee or the Employee's legal representative. The Employee's employment shall terminate automatically upon the Employee's death during the Employment Period.

(b) Cause. CryoLife may terminate the Employee's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Employee to perform substantially the Employee's duties with CryoLife (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Employee by the Board or the Chief Executive Officer of CryoLife which specifically identifies the manner in which CryoLife believes that the Employee has not substantially performed the Employee's duties, or

(ii) the willful engaging by the Employee in illegal conduct or gross misconduct which is materially and demonstrably injurious to CryoLife.

For purposes of this provision, no act or failure to act, on the part of the Employee, shall be considered "willful" unless it is done, or omitted to be done, by the Employee in bad faith or without reasonable belief that the Employee's action or omission was in the best interests of CryoLife. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Employee Officer or a senior officer of CryoLife or based upon the advice of counsel for CryoLife shall be conclusively presumed to be done, or omitted to be done, by the Employee in good faith and in the best interests of CryoLife.

(c) Good Reason. The Employee's employment may be terminated by the Employee for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 1(a) of this Agreement, or any other action by CryoLife which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by CryoLife promptly after receipt of notice thereof given by the Employee;

(ii) any failure by CryoLife to comply with any of the provisions of Section 3(a) or 3(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by CryoLife promptly after receipt of notice thereof given by the Employee;

(iii) any purported or threatened termination by CryoLife of the Employee's employment otherwise than for Cause, Death or Disability; or

(iv) any failure by CryoLife to comply with and satisfy Section 11(c) of this Agreement.

For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Employee shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Employee for any reason at least 90 but not more than 120 days following consummation of a Change of Control or during the 30 day period immediately following the first anniversary of a Change of Control shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

(d) Notice of Termination. Any termination by CryoLife for Cause, or by the Employee for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Employee or CryoLife to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Employee or CryoLife,

respectively, hereunder or preclude the Employee or CryoLife, respectively, from asserting such fact or circumstance in enforcing the Employee's or CryoLife's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Employee's employment is terminated by CryoLife for Cause, or by the Employee for Good Reason, the date of receipt of the Notice of Termination, or any later date specified therein, as the case may be, (ii) if the Employee's employment is terminated by CryoLife other than for Cause or Disability, the Date of Termination shall be the date on which CryoLife notifies the Employee of such termination and (iii) if the Employee's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Employee or the Disability Effective Date, as the case may be.

6. Obligations of CryoLife upon Termination.

(a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, (i) CryoLife shall terminate the Employee's employment other than for Cause, Death or Disability or (ii) the Employee shall terminate employment for Good Reason, then CryoLife shall pay to Employee as severance compensation an amount equal to $900,000.00. Such payment shall be in addition to sums due to Employee through the Date of Termination and shall be subject to normal withholding requirements of CryoLife. Payment of the amount shall be made in one lump sum payment or in six equal monthly installments as directed by the Employee.

(b) Death. If the Employee's employment is terminated by reason of the Employee's death during the Employment Period, this Agreement shall terminate without further obligations to the Employee's legal representatives under this Agreement, other than for payment of obligations accruing through the Date of Termination.

(c) Disability. If the Employee's employment is terminated by reason of the Employee's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Employee, other than for payment obligations accruing through the Date of Termination.

(d) Cause; Other than for Good Reason. If the Employee's employment shall be terminated by CryoLife for Cause or by the Employee without Good Reason during the Employment Period, this Agreement shall terminate without further obligations to the Employee other than the obligation to pay to the Employee his or her salary through the Date of Termination.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Employee's continuing or future participation in any plan, program, policy or practice provided by CryoLife or any of its affiliated companies and for which the Employee may qualify, nor shall anything herein limit or otherwise affect such rights as the Employee may have under any contract or agreement with CryoLife or any of its affiliated companies. Amounts which are vested benefits or which the Employee is otherwise entitled to receive under any plan, practice or program of or any contract or agreement with CryoLife or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. In no event shall the Employee be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Employee under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Employee obtains other employment. CryoLife agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Employee may reasonably incur as a result of any contest (regardless of the outcome thereof) by CryoLife, the Employee or others of the validity or enforceability of, or liability under, any provision of this Agreement.

9. Limitation or Expansion of Benefits.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any benefit, payment or distribution by the Company to or for the benefit of the Employee (whether payable or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") would, if paid, be subject to the excise tax imposed by Section 4999 of the Internal

Revenue Code of 1986, as amended (the "Code"; such excise tax, the "Excise Tax"), then the Payment shall be reduced to the extent necessary of avoid the imposition of the Excise Tax. The Employee may select the Payment to be limited or reduced.

(b) All determinations required to be made under this Section 9, including whether an Excise Tax would otherwise be imposed and the assumptions to be utilized in arriving at such determination and the value of the maximum amount payable without imposition of the Excise Tax, shall be made by the certified public accounting firm regularly engaged by the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Employee within 30 business days of the receipt of notice from the Employee that a Payment is due to be made, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Employee may appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and the Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Payments hereunder will have been unnecessarily limited by this Section 9 ("Underpayment"), consistent with the calculations required to be made hereunder. The Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be paid by the Company to or for the benefit of the Employee.

(c) The provisions of this Section 9 shall not apply unless and until amounts become payable to Employee pursuant to Section 6(a) hereof.

10. Confidential Information. The Employee and CryoLife are parties to one or more separate agreements respecting confidential information, trade secrets, inventions and non-competition (collectively, the "IP Agreements"). The parties agree that the IP Agreements shall not be superceded or terminated by this Agreement and shall survive any termination of this Agreement.

11. Successors.

(a) This Agreement is personal to the Employee and without the prior written consent of CryoLife shall not be assignable by the Employee otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Employee's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon CryoLife and its successors and assigns.

(c) CryoLife will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of CryoLife to assume expressly and agree to perform this Agreement in the same manner and to the same extent that CryoLife would be required to perform it if no such succession had taken place. As used in this Agreement, "CryoLife" shall mean CryoLife as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force and effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their

respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Employee:

Steven G. Anderson
5040 Northside Drive
Atlanta, GA 30327

If to CryoLife:

CryoLife, Inc.
1655 Roberts Boulevard, N.W,
Kennesaw, Georgia 30144
Attention: President

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability or any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) CryoLife may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) From and after the Effective Date this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Employee has hereunder set the Employee's hand and, pursuant to the authorization from its Board, CryoLife has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ Steven G. Anderson

Steven G. Anderson

CRYOLIFE, INC.

By: /s/ Ronald D. McCall

Ronald D. McCall, Esq.
Director, Secretary/Treasurer

Exhibit A

Duties and Responsibilities of STEVEN G. ANDERSON:

All duties of President and Chief Executive Officer and duties not inconsistent with such duties that are assigned by the President.

Compensation:

Salary of $600,000 and bonus set by the Compensation Advisory Committee.

Salary & Bonus subject to yearly review by the Compensation Advisory Committee of the Board of Directors:

Vacation and Employee Benefits:

See attached Company vacation plan, standard Company medical plan and contributory 401K plan.

Company Business:

The development, marketing, sale and distribution of tissue preservation services and biomedical and medical products.

1546367v1

EXHIBIT 10.12

EIGHTH AMENDMENT TO LEASE

THIS AGREEMENT, made and entered into this 18th day of November, 1998, by and between Newmarket Partners III, Limited, a Georgia Limited Partnership, whose general partners are Laing Properties, Inc. and Laing Management Company (hereinafter called "Landlord") and Cryolife, Inc., a Florida corporation (hereinafter called "Tenant").

WITNESSETH THAT:

WHEREAS, Landlord and Tenant entered into a certain Lease Agreement dated February 13, 1986, as amended April 7, 1986, May 15, 1987, June 22, 1988, April 4, 1989, October 15, 1990, March 14, 1995 and May 15, 1996 (collectively hereinafter "Lease") for Suites 122 through 150 (hereinafter "Premises") at 2211 Newmarket Parkway, Building 8, Marietta, Georgia 30067.

WHEREAS, Tenant desires to extend the Term of the Lease; and

WHEREAS, Landlord and Tenant desire to amend the Lease in order to modify some of the other terms and conditions of the Lease;

NOW, THEREFORE, in consideration of the mutual agreements of the undersigned and other good valuable consideration, this Lease is hereby amended, effective December 1, 1999 as follows:

48. BROKER DISCLOSURE

Pursuant to Georgia Real Estate Commission Regulation 520-1-08, Laing Marketing Company makes the following disclosures concerning this Lease transaction:

a) In this transaction, Laing Marketing Company represents Landlord and not Tenant.

b) In this transaction, Richard Bowers and Company represents Tenant and not Landlord.

c) In this transaction, both Laing Marketing Company and Richard Bowers and Company shall receive their compensation from Landlord exclusively.

Both Tenant and Landlord acknowledge, agree with and consent to the representation and compensation disclosed above.

49. Paragraph 2, Term, of the Lease shall be amended to read:

To have and to hold the same for the term to commence on December 1, 1999 and ending on the 30th day of November, 2001, at midnight unless sooner terminated as hereinafter provided.

50. Paragraph 3, Rental, of the Lease shall be amended to read:

The Tenant agrees to pay to the Landlord promptly on the first day of each month in advance, during the term of this Lease, a monthly rental as follows:

December 1, 1999 through November 30, 2000 @ $14,849.84 per month
December 1, 2000 through November 30, 2001 @ $15,295.33 per month

Payments received after the tenth day of the month may be assessed an additional five percent (5%) charge as agreed liquidated damages due Landlord. Acceptance by Landlord of a rental payment in an amount less than that which is currently due shall in no way affect Landlord's rights under this Lease and in no way be an accord and satisfaction.

51. RENEWAL OPTION

A. Tenant shall have the right to renew this Lease for one (1) additional term of one (1) year commencing on December 1, 2001 (such term being hereinafter referred to as the "Renewal Lease Term"). Said right of renewal shall be subject, however, to the following conditions precedent:

1. Tenant shall give Landlord written notice of its exercise of such renewal option at least six (6) months, but no more than nine (9) months, prior to the expiration of the Term;

2. Tenant shall not have been in default in performance of or with respect to any of the terms, covenants, and conditions of the Lease with respect to any matter as to which notice of default has, if required, been given and which has not been remedied within the time provided by the Lease; and

3. In no event shall such renewal rights be granted to any subtenant(s) or assignee(s) of Tenant.

B. All of the terms, covenants and conditions of this Lease shall continue in full force and effect during the Renewal Lease Term, except that the monthly rental shall be as follows:

December 1, 2001 through November 30, 2002 @ $15,754.19 per month.

Except as herein amended, all terms and conditions of the Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereunto have executed this Eighth Amendment to Lease as of the day and year first above written.

Signed, sealed and delivered in the presence of:

LANDLORD: NEWMARKET PARTNERS III, LIMITED, a Georgia Limited Partnership, whose general partners are Laing Properties, Inc. and Laing Management Company

BY: LAING PROPERTIES, INC.
MANAGING GENERAL PARTNER

/s/ Felicia E. Trott

Witness

BY:/s/ Albert E. Heacox

TITLE:V.P. Laboratory Operations
---

s/ Suzanne K. Gabbert

Notary Public

ATTEST:/s/ Ed B. Cordell

TITLE:VP Finance

Notary Public, Cobb County, Georgia

(CORPORATE SEAL)

My Commission Expires
Sept. 13, 2000

Signed, sealed and delivered in the presence of:

TENANT: CRYOLIFE, INC., a Florida corporation

/s/ Felicia E. Trott

Witness

BY:/s/ Albert E. Heacox

TITLE:V.P. Laboratory Operations

/s/ Suzanne K. Gabbert

Notary Public

ATTEST:/s/ Ed B. Cordell

TITLE:VP Finance

Notary Public, Cobb County, Georgia

(CORPORATE SEAL)

My Commission Expires
Sept. 13, 2000

Signed, sealed and delivered in the presence of:

LANDLORD: NEWMARKET PARTNERS III, LIMITED, a Georgia Limited Partnership whose general partners are Laing Properties, Inc. and Laing Management Company

BY: Laing Properties, Inc.
Managing General Partner

BY:/s/James A. Gillespie

Witness

TITLE: V.P.

/s/ Julie J. Waller

Notary Public

ATTEST: /s/ Robert R. Stubbs

TITLE: Vice President & Secretary

(CORPORATE SEAL)

1545699v1

EXHIBIT 10.13

NINTH AMENDMENT OF LEASE

THIS NINTH AMENDMENT OF LEASE ("Ninth Amendment") is made on July 25, 2001 between TRIZECHAHN CENTERS INC., a California corporation, d/b/a "TrizecHahn Newmarket 1 to 8", f/k/a FASHION PLACE ASSOCIATES, LTD., a Utah limited partnership, d/b/a "TrizecHahn Newmarket 1 to 8 Management" ("Landlord"), whose address is 100 Colony Square, Suite 600, 1175 Peachtree Street, N.E., Atlanta, GA 30361 and CRYOLIFE, INC., a Florida corporation ("Tenant").

RECITALS

This Ninth Amendment is based upon the following recitals:

A. Newmarket Partners III, Laing Properties, Inc. General Partner ("Newmarket III"), as landlord and Tenant entered into a Lease dated February 13, 1986 ("Lease"), for the premises known as Suites 134-144 located at 2211 Newmarket Parkway, Marietta, GA 30067 ("Premises").

B. Newmarket III and Tenant amended the Lease by Amendment to Lease dated April 7, 1986; Amendment to Lease dated May 15, 1987; Second Amendment to Lease dated June 22, 1988; Third Amendment to Lease dated April 4, 1989; Fourth Amendment to Lease dated April 2, 1990; Fifth Amendment to Lease dated October 15, 1990; Sixth Amendment to Lease dated March 14, 1995; Seventh Amendment to Lease dated May 15, 1996 and Eighth Amendment to Lease dated November 18, 1998 (Lease and Amendment(s) collectively, "Lease as amended").

C. Landlord is successor in interest to Newmarket III's interest as landlord under the Lease as amended.

D. Landlord and Tenant desire to further amend the Lease as amended to extend the term and otherwise amend the Lease as amended accordingly.

THEREFORE , in consideration of the mutual covenants and agreements stated in the Lease as amended and below, and for other sufficient consideration received and acknowledged by each party, Landlord and Tenant agree to amend the Lease as amended as follows:

1. RECITALS. All recitals are fully incorporated.

2. ADDRESS - NOTICES. Landlord's address for notices as set forth in Lease as amended shall be deleted and the following substituted therefore:

TRIZECHAHN CENTERS INC
c/o TrizecHahn Office Properties Inc.
100 Colony Square, Suite 600
1175 Peachtree Street, N.E.
Atlanta, GA 30361
Attention: David D. Canaday, Vice President

with a copy to:

TRIZECHAHN CENTERS, INC.
c/o TrizecHahn Office Properties Inc.
100 Colony Square
Suite 600
1175 Peachtree Street, N.E.
Atlanta, GA 30361
Attention: Lease Administrator

and if notice of default, a copy to:

TRIZECHAHN CENTERS INC.
c/o TrizecHahn Office Properties Inc.
100 Colony Square
Suite 600
1175 Peachtree Street, N.E.
Atlanta, Georgia 30361
Attention: Regional Counsel

3. EXTENSION OF LEASE TERM. The Lease Term for the Premises shall be extended for a twelve (12)-month period only, to begin December 1, 2001 and expire on November 30, 2002 ("5th Extension Term").

4. RENTAL, COMMON AREA MAINTENANCE EXPENSES, TAX AND INSURANCE ESCALATION EXPENSES. Effective during the 5th Extension Term, Tenant's obligation to pay Rental, Common Area Maintenance Expenses and Tax and Insurance Escalation Expenses shall be as follows with respect to the Premises:

A. RENTAL. Effective during the 5th Extension Term, Tenant shall pay Landlord monthly rental in advance on the first day of each month in equal monthly installments of $16,089.94; and

B. COMMON AREA MAINTENANCE EXPENSES. Tenant shall reimburse Landlord for the cost of Common Area Maintenance Expenses (as described in Paragraph 4 of the Lease, "CAM") which shall be $0.80 per rentable square foot and subject to a 4% annual increase each calendar year; and

C. TAX AND INSURANCE ESCALATIONS EXPENSES. In addition to Rental and CAM, Tenant shall continue to be responsible for tax and insurance escalation expenses with respect to the entire Premises in accordance with the terms and conditions of Paragraph 13 of the Lease; however, and the base year with respect to determining tax and insurance escalation expenses for the Premises shall remain the calendar year ending December 31, 2002.

5. DELIVERY OF AND IMPROVEMENTS TO THE PREMISES. Landlord shall provide and Tenant shall accept the Premises in "as-is" condition. No promises to alter, remodel or improve the Premises or Building and no representations concerning the condition of the Premises or Building have been made by Landlord to Tenant

other than as may be expressly stated in the Lease as amended.

6. HOLDOVER. Tenant understands that it does not have the right to hold over at any time and Landlord may exercise any and all remedies at law or in equity to recover possession of the Premises, as well as any damages incurred by Landlord, due to Tenant's failure to vacate the Premises and deliver possession to Landlord as required by this Lease. If Tenant holds over after the expiration of the 5th Extension Term with Landlord's prior written consent, Tenant will be deemed to be a tenant from month to month, at a monthly Rental, payable in advance, equal to 150% of the monthly Rental payable during the 5th Extension Term, and Tenant will be bound by all of the other terms, covenants and agreements of the Lease as amended as the same may apply to a month-to-month tenancy. If Tenant holds over after the expiration of the 5th Extension Term without Landlord's prior written consent, Tenant will be deemed a tenant at sufferance, at a daily Rental, payable in advance, equal to 200% of the Rental per day payable during the 5th Extension Term, and Tenant will be bound by all of the other terms, covenants and agreements of the Lease as amended as the same may apply to a tenancy at sufferance.

7. BROKERS. Landlord and Tenant represent and warrant that no broker or agent negotiated or was instrumental in negotiating or consummating this Ninth Amendment except TrizecHahn Colony Square GP LLC and Richard Bowers & Company ("Brokers"). Neither party knows of any other real estate broker or agent who is or might be entitled to a commission or compensation in connection with this Ninth Amendment. Pursuant to Georgia Real Estate Commission Regulation 520-1-108, TrizecHahn Colony Square GP LLC hereby discloses the following concerning this lease transaction: (1) TrizecHahn Colony Square GP LLC represents Landlord and not Tenant; (2) Richard Bowers & Company represents Tenant and not Landlord; and (3) both TrizecHahn Colony Square GP LLC and Richard Bowers & Company shall receive their compensation from Landlord. Tenant and Landlord will indemnify and hold each other harmless from all damages paid or incurred by the other resulting from any claims asserted against either party by brokers or agents claiming through the other party.

8. CONFLICTING PROVISIONS. If any provisions of this Ninth Amendment conflict with any of those of the Lease as amended, then the provisions of this Ninth Amendment shall govern.

9. REMAINING LEASE PROVISIONS. Except as stated in this Ninth Amendment,

all other viable and applicable provisions of the Lease as amended shall remain unchanged and continue in full force and effect throughout the Lease Term.

10. BINDING EFFECT. Landlord and Tenant ratify and confirm the Lease as amended and agree that this Ninth Amendment shall bind and inure to the benefit of the parties, and their respective successors, assigns and representatives as of the date first stated.

-- signatures appear on the following page--

AFFIRMING THE ABOVE, the parties have executed this Ninth Amendment of Lease on the date first stated.

WITNESSES

LANDLORD TRIZECHAHN CENTERS, INC.,
a California corporation

BY: /s/

Robert R. Stubbs
Assistant Secretar

BY: /s/

Paul H. Layne
Vice President

TENANT
CRYOLIFE, INC., a Florida Corporation

BY: /s/ Albert E. Heacox

ITS: V.P., Laboratory Operation

1545036

EXHIBIT 10.14

TENTH AMENDMENT OF LEASE

THIS TENTH AMENDMENT OF LEASE ("Tenth Amendment") is made on June 25, 2002 between TRIZEC REALTY, INC., a California corporation ("Landlord"), whose address is 100 Colony Square, Suite 600, 1175 Peachtree Street, N.E., Atlanta, GA 30361 and CRYOLIFE, INC., a Florida corporation ("Tenant").

RECITALS

This Tenth Amendment is based upon the following recitals:

A. Newmarket Partners III, Limited, a Georgia Limited Partnership ("Newmarket III"), as landlord and Tenant entered into a Lease dated February 13, 1986 ("Lease"), for the premises measuring approximately 6,989 rentable square feet and known as Suites 142 and 144 and a portion of Suite 140 located at 2211 Newmarket Parkway, Marietta, GA 30067 ("Premises").

B. Newmarket III and Tenant amended the Lease by Amendment to Lease signed by Newmarket III on April 7, 1986; Amendment to Lease signed by Tenant on May 15, 1987; Second Amendment to Lease signed by Newmarket III on June 22, 1988; Third Amendment to Lease signed by Newmarket III on April 4, 1989; Fourth Amendment to Lease dated April 4, 1989; Fifth Amendment to Lease dated October 15, 1990; Sixth Amendment to Lease dated March 14, 1995; Seventh Amendment to Lease dated May 15, 1996 and Eighth Amendment to Lease dated November 18, 1998.

C. Fashion Place Associates, Ltd. ("Fashion") subsequently succeeded to the interest of Newmarket III under the Lease.

D. Fashion subsequently assigned its interest as landlord to TrizecHahn Centers Inc. ("TrizecHahn").

E. TrizecHahn and Tenant amended the Lease by Ninth Amendment to Lease dated August 3, 2001 (Lease and Amendment(s) collectively, "Lease as amended").

F. Landlord is successor in interest to TrizecHahn's interest as landlord under the Lease as amended.

G. The Premises size currently measures approximately 18,837 rentable square feet and includes Suites 134, 136, 138, 140, 142 and 144 of the Building.

H. Landlord and Tenant desire to further amend the Lease as amended to extend the term and otherwise amend the Lease as amended accordingly.

THEREFORE, in consideration of the mutual covenants and agreements stated in the Lease as amended and below, and for other sufficient consideration received and acknowledged by each party, Landlord and Tenant agree to amend the Lease as amended as follows:

1. RECITALS. All recitals are fully incorporated.

2. EXTENSION OF LEASE TERM. The Lease Term for the Premises shall be extended for a three (3)-year period only, to begin January 1, 2003 and expire on December 31, 2005 ("Sixth Extension Term").

4. RENTAL, COMMON AREA MAINTENANCE EXPENSES, TAX AND INSURANCE ESCALATION EXPENSES. Effective during the Sixth Extension Term, Tenant's obligation to pay Rental, Common Area Maintenance Expenses and Tax and Insurance Escalation Expenses shall be as follows with respect to the Premises.

A. RENTAL. Effective during the Sixth Extension Term, Tenant shall pay Landlord monthly rental in advance on the first day of each month as follows:

Lease Year	Annual Rate Per Rentable Square Foot	Amount of Rental Payable Per Month	Amount of Rental Payable Per Annum
1	$9.50	$14,912.63	$178,951.50
2	$9.69	$15,210.88	$182,530.53
3	$9.88	$15,509.13	$186,109.56

B. COMMON AREA MAINTENANCE EXPENSES. Tenant shall reimburse Landlord for the cost of Common Area Maintenance Expenses (as described in Paragraph 4 of the Lease, "CAM") which shall be $0.83 per rentable square foot and subject to a 4% annual increase each calendar year; and

C. TAX AND INSURANCE EXCALATIONS EXPENSES. In addition to Rental and CAM, Tenant shall continue to be responsible for tax and insurance escalation expenses with respect to the entire Premises in accordance with the terms and conditions of Paragraph 13 of the Lease; however, the base year with respect to determining tax and insurance escalation expenses for the Premises shall be the calendar year ending December 31, 2003.

5. DELIVERY OF AND IMPROVEMENTS TO THE PREMSIES. Landlord shall provide and Tenant shall accept the Premises in "as-is" condition. No promises to alter, remodel or improve the Premises or Building and no representations concerning the condition of the Premises or Building have been made by Landlord to Tenant other than as may be expressly stated in the Lease as amended.

6. HOLDOVER. Tenant understands that it does not have the right to hold over at any time and Landlord may exercise any and all remedies at law or in equity to recover possession of the Premises, as well as any damages incurred by Landlord, due to Tenant's failure to vacate the Premises and deliver possession to Landlord as required by this Lease. If Tenant holds over after the expiration of the 5th Extension Term with Landlord's prior written consent, Tenant will be deemed to be a tenant from month to month, at a monthly Rental, payable in advance, equal to 150% of the monthly Rental payable during the 5th Extension Term, and Tenant will be bound by all of the other terms, covenants and

agreements of the Lease as amended as the same may apply to a month-to-month tenancy. If Tenant holds over after the expiration of the 5th Extension Term without Landlord's prior written consent, Tenant will be deemed a tenant at sufferance, at a daily Rental, payable in advance, equal to 200% of the Rental per day payable during the 5th Extension Term, and Tenant will be bound by all of the other terms, covenants and agreements of the Lease as amended as the same may apply to a tenancy at sufferance.

7. BROKERS. Landlord and Tenant represent and warrant that no broker or agent negotiated or was instrumental in negotiating or consummating this Tenant Amendment except TrizecHahn Colony Square GP LLC and Richard Bowers & Company ("Brokers"). Neither party knows of any other real estate broker or agent who is or might be entitled to a commission or compensation in connection with this Tenth Amendment. Pursuant to Georgia Real Estate Commission Regulation 520-1-108, TrizecHanz Colony Square GP LLC hereby discloses the following concerning this lease transaction: (1) TrizecHahn Colony Square GP LLC represents Landlord and not Tenant; (2) Richard Bowers & Company represents Tenant and not Landlord; and (3) both TrizecHahn Colony Square GP LLC and Richard Bowers & Company shall receive their compensation from Landlord. Tenant and Landlord will indemnify and hold each other harmless from all damages paid or incurred by the other resulting from any claims asserted against either party by brokers or agents claiming through the other party.

8. CONFLICTING PROVISIONS. If any provisions of this Tenth Amendment conflict with any of those of the Lease as amended, then the provisions of this Tenth Amendment shall govern.

9. REMAINING LEASE PROVISIONS. Except as stated in this Tenth Amendment, all other viable and applicable provisions of the Lease as amended shall remain unchanged and continue in full force and effect throughout the Lease Term.

10. BINDING EFFECT. Landlord and Tenant ratify and confirm the Lease as amended and agree that this Tenth Amendment shall bind and inure to the benefit of the parties, and their respective successors, assigns and representatives as of the date first stated.

AFFIRMING THE ABOVE, the parties have executed this TENTH AMENDMENT OF LEASE on the date first stated.

WITNESSES

/s/ Mardi Taft

/s/

/s/ Felicia E. Trott

LANDLORD:
TRIZEC REALTY, INC., a California corporation

BY: /s/ Robert R. Stubbs
Robert R. Stubbs
Assistant Secretary

BY: /s/ Stephen E. Budorick
Stephen E. Budorick
Vice President

TENANT:
CRYOLIFE, INC., a Florida corporation

BY: /s/ Albert E. Heacox

ITS: Sr. V.P. Laboratory Operation

EXHIBIT 10.15

FIRST AMENDMENT TO LEASE

THIS AGREEMENT, made and entered into this 9th day of June, 1994, by and between NEWMARKET PARTNERS I, LIMITED, a Georgia Limited Partnership whose general partners are Laing Properties, Inc. and Laing Management Company (hereinafter called "Landlord") and CRYOLIFE, INC. (hereinafter called "Tenant").

WITNESSETH THAT:

WHEREAS, Landlord and Tenant entered into a certain Lease Agreement dated July 23, 1993 (hereinafter "Lease") for Suite 124 (hereinafter "Premises") 2121 Newmarket Parkway, Building 5, Marietta, Georgia 30067;

WHEREAS, Landlord and Tenant desire to amend the Lease in order to modify some of the terms and conditions of the Lease;

NOW, THEREFORE, in consideration of the mutual agreements of the undersigned and other good valuable consideration, this Lease is hereby amended, effective November 16, 1993, as follows:

45. As provided for in Paragraph 44 of Exhibit "D", Special Stipulations, of the Lease, both Landlord and Tenant agree that the final construction cost is $183,684.00 (see Exhibit "G", Construction Cost Summary, attached hereto and made a part hereof) and therefore, desire to establish the adjusted monthly rental.

The adjusted monthly rentals are determined by the following:

Rentable square footage = 11,227 R.S.F.

Useable square footage = 10,692 U.S.F. (5% loss factor)

Allowances:

$1.00/USF for architect services:	$ 10,692.00
$45.00/RSF for construction costs:	$505,215.00
Total Improvement Allowance:	$515,907.00

$515,907.00 - Total Improvement Allowance
183,684.00 - Actual Construction Cost

$332,223.00 - Construction Savings

Monthly Interest Rate:	.83333% (10% Annual Interest Rate)
Number of Months in the Term:	60 Months
Payment Timing:	Beginning of each month
Monthly Payment:	$7,000.42 ($332,223 amortized at 10% for 60 months)

	Initial Monthly Rental	Amortized Construction Savings	Adjusted Monthly Rental
11/16/93 through 11/15/94	$14,196.32	$7,000.42 =	$7,195.90
11/16/94 through 11/15/95	$14,430.21	$7,000.42 =	$7,429.79
11/16/95 through 11/15/96	$14,673.46	$7,000.42 =	$7,673.04
11/16/96 through 11/15/97	$14,926.45	$7,000.42 =	$7,926.03
11/16/97 through 11/15/98	$15,189.55	$7,000.42 =	$8,189.13

(Tenant) dated June 9, 1994.

Pursuant to Paragraph 3, Rental, of the Lease, Tenant agrees to pay to the Landlord promptly on the first day of each month in advance during the term of this Lease, an adjusted monthly rental of:

November 16, 1993 through November 15, 1994 @ $7,195.90
November 16, 1994 through November 15, 1995 @ $7,429.79
November 16, 1995 through November 15, 1996 @ $7,673.04
November 16, 1996 through November 15, 1997 @ $7,926.03
November 16, 1997 through November 15, 1998 @ $8,189.13

46. BROKER DISCLOSURE

Pursuant to Georgia Real Estate Commission Regulation 520-1-08, Laing Marketing Company makes the following disclosures concerning this Lease transaction:

a) In this transaction, Laing Marketing Company represents Landlord and not Tenant.

b) In this transaction, Richard Bowers & Company represents Tenant and not Landlord.

c) In this transaction, both Laing Marketing Company and Richard Bowers & Company shall receive their compensation from Landlord exclusively.

Both Tenant and Landlord acknowledge, agree with and consent to the representation and compensation disclosed above.

Except as herein amended, all terms and conditions of the Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereunto have executed this First Amendment to Lease as of the day and year first above written.

Signed, sealed and delivered in the presence of:

LANDLORD: NEWMARKET PARTNERS I, LIMITED, a Georgia Limited Partnership whose general partners are Laing Properties, Inc. and Laing Management Company

BY: Laing Properties, Inc.
Managing General Partner

/s/ Christine M. Carroll

Witness

BY: /s/ James A. Gillespie

James A. Gillespie

TITLE: Executive Vice President

Page 3 of First Amendment to Lease by and between Newmarket Partners I, Limited, a Georgia Limited Partnership whose general partners are Laing Properties, Inc. and Laing Management Company (Landlord) and Cryolife, Inc. (Tenant) dated June 9, 1994.

Signed, sealed and delivered in the presence of:

TENANT: CRYOLIFE, INC.

/s/ D. J. Blankers

Witness

BY: /s/ Steven G. Anderson

Steven G. Anderson

TITLE: President

/s/ Suzanne K. Gabbert

Notary Public
Cobb County, Georgia
My Commission Expires:
September 13, 1996

ATTEST: /s/ Ronald D. McCall

Ronald D. McCall

TITLE: Secretary
(Corporate Seal)

EXHIBIT "G"
CONSTRUCTION COST SUMMARY

Date: 4-12-94

TENANT:	CRYOLIFE, INC.	93 WORK	R#SAM349
LOCATION:	NEWMARKET - BLDG. 5, SUITE 124	Architect:	Carlsten
RENTABLE AREA	11,227	Planner:	
OCCUPANY DATE:	1-31-94	SP Costs:	By Others
		SP Cost/SF:	$0.00

Direct Tenant Construction Costs

Contractors:	Buyout	Changes	Total	Budget	Net	Cost/SF	Notes
G.C.: QUA-SER (ALL PHASES)	170,653	4,284	174,937	0	(174,937)	15.58	
Elec	0	0	0	0	0	0.00	
HVAC	0	0	0	0	0	0.00	
Floor Cov.	0	0	0	0	0	0.00	
Oth:	0	0	0	0	0	0.00	
Oth: Tenant Signage	0	0	0	0	0		
Oth: Tenant Reimbursement	0	0	0	0	0	0.00	
SUBTOTAL	170,653	4,284	174,937	481,157	306,220	15.58	
CM-FEE	8,533	214	8,747	24,058	15,311	0.78	
TOTALS	$179,186	4,498	183,684	505,215	321,531	16.36	

NON-TENANT COSTS:

Description:	Buyout	Changes	Total	Budget	Net	Cost/SF	Notes
A -	0	0	0	0	0	0.00	
B -	0	0	0	0	0	0.00	
C -	0	0	0	0	0	0.00	
D -	0	0	0	0	0	0.00	
E -	0	0	0	0	0	0.00	
F - Total Space Planning	By Others	0	0	By Others	0	0.00	
SUBTOTAL	$0	$0	$0	$0	0	0.00	
CM FEE	0	0	0	0	0	0.00	
TOTAL	$0	$0	$0	$0	$0	0.00	

Summary-Total Cost	Buyout	Changes	Total	Budget	Net	Cost/SF
TOTAL	179,186	4,498	183,684	505,215	321,531	$16.36

NOTES:

A - CHANGE ORDER FOR $4,284 WAS FOR EQUIPMENT DRAINS AND HVAC REVISIONS.

B - TENANT HAS SPENT $183,684 TOWARD THEIR TOTAL AVAILABLE ALLOWANCE OF $505,215. THIS LEAVES A BALANCE REMAINING OF $321,531.

IN WITNESS WHEREOF, the undersigned has executed this Waiver and Consent and affixed its seal hereto as of the day and year first written above.

(Individual Mortgagee of Lessor Sign Here)

Signed, sealed and delivered this
____ day of _____, 1994, in (SEAL)
---
the presence of: Name:

Notary Public

(NOTARIAL SEAL)

(Corporate or Partnership Mortgagee or Lessor Sign Here)

Newmarket Partners III Limited, a Georgia Limited Partnership whose general partners are Laing Properties, Inc. and Laing Management Company

(CORPORATE SEAL)

BY: Laing Properties, Inc.
Managing General Partner

BY: /s/ James A. Gillespie

James A. Gillespie
Title: Executive Vice President

ATTEST:

/s/ Robert R. Stubbs

Robert R. Stubbs
Title: Vice President & Secretary
Signed, sealed and delivered this
30th day of June, 1994, in the
presence of:

/s/ Christine M. Carroll

Notary Public

(NOTARIAL SEAL)

1545566

EXHIBIT 10.16

SECOND AMENDMENT TO LEASE

THIS AGREEMENT, made as of and entered as of this 6th day of June 1998, by and between Newmarket Partners I, Ltd., a Georgia Limited Partnership, whose general partners are Laing Properties, Inc. and Laing Management Company (hereinafter called "Landlord") and Cryolife, Inc., a Florida corporation (hereinafter called "Tenant").

WITNESSETH THAT:

WHEREAS, Landlord and Tenant entered into a certain Lease Agreement dated July 23, 1993, as amended June 9, 1994 (collectively, hereinafter "Lease") for Suite 124, Building 5, (hereinafter "Premises") at 2121 Newmarket Parkway, Marietta, Cobb County, Georgia 30067.

WHEREAS, Landlord and Tenant desire to amend the Lease in order to modify some of the terms and conditions of the Lease; and

WHEREAS, Tenant desires to extend the Term of the Lease an additional three (3) years for the period of November 16, 1998 through November 15, 2001 (hereinafter "Renewal Term").

NOW, THEREFORE in consideration of the mutual agreements of the undersigned and other good and valuable consideration, this Lease is hereby amended, effective November 16, 1998, as follows:

47. BROKER DISCLOSURE

Pursuant to Georgia Real Estate Commission Regulation 520-1-08, Laing Marketing Company makes the following disclosures concerning this Lease transaction:

a) In this transaction, Laing Marketing Company represents Landlord and not Tenant.

b) In this transaction, Richard Bowers & Company represents Tenant and not Landlord.

c) In this transaction, both Laing Marketing Company and Richard Bowers & Company shall receive their compensation from Landlord exclusively.

Both Tenant and Landlord acknowledge, agree with and consent to the representation and compensation disclosed above.

48. ENVIRONMENTAL MATTERS

Tenant will be subject to the provisions contained in Exhibit "E" entitled, "Environmental Matters', attached hereto and by this reference made a part hereof.

49. TERM

Paragraph 2, Term, of the Lease shall be amended to read:

To have and to hold the same for the term to commence on the sixteenth (16th) day of November 1998 and ending on the fifteenth (15th) day of November 2001, at midnight, unless sooner terminated as hereinafter provided.

50. RENTAL

Paragraph 3, Rental, of the Lease shall be amended to read:

The Tenant agrees to pay to the Landlord promptly on the first day of each month in advance, during the term of this Lease, a monthly rental of:

November 16, 1998 through November 15, 1999 @ $7,952.46 per month
November 16, 1999 through November 15, 2000 @ $8,270.56 per month
November 16, 2000 through November 15, 2001 @ $8,601.38 per month

Payments received after the tenth day of the month may be assessed an additional five percent (5%) charge as agreed liquidated damages due Landlord. Acceptance by Landlord of a rental payment in an amount less than that which is currently due shall in no way affect Landlord's rights under this Lease and in no way be an accord and satisfaction.

51. TENANT IMPROVEMENTS

The Premises will be leased "as-is" during the Renewal Term and any and all improvements shall be at Tenant's sole cost and expense.

Except as herein amended, all terms and conditions of the Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereunto have executed this Second Amendment to Lease as of the day and year first above written.

Signed, sealed and delivered in the presence of:

LANDLORD: Newmarket Partners I, Ltd. a Georgia Limited Partnership, whose general partners are Laing Properties, Inc. and Laing Management Company

BY: Laing Properties, Inc.
Managing General Partner

/s/ Patricia L. Pendley

Witness

BY: /s/ James A. Gillespie

James A. Gillespie

TITLE: Executive Vice President

/s/ Julie J. Waller

Notary Public

ATTEST: /s/ Robert R. Stubbs

Robert R. Stubbs

TITLE: Vice President & Secretary

(CORPORATE SEAL)

Signed, sealed and delivered in the presence of:

TENANT: Cryolife, Inc., a Florida Corporation

/s/ Felicia E. Trott

Witness

BY: /s/ Albert E. Heacox

TITLE: V.P. Laboratory Operations

/s/ Suzanne K. Gabbert

Notary Public

ATTEST: /s/ Suzanne K. Gabbert

TITLE: Assistant Corporate Secretary

(CORPORATE SEAL)

Notary Public, Cobb County, Georgia
My Commission Expires:
September 13, 2000

EXHIBIT "E"
ENVIRONMENTAL MATTERS

A. Tenant covenants that it will not cause or permit, knowingly or unknowingly, any Hazardous Wastes (as hereinafter defined) to be brought upon, disposed on or stored in or on the Premises or any Hazardous Material (as hereinafter defined) to be released in, on or about the Premises and that it will comply with any and all applicable laws, ordinances, rules, regulations and requirements respecting the presence, use or release of Hazardous Materials in, on or about the Premises.

B. Tenant covenants that it will immediately notify Landlord, in writing, of any existing, pending or threatened (i) investigation, inquiry, claim or action by any governmental authority in connection with any Environmental Laws (as hereinafter defined); (ii) third party claims; (iii) regulatory actions; and/or (iv) contamination of the Premises.

C. Tenant shall, at Tenant's expense, investigate, monitor, remediate, and/or clean up any Hazardous Material, Hazardous Waste, or other environmental condition on, about, or under the Premises required as a result of Tenant's use or occupancy of the Premises.

D. Tenant covenants that it shall keep the Premises free of any lien imposed pursuant to any Environmental Laws.

E. Tenant shall indemnify, defend and hold Landlord harmless from and against any and all claims, judgments, damages, penalties, fines, costs (including without limitation, attorney's fees and court costs), liabilities or losses (collectively, the "Tenant Indemnified Claims") resulting from (i) the presence of Hazardous Wastes in or about the Premises or the release of Hazardous Materials in, on or a bout the Premises on or after the date of this Lease, and (ii) any Hazardous Waste placed or any Hazardous Materials released elsewhere in Newmarket Business Park by Tenant, its agents, invitees, employees and contractors.

F. The provisions of this Exhibit "E" shall survive the expiration or termination of this Lease.

G. For purposes of this Lease, the term Hazardous Waste has the same meaning as the term is defined in the Resource Conservation and Recovery Act, as amended, 42 U.S.C.ss.6901 et. seq. ("RCRA").

H. For the purposes of this Lease, the term Hazardous Material, is defined to include those matters described in the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C.ss.9601 et. seq. ("CERCLA"). As used herein the term Hazardous Materials shall also mean (i) asbestos, or any substance containing asbestos; (ii) polychlorinated biphenyls; (iii) lead; (iv) radon; (v) pesticides; (vi) petroleum or any other substance containing hydrocarbons; (vii) any substance which, when on the Premises, is prohibited by any Environmental Laws; and (viii) any other substance, material or waste which, (x) by any Environmental Laws requires special handling or notification of any governmental authority in its collection, storage, treatment, or disposal or (y) is defined or classified as hazardous, dangerous or toxic pursuant to any legal requirement.

I. For purposes of this Lease, Environmental Laws shall mean: any and all federal, state and local laws, statutes, codes, ordinances, regulations, rules or other requirements relating to human health or safety or to the environment including, but not limited to, those applicable to the storage, treatment, disposal, handling and release of any Hazardous Waste or Hazardous Materials, all as amended or modified from time to time.

EXHIBIT 10.17

THIRD AMENDMENT OF LEASE

THIS THIRD AMENDMENT OF LEASE ("Third Amendment") is made on August 3, 2001 between TRIZECHAHN CENTERS INC., a California corporation, d/b/a "TrizecHahn Newmarket 1 to 8 Management" ("Landlord"), whose address is 100 Colony Square, Suite 600, 1175 Peachtree Street, N.E., Atlanta, GA 30361 and CRYOLIFE, INC., a Florida corporation ("Tenant").

RECITALS

This Third Amendment is based upon the following recitals:

A. Newmarket Partners I, Limited ("Newmarket"), as landlord and Tenant entered into a Lease dated July 23, 1993 ("Lease"), for the premises measuring 11,227 rentable square feet and known as Suite 124 located at 2121 Newmarket Parkway, Marietta, GA 30067 ("Premises").

B. Newmarket and Tenant amended the Lease by First Amendment to Lease dated June 9, 1994 and Second Amendment to Lease dated June 6, 1998 (Lease and Amendment(s) collectively, "Lease as amended").

C. Landlord is successor in interest to Newmarket's interest as landlord under the Lease as amended.

D. The Premises size currently measures approximately 11,227 rentable square feet and includes Suite 124 of the Building.

E. Landlord and Tenant desire to further amend the Lease as amended to extend the term and otherwise amend the Lease as
amended accordingly.

THEREFORE, in consideration of the mutual covenants and agreements stated in the Lease as amended and below, and for other sufficient consideration received and acknowledged by each party, Landlord and Tenant agree to amend the Lease as amended as follows:

1. RECITALS. All recitals are fully incorporated.

2. ADDRESS - NOTICES. Landlord's address for notices as set forth in Lease as amended shall be deleted and the following substituted therefor:

TRIZECHAHNCENTERS INC.
c/o TrizecHahn Office Properties, Inc.
100 Colony Square, Suite 600
1175 Peachtree Street, N.E.
Atlanta, GA 30361
Attention: David D. Canaday, Vice President

with a copy to:

TRIZECHAHN CENTERS INC.
c/o TrizecHahn Office Properties, Inc.
100 Colony Square, Suite 600
1175 Peachtree Street, N.E.
Atlanta, GA 30361
Attention: Lease Administrator

and if notice of default, a copy to:

TRIZECHAHN CENTERS INC.
c/o TrizecHahn Office Properties, Inc.
100 Colony Square, Suite 600
1175 Peachtree Street, N.E.
Atlanta, GA 30361
Attention: Regional Counsel

3. EXTENSION OF LEASE TERM. The Lease Term for the Premises shall be extended for approximately thirteen and one-half (13 1/2) months, to begin November 16, 2001 and expire on December 31, 2002 ("2nd Extension Term").

4. RENTAL, COMMON AREA MAINTENACE EXPENSES, TAX AND INSURANCE ESCALATION EXPENSES.Effective during 2nd Extension Term, Tenant's obligation to pay Rental, Common Area Maintenance Expenses and Tax and Insurance Escalation Expenses shall be as follows with respect to the Premises:

A. RENTAL. Effective during the 2nd Extension Term, Tenant shall pay Landlord monthly rental in advance on the first day of each month in the amount of $9,355.83; and

B. COMMON AREA MAINTENACE EXPENSES. Tenant shall reimburse Landlord for the cost of Common Area Maintenance Expenses (as described in Paragraph 4 of the Lease, "CAM") which shall be $0.80 per rentable square foot and subject to a 4% annual increase each calendar year; and

C. TAX AND INSURANCE ESCALATIONS EXPENSES. In addition to Rental and CAM, Tenant shall continue to be responsible for tax and insurance escalation expenses with respect to the entire Premises in accordance with the terms and conditions of Paragraph 5 of the Lease; however the base year with respect to determining tax and insurance escalation expenses for the Premises shall be the calendar year ending December 31, 2002.

5. DELIVERY OF AND IMPROVEMENTS TO THE PREMISES. Landlord shall provide and Tenant shall accept the Premises in "as-is" condition. No promises to alter, remodel or improve the Premises or Building and no representations concerning the condition of the Premises or Building have been made by Landlord to Tenant

other than as may be expressly stated in the Lease as amended.

6. HOLDOVER. Tenant understands that it does not have the right to hold over at any time and Landlord may exercise any and all remedies at law or in equity to recover possession of the Premises, as well as any damages incurred by Landlord, due to Tenant's failure to vacate the Premises and deliver possession to Landlord as required by this Lease. If Tenant holds over after the expiration of the 2nd Extension Term with Landlord's prior written consent, Tenant will be deemed to be a tenant from month to month, at a monthly Rental, payable in advance, equal to 150% of the monthly Rental payable during the last year of the 2nd Extension Term, and Tenant will be bound by all of the other terms, covenants and agreements of the Lease as amended as the same may apply to a month-to-month tenancy. If Tenant holds over after the expiration of the 2nd Extension Term without Landlord's prior written consent, Tenant will be deemed a tenant at sufferance, at a daily Rental, payable in advance, equal to 200% of the Rental per day payable during the 2nd Extension Term, and Tenant will be bound by all of the other terms, covenants and agreements of the Lease as amended as the same may apply to a tenancy at sufferance.

7. BROKERS. Landlord and Tenant represent and warrant that no broker or agent negotiated or was instrumental in negotiating or consummating this Third Amendment except TrizecHahn Colony Square GP LLC and Richard Bowers & Company ("Brokers"). Neither party knows of any other real estate broker or agent who is or might be entitled to a commission or compensation in connection with this Third Amendment. Pursuant to Georgia Real Estate Commission Regulation 520-1-108, TrizecHahn Colony Square GP LLC hereby discloses the following concerning this lease transaction: (1) TrizecHahn Colony Square GP LLC represents Landlord and not Tenant; (2) Richard Bowers & Company represents Tenant and not Landlord; and (3) both TrizecHahn Colony Square GP LLC and Richard Bowers & Company shall receive their compensation from Landlord. Tenant and Landlord will indemnify and hold each other harmless from all damages paid or incurred by the other resulting from any claims asserted against either party by brokers or agents claiming through the other party.

8. CONFLICTING PROVISIONS. If any provisions of this Third Amendment conflict with any of those of the Lease as amended, then the provisions of this Third Amendment shall govern.

9. REMAINING LEASE PROVISIONS. Except as stated in this Third Amendment, all other viable and applicable provisions of the Lease as amended shall remain unchanged and continue in full force and effect throughout the Lease Term.

10. BINDING EFFECT. Landlord and Tenant ratify and confirm the Lease as amended and agree that this Third Amendment shall bind and inure to the benefit of the parties, and their respective successors, assigns and representatives as of the date first stated.

-signatures appear on the following page-

AFFIRMING THE ABOVE, the parties have executed this THIRD AMENDMENT OF LEASE on the date first stated.

WITNESSES:

/s/ Mardi Taft

/s/ Carmel Malfeo

LANDLORD:
TRIZECHAHN CENTERS INC., a California corporation

BY: /s/ Robert R. Stubbs

Robert R. Stubbs
Assistant Secretary

BY: /s/ Antonio A. Bismonte

Antonio A. Bismonte
Vice President

TENANT:
CRYOLIFE, INC., a Florida corporation

By: /s/ Albert E. Heacox

ITS: Sr. V.P. Laboratory Operations

1545085

EXHIBIT 10.18

FOURTH AMENDMENT OF LEASE

THIS FOURTH AMENDMENT OF LEASE ("Fourth Amendment") is made on June 25, 2002 between TRIZEC REALTY, INC., a California corporation ("Landlord"), whose address is 100 Colony Square, Suite 600, 1175 Peachtree Street, N.E., Atlanta, GA 30361 and CRYOLIFE, INC., a Florida corporation ("Tenant").

RECITALS

This Fourth Amendment is based upon the following recitals:

A. Newmarket Partners I, Limited ("Newmarket"), as landlord and Tenant entered into a Lease dated July 23, 1993 ("Lease"), for the premises known as Suite 124 located at 2121 Newmarket Parkway, Marietta, GA 30067 ("Premises").

B. Newmarket and Tenant amended the Lease by First Amendment to Lease dated June 9, 1994 and Second Amendment to Lease dated June 6, 1998.

C. Newmarket subsequently assigned its interest as landlord to TrizecHahn Centers Inc. ("TrizecHahn").

D. TrizecHahn and Tenant amended the Lease by Third Amendment dated August 3, 2001 (Lease and Amendment(s) collectively, "Lease as amended").

E. Landlord is successor in interest to TrizecHahn's interest as landlord under the Lease as amended.

F. Landlord and Tenant desire to further amend the Lease as amended to extend the term and otherwise amend the Lease as amended accordingly.

THEREFORE, in consideration of the mutual covenants and agreements stated in the Lease as amended and below, and for other sufficient consideration received and acknowledged by each party, Landlord and Tenant agree to amend the Lease as amended as follows:

1. RECITALS. All recitals are fully incorporated.

2. EXTENSION OF LEASE TERM. The Lease Term for the Premises shall be extended for approximately one (1) year, to begin January 1, 2003 and expire on December 31, 2003 ("Third Extension Term").

3. RENTAL, COMMON AREA MAINTENANCE EXPENSES, TAX AND INSURANCE ESCALATION EXPENSES. Effective during the Third Extension Term, Tenant's obligation to pay Rental, Common Area Maintenance Expenses and Tax and Insurance Escalation Expenses shall be as follows with respect to the Premises:

A. RENTAL. Effective during the Third Extension Term, Tenant shall pay Landlord monthly rental in advance on the first day of each month in the amount of $8,888.04; and

B. COMMON AREA MAINTENANCE EXPENSES. Tenant shall reimburse Landlord for the cost of Common Area Maintenance Expenses (as described in Paragraph 4 of the Lease, "CAM") which shall be $0.83 per rentable square foot and subject to a 4% annual increase each calendar year; and

C. TAX AND INSURANCE ESCALATIONS EXPENSES. In addition to Rental and CAM, Tenant shall continue to be responsible for tax and insurance escalation expenses with respect to the entire Premises in accordance with the terms and conditions of Paragraph 5 of the Lease; however, the base year with respect to determining tax and insurance escalation expenses for the Premises shall be the calendar year ending December 31, 2003.

4. DELIVERY OF AND IMPROVEMENTS TO THE PREMISES. Landlord shall provide and Tenant shall accept the Premises in "as-is" condition. No promises to alter, remodel or improve the Premises or Building and no representations concerning the condition of the Premises or Building have been made by Landlord to Tenant other than as may be expressly stated in the Lease as amended.

5. HOLDOVER. Tenant understands that it does not have the right to hold

over at any time and Landlord may exercise any and all remedies at law or in equity to recover possession of the Premises, as well as any damages incurred by Landlord, due to Tenant's failure to vacate the Premises and deliver possession to Landlord as required by this Lease. If Tenant holds over after the expiration of the Third Extension Term with Landlord's prior written consent, Tenant will be deemed to be a tenant from month to month, at a monthly Rental, payable in advance, equal to 150% of the monthly Rental payable during the last year of the Third Extension Term, and Tenant will be bound by all of the other terms, covenants and agreements of the Lease as amended as the same may apply to a month-to-month tenancy. If Tenant holds over after the expiration of the Third Extension Term without Landlord's prior written consent, Tenant will be deemed a tenant at sufferance, at a daily Rental, payable in advance, equal to 200% of the Rental per day payable during the Third Extension Term, and Tenant will be bound by all of the other terms, covenants and agreements of the Lease as amended as the same may apply to a tenancy at sufferance.

6. BROKERS. Landlord and Tenant represent and warrant that no broker or agent negotiated or was instrumental in negotiating or consummating this Fourth Amendment except TrizecHahn Colony Square GP LLC and Richard Bowers & Company ("Brokers"). Neither party knows of any other real estate broker or agent who is or might be entitled to a commission or compensation in connection with this Fourth Amendment. Pursuant to Georgia Real Estate Commission Regulation 520-1-108, TrizecHahn Colony Square GP LLC hereby discloses the following concerning this lease transaction: (1) TrizecHahn Colony Square GP LLC represents Landlord and not Tenant; (2) Richard Bowers & Company represents Tenant and not Landlord; and (3) both TrizecHahn Colony Square GP LLC and Richard Bowers & Company shall receive their compensation from Landlord. Tenant and Landlord will indemnify and hold each other harmless from all damages paid

or incurred by the other resulting from any claims asserted against either party by brokers or agents claiming through the other party.

7. CONFLICTING PROVISIONS. If any provisions of this Fourth Amendment conflict with any of those of the Lease as amended, then the provisions of this Fourth Amendment shall govern.

8. REMAINING LEASE PROVISIONS. Except as stated in this Fourth Amendment, all other viable and applicable provisions of the Lease as amended shall remain unchanged and continue in full force and effect throughout the Lease Term.

9. BINDING EFFECT. Landlord and Tenant ratify and confirm the Lease as amended and agree that this Fourth Amendment shall bind and inure to the benefit of the parties, and their respective successors, assigns and representatives as of the date first stated.

AFFIRMING THE ABOVE, the parties have executed this FOURTH AMENDMENT OF LEASE on the date first stated.

WITNESSES

LANDLORD
TRIZEC REALTY, INC., a California corporation

/s/ Mardi Taft

BY: /s/ Robert R. Stubbs

Robert R. Stubbs
Assistant Secretary

BY: /s/ Stephen E. Budorick

Stephen E. Budorick
Vice President

TENANT
CRYOLIFE, INC., a Florida corporation

/s/ Felicia E. Trott

BY: /s/ Albert E. Heacox

ITS: Sr. V.P. Laboratory Operations

EXHIBIT 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CryoLife Inc. (the "Company") on Form 10-Q for the quarter ending September 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of Steven G. Anderson, the Chairman, President, and Chief Executive Officer of the Company, and David Ashley Lee, the Chief Financial Officer of the Company, hereby certify, pursuant to and for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ STEVEN G. ANDERSON	/s/ DAVID ASHLEY LEE
STEVEN G. ANDERSON	DAVID ASHLEY LEE
Chairman, President, and Chief Executive Officer	Vice President and Chief Financial Officer
October 29, 2002	October 29, 2002