FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

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

For the fiscal year ended December 31, 2000
OR

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

For the transition period from to

Commission file number 1-13165

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

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

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

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

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

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

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

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

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

The aggregate market value of voting stock held by nonaffiliates of the registrant was approximately $398,777,000 at March 27, 2001 (16,060,309 shares). The number of common shares outstanding at March 27, 2001 was 18,750,704 (exclusive of treasury shares).

Documents Incorporated By Reference

Part III: Portions of Registrant's Proxy Statement relating to the Annual Meeting of Shareholders to be filed not later than April 30, 2001.

PART I

Item 1. Business.

Overview

CryoLife, Inc. ("CryoLife" or the "Company") is the leader in the cryopreservation of viable human tissues for cardiovascular, vascular and orthopaedic transplant applications, and develops and commercializes additional implantable products, including surgical bioadhesives. The Company estimates that it provided in excess of 70% of the cryopreserved human heart valve tissue implanted in the U.S. in 2000. The Company uses its expertise in biochemistry and cell biology, and its understanding of the needs of the cardiovascular, vascular and orthopaedic surgery medical specialties, to continue expansion of its core cryopreservation business and to develop or acquire complementary implantable products and technologies for these fields. The Company develops and markets proprietary implantable biomaterials, including BioGlue(R) surgical adhesive, which it began commercializing within the European Community ("EC") in April 1998 and within the U.S. in December 1999. Additionally the Company develops bioprosthetic cardiovascular devices including two novel design stentless porcine heart valves currently marketed in the EC. In November 2000 the Company received a Conformite Europeene ("CE") Mark (product certification) for commercial distribution of its SynerGraft(R) heart valve in the EC. Domestically the Company began applying its proprietary SynerGraft technology in February 2000 to enhance the preservation of human heart valves.

CryoLife processes and distributes for transplantation cryopreserved human heart valves and conduits, human vascular tissue and human connective tissue for the knee. Management believes that cryopreserved human heart valves and conduits offer certain advantages over mechanical, synthetic and animal-derived alternatives. Depending on the alternative, these advantages include a more natural functionality, the elimination of a long-term need for anti-coagulation drug therapy, a reduced incidence of reoperation and a reduced risk of catastrophic failure, thromboembolism (stroke) or calcification. The Company estimates that the potential U.S. market for implantable products targeting indications addressed by the cryopreserved tissues processed by the Company was in excess of $1 billion in 2000. The Company seeks to expand the availability of human tissue through its established relationships with over 100 tissue banks and organ procurement agencies nationwide.

CryoLife is developing implantable biomaterials for use as surgical adhesives and sealants. The Company's patent protected BioGlue surgical adhesive, designed for cardiovascular, vascular and pulmonary applications, is a polymer based on a derivative of an animal blood protein and a cross-linking agent. BioGlue offers advantages over sutures and staples, including more effective sealing and easier application. The Company estimates that the annual worldwide market for surgical sutures and staples in 2000 was in excess of $2 billion. The Company received CE Mark certification in 1998 for use of its BioGlue surgical adhesive in vascular applications and began marketing this product in April 1998 in the EC. In March 1999 the Company was awarded a second CE Mark allowing the use of BioGlue in pulmonary indications, including the repair of air leaks in lungs. In December 1999 the Company received U.S. Food and Drug Administration ("FDA") approval to distribute BioGlue surgical adhesive under a Humanitarian Device Exemption ("HDE") for use as an adjunct in the repair of acute thoracic aortic dissections and immediately began marketing this product in the U.S. pursuant to the HDE. The Company completed its clinical trial for the use of BioGlue in all vascular repair in the fall of 2000, and filed a premarket approval ("PMA") with the FDA on February 1, 2001 that, if approved, would allow for the broad commercial distribution of BioGlue in the U.S.

CryoLife has developed and markets outside of the U.S. bioprosthetic cardiovascular devices for implantation, currently consisting of glutaraldehyde fixed stentless porcine heart valves. Glutaraldehyde fixed porcine heart valves are often preferred by surgeons for procedures involving elderly patients because they eliminate the risk of patient non-compliance with long-term anti-coagulation drug therapy associated with mechanical valves, are less

expensive than human heart valves or mechanical valves and their shorter longevity is more appropriately matched with these patients' life expectancies. Glutaraldehyde fixed porcine and bovine heart valves address a worldwide target market estimated to have been $325 million in 2000. Unlike most other available

porcine heart valves, the Company's stentless porcine heart valves do not contain synthetic materials which increase the risk of endocarditis, a debilitating and potentially fatal infection. The Company's CryoLife-O'Brien(R) aortic heart valve, currently marketed in the EC and certain other territories outside the U.S., is a stentless porcine heart valve which contains a matched composite leaflet design that approximates human heart valve blood flow characteristics and requires only a single suture line which simplifies surgical implantation. The Company's CryoLife-Ross(R) pulmonary heart valve, another of the Company's fixed stentless porcine valves, is also marketed in the EC and certain countries outside the U.S. The Company has applied its proprietary SynerGraft technology to the processing of human heart valves and conduits and to some of the Company's stentless porcine heart valves. SynerGraft involves the depopulation of cells from the structure of human heart tissue and non-viable animal heart tissue leaving a collagen matrix that has the potential to be repopulated with the implant recipient's cells. This process is designed to reduce calcification of heart valves, thereby increasing longevity, and to improve the biocompatibility and functionality of such tissue. In November 2000 the Company received CE Mark approval for its SynerGraft porcine pulmonary heart valves, which allowed the Company to begin commercial distribution into the EC. The Company believes that its porcine heart valves, treated with the SynerGraft technology, will expand its opportunity to address the broader international and U.S. heart valve markets, estimated to have been $390 million and $400 million, respectively, in 2000.

Beginning in 1998, the Company began seeking to complete a potential private placement of equity or equity-oriented securities representing a majority investment in its wholly-owned subsidiary company, AuraZyme Pharmaceuticals, Inc. ("AuraZyme"), for the commercial development of its Activation Control Technology ("ACT") technology. The ACT technology is a reversible linker technology that has potential uses in the areas of cancer therapy, blood clot dissolving, heart attack therapies and other drug delivery applications. 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, and allow the Company to focus its resources on the commercial development of its BioGlue surgical adhesive, SynerGraft technology and other products under development.

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

Growth Strategy

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

- Continue Leadership in Cryopreservation of Human Heart Valves and

Conduits. The Company intends to increase the market penetration of its cryopreserved human heart valves and conduits by (i) expanding awareness of clinical advantages of cryopreserved human tissues through continuing educational efforts directed to physicians, prospective heart valve and conduit recipients and tissue procurement agencies, (ii) expanding its relationships with the more than 100 tissue banks and procurement agencies across the U.S. which send tissue to the Company for cryopreservation, (iii) expanding its physician training activities and (iv) expanding its product offerings by applying its SynerGraft technology to human heart valves and conduits for antigen reduction properties and the potential for recipient cell repopulation.

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

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

- Develop and Commercialize Biomaterials for Surgical Adhesive and Sealant Applications. In the second quarter of 1998 the Company began commercial marketing of its patent protected BioGlue surgical adhesive in the EC through its independent representatives. In December 1999 the Company received FDA approval to distribute BioGlue surgical adhesive under a HDE for use as an adjunct in the repair of acute thoracic aortic dissections. The Company completed its clinical trial for the use of BioGlue in all vascular repair in the fall of 2000, and filed a PMA with the FDA on February 1, 2001, that, if approved, would allow for the broad commercial distribution of BioGlue in the U.S. In addition to the adhesive and sealant applications of these biomaterials, the Company intends to pursue, either directly or through strategic alliances, certain drug delivery applications of BioGlue surgical adhesive and its ACT technology, such as administering antibiotics, attaching chemotherapy drugs to tumors, delivering bone material for orthopaedic bone repair, and as a replacement for spinal discs.

- Develop and Commercialize Bioprosthetic Cardiovascular Devices. The Company intends to leverage its expertise with stentless human heart valves to expand commercialization of its stentless porcine heart valves and to use its stentless porcine heart valves as a platform for

the development and commercialization of the Company's SynerGraft technology, which is being developed to expand the target market for the stentless porcine heart valves by minimizing calcification often associated with porcine tissues and thereby increasing their longevity. In October 2000 the Company received a CE Mark allowing for commercial distribution of the new tissue-engineered SynerGraft heart valve throughout the European Community. The Company has expanded its production capacity for its bioprosthetic cardiovascular devices to address the increased demand it is currently experiencing.

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

Services and Products

Cryopreservation of Human Tissue for Transplant

The Company's proprietary and patent protected cryopreservation process involves the procurement of tissue from deceased human donors, the timely and controlled delivery of such tissue to the Company, the screening, disinfection, dissection

and cryopreservation of the tissue by the Company, the storage and shipment of the cryopreserved tissue and the controlled thawing of the tissue. Thereafter, the tissue is surgically implanted into a human recipient.

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

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

Human Heart Valves and Conduits. The human heart valves and conduits cryopreserved by the Company are used in reconstructive heart valve replacement surgery. CryoLife shipped approximately 46,500 cryopreserved human heart valves and conduits from 1984 through 2000. Based on CryoLife's records of documented implants, management believes that the Company's success in the allograft heart valve market is due in part to physicians' recognition of the longevity and

natural functionality of the Company's cryopreserved human tissues as compared to mechanical and porcine heart valve alternatives in certain applications. The Company currently applies its cryopreservation services to human aortic, pulmonary and mitral heart valves for implantation by cardiac surgeons. In addition, the Company provides cryopreserved conduit tissue to surgeons who wish to perform certain specialized cardiac repair procedures. Each of these human heart valves and conduits maintains a viable tissue structure which more closely resembles and performs like the patient's own tissue than non-human tissue alternatives. In February 2000 the Company began processing and distributing in the U.S. decellularized human heart valves and conduits utilizing the first of its SynerGraft technology applications, which involves developing depopulated heart valves with antigen reduction properties and the potential for recipient cell repopulation.

In February of 2000 CryoLife began processing some human allograft heart valves using its SynerGraft technology. The SynerGraft technology effectively removes cells from the heart valve leaving the collagen matrix intact. The CryoValve(R) SG valve is especially designed to benefit patients, both children and adults, who have had a minor immune response to transplanted tissues. Early clinical data indicates that the new SynerGraft processing method mitigates the increase of PRA (panel reactive antibodies) experienced by some of the patients who receive allograft heart valves. The absence of an immunologic response to the decellularized allograft has the potential of improved long-term function of the allograft heart valves. Advanced animal studies of both allograft and porcine heart valves that have been treated with the SynerGraft process show that these valves have the potential to repopulate themselves in vivo with the patient's own cells.

The Company estimates that the total heart valve and conduit replacement market in the U.S. in 2000 was approximately $400 million. Management believes that approximately 88,000 heart valve and conduit surgeries were conducted in the U.S. in 2000. Of the total number of heart valve and conduit surgeries, approximately 43,000, or 49%, involved mechanical heart valves, and approximately 45,000, or 51%, involved tissue heart valves or conduits,

including porcine and cryopreserved human tissues. Approximately 5,400 human heart valves and conduits cryopreserved by the Company were shipped for implantation in 2000.

Management believes cryopreserved human heart valves and conduits have characteristics that make them the preferred replacement for most patients. Specifically, human heart valves, such as those cryopreserved by the Company, allow for more normal blood flow and provide higher cardiac output than porcine and mechanical heart valves. Human heart valves are not as susceptible to progressive calcification, or hardening, as are porcine heart valves, and do not require anti-coagulation drug therapy, as do mechanical valves. The synthetic sewing rings contained in mechanical and stented porcine valves may harbor bacteria leading to endocarditis. Furthermore, endocarditis is difficult to treat with antibiotics, and this usually necessitates the surgical removal of these valves at considerable cost, morbidity and risk of mortality. Consequently, for many physicians, human heart valves are the preferred alternative to mechanical and stented porcine valves for patients who have, or are at risk to contract, endocarditis.

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

		Porcine			
	Cryopreserved Human	Stented	Stentless(1)	Mechanical	Bovine Pericardium
Materials:	human tissue	glutaraldehyde fixed pig tissue and synthetic	glutaraldehyde fixed pig tissue	pyrolitic carbon bi-leaflet and and synthetic	glutaraldehyde fixed cow tissue and synthetic

		sewing ring		sewing ring	sewing ring
Blood Flow Dynamics (Required Pressure): (2)	normal (0-5)	moderate elevation	nearly normal (5-15)	high elevation (10-25)	high elevation (10-30)
Mode of Failure:	gradual	gradual	expected to be gradual	catastrophic	gradual
Longevity:	15-20 years	10-15 years	expected to exceed stented porcine valves	15-20 years	10-15 years
Increased Risk of Bleeding or Thromboembolic Events (strokes or other clotting):	no	occasional	occasional	yes	occasional
Anti-Coagulation Drug Therapy Required:	none	short-term	short-term	chronic	short-term
Responsiveness to Antibiotic Treatment of Endocarditis:	high	low	low	low	low
Average Valve Cost in U.S.:	$6,900	$4,500	$5,500	$4,100(3)	$4,500

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

(2) Pressure measured in mm/Hg.

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

While the clinical benefits of cryopreserved human heart valves discussed above are relevant to all patients, they are particularly important for (i) pediatric patients (newborn to 17 years) who are prone to calcification of porcine tissue, (ii) young or otherwise active patients who face an increased risk of severe blood loss or even death due to side effects associated with the anti-coagulation drug therapy required with mechanical valves and (iii) women in their childbearing years for whom anti-coagulation drug therapy is contraindicated.

Human Vascular Tissues. The Company cryopreserves human saphenous and superficial femoral veins and arteries for use in vascular surgeries that require small diameter conduits (3mm to 6mm), such as coronary bypass surgery and peripheral vascular reconstructions. Failure to bypass or revascularize an obstruction in such cases may result in death or the loss of a limb. The Company

believes it offers the only available small diameter conduit product for below-the-knee vascular reconstruction. The Company also cryopreserves aortoiliac arteries for the reconstruction of infected abdominal synthetic grafts. The Company shipped approximately 22,800 human vascular tissues from 1986 through 2000, which includes 5,200 shipments in 2000.

A surgeon's first choice for replacing diseased or damaged vascular tissue is generally the patient's tissue. However, in cases of advanced vascular disease, the patient's tissue is often unusable and the surgeon may consider using synthetic grafts or transplanted human vascular tissue. Small diameter synthetic vascular grafts are generally not suitable for below-the-knee surgeries because they have a tendency to occlude because the synthetic materials in these products attract cellular material from the blood stream which in turn closes off the vessel to normal blood flow. Cryopreserved vascular tissues tend to remain open longer and as such are used in indications where synthetics fail. The Company's cryopreserved human vascular tissues are used for coronary artery bypass surgeries, peripheral vascular reconstruction, dialysis access graft replacement, venous valve transplantation and infected abdominal graft replacement.

In 1986, the Company began a program to cryopreserve saphenous veins for use in coronary artery bypass surgeries. Although the Company's cryopreserved human tissue was used in only a small percentage of the nearly 500,000 coronary artery

bypass procedures estimated to have been performed in 2000, the Company believes it is the only commercially available alternative to the patient's tissue. The Company estimates that, in 1998, approximately 20,000 coronary artery bypass surgeries using the patient's vascular tissue were performed in which human vascular tissues cryopreserved by the Company could have been used.

In 1989, the Company began a program to cryopreserve long segment saphenous veins for use in peripheral vascular reconstruction. In cases of peripheral arteriosclerosis, a cryopreserved saphenous vein can be implanted as a bypass graft for the diseased artery in order to improve blood flow and maintain a functional limb. Analysis of the Company's data on file of approximately 425 implants has shown that approximately 80% of patients receiving CryoLife's preserved vascular tissues in this type of surgical procedure still have the use of the affected leg four years after surgery. The only alternative for many of these patients was amputation. The Company estimates that, in 2000, approximately 130,000 peripheral vascular reconstruction surgeries were performed in which its cryopreserved human vascular tissues could have been used.

In 1996, the Company began a program for the cryopreservation of human superficial femoral veins for use in dialysis access graft replacement as an alternative for synthetic grafts which have a higher risk of infection than human tissue. The Company estimates that, in 2000, approximately 30,000 dialysis access graft replacements were performed in which its cryopreserved human vascular tissues could have been used.

Human Connective Tissue for the Knee. The Company provides cryopreservation services for surgical replacements for the meniscus and the anterior and posterior cruciate ligaments, which are critical to the proper operation of the human knee, as well as osteochondral grafts used for the repair of cartilage defects in the knee. CryoLife has shipped approximately 16,600 human connective tissues for the knee through 2000, which includes 5,300 shipments in 2000.

Human menisci cryopreserved by the Company provide orthopaedic surgeons with an alternative treatment in cases where a patient's meniscus has been completely removed. When a patient has a damaged meniscus, the current surgical alternatives are to repair, partially remove or completely remove the patient's meniscus, with partial removal being the most common procedure. Meniscal removal increases the risk of premature knee degeneration and arthritis and typically results in the need for knee replacement surgery at some point during the patient's life. Management believes that the Company is the only provider of cryopreserved meniscal tissue and that there are no synthetic menisci on the market. The Company estimates that in 2000 in the U.S. approximately 700,000 patients underwent partial or total meniscectomies. The Company believes up to 30% of these patients could become candidates for meniscal replacement within five years.

Tendons cryopreserved by the Company are used for the reconstruction of anterior cruciate ligaments in cases where the patient's ligaments are irreparably damaged. Surgeons have traditionally removed a portion of the patient's patellar tendon from the patient's undamaged knee for use in repairing a damaged anterior cruciate ligament. Tendons cryopreserved by the Company provide an alternative

to this procedure. Because surgeries using cryopreserved tissue do not involve the removal of any of the patient's own patellar tendon, the patient recovery period is typically shorter. The Company estimates that in 2000 approximately 175,000 cruciate ligament reconstruction surgeries were performed.

Other Allograft Tissue Research and Development. The Company is engaged in research and development on other projects for the use of cryopreserved human endothelial cells, peripheral nerves and other connective tissues, in various surgical applications.

Implantable Biomaterials for Use as Surgical Adhesives and Sealants

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

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

In order to address the inherent limitations of sutures and staples, the Company has developed and begun commercializing its BioGlue surgical adhesive. The BioGlue surgical adhesive is a polymeric surgical bioadhesive based on a derivative of an animal blood protein and a cross-linking agent. BioGlue surgical adhesive has a tensile strength that is four to five times that of fibrin sealants. Clinical applications for BioGlue surgical adhesive include cardiovascular, vascular and pulmonary repair. Other potential applications for BioGlue surgical adhesive include neurosurgery, orthopaedic indications, general surgery and as a replacement for spinal discs. A derivative of the BioGlue technology is BioLastic(TM), an implantable biomaterial under development which is capable of exchanging oxygen and carbon dioxide. BioLastic is being developed for use in reinforcing or patching vascular tissue, repairing air leaks in lungs, and replacing or sealing holes in dura mater.

The Company estimates that the worldwide market for surgical sutures and staples in 2000 was in excess of $2 billion. The Company began shipping BioGlue surgical adhesive for distribution in the EC in the second quarter of 1998 for use in vascular applications and in the first quarter of 1999 for use in pulmonary applications. In December 1999 the Company began shipping BioGlue surgical adhesive in the U.S. pursuant to an HDE for use as an adjunct in repair of acute thoracic aortic dissections.

Bioprosthetic Cardiovascular Devices

The Company is developing bioprosthetic cardiovascular devices based on its experience with cryopreserved human tissue implants. Like human heart valves, the Company's porcine heart valves are stentless with the valve opening, or annulus, retaining a more natural flexibility. Stented porcine and mechanical heart valves are typically fitted with synthetic sewing rings which are rigid and can impede normal blood flow. Unlike most other available porcine heart valves, the Company's stentless porcine heart valves do not contain synthetic materials which increase the risk of endocarditis, a debilitating and potentially deadly infection.

Glutaraldehyde fixed porcine heart valves are often preferred by surgeons for procedures involving elderly patients because they eliminate the risk of patient non-compliance with anti-coagulation drug therapy associated with mechanical valves, they are less expensive than allograft valves and their shorter

longevity is more appropriately matched with these patients' life expectancies.

Glutaraldehyde fixed porcine and bovine heart valves address a worldwide target market estimated to have been $325 million in 2000.

The Company's SynerGraft technology involves the removal of cells from the structure of non-viable animal tissue, leaving a collagen matrix that has the potential to repopulate in vivo with the recipient's own cells. This process is designed to reduce calcification of porcine heart valves, thereby increasing their longevity, and more generally to improve the biocompatibility and functionality of such tissue. The Company believes that its porcine heart valves, when treated with SynerGraft technology, will expand its opportunity to address the broader international and U.S. heart valve markets, estimated to have been $390 million and $400 million, respectively, in 2000. Potential future SynerGraft technology applications involve developing stentless porcine heart valves repopulated in vitro with viable human cells prior to implantation.

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

Fixed Stentless Porcine Valves	Features	Regulatory/Market Status
SynerGraft	depopulated aortic pulmonary valve currently marketed in Europe with of composite leaflet design; no regulatory approval under CE Mark synthetic material; normal hemodynamics	
CryoLife-O'Brien	aortic valve of matched composite leaflet design; single suture line implantation technique; no synthetic material; normal hemodynamics	currently marketed in Europe with regulatory approval under CE Mark; currently marketed in Canada with regulatory approval under Therapeutic Products Programme
CryoLife-Ross	pulmonary valve with attached conduit; no synthetic material; normal hemodynamics	currently marketed in Europe with regulatory approval under CE Mark

The SynerGraft heart valve is a depopulated stentless porcine heart valve with antigen reduction properties. CryoLife obtained a CE Mark for the SynerGraft heart valve in November 2000. This technology removes cells from animal tissues, thereby reducing the transplant recipient's immune response to the implanted tissue. Typically calcium is deposited through an immune response, which reduces the useful life of the implant. By removing animal cells from the tissue while maintaining the underlying structural strength of the porcine heart valve, this SynerGraft application is designed to provide a platform for a patient's own cells to potentially repopulate the implant.

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

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

Single-Use Medical Devices

On October 9, 2000 the Company sold substantially all of the remaining assets of Ideas for Medicine, Inc. ("IFM") to Horizon Medical Products, Inc. See Item 7:

"Management's Discussion and Analysis of Financial Condition and Results of Operations" for a more detailed discussion.

Sales, Distribution and Marketing

Cryopreservation Services

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

Procurement of Tissue. Donated human tissue is procured from deceased human donors by organ procurement agencies and tissue banks. After procurement, the tissue is packed and shipped, together with certain information about the tissue and its donor, to the Company in accordance with the Company's protocols. The tissue is transported to the Company's laboratory facilities via commercial airlines pursuant to arrangements with qualified courier services. Timely receipt of procured tissue is important, as tissue that is not received promptly cannot be cryopreserved successfully. The procurement agency is reimbursed by the Company, for the costs associated with these procurement services. The procurement fee and related shipping costs, together with the charges for the cryopreservation services of the Company, are ultimately paid to the Company by the hospital with which the implanting physician is associated. The Company has developed relationships with over 100 tissue banks and organ procurement agencies throughout the U.S. Management believes the establishment of these relationships is critical for a growing business in the cryopreservation services industry and that the breadth of these existing relationships provides the Company a significant advantage over potential new entrants to this market. The Company employs approximately 14 individuals to work with organ procurement agencies and tissue banks, six of whom are employed as procurement relations managers and are stationed throughout the country. The Company's central office for procurement relations is staffed 24 hours per day, 365 days per year.

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

Human heart valves and conduits, vascular tissue and connective tissue for the knee are cryopreserved in a proprietary freezing process conducted according to strict Company protocols. After the cryopreservation process, the specimens are transferred to liquid nitrogen freezers for long-term storage at temperatures below -135(Degree)C. The entire cryopreservation process is rigidly controlled by guidelines established by the Company.

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

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

Marketing, Educational and Technical Support. The Company maintains active relationships with approximately 2,000 cardiovascular, vascular and orthopaedic surgeons who have active practices implanting cryopreserved human tissues and markets to a broader group of physicians within these medical specialties. Because the Company markets its cryopreservation services directly to physicians, an important aspect of increasing the distribution of the Company's cryopreservation services is educating physicians on the use of cryopreserved human tissue and on proper implantation techniques. Trained field support personnel provide support to implanting institutions and surgeons. The Company currently has over 150 independent technical service representatives and sub-representatives (who deal primarily with orthopaedic surgeons and who are paid on a commission basis) as well as 45 persons employed as technical service representatives (who deal primarily with cardiovascular and vascular surgeons and receive a base salary with a performance bonus) all of whom provide field support.

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

To assist procurement agencies and tissue banks, the Company provides educational materials and training on procurement, dissection, packaging and shipping techniques. The Company also produces educational videotapes and coordinates laboratory sessions on procurement techniques for procurement agency personnel. To supplement its educational activities, the Company employs in-house technical specialists that provide technical information and assistance and maintains a staff 24 hours per day, 365 days per year for customer support.

European Distribution

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

BioGlue Surgical Adhesive

The Company markets and distributes its BioGlue surgical adhesive in the U.S. through its existing direct technical representatives. The Company markets and distributes its BioGlue surgical adhesive in international markets, excluding Japan, through Europa and other existing independent representatives. The Company's European, Middle East and African sales, marketing and distribution activities directed through Europa are channeled through 26 independent distributors located in the United Kingdom, Germany, France, Norway, Sweden, Denmark, Finland, Latvia, Benelux, Switzerland, Austria, Poland, Czech Republic, Hungary, Solvenia, Spain, Portugal, Italy, Greece, Turkey, Lebanon, Israel, Jordan, Syria, Kuwait, UAE and South Africa. Marketing efforts are directed

almost exclusively toward cardiovascular, vascular and thoracic surgeons, and the Company conducts training sessions for doctors with respect to the application and administration of BioGlue surgical adhesive.

During 1998, the Company signed a five-year exclusive agreement with Century Medical, Inc. for the introduction and distribution of BioGlue in Japan. Under the terms of the agreement, Century Medical will be responsible for applications and clearances with the Japanese Ministry of Health and Welfare.

Bioprosthetic Cardiovascular Devices

The Company markets the CryoLife-O'Brien and CryoLife-Ross stentless porcine heart valves in Europe, the Middle East and Africa. The CryoLife-O'Brien valve is marketed in Canada. The Company commenced marketing the SynerGraft heart valve in Europe during the fourth quarter of 2000. Marketing efforts are primarily directed toward cardiac, cardio-thoracic and vascular surgeons and the Company conducts educational seminars and conferences to train these surgeons and educate them with respect to the uses and benefits of its porcine stentless heart valves.

Research and Development

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

In order to expand the Company's service and product offerings, the Company is currently in the process of developing or investigating several technologies and products, including additional applications of the SynerGraft technology and additional applications of BioGlue surgical adhesive, as well as its ACT technology. The Company is currently investigating certain drug delivery applications for BioGlue surgical adhesive and its ACT technology, such as administering antibiotics, attaching chemotherapy drugs to tumors, delivering growth agents or delivering bone material for orthopaedic bone repair. To the extent the Company identifies additional applications for these products, the Company may attempt to license these products to corporate partners for further development of such applications or seek funding from outside sources to continue the commercial development of such technologies. The Company's research and development strategy is to allocate available resources among the Company's core market areas of cryopreservation services, bioprosthetic cardiovascular devices and implantable biomaterials, based on the size of the potential market for any specific product candidate and the estimated development time and cost required to bring the product to market.

Research on these and other projects is conducted in the Company's research and development laboratory or at universities or clinics where the Company sponsors research projects. In 1998, 1999 and 2000, the Company spent approximately $4.7 million, $4.4 million and $5.2 million, respectively, on research and development activities on new and existing products. These amounts represented approximately 8%, 7% and 7% of the Company's revenues for those respective years. The Company's research and development program is overseen by its medical and scientific advisory boards. The Company's pre-clinical studies are conducted at universities and other locations outside the Company's facilities by third parties under contract with the Company. In addition to these efforts, the Company may, as situations develop, pursue other research and development

activities.

Manufacturing and Operations

The Company's facilities are located in suburban Atlanta, Georgia, and consist of three separate locations totaling approximately 130,000 square feet of leased office, laboratory and warehouse space. Approximately 17,500 square feet are dedicated to laboratory work areas. The primary facility, which does not include the biomedical products laboratory and the bioprosthetic manufacturing operation, has four main laboratory facilities: human tissue processing, BioGlue manufacturing, research and development and microbiology. Each of these areas consists of a general technician work area and adjoining "clean rooms" for work with human tissue or BioGlue manufacturing, and for aseptic processing. The clean rooms are supplied with highly filtered air which provides a near-sterile environment. In February 2000 the Company began construction of a 100,000 square foot expansion of its corporate headquarters and manufacturing facilities, which is expected to be fully completed and occupied in the fourth quarter of 2001.

Human Tissue Processing

The human tissue processing laboratory is responsible for the processing and cryopreservation of human tissue for transplant, including the processing of SynerGraft treated human heart valves and conduits and certain vascular tissues. This includes all processing of heart valves and conduits, vascular tissue and connective tissue for the knee supplied by CryoLife. This laboratory contains approximately 7,700 square feet with a suite of seven clean rooms. Currently there are 58 technicians employed in this area, and the laboratory is staffed for two shifts, 365 days per year. In 2000 the laboratory processed approximately 17,200 human tissues for distribution and transplant. The current staffing level is estimated to be at about half of total capacity. Increasing this capacity could be accomplished by increasing employees and expanding to three shifts.

Implantable Biomaterials for Use as Surgical Adhesives and Sealants

BioGlue surgical adhesive is presently manufactured at the Company's headquarters facility, which has an annual capacity of approximately 300,000 units. This laboratory contains approximately 14,500 square feet, including a suite of four cleanrooms. Currently, there are six technicians employed in this area. The Company conducts research on its ACT technology in the biomedical products laboratory, which is located in Marietta, Georgia, and employs two technicians. This laboratory contains approximately 11,000 square feet, including 4,000 square feet of laboratory space and a suite of eight clean rooms.

Bioprosthetic Cardiovascular Devices

The bioprosthesis laboratory is responsible for the manufacturing of the CryoLife-O'Brien and CryoLife-Ross stentless porcine heart valves, as well as for the manufacturing of SynerGraft porcine valves. This laboratory is located in Marietta, Georgia and contains approximately 20,500 square feet, with about 2,100 square feet of laboratory space and a suite of six clean rooms for tissue processing. Currently, this laboratory employs 36 technicians and is scheduled to manufacture approximately 1,600 CryoLife-O'Brien, CryoLife-Ross and SynerGraft valves in 2001.

Quality Assurance

The Company's operations encompass the provision of cryopreservation services and the manufacturing of bioprosthetics and bioadhesives. In all of its facilities, the Company is subject to regulatory standards for good manufacturing practices, including current Quality System Regulations, which are FDA regulatory requirements for medical device manufacturers. The FDA

periodically inspects Company facilities to ensure Company compliance with these regulations. The Company also operates according to ISO 9001 Quality System Requirements, an internationally recognized voluntary system of quality management for companies that design, develop, manufacture, distribute and service products. The Company maintains a Certification of Approval to the ISO 9001, as well as EN46001 and ANSI/ISO/ASQC/Q9001, the European and U.S. versions of the international standard, respectively. This approval is issued by Lloyd's Register Quality Assurance Limited ("LRQA"). LRQA is a Notified Body officially recognized by the EC to perform assessments of compliance with ISO 9001 and its derivative standards. LRQA performs semi-annual on-site inspections of the Company's quality systems.

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

Cryopreservation Services

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

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

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

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

Bioprosthetic and Bioadhesive Manufacturing

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

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

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

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

Patents, Licenses and Other Proprietary Rights

The Company relies on a combination of patents, trade secrets, trademarks and confidentiality agreements to protect its proprietary products, processing technology and know-how. The Company believes that its patents, trade secrets, trademarks and technology licensing rights provide it with important competitive advantages. The Company owns or has licensed rights to 35 U.S. patents and 33 foreign patents, including patents relating to its technology for human heart valve and conduit, vascular tissue and connective tissue for the knee preservation; tissue revitalization prior to freezing; tissue transport; BioGlue surgical adhesive; ACT; organ storage solution; and packaging. The Company has 20 pending U.S. patent applications and in excess of 78 pending foreign applications that relate to areas including heart valve and tissue processing technology and delivery of bioadhesives for anastomosis and other uses. In connection with the sale of the IFM product line to Horizon in 1998, the Company sold all patents related to such product line. There can be no assurance that any patents pending will result in issued patents. The Company also has exclusive licensing rights for technology relating to light-sensitive enzyme inhibitors. The remaining duration of the Company's issued patents ranges from 3 to 17 years. The Company has licensed from third parties certain technologies used in the development of its ACT technology and SynerGraft technology. These licenses call for the payment of both development milestones and royalties based on product sales, when and if such products are approved for marketing. The loss of these licenses could adversely affect the Company's ability to successfully develop its ACT and SynerGraft technologies.

There can be no assurance that the claims allowed in any of the Company's existing or future patents will provide competitive advantages for the Company's products, processes and technologies or will not be successfully challenged or circumvented by competitors. To the extent that any of the Company's products are not patent protected, the Company's business, financial condition and results of operations could be materially adversely affected. Under current law, patent applications in the U.S. are maintained in secrecy until patents are issued and patent applications in foreign countries are maintained in secrecy for a period after filing. The right to a patent in the U.S. is attributable to the first to invent, not the first to file a patent application. The Company cannot be sure that its products or technologies do not infringe patents that may be granted in the future pursuant to pending patent applications or that its products do not infringe any patents or proprietary rights of third parties. The Company may incur substantial legal fees in defending against a patent infringement claim or in asserting claims against third parties. In the event that any relevant claims of third-party patents are upheld as valid and enforceable, the Company could be prevented from selling certain of its products

or could be required to obtain licenses from the owners of such patents or be required to redesign its products to avoid infringement. There can be no assurance that such licenses would be available or, if available, would be on terms acceptable to the Company or that the Company would be successful in any attempt to redesign its products or processes to avoid infringement. The Company's failure to obtain these licenses or to redesign its products could have a material adverse effect on the Company's business, financial condition and results of operations.

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

Competition

Cryopreserved Human Tissues and Bioprosthetic Cardiovascular Devices

The Company faces competition from at least one for profit company and a small number of non-profit tissue banks that cryopreserve and distribute human tissue, as well as from companies that market mechanical, porcine and bovine heart valves for implantation. Many established companies, some with resources greater than those of the Company, are engaged in manufacturing, marketing and selling alternatives to cryopreserved human tissue. Management believes that it competes favorably with other entities that cryopreserve human tissue on the basis of technology, customer service and quality assurance.

As compared to mechanical, porcine and bovine heart valves, management believes that the human heart valves cryopreserved by the Company compete on the factors set forth above, as well as by providing a tissue that is the preferred replacement alternative with respect to certain medical conditions, such as pediatric cardiac reconstruction, valve replacements for women in their child-bearing years and valve replacements for patients with endocarditis. Although human tissue cryopreserved by the Company is initially higher priced than are mechanical alternatives, these alternatives typically require that the patient take anti-coagulation drug therapy for the lifetime of the implant. As a result of the costs associated with anti-coagulants, mechanical valves are generally, over the life of the implant, more expensive than tissue cryopreserved by the Company. Notwithstanding the foregoing, management believes that, to date, price has not been a significant competitive factor.

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

Human and Stentless Porcine Heart Valves. Alternatives to human heart valves cryopreserved by the Company include mechanical valves, porcine valves and valves constructed from bovine pericardium. St. Jude Medical, Inc. is the

leading supplier of mechanical heart valves, and has a marketing and distribution arrangement with a non-profit tissue bank for supplies of cryopreserved human heart valves. Edwards Life Sciences, Inc. is the leading supplier of bovine heart valves. In addition, management believes that at least three tissue banks offer cryopreservation services for human heart valves in competition with the Company. The Company presently distributes its stentless porcine heart valves only outside the U.S. These stentless porcine heart valves compete with mechanical valves, human heart valves and processed bovine pericardium. The Company is aware of at least three other companies that offer stentless porcine heart valves.

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

Human Connective Tissue for the Knee. The Company's competition in the area of connective tissue for the knee varies according to the tissue involved. When transplant is indicated, the principal competition for human tissues cryopreserved by the Company are freeze-dried and fresh frozen human connective tissues. These alternative allografts are distributed by distributors of Osteotech, Inc. and various tissue banks, among others. Ligaments and tendons cryopreserved by the Company constitute the principal treatment options for injuries which require anterior cruciate ligament repair.

Implantable Biomedical Devices for Use as Surgical Adhesives and Sealants

The Company competes with many domestic and foreign medical device, pharmaceutical and biopharmaceutical companies. In the surgical adhesive and surgical sealant area, the Company will compete with existing methodologies, including traditional wound closure products such as sutures and staples, marketed by companies such as Johnson & Johnson, United States Surgical

Corporation, Sherwood, Davis & Geck and others. Other products currently being marketed include fibrin glue sold by Immuno AG, a subsidiary of Baxter Healthcare Company, Chemo-Sero Therapeutic Research Institute, Hoechst AG and others, and management believes other products are under development by Baxter Healthcare Corporation, Bristol-Myers Squibb Company, V.I. Technologies, Inc. and others. Other competitors in the surgical sealant market include Closure Medical Corporation, B. Braun GmbH, Focal, Inc., Fusion Medical Technologies Inc. and Cohesion, Inc. Competitive products may also be under development by other large medical device, pharmaceutical and biopharmaceutical companies. Many of the Company's current and potential competitors have substantially greater financial, technological, research and development, regulatory and clinical, manufacturing, marketing and sales and personnel resources than the Company.

These competitors may also have greater experience in developing products, conducting clinical trials, obtaining regulatory approvals, and manufacturing and marketing such products. Certain of these competitors may obtain patent protection, approval or clearance by the FDA or foreign countries or product commercialization earlier than the Company, any of which could materially adversely affect the Company. Furthermore, if the Company commences significant commercial sales of its products, it will also be competing with respect to manufacturing efficiency and marketing capabilities, areas in which it currently has limited experience.

Other recently developed technologies or procedures are, or may in the future be, the basis of competitive products. There can be no assurance that the Company's current competitors or other parties will not succeed in developing alternative technologies and products that are more effective, easier to use or more economical than those which have been or are being developed by the Company or that would render the Company's technology and products obsolete and non-competitive in these fields. In such event, the Company's business,

financial condition and results of operations could be materially adversely affected. See "Risk Factors--Rapid Technological Change."

Government Regulation

U.S. Federal Regulation

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

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

If the product does not qualify for the 510(k) procedure (either because it is not substantially equivalent to a legally marketed device or because it is a Class III device required by the FDCA and implementing regulations to have an approved application for PMA, the FDA must approve a PMA application before marketing can begin. PMA applications must demonstrate, among other matters, that the medical device is safe and effective. A PMA application is typically a

complex submission, usually including the results of human clinical studies, and preparing an application is a detailed and time-consuming process. Once a PMA application has been submitted, the FDA's review may be lengthy and may include requests for additional data. By statute and regulation, the FDA may take 180 days to review a PMA application although such time may be extended. Furthermore, there can be no assurance that a PMA application will be reviewed within 180 days or that a PMA application will be approved by the FDA.

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

Under certain circumstances, the FDA may grant a Humanitarian Device Exemption. HDE's are granted by the FDA in an attempt to encourage the development of medical devices for use in the treatment of rare conditions that affect small patient populations. An approval by the FDA exempts such devices from full compliance with clinical study requirements for premarket approval.

The FDCA requires all medical device manufacturers and distributors to register with the FDA annually and to provide the FDA with a list of those medical

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

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

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

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

Other Tissue. Other than human and porcine heart valves, BioGlue and SynerGraft devices, none of the Company's other tissue services or tissue-based products are currently subject to regulation as medical devices under the FDCA or FDA regulation. Heart valves are one of a small number of processed human tissues over which the FDA has asserted medical device jurisdiction. In July 1997, the FDA published a final rule, which became effective in January 1998, regulating "human tissue." The rule clarifies and modifies an earlier interim rule and defines human tissue as any tissue derived from a human body which is (i) intended for administration to another human for the diagnosis, cure, mitigation, treatment or prevention of any condition or disease and (ii) recovered, processed, stored or distributed by methods not intended to change tissue function or characteristics. The FDA definition excludes, among other

things, tissue that currently is regulated as a human drug, biological product or medical device and excludes kidney, liver, heart, lung, pancreas or any other vascularized human organ. In January 2001 the FDA published a final rule to require establishments that process or produce human tissue and cellular-based products to register with the agency and list the tissue and cellular products they process or manufacture. Human tissue is regulated by the FDA in a manner the agency has deemed necessary to protect the public health from the transmission of HIV infection and hepatitis infection through transplantation of tissue from donors with or at risk for these diseases. Unlike certain drugs, biologicals and medical devices, human tissue is not subject to premarket notification or approval by the FDA. It is likely, moreover, that the FDA will

expand its regulation of processed human tissue in the future. For example, in November 2000 the FDA published a proposed rule for good tissue manufacturing practices. Moreover, the FDA may determine that the veins and connective tissue that are currently processed by the Company are medical devices, or the FDA may determine to regulate human heart valves as "human tissue" rather than medical devices, but the FDA has not done so at this time. Complying with FDA regulatory requirements or obtaining required FDA approvals or clearances may entail significant time delays and expenses or may not be possible, any of which may have a material adverse effect on the Company. In addition, the U.S. Congress is expected to consider legislation that would regulate human tissue for transplant or the FDA could impose a separate regulatory scheme for human tissue. Such legislation or regulation could have a material adverse effect on the Company.

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

BioGlue Surgical Adhesive. BioGlue surgical adhesive is regulated as a Class III medical device by the FDA. The Company received a HDE in December 1999 for BioGlue surgical adhesive for use as an adjunct in repair of acute thoracic aortic dissections. The Company commercially distributes BioGlue in the U.S. for this indication, subject to the limitations imposed by the FDA under an HDE. The Company commenced and completed enrollment of a clinical trial under a supplemental IDE for BioGlue surgical adhesive for use in vascular and cardiac surgery, and on February 1, 2001, the Company submitted a PMA to the FDA. If successful, the Company would be able to commercially distribute BioGlue in the U.S. for these indications. However, there can be no assurance that the Company will be successful in gaining approval for the PMA.

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

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

State Licensing Requirements

Some states have enacted statutes and regulations governing the processing, transportation and storage of human organs and tissue. The activities engaged in

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

Foreign Approval Requirements

Sales of medical devices and biological products outside the U.S. are subject to foreign regulatory requirements that vary widely from country to country. Approval of a product by comparable regulatory authorities of foreign countries must be obtained prior to commercial distribution of the product in those countries. The time required to obtain foreign approvals may be longer or shorter than that required for FDA approval. The EC recognizes a single approval, called a CE Mark, which allows for distribution of an approved product throughout the EC (15 countries) without additional general applications to each country. However, individual EC members reserve the right to require additional data to address particular patient safety issues prior to allowing importation. France and an increasing number of EC members require such additional data for products containing material of animal origin. The CE Mark is awarded by third parties called Notified Bodies. These Notified Bodies are approved and subject to review by the Competent Authorities of their respective countries. A number of countries outside of the EC accept the CE Mark in lieu of clinical data submission as an addendum to that country's application process. The Company has been issued CE Marks for its CryoLife-O'Brien and CryoLife-Ross porcine heart valves, BioGlue surgical adhesive, and its SynerGraft pulmonary heart valve. The Company's porcine heart valves may be exported to specified developed nations, including countries in the EC, Australia, Canada, Israel, Japan, New Zealand, South Africa and Switzerland if they comply with the laws of that country and have valid marketing authorization by the appropriate authority in that country. Beginning in July 1998, CE Mark Certification is required to market porcine heart valves and other bioprosthetics in the EC.

Environmental Matters

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

Employees

At March 20, 2001 the Company had approximately 340 employees. These employees included 11 persons with PhD degrees. None of the Company's employees is represented by a labor organization or covered by a collective bargaining agreement, and the Company has never experienced a work stoppage or interruption due to labor disputes. Management believes its relations with its employees are good.

RISK FACTORS

Dependence on Cryopreservation of Human Tissue

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

Intense Competition

The Company faces competition from other companies that cryopreserve human tissue, as well as companies that market mechanical valves and synthetic and animal tissue for implantation and companies that market wound closure products. Management believes that at least three tissue banks offer cryopreservation services for human heart valves and many companies offer processed porcine heart valves and mechanical heart valves. A few companies dominate portions of the mechanical and porcine heart valve markets, including St. Jude Medical, Inc., Medtronic, Inc. and 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 will have to compete for market acceptance and market share. Failure of the Company to compete effectively could have a material adverse effect on the Company's business, financial condition and results of operations.
See "Business--Competition."

Rapid Technological Change

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

Uncertainties Regarding Products in Development

The Company's growth and profitability will depend, in part, upon its ability to

complete development of and successfully introduce new products, including additional applications of its BioGlue and SynerGraft technologies and its ACT technology. The Company may be required to undertake time consuming and costly

development activities and seek regulatory clearance or approval for new products. See "--Extensive Government Regulation." Although the Company has conducted pre-clinical studies on many of its products under development which indicate that such products may be effective in a particular application, there can be no assurance that the results obtained from 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, there can be no assurance that any of the Company's products under development will be successfully developed or manufactured or, if developed and manufactured, that such products will meet price or performance objectives, be developed on a timely basis or prove to be as effective as competing products. The inability to complete successfully the development of a product or application, or a determination by the Company, for financial, technical or other reasons, not to complete development of any product or application, particularly in instances in which the Company has made significant capital expenditures, could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's BioGlue surgical adhesive is currently offered for sale in the U.S. pursuant to an HDE approval, which provides for limited distribution. On February 1, 2001 the Company submitted a PMA to the FDA for the use of BioGlue in vascular and cardiac surgery. There can be no assurance that the Company will obtain this or other necessary approvals to allow for general distribution of its BioGlue surgical adhesive in the U.S.

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

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

Uncertainties Regarding the Funding of the ACT Technology

The ACT technology is a reversible linker technology that has potential uses in the areas of cancer therapy, blood clot dissolving, heart attack therapies and other drug delivery applications. The Company has formed AuraZyme, a wholly-owned subsidiary, in order to seek funding for the development of the ACT technology. 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. If such funding is not obtained, the Company may be unable to effectively test and

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

Uncertainties Regarding the SynerGraft Technology

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

Other allograft tissues processed and distributed by the Company are currently regulated as "human tissue" under 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 recordkeeping relating to these activities and impose certain registration and product listing requirements on establishments that process or distribute human tissue or cellular-based products. Although the Company's other human tissue allografts are not currently regulated as medical devices, such tissue may in the future become subject to more extensive FDA regulation, which could include PMA or product licensing requirements.

BioGlue surgical adhesive is regulated as a Class III medical device and the Company believes that its ACT technology may be regulated as a biologic or drug by the FDA. BioGlue surgical adhesive has been approved for distribution in the U.S. under a Humanitarian Device Exemption while the ACT technology has not been approved for commercial distribution in the U.S. or elsewhere. Fixed porcine heart valve products are classified as Class III medical devices. There can be no assurance that the Company will be able to obtain the FDA approval required to distribute its surgical sealants or porcine heart valve products in the U.S., or the approval for unlimited distribution of its BioGlue surgical adhesive in the U.S. Distribution of these products within the 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 PMA application and often takes many

years. The process is expensive and can vary significantly based on the type, complexity and novelty of the product. There can be no assurance that any products developed by the Company, independently or in collaboration with others, will receive the required approvals for manufacturing and marketing. Delays in obtaining U.S. or foreign approvals could result in substantial additional cost to the Company and adversely affect the Company's competitive position. The FDA may also place conditions on product approvals that could restrict commercial applications of such products. Product marketing approvals or clearances may be withdrawn if compliance with regulatory standards is not maintained or if problems occur following initial marketing. Delays imposed by

the governmental clearance process may materially reduce the period during which the Company has the exclusive right to commercialize patented products. Also, delays or rejections may be encountered during any stage of the regulatory approval process based upon the failure of the clinical or other data to demonstrate compliance with, or upon the failure of the product to meet, the regulatory agency's requirements for safety, efficacy and quality, and those requirements may become more stringent due to changes in applicable law, regulatory agency policy or the adoption of new regulations. Clinical trials may also be delayed due to unanticipated side effects, inability to locate, recruit and qualify sufficient numbers of patients, lack of funding, the inability to locate or recruit clinical 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 marketed by the Company pursuant to FDA or foreign oversight or approval are subject to pervasive and continuing regulation. In the U.S., devices and biologics must be manufactured in registered 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, product recalls or detentions and other penalties and could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, NOTA prohibits the acquisition or transfer of human organs for "valuable consideration" for use in human transplantation. NOTA permits the payment of reasonable expenses associated with the removal, transportation, processing, preservation, quality control and storage of human organs. There can be no assurance that restrictive interpretations of NOTA will not be adopted in the future that will challenge one or more aspects of the Company's methods of charging for its cryopreservation services. The Company's laboratory operations are subject to the U.S. Department of Labor, Occupational Safety and Health Administration and Environmental Protection Agency requirements for prevention of occupational exposure to infectious agents and hazardous chemicals and protection of the environment. Some states have enacted statutes and regulations governing the processing, transportation and storage of human organs and tissue. While management believes that the Company is presently in compliance in all material respects with all such applicable statutes and regulations, there can be no assurance that more restrictive state laws or regulations will not be adopted in the future that could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Government Regulation."

Uncertainties Related to Patents and Protection of Proprietary Technology

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

Uncertainties Regarding Future Health Care Reimbursement

Even though the Company does not receive payments directly from third-party health care payors, their reimbursement methods and policies impact demand for the Company's cryopreserved tissue and other services and products. The Company's cryopreservation services may be particularly susceptible to third-party cost containment measures. In particular, the initial cost of a

cryopreserved human heart valve generally exceeds the cost of a mechanical, synthetic or animal-derived valve. The Company is unable to predict what changes will be made in the reimbursement methods and policies utilized by third-party health care payors or their effect on the Company. Changes in the reimbursement methods and policies utilized by third-party health care payors, including Medicare, with respect to cryopreserved tissues provided for implant by the Company and other Company services and products, could have a material adverse effect on the Company. Significant uncertainty exists as to the reimbursement status of newly approved health care products and services and there can be no assurance that adequate third-party coverage will be available for the Company to maintain price levels sufficient for realization of an appropriate return on its investment in developing new products. Government and other third-party payors are increasingly attempting to contain health care costs by limiting both coverage and the level of reimbursement for new products approved for marketing by the FDA and by refusing in some cases to provide any coverage for uses of approved products for indications for which the FDA has not granted marketing approval. If adequate coverage and reimbursement levels are not provided by government and other third-party payors for uses of the Company's new products and services, market acceptance of these products would be adversely affected, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Dependence on Key Personnel

The Company's business and future operating results depend in significant part upon the continued contributions of its key technical personnel and senior management, many of whom would be difficult to replace. The Company's business

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

Product Liability and Insurance

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

Use and Disposal of Hazardous Material

The Company's research, development and processing activities involve the controlled use of small quantities of radioactive compounds, chemical solvents and other hazardous materials. The Company's activities also include the preservation and growth of human cells and the processing of human tissue.

Although the Company believes that its safety procedures for handling, processing and disposing of hazardous materials and human tissue comply with the standards prescribed by federal, state and local regulations, the risk of accidental contamination, injury or disease transmission from these materials cannot be completely eliminated. In the event of such an accident or transmission, the Company could be held liable for resulting damages and any liability could have a material adverse effect on the Company's business, financial condition and results of operations. Also, any failure to comply with applicable regulations could result in the imposition of penalties, fines and sanctions, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Volatility of Securities Prices

The trading price of the Company's Common Stock has been subject to wide fluctuations from time to time and may continue to be subject to such volatility in the future. Trading price fluctuations can be caused by a variety of factors,

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

Anti-Takeover Provisions

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

Absence of Dividends

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

Forward-Looking Statements

This Form 10-K includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included or incorporated by reference in this Form 10-K which address activities, events or developments which the

Company expects or anticipates will or may occur in the future, including statements regarding the Company's competitive position, the successful development of its SynerGraft porcine valves, the funding to continue development of the ACT technology, other estimated dates relating to the Company's proposed regulatory submissions, the timing of the completion of the expansion of the Company's corporate headquarters and manufacturing facilities, the Company's expectations regarding the adequacy of current financing arrangements, product demand and market growth, the potential of the ACT technologies for use in cancer therapies, blood clot dissolving, heart attack therapies and other drug delivery applications and other statements regarding future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other

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

Item 2. Properties.

The Company's facilities are located in suburban Atlanta, Georgia, and in Fareham, United Kingdom. The Atlanta facility consists of three separate locations totaling approximately 130,000 square feet of leased office, laboratory and warehouse space. Approximately 17,500 square feet are dedicated to laboratory work areas. The primary facility, which does not include the biomedical products laboratory and the bioprosthetic manufacturing operation, has four main laboratory facilities: human tissue processing, BioGlue manufacturing, research and development, and microbiology. Each of these areas consists of a general technician work area and adjoining "clean rooms" for work with human tissue and for aseptic processing. The clean rooms are supplied with highly filtered air which provides a near-sterile environment. The human tissue processing laboratory contains approximately 7,700 square feet with a suite of seven clean rooms. The BioGlue manufacturing laboratory contains approximately 4,500 square feet with a suite of four clean rooms. The research and development laboratory is approximately 5,500 square feet with a suite of five clean rooms. The microbiology laboratory is approximately 3,200 square feet with a suite of three clean rooms. The biomedical products laboratory facility contains approximately 11,000 square feet, including approximately 4,000 square feet of laboratory space with a suite of eight clean rooms. The Company's porcine heart valves are manufactured in the Company's bioprosthesis laboratory, which contains approximately 20,500 square feet, with about 2,100 square feet of laboratory space and a suite of six clean rooms for tissue processing. Subsequent to the sale of the remaining IFM assets, the Company continues to lease the 30,000 square foot IFM facility in St. Petersburg, Florida from the former principal shareholder of IFM. A wholly-owned subsidiary of Vascutech, Inc. currently subleases the IFM facility from the Company. The Company's lease and sublease on its IFM facility expires in 2007. The Europa facility located in Fareham, United Kingdom contains approximately 5,600 square feet of office, warehousing and training laboratory space.

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

Item 3. Legal Proceedings.

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

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

Inapplicable.

Item 4A. Executive Officers of the Registrant.

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

Name	Age	Position	Date First Elected to Present Office
Steven G. Anderson	62	President, Chief Executive Officer and Chairman	February, 1984
Sidney B. Ashmore	42	Vice President, Marketing	March, 2001
Kirby S. Black, PhD	46	Senior Vice President, Research and Development	July, 1995
David M. Fronk	37	Vice President, Clinical Research	December, 1998
Albert E. Heacox, PhD	50	Senior Vice President, Laboratory Operations	June, 1995
D. Ashley Lee, CPA	36	Vice President and Chief Financial Officer	April, 2000
James C. Vander Wyk, PhD	56	Vice President, Regulatory Affairs and Quality Assurance	February, 1996
Ronald D. McCall, Esq.	64	Director, Secretary and Treasurer	January, 1984

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

Sydney B. Ashmore has served as Vice President of Marketing since March 2001 and has been with the Company since September 1996 as Director of Marketing. Mr. Ashmore is responsible for developing and implementing the Company's sales and marketing plans and supervising all tissue procurement activities. Prior to joining the Company, Mr. Ashmore held senior marketing positions with Baxter Healthcare from 1991 to 1996, and general management positions with Amorient Aquafarms from 1985 - 1989. Mr. Ashmore received his BA from Vanderbilt University in 1981, his MS from the University of Hawaii in 1985 and his MBA from Northwestern University in 1991.

Kirby S. Black, PhD, has served as Vice President of Research and Development since July 1995. Dr. Black was promoted to Senior Vice President in December of 2000. Dr. Black is responsible for the continued development of the Company's current products as well as the evaluation of new technologies. Dr. Black is listed on six patents and has authored over 130 publications. Prior to joining the Company, Dr. Black was Director, Medical Information and Project Leader from July 1993 until July 1994 at Advanced Tissue Sciences, LaJolla, California. Dr. Black has also held a number of positions at the University of California at Irvine, including Director, Transplantation and Immunology Laboratories, Department of Surgery. Dr. Black received his BSME degree from the University of California, Los Angeles, and his PhD degree in immunology from the University of California at Irvine.

David M. Fronk was appointed to the position of Vice President of Clinical Research in December 1998 and has been with the Company since 1992. Mr. Fronk is responsible for managing the pre-clinical and clinical investigations for all products, as well as monitoring product performance. Prior to joining the Company, Mr. Fronk held engineering positions with Zimmer Inc. from 1986 until

1988 and Baxter Healthcare Corporation from 1988 until 1991. Mr. Fronk served as a market manager with Baxter Healthcare Corporation from 1991 until 1992. Mr. Fronk received his BS in Mechanical Engineering at The Ohio State University in 1985 and his MS in Biomedical Engineering at The Ohio State University in 1986.

Albert E. Heacox, PhD, has served as Vice President, Laboratory Operations since June 1988 and has been with the Company since June of 1985. Dr. Heacox was promoted to Senior Vice President in December of 2000. Dr. Heacox has been responsible for developing protocols and procedures for both cardiovascular and connective tissues, implementing upgrades in procedures in conjunction with the Company's quality assurance programs, and overseeing all production activities of the Company's laboratories. Prior to joining the Company, Dr. Heacox worked as a researcher with the U.S. Department of Agriculture and North Dakota State University, developing methods for the cryopreservation of cells and animal germ plasm storage. Dr. Heacox received a BA and an MS in Biology from Adelphi University, received his PhD in Biology from Washington State University and completed his post-doctorate training in cell biology at the University of Cologne, West Germany.

D. Ashley Lee, CPA, has served as Vice President and Chief Financial Officer of the Company since April 2000 and had previously served as controller of the Company since December 1994. Mr. Lee is responsible for the financial affairs of the Company, as well as information technology, human resources, and purchasing. From 1993 to 1994, Mr. Lee served as the Assistant Director of Finance for Compass Retail Inc, a wholly-owned subsidiary of Equitable Real Estate. From 1987 to 1993, Mr. Lee was employed as a certified public accountant with Ernst & Young, LLP. Mr. Lee received his BS in Accounting from the University of Mississippi.

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

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

PART II

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

The response to Item 5 is incorporated herein by reference to the information set forth under the caption "Market Price of Common Stock" on page 35 of the annual shareholders report for the year ended December 31, 2000.

Item 6. Selected Financial Data.

The response to Item 6 is incorporated herein by reference to the information set forth under the caption "Selected Financial Information" on page 36 of the annual shareholders report for the year ended December 31, 2000.

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

of Operations.

Overview

CryoLife, Inc. was organized in 1984 to address market opportunities in the area of biological implantable products and materials, and today is the leader in the preservation of viable human tissue for cardiovascular, vascular, and orthopaedic applications. The Company pays a fee to an organ procurement agency or tissue bank at the time such organization consigns human tissue to the Company. The Company generates revenues from preservation services by charging hospitals a fee, which covers the Company's services, the associated procurement fee, and applicable shipping expenses. The Company records revenue upon shipping tissue. Costs associated with the procurement, processing, and storage of tissue are accounted for as deferred preservation costs on the Company's consolidated balance sheet and are expensed when the tissue is shipped.

Through a series of acquisitions of intellectual property and businesses, the Company has expanded its portfolio of products and services. As a result, the Company also develops implantable biomaterials, including BioGlue surgical adhesive, which is approved for distribution in 42 countries; SynerGraft, a tissue engineering technology which incorporates the use of decellularized animal tissues with the potential to remodel in vivo; and other stentless porcine heart valves that are approved for distribution internationally. In 1996, the Company also acquired the assets of UCFI, a tissue processor, for $750,000 in cash and a $1.3 million note. In 1997, the Company acquired Ideas for Medicine, Inc. ("IFM") and its line of single-use medical devices for $4.5 million in cash, and a $5.0 million convertible debenture.

On September 30, 1998 the Company completed the sale of substantially all of the IFM product line and certain related assets to Horizon Medical Products, Inc. ("HMP") for $15 million in cash pursuant to an asset purchase agreement. Concurrently, IFM and HMP signed a Manufacturing Agreement (the "Agreement") which provided for the manufacture by IFM of specified minimum dollar amounts of IFM products to be purchased exclusively by HMP over each of the four years following the sale. Thereafter, responsibility for such manufacturing was to be assumed by HMP. The Company recorded a deferred gain at the transaction date totaling $2.9 million, representing the selling price less the net book value of the assets sold, which included $7.7 million of goodwill, net of accumulated

amortization, and the costs related to the sale. The gain was deferred because the sale and the manufacturing agreements represent, in the aggregate, a single transaction for which the related income should be recognized over the term of the Agreement. Accordingly, the deferred gain was reflected in cost of goods sold during 1999 and 1998 to maintain margins that would have been approximately equal over the four-year period of the Agreement on the products manufactured and sold by IFM to HMP. During 1999 and 1998 amortization of deferred revenue totaled $1.2 million and $387,000, respectively. As more fully discussed under nonrecurring charges in the Results of Operations section, HMP defaulted on the Agreement in June of 1999.

On October 9, 2000 the Company sold substantially all of the remaining assets of Ideas for Medicine, Inc. ("IFM") to Horizon Medical Products, Inc. ("HMP"). The assets consisted primarily of inventory, equipment and leasehold improvements which had a net book value of $2.4 million at the date of sale. The transaction provided for HMP to pay the Company the sum of approximately $5.9 million, payable in equal monthly installments of principal and interest of $140,000. The note consists of a portion, approximately $3.8 million, which bears interest at 9% per year, and a non-interest-bearing portion of approximately $2.1 million. The note also requires an additional $1 million principal payment at any time prior to April 3, 2001. If the $1 million payment is made when due, and no other defaults exist under the note, then $1 million of the non-interest-bearing portion of the note will be forgiven. In addition, at such time as the principal balance has been paid down to $1.1 million and there have been no defaults under the promissory note, the remainder of the note will be forgiven and the note

will be canceled. The Company has recorded reserves against these notes such that the gain from the sale is deferred until the full amount of the note is deemed collectible. On March 30, 2001, HMP transferred the IFM assets to a wholly-owned subsidiary of Vascutech, Inc. and the HMP note was assumed by the Vascutech subsidiary. The assumed note is guaranteed by Vascutech, Inc.

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

Results of Operations

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Revenues increased 16% to $77.1 million in 2000 from $66.7 million in 1999. The increase in revenues was primarily due to increased acceptance in the medical community of preserved tissues which has resulted in increased demand for the Company's preservation services, the Company's ability to procure greater amounts of tissue, revenues attributable to the Company's introduction of BioGlue surgical adhesive in domestic markets in January of 2000, and other reasons discussed below. These increases in revenues have been offset by certain decreases in revenues as discussed below.

Revenues from human heart valve and conduit cryopreservation services increased 2% to $29.7 million in 2000 from $29.0 million in 1999, representing 39% and 44%, respectively, of total revenues during such periods. This increase in revenues resulted from a 5% increase in the number of heart allograft shipments due to increased demand.

Revenues from human vascular tissue cryopreservation services increased 10% to $21.3 million in 2000 from $19.3 million in 1999, representing 28% and 29%, respectively, of total revenues during such periods. This increase in revenues was primarily due to an 11% increase in the number of vascular allograft shipments due to an increased demand for saphenous vein, the Company's ability to procure greater amounts of tissue, and the growth in demand for the Company's cryopreserved femoral vein for dialysis access.

Revenues from human connective tissue of the knee cryopreservation services increased 44% to $16.1 million in 2000 from $11.2 million in 1999, representing 21% and 17%, respectively, of total revenues during such periods. This increase in revenues was primarily due to a 45% increase in the number of allograft shipments due to increased acceptance of osteoarticular grafts and non-bone tendons by the orthopaedic surgeon community and the Company's ability to procure greater amounts of tissue.

Revenues from the sale of BioGlue surgical adhesive increased 287% to $6.4 million for 2000 from $1.7 million in 1999, representing 8% and 2%, respectively, of total revenues during such periods. The increase in revenues is due to a 177% increase in the number of milliliter shipment s of BioGlue. The increase in shipments was primarily due to the introduction of BioGlue in domestic markets in January of 2000 pursuant to a Humanitarian Use Device Exemption for the use of BioGlue as an adjunct in the repair of acute thoracic aortic dissections, as well as greater product awareness since the introduction of BioGlue in international markets in April of 1998, increased surgeon training, and the receipt of the CE approval for pulmonary indications in Europe in March 1999.

Revenues from bioprosthetic cardiovascular devices decreased 19% to $771,000 in 2000 from $955,000 in 1999, representing 1% of total revenues during such periods. This decrease in revenues is primarily due to the Company's focus on the start-up of the SynerGraft heart valve manufacturing process, which adversely impacted its ability to manufacture other bioprosthetic cardiovascular devices.

Revenues from IFM decreased 41% to $2.2 million in 2000 from $3.7 million in 1999, representing 3% and 6%, respectively, of total revenues during such periods. The decrease in revenues is due to HMP's default under its manufacturing agreement and to the sale of the remaining assets of IFM to HMP.

Grant revenues decreased to $616,000 in 2000 from $877,000 in 1999. Grant revenues are primarily attributable to the SynerGraft research and development programs.

Cost of cryopreservation services and products aggregated $33.3 million in 2000 compared to $30.2 million in 1999, representing 44% and 46%, respectively, of total cryopreservation and product revenues. The decrease in the 2000 cost of cryopreservation services and products as a percentage of revenues results from an increase in revenues from BioGlue surgical adhesive, which carry higher gross margins than cryopreservation services, and from a greater portion of 2000 orthopaedic cryopreservation revenues being derived from services that have higher gross margins than other orthopaedic cryopreservation services, partially offset by a lesser portion of 2000 revenues being derived from human heart valve and conduit cryopreservation services, which carry higher gross margins than other cryopreservation services.

General, administrative, and marketing expenses increased 16% to $28.7 million in 2000, compared to $24.7 million in 1999, representing 38% of total cryopreservation and product revenues for each period. The increase in expenditures in 2000 resulted from expenses incurred to support the increase in revenues and expenses associated with the establishment of the Company's European headquarters.

Research and development expenses increased 18% to $5.2 million in 2000, compared to $4.4 million in 1999, representing 7% of total cryopreservation and product revenues for each period. Research and development spending relates principally to the Company's ongoing human clinical trials for its BioGlue surgical adhesive and to its focus on its SynerGraft and BioGlue technologies.

As more fully discussed in the following comparison of years ended December 31, 1999 and December 31, 1998, the Company recorded a nonrecurring charge of $2.4 million in 1999 primarily as a result of HMP's default on its manufacturing contract with IFM.

Net interest income was $1.7 million and $1.2 in 2000 and 1999, respectively. This increase in interest income was due primarily to the increase in cash generated from operations during the year ended December 31, 2000.

The effective income tax rate was 33% and 32% for the years ended December 31, 2000 and 1999, respectively.

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

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

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

Revenues from human heart valve and conduit cryopreservation services decreased 6% to $29.0 million in 1999 from $30.8 million in 1998, representing 44% and 51%, respectively, of total revenues during such periods. This decrease in

revenues resulted from an 8% decrease in the number of heart allograft shipments, which decrease consisted primarily of a 9% decrease in the number of pulmonary heart valve shipments due to a decrease in the number of Ross procedures being performed and competitive price pressures on pulmonary valves. In a Ross procedure, the patient's pulmonary valve is transplanted into the aortic position and a human pulmonary allograft is transplanted into the patient's pulmonary position. The Company has attempted to promote the positive clinical results of the Ross procedure by hosting science forums around the country with its cardiovascular surgeon customers.

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

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

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

Revenues from BioGlue surgical adhesive increased 88% to $1.7 million for 1999 from $883,000 in 1998, representing 2% and 1%, respectively, of total revenues during such periods. The increase in revenues is due to a 95% increase in the volume of milliliter shipments of BioGlue due to increased product awareness as a result of the introduction of BioGlue in international markets in April of 1998, increased surgeon training, and the receipt of the CE mark approval for the use of BioGlue for pulmonary indications in Europe in March 1999.

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

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

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

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

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

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

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

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

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

As previously discussed in the Overview section, on October 9, 2000 the Company sold substantially all of the remaining assets of IFM to HMP.

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

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

Seasonality

The demand for the Company's human heart valve and conduit cryopreservation services is seasonal, with peak demand generally occurring in the second and

third quarters. Management believes this trend for human heart valve and conduit cryopreservation services is primarily due to the high number of surgeries

scheduled during the summer months. However, the demand for the Company's human connective tissue of the knee cryopreservation services, human vascular tissue cryopreservation services, bioprosthetic cardiovascular devices, and BioGlue surgical adhesive does not appear to experience seasonal trends.

Liquidity and Capital Resources

At December 31, 2000 net working capital was $68.5 million, compared to $59.6 million at December 31, 1999, with a current ratio of 7 to 1. The Company's primary capital requirements arise out of general working capital needs, capital expenditures for facilities and equipment, funding of research and development projects, and a common stock repurchase plan approved by the board of directors in October of 1998. The Company historically has funded these requirements through bank credit facilities, cash generated by operations, and equity offerings.

Net cash provided by operating activities was $10.3 million in 2000, as compared to net cash provided by operating activities of $1.3 million in 1999. This increase primarily resulted from 1) an increase in net income, 2) a decrease in accounts receivable despite increased revenues, 3) a reduction in the growth of deferred preservation costs and inventories, and 4) an increase in the amount of accounts payable due to the timing of payments of outstanding invoices, partially offset by a decrease in accrued expenses.

Net cash used in investing activities was $6.6 million in 2000, as compared to $3.6 million in 1999. This increase in cash used was primarily attributable to a increase in capital expenditures due to the expansion of the Company's corporate headquarters and manufacturing facilities, partially offset by an increase in sales of marketable equity securities during 2000.

Net cash provided by financing activities was $7.8 million in 2000, as compared to net cash used in financing activities of $4.5 million in 1999. This increase was primarily attributable to the proceeds received on the bank line of credit to finance the expansion of the Company's headquarters and manufacturing facilities, a reduction in the Company's repurchase of treasury stock during 2000 and an increase in the proceeds from stock option exercises.

Management is currently seeking to complete a potential private placement of equity or equity-oriented securities to form a subsidiary company for the commercial development of its serine proteinase light activation technologies through its wholly-owned subsidiary AuraZyme Pharmaceutical, Inc. This strategy, if successful, will allow an affiliated entity to fund the light activation technology and should expedite the commercial development of its blood clot dissolving and surgical sealant product applications without additional research and development expenditures by the Company (other than through the affiliated company). This strategy, if successful, will favorably impact the Company's liquidity going forward. The Company has ceased further material development of light activation technology pending the identification of a corporate partner to fund future development.

The Company anticipates that current cash and marketable securities, cash generated from operations and its $10 million of bank facilities (of which $8.0 million was drawn as of March 31, 2001) will be sufficient to meet its operating and development needs for at least the next 12 months, including the expansion of the Company's corporate headquarters and manufacturing facilities. However, the Company's future liquidity and capital requirements beyond that period will depend upon numerous factors, including the timing of the Company's receipt of FDA approvals to begin clinical trials for its products currently in development, the resources required to further develop its marketing and sales capabilities if and when those products gain approval, the resources required for any additional expansion of its corporate headquarters and manufacturing

facility, and the extent to which the Company's products generate market acceptance and demand. There can be no assurance the Company will not require additional financing or will not seek to raise additional funds through bank facilities, debt or equity offerings, or other sources of capital to meet future requirements. These additional funds may not be available when needed or on terms acceptable to the Company, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

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

The Company's interest income and expense are most sensitive to changes in the general level of U.S. interest rates. In this regard, changes in U.S. interest rates affect the interest earned on the Company's cash equivalents of $8.3 million and short-term investments of $17.8 million in municipal obligations as of December 31, 2000, as well as interest paid on its debt. At March 31, 2001, approximately $8 million of the Company's debt charged interest at a variable rate. To mitigate the impact of fluctuations in U.S. interest rates, the Company generally maintains approximately 50% (approximately $4.6 million at March 31, 2001) of its debt as fixed rate in nature. As a result, the Company is subject to a risk that interest rates will decrease and the Company may be unable to refinance its debt.

Item 8. Financial Statements and Supplementary Data.

The report of independent auditors and consolidated financial statements included on pages 22 through 35 of the annual shareholders report for the year ended December 31, 2000 are incorporated herein by reference. Quarterly Results of Operations on page 36 of the annual shareholders report for the year ended December 31, 2000 is incorporated herein by reference.

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

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

PART III

Item 10. Directors and Executive Officers of the Registrant.

The response to Item 10, applicable to the Directors of the Company, is incorporated herein by reference to the information set forth under the caption "Election of Directors" in the Proxy Statement for the Annual Meeting of Shareholders to be filed with the Commission not later than April 30, 2001. Information concerning executive officers is included in Part I, Item 4A of this Form 10-K.

The response to Item 10, applicable to Section 16(a) of the Securities Exchange Act of 1934, as amended, is incorporated herein by reference to the information set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement for the Annual Meeting of Shareholders to be filed with the Commission not later than April 30, 2001.

Item 11. Executive Compensation.

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

than April 30, 2001.

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

The response to Item 12 is incorporated herein by reference to the information set forth under the captions "Ownership of Principal Shareholders and Certain Executive Officers" and "Election of Directors" in the Proxy Statement for the Annual Meeting of Shareholders to be filed with the Commission not later than April 30, 2001.

Item 13. Certain Relationships and Related Transactions.

The response to Item 13 is incorporated herein by reference to the information set forth under the caption "Executive Compensation" in the Proxy Statement for the Annual Meeting of Stockholders to be filed with the Commission not later than April 30, 2001.

PART IV

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

The following are filed as part of this report:

(a) 1. Financial Statements

The report of independent public accountants and consolidated financial statements included on pages 22 through 35 of the annual shareholders report for the year ended December 31, 2000 are incorporated herein by reference and the report of independent auditors for each of the two years in the period ended December 31, 1998 is set forth below.

Report of Independent Auditors

The Board of Directors and Shareholders
CryoLife, Inc.

We have audited the accompanying consolidated statements of income, shareholders' equity, and cash flows of CryoLife, Inc. for the year ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated statements of income, shareholders' equity and cash flows of CryoLife, Inc. referred to above present fairly, in all material respects, the consolidated results of its operations and its cash flows for the year ended December 31, 1998, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Atlanta, GA
February 2, 1999

2. Financial Statement Schedule

Report of Independent Public Accountants on Schedule II

Schedule II--Valuation and Qualifying Accounts

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

3. A. Exhibits

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

Exhibit Number	Description
2.1	Asset Purchase Agreement among the Company and United Cryopreservation Foundation, Inc., United Transplant Foundation, Inc. and QV, Inc. dated September 11, 1996. (Incorporated by reference to Exhibit 2.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.)
2.2	Agreement and Plan of Merger dated as of March 5, 1997 among Ideas for Medicine, Inc., J. CraytonPruitt, Sr., M.D., Thomas Benham, Thomas Alexandris, Tom Judge, Natalie Judge, Helen Wallace,J. Crayton Pruitt, Jr., M.D., and Johanna Pruitt, and CryoLife, Inc. and CryoLife Acquisition Corporation. (Incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-Kfiled on March 19, 1997.)

Exhibit Number	Description
2.3	Asset Purchase Agreement by and between Horizon Medical Products, Inc. and Ideas for Medicine, Inc. dated September 30, 1998. (Incorporated by reference to Exhibit 2 to Horizon Medical Products, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 14, 1998.)
2.4*+	Asset Purchase Agreement, dated October 9, 2000, by and between Horizon and IFM.
3.1	Restated Certificate of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.)
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.
4.1	Form of Certificate for the Company's Common Stock. (Incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).

4.2	Form of Certificate for the Company's Common Stock. (Incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.)
10.1	Lease, by and between New Market Partners III, Laing Properties, Inc., General Partner, as Landlord, and the Company, as Tenant, dated February 13, 1986, as amended by that Amendment to Lease, by and between the parties, dated April 7, 1986, as amended by that Amendment to Lease, by and between the parties, dated May 15, 1987, as amended by that Second Amendment to Lease, by and between the parties, dated June 22, 1988, as amended by that Third Amendment to Lease, by and between the parties, dated April 4, 1989, as amended by that Fourth Amendment to Lease, by and between the parties, dated April 4, 1989 as amended by that Fifth Amendment to Lease, by and between the parties, dated October 15, 1990. (Incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)
10.1(a)	Seventh Amendment to Lease dated February 13, 1986, by and between New Market Partners III, Laing Properties, Inc., General Partner, as Landlord, and the Company as tenant, dated May 15, 1996. (Incorporated by reference to Exhibit 10.1(a) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
10.2	Lease by and between Newmarket Partners I, Laing Properties, Inc. and Laing Management Company, General Partner, as Landlord, and the Company as Tenant, dated July 23, 1993. (Incorporated by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
10.3	1993 Employee Stock Incentive Plan adopted on July 6, 1993. (Incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
10.4	1989 Incentive Stock Option Plan for the Company, adopted on March 23, 1989. (Incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)
10.5	Incentive Stock Option Plan, dated as of April 5, 1984. (Incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)

Exhibit Number	Description
10.6	Form of Stock Option Agreement and Grant under the Incentive Stock Option and Employee Stock Incentive Plans. (Incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)
10.7	CryoLife, Inc. Profit Sharing 401(k) Plan, as adopted on December 17, 1991. (Incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)
10.8	Form of Supplemental Retirement Plan, by and between the Company and its Officers -- Parties to Supplemental Retirement Plans: Steven G. Anderson, David M. Fronk, Sidney B. Ashmore, James C. Vander Wyk, Albert E. Heacox, Kirby S. Black, and David Ashley Lee. (Incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)

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

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

10.9(c)* Employment Agreement, by and between the Company and D. Ashley Lee, dated December 12, 1994.

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

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

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

10.10 Form of Secrecy and Noncompete Agreement, by and between the Company and its Officers. (Incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)

10.11 Terms of Agreement Between Bruce J. Van Dyne, M.D. and CryoLife, Inc. dated November 1, 1999. (Incorporated by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.)

10.12 Technology Acquisition Agreement between the Company and Nicholas Kowanko, Ph.D., dated March 14, 1996. (Incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)

Exhibit Number	Description

10.13 Option Agreement, by and between the Company and Duke University, dated July 9, 1990, as amended by that Option Agreement Extension, by and between the parties, dated July 9, 1991. (Incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)

10.14 Research and License Agreement by and between Medical University of South Carolina and CryoLife dated November 15, 1985, as amended by Amendment to the Research and License Agreement dated February 25, 1986 by and between the parties and an Addendum to Research and License Agreement by and between the parties, dated March 4, 1986. (Incorporated by reference to Exhibit 10.23 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)

10.15 CryoLife, Inc. Non-Employee Directors Stock Option Plan, as amended. (Incorporated by reference to Appendix 2 to the Registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on April 17, 1998.)

10.16 Lease Agreement between the Company and Amli Land Development--I

Limited Partnership, dated April 18, 1995. (Incorporated by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)

10.16(a) First Amendment to Lease Agreement, dated April 18, 1995, between the Company and Amli Land Development--I Limited Partnership dated August 6, 1999. (Incorporated by reference to Exhibit 10.16(a) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.)

10.16(b)* Restatement and Amendment to Funding Agreement between the Company and Amli Land Development- I Limited Partnership, dated August 6, 1999.

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

10.19 Noncompetition Agreement between the Company and United Cryopreservation Foundation, Inc. dated September 11,1996. (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.)

10.20 Noncompetition Agreement between the Company and QV, Inc. dated September 11, 1996. (Incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.)

10.21 Revolving Term Loan Facility between the Company and NationsBank N.A., dated August 30, 1996. (Incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.)

10.22 Technology License Agreement between the Company and Colorado State University Research Foundation dated March 28, 1996. (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996.)

10.23 Noncompetition Agreement between the Company and United Transplant Foundation, Inc. dated September 11, 1996. (Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.)

10.24(a) First Amendment of Third Amended and Restated Loan Agreement between CryoLife, Inc., as Borrower and NationsBank, N.A. (South), as Lender, dated April 14, 1997. (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997.)

10.24(b) Second Modification of Third Amended and Restated Loan Agreement dated December 16, 1997 by and between the Registrant and NationsBank, N.A. . (Incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.)

Exhibit Number	Description

10.24 Fourth Modification of Third Amended and Restated Loan Agreement dated December 16, 1997 by and between the Company and Bank of America, N.A. and First Modification of Revolving Note dated December 31, 1999. (Incorporated by reference to Exhibit 10.24 to

	the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999)
10.25	Reserved.
10.26	CryoLife, Inc. 1998 Long-Term Incentive Plan. (Incorporated by reference to Appendix 2 to the Registrant's Definitive Proxy Statement filed with the Securities and Exchange Commission on April 17, 1998.)
10.27	Consulting Agreement dated March 5, 1997 between CryoLife Acquisition Corporation and J. Crayton Pruitt, Sr., M.D. (Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.)
10.28	Subordinated Convertible Debenture dated March 5, 1997 between the Company and J. Crayton Pruitt, Sr., M.D. (Incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.)
10.29	Lease Agreement dated March 5, 1997 between the Company and J. Crayton Pruitt, Sr., M.D. (Incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.)
10.30	Lease Guaranty dated March 5, 1997 between J. Crayton Pruitt Family Trust U/T/A and CryoLife, Inc., as Guarantor for CryoLife Acquisition Corporation. (Incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.)
10.31	Form of Non-Competition Agreement dated March 5, 1997 between the Company and J. Crayton Pruitt, Sr., M.D., Thomas Benham, Thomas Alexandris, Tom Judge, Natalie Judge, Helen Wallace, J. Crayton Pruitt, Jr., M.D., and Johanna Pruitt. (Incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.)
10.32	Standard Form of Agreements Between Owner and Design/Builder by and between the Company and Choate Design and Build Company dated January 19, 2000. (Incorporated by reference to Exhibit 10.32 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999)
10.33	Construction Loan and Permanent Financing Agreement with Bank of America dated April 25, 2000. (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.)
10.34*	Sublease Agreement between Horizon and IFM, dated October 9, 2000.
10.35*	Terms of Agreement between Ronald C. Elkins, MD and CryoLife, Inc., dated November 7, 2000.
10.36*	Rights Agreement between the Company and Chemical Mellon Shareholder Services, L.L.C., as Rights Agent, dated as of November 27, 1995.
10.37*	International Distribution Agreement, dated September 17, 1998, between the Company and Century Medical, Inc.
13.1*	Portions of the Registrant's Annual Report to Shareholders for the year ended December 31, 2000 which are incorporated by reference herein.
21.1*	Subsidiaries of CryoLife, Inc.
23.1*	Consent of Arthur Andersen LLP.

23.2* Consent of Ernst & Young LLP.

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* Filed herewith.
+ In accordance with Item 601(b)(2) of Regulation S-K, the schedules and certain exhibits have been omitted and a list of the schedules and exhibits is at the end of the Exhibit. The Registrant will furnish supplementally a copy of any omitted schedule or exhibit to the Commission upon request.

3. B. Executive Compensation Plans and Arrangements.

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

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

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

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

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

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

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

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

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

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

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

12. Employment Agreement, by and between the Company and D. Ashley Lee.

13. CryoLife, Inc. Non-Employee Directors Stock Option Plan, as amended. (Incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.)

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

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

16. CryoLife, Inc. 1998 Long-Term Incentive Plan. (Incorporated by reference to Exhibit 10.34 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.)

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

18. Terms of Agreement between Ronald C. Elkins, MD and CryoLife, Inc., dated November 7, 2000.

(b) Reports on Form 8-K

1. NONE.

SIGNATURES

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

CRYOLIFE, INC.

April 2, 2001

By /S/ STEVEN G. ANDERSON

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

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

Signature	Title	Date
/s/ STEVEN G. ANDERSON Steven G. Anderson	President, Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	April 2, 2001
/s/ D. ASHLEY LEE D. Ashley Lee	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	April 2, 2001

/s/ RONALD D. MCCALL Ronald D. McCall	Director	April 2, 2001
/s/ VIRGINIA C. LACY Virginia C. Lacy	Director	April 2, 2001
/s/ RONALD CHARLES ELKINS, M.D. Ronald Charles Elkins, M.D.	Director	April 2, 2001
/s/ JOHN M. COOK John M. Cook	Director	April 2, 2001

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To CryoLife, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements included in CryoLife, Inc.'s 2000 annual report to stockholders and this Form 10-K and have issued our report thereon dated February 7, 2001. Our audit was made for the purpose of forming an opinion on those financial statements taken as a whole. The schedule listed in Item 14 of this Form 10-K is the responsibility of the Company's management, is presented for purposes of complying with the Securities and Exchange Commission's rules, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP
Atlanta, Georgia
February 7, 2001

SCHEDULE II

CRYOLIFE, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

Years ended December 31, 2000, 1999, and 1998

Description	Balance beginning of period	Additions	Deductions	Balance end of Period
Year ended December 31, 2000				
Allowance for doubtful accounts.....	$ 528,000	$21,000	$464,000	$85,000
Deferred preservation costs.....	151,000	230,000	152,000	229,000
Year ended December 31, 1999				
Allowance for doubtful accounts.....	$ 256,000	$521,000	$249,000	$528,000

Deferred preservation costs.....	53,000	235,000	137,000	151,000
Year ended December 31, 1998				
Allowance for doubtful accounts.....	$ 103,000	$ 171,000	$ 18,000	$ 256,000
Deferred preservation costs.....	152,000	--	99,000	53,000

Exhibit 2.4

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ASSET PURCHASE AGREEMENT

by and between

HORIZON MEDICAL PRODUCTS, INC.

and

IDEAS FOR MEDICINE, INC.

October 9, 2000

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") is made as of October 9, 2000 by and between HORIZON MEDICAL PRODUCTS, INC., a Georgia corporation ("Horizon"), and IDEAS FOR MEDICINE, INC., a Florida corporation ("IFM").

W I T N E S S E T H:

WHEREAS, IFM is a wholly-owned subsidiary of CryoLife, Inc., a Florida corporation ("CryoLife"), and is in the medical device manufacturing business (the "Business");

WHEREAS, Horizon and IFM previously entered into that certain purchase agreement, dated as of May 19, 1998 (the "First Purchase Agreement"), pursuant to which Horizon purchased certain assets of IFM;

WHEREAS, Horizon and IFM previously entered into that certain purchase agreement, dated as of September 30, 1998 (the "Second Purchase Agreement"), pursuant to which Horizon purchased certain additional assets of IFM; and

WHEREAS, Horizon wishes to acquire substantially all of the remaining assets of IFM, and IFM wishes to sell such assets, all on the terms and conditions set forth in this Agreement.

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

1. Purchase and Sale of Assets; Assumed Liabilities.

1.1 Purchase and Sale of Assets. On the Closing Date (as hereinafter defined), upon and subject to the terms and conditions of this Agreement, IFM shall sell, transfer, assign, convey, and deliver to Horizon, and Horizon shall purchase and acquire from IFM all right, title and interest of IFM in and to all of the assets, properties and rights of IFM, of every kind and description, personal and mixed, tangible and intangible, wherever situated, except for the Excluded Assets (as defined in Section 1.4) (collectively, the "Purchased Assets"), free and clear of all mortgages, liens, pledges, security interests, charges, claims, restrictions and encumbrances of any nature whatsoever, except

for the Assumed Liabilities (as defined in Section 1.7). The Purchased Assets shall not include any assets previously purchased by Horizon pursuant to the First Purchase Agreement or the Second Purchase Agreement.

1.2 Purchased Assets. Except as otherwise expressly set forth in Section 1.4 hereof, the Purchased Assets shall include, without limitation, the following assets, properties and rights of IFM:

(a) All of IFM's right, title and interest in and to its fixed assets, as further described in Schedule 1.2(a) hereto, including, without limitation, all production equipment, office equipment, dies, drawings and other equipment used in the production, manufacture, sale, marketing or distribution of products (the "Fixed Assets");

(b) All of IFM's right, title and interest in and to (1) all finished goods inventory as of the close of business on the Closing Date, including, without limitation, the items set forth on Schedule 1.2(b)(1) hereto, and all containers and other packaging materials associated with such finished goods inventory (the "Finished Goods Inventory"); and (2) all other inventory, as further described in Schedule 1.2(b)(2) hereto, including, without limitation, raw materials and work in process, whether located at IFM's or CryoLife's facilities, in route to the sterilizer or other outside vendors, or elsewhere (the "Other Inventory," and together with the Finished Goods Inventory, collectively, the "Inventory").

(c) All leasehold improvements, as further described in Schedule 1.2(c) hereto, including, without limitation, clean rooms and air handling equipment;

(d) All of IFM's right, title and interest in and to all United States and foreign patents, patent application, tradenames, trademarks, copyrights, trade dress, logos, business and product names, slogans, inventions, trade secrets, industrial models, formulas, processes, designs, confidential and technical information, manufacturing, engineering and technical drawings, product specifications, know-how and all other material intangible property and intellectual property rights to or similar to and registrations and applications for registration relating to any of the foregoing or licenses owned by IFM (collectively, "Intellectual Property") including, without limitation, the items set forth on Schedule 1.2(d) hereto;

(e) All of IFM's and/or CryoLife's rights and benefits pursuant to those certain third-party contracts and agreements set forth on Schedule 1.2(e) hereto and incorporated herein by reference (the "Assigned Contracts");

(f) All of IFM's right, title and interest in and to the "Ideas for Medicine" and "IFM" names and any trademarks and tradenames, designs and logos associated therewith; and

(g) All records and documents related to the Business or the Purchased Assets, whether in paper, electronic or other media, including, without limitation, all FDA 510(k) filings and other FDA filings, all drawings and designs, all test protocols and results, all biocompatibility data, all customer lists, sales brochures, medical records, all production records and all other business records. IFM shall be entitled to keep a copy of all such records and documents. IFM shall protect such records and documents under the confidentiality provisions of Section 11.1 through the sixth (6th) anniversary of the Closing Date and shall then promptly destroy all of such records and documents with written notice to Horizon confirming such destruction. After the destruction of such records and documents, IFM will have access to such records and documents in Horizon's possession in accordance with Section 6.8(b). Such records and documents will be used by IFM solely for the preparation of the prosecution or the defense of any

suit, action, litigation or administrative, arbitration or other proceeding or investigation by or against IFM or CryoLife or for any third party claim for which indemnification is claimed pursuant to the terms of Section 9 below, or for the preparation for the filing of any document required by any federal, state or local governmental department, regulatory agency, authority, commission, board or court.

1.3 Technical Files. At the Closing, IFM shall deliver to Horizon copies of the technical file or dossier on the CE mark for each Product, which copies shall include, without limitation, all paper and electronic files related to IFM's products. IFM may redact from such copies any information pertaining to the Excluded Products.

1.4 Excluded Assets. IFM shall retain and shall not sell or deliver to Horizon, and Horizon shall not purchase from IFM, the following assets, all of which shall be excluded from the Purchased Assets (collectively, the "Excluded Assets"):

(a) All cash;

(b) All accounts receivable relating to or arising out of sales on or before the Effective Date;

(c) Any rights including without limitation, all trade secrets, know how and other intellectual property to the following products and their related inventory and packaging (collectively, the "Excluded Products"):

(i) BioGlue applicator tip connector;

(ii) heart value holder;

(iii) BioGlue Aortic dissection catheters;

(iv) CryoValve tags; and

(v) Cardiac Manipulator for Minimally Invasive Surgical Procedures;

(d) Any raw materials supplied by third parties, including, without limitation, work in progress and finished goods inventory resulting from such raw materials, to which title shall remain with such third party supplier pursuant to an Assigned Contract;

(e) Accounts receivable resulting from work performed under the Assigned Contracts prior to the Effective Date, as set forth in Schedule 1.4(e) hereto;

(f) Any packaging or other items bearing the "CryoLife" name;

(g) Any materials, equipment, fixtures, dies and tooling listed on Schedule 1.4(g) which are utilized in connection with the packaging and manufacture of the Excluded Products;

(h) All packaging for and work in process and inventory of the Excluded Products, including, without limitation, all BioGlue dispensers, mixing tips and twist rings and connectors, all CryoPacks, and all CryoLife Intermediates (also known as allograft packaging); and

(i) All equipment owned by third parties and listed on Schedule 1.4(i) hereto, which shall continue to be owned by such third parties.

1.5 Liabilities Not Assumed. Except as expressly set forth in Section 1.7, Horizon shall not and will not accept or assume any liability or obligation of any nature whatsoever (whether express or implied, fixed or contingent, liquidated or unliquidated, known or unknown, accrued or to become due) of IFM or CryoLife. Without limiting the generality of the foregoing, Horizon shall not and will not accept nor assume any liability or obligation of IFM:

(a) arising from or related to any federal, state, or local income, sales, use, excise, or other tax of IFM (including without limitation any such taxes incurred by IFM as a result of the transactions contemplated hereby), except as set forth in Section 1.7(c);

(b) relating to any employees or former employees of IFM arising by reason of any such other person's employment or termination of employment by IFM, except as expressly set forth in Section 6.5;

(c) resulting from the conduct of the Business on or prior to the Closing Date, provided the foregoing shall not be deemed to limit IFM's right to seek indemnification from Horizon under the Manufacturing Agreement (as defined in Section 2.7);

(d) resulting from any product manufactured by IFM for Horizon pursuant to the Manufacturing Agreement (the "HMP/IFM Products") which is returned to Horizon or IFM prior to, on, or after the Closing Date if such product (i) is defective as a result of a defect in the manufacture or assembly thereof (and not as a result of any defect in the design or specifications), and (ii) was sold by IFM, or is a part of the Finished Goods Inventory (a "Defective HMP/IFM Product"), provided such defect is not caused by the action or inaction of Horizon;

(e) resulting from IFM's production, manufacture and assembly of any of IFM's products other than the HMP/IFM Products (the "Non-HMP Products") on or prior to the Closing Date, including, without limitation, any personal injury or product damage whether occurring prior to, on, or after the Closing Date, caused by or through or arising as a result of the marketing, sale, delivery, production, manufacture or assembly by IFM of the Non-HMP Products;

(f) resulting from any defective or damaged Non-HMP Product returned to Horizon or IFM prior to, on, or after the Closing Date if such product (i) was sold by IFM, or (ii) is a part of the Finished Goods Inventory (a "Defective Non-HMP Product," and together with the Defective HMP/IFM Products, collectively, the "Defective Products"), provided such defect or damage is not caused by the action or inaction of Horizon; or

(g) resulting from IFM's lack of compliance with any applicable federal, state, or local laws, rules, regulations, ordinances, or orders.

1.6 Valuation For Tax Reporting Purposes. IFM and Horizon agree that Schedule 1.6, in which the parties have allocated the Purchase Price (as defined below) among the Purchased Assets, has been jointly prepared by the parties hereto. The parties agree to use Schedule 1.6 in preparing and filing their respective Forms 8594 with the Internal Revenue Service and for all other relevant federal and state income tax purposes. Each party will provide a copy of the Form 8594 to the other party prior to filing. In the event the parties are unable to agree on Schedule 1.6 as of the Closing, the parties shall agree on such Schedule 1.6 within ninety (90) days of the Closing Date.

1.7 Assumption of Liabilities. On the Closing Date, Horizon shall assume from IFM the following liabilities and obligations of IFM (the "Assumed Liabilities"):

(a) the trade payables of IFM with respect to Inventory received after the Effective Date and the trade payables of IFM arising in respect of the provision of goods (excluding Inventory) or services on or after the

Effective Date;

(b) all ad valorem taxes on the Purchased Assets accruing on or after the Effective Date; and

(c) the monetary obligations of IFM accruing on or after the Effective Date under the Assigned Contracts and all other obligations or liabilities under the Assigned Contracts accruing after the Closing Date.

2. Purchase Price; Refund of Purchase Price.

2.1 Purchase Price. In consideration for IFM's sale, transfer and delivery of the Purchased Assets (as defined above) to Horizon, Horizon shall deliver to IFM at Closing a promissory note in the form of Exhibit A hereto (the "Note") in favor of IFM with a principal amount equal to Five Million Nine Hundred Forty-Five Thousand Two Hundred Sixteen Dollars ($5,945,216) (the "Purchase Price'). The terms of the Note shall be as follows:

(a) Three Million Eight Hundred Thousand Dollars ($3,800,000) of the Note shall bear interest at the rate of nine percent (9%) per annum and shall be payable in monthly installments of principal and interest of One Hundred Forty Thousand Dollars ($140,000) per month until all principal and interest due under the Note is paid in full.

(b) Two Million One Hundred Forty-Five Thousand Two Hundred Sixteen Dollars ($2,145,216) of the Note shall bear no interest so long as Horizon makes all payments under the Note on a timely basis.

(c) If Horizon fails to make any payment under the Note on time, the remaining principal balance of the Note shall bear interest at eighteen percent (18%). If Horizon makes all payments on a timely basis without any late or deficient payments until such time as the principal balance on the Note is reduced (by payment, set-off, adjustment or otherwise) to Two Million One Hundred Forty-Five Thousand Two Hundred Sixteen Dollars ($2,145,216), IFM shall forgive the remaining Two Million One Hundred Forty-Five Thousand Two Hundred Sixteen Dollar ($2,145,216) principal balance of the Note (the "Discount").

2.2. Scheduled Payment of Note. Horizon agrees to pay under the Note the sum of One Million Dollars ($1,000,000) in cash (the "Scheduled Payment") upon the earlier of (i) the closing of one or more equity financings which result in consideration to Horizon of at least Fifteen Million Dollars ($15,000,000) in exchange for Horizon common and/or preferred stock (the "Equity Financing") or (ii) April 3, 2001. In the event Horizon's pays the Scheduled Payment prior to April 3, 2001, IFM shall forgive One Million Dollars ($1,000,000) of the principal amount of the Note in accordance with the terms of the Note.

2.3. Physical Inventory.

(a) Horizon and IFM have taken a physical inventory of the Inventory and Fixed Assets (the "Physical Inventory") prior to Closing. Based on the Physical Inventory, the Purchase Price shall be adjusted as follows to reflect the difference, if any, between (1) the estimated value of the Inventory and the Fixed Assets totaling Three Million Three Hundred Eighteen Thousand Three Hundred Twenty ($3,318,320) (the "Estimated Asset Value"), and (2) the value of the Inventory and Fixed Assets reflected in the Physical Inventory (the "Actual Asset Value").

(i) In the event that the Estimated Asset Value is greater than the Actual Asset Value, the principal amount of the Note shall be reduced to reflect the difference between the Estimated Asset Value and the Actual Asset Value.

(ii) In the event that the Actual Asset Value is greater than the

Estimated Asset Value, the principal amount of the Note shall be increased to reflect the difference between the Actual Asset Value and the Estimated Asset Value.

(b) For purposes of determining the Actual Asset Value pursuant to this Section 2.3, (i) the value of all raw materials, work in process and finished goods inventory shall reflect IFM's fully absorbed cost which shall be equal to the original cost of such Inventory, excluding any

write-off or discount subsequently taken by IFM with respect thereto, and (ii) the value of the Fixed Assets shall be the book value for such Fixed Assets, calculated in accordance with generally accepted accounting principles.

(c) In connection with the Purchase Price adjustment pursuant to this Section 2.3, the Parties shall take into account the appropriate prorations for the following items: utilities, phone service, deposits, rent, prepaid items and employee compensation. IFM shall be responsible for all such expenses incurred or accruing prior to October 1, 2000, and Horizon shall be responsible for all such expenses incurred or accruing on or after October 1, 2000.

(d) In the event that the parties are unable to agree on the amount of the Purchase Price adjustment required pursuant to this Section 2.3, if any, within twenty (20) days after the Closing Date, Horizon and IFM shall engage an independent accounting firm ("IA") at such time, to determine the amount of the Purchase Price adjustment. The cost of the IA shall be paid equally by both parties. The decision of the IA shall be made within thirty (30) days after being engaged and shall be final and binding on the parties. In the event that Horizon and IFM are unable to agree on the IA by the twentieth (20th) day after the Closing Date, any dispute under this Section 2.3 shall be settled in accordance with the provisions of Section 2.4(b).

(e) Any adjustment to the Purchase Price required pursuant to this Section 2.3 will be made against the principal balance of the Note. In the event of such adjustment, IFM shall surrender the Note, and Horizon shall execute and deliver to IFM an amended and restated Note that reflects such adjustment. In such case, the original Note shall be canceled regardless of any failure of IFM to deliver said Note, which failure shall not affect the amendment and restatement of the Note. Any failure of Horizon to deliver an amended and restated Note if required hereunder shall not affect the obligation to make payments as required hereunder.

2.4 Refund for Damaged Finished Goods Inventory.

(a) IFM and CryoLife agree to reduce the principal amount of the Note by the price paid by Horizon for any Defective Product in accordance with this Section 2.4. On or before the ninetieth (90th) day after delivery of the Inventory pursuant to Section 2.5, Horizon shall return all products which are alleged to be Defective Products to IFM or CryoLife for inspection with a description of the alleged defect or damage. If IFM determines in good faith that a product is a Defective Product, IFM or CryoLife shall agree to reduce the principal amount of the Note by the price paid by Horizon for each such Defective Product. In the event of such a reduction, IFM shall surrender the Note, and Horizon shall execute and deliver to IFM or CryoLife an amended and restated note that reflects such adjustment.

(b) Any dispute between the parties under this Section 2.4 shall be settled by arbitration conducted in Atlanta, Georgia before and in accordance with the then existing Rules for Commercial Arbitration of the

American Arbitration Association, provided that only one arbitrator as selected by the American Arbitration Association shall conduct any arbitration proceeding. Any arbitration shall be final and binding. Any judgment upon any interim or final award or order rendered by the arbitrator may be entered by any federal or state court having jurisdiction thereof. Each party in the arbitration proceeding shall bear its own costs and expenses of investigating, preparing, and pursuing such arbitration claim. The cost of the arbitration shall be borne by the non-prevailing party which the arbitration will determine in such arbitration proceeding. In the event that the arbitrator is unable to determine a prevailing and non-prevailing party, the cost of arbitration will be shared equally.

2.5 Shipment of Finished Goods Inventory to Horizon. On or before the sixtieth (60th) business day after the Closing Date, IFM will deliver the Finished Goods Inventory which is located at any location (a "Storage Location") other than the Premises (as defined in Section 4.7) to Horizon or its carrier F.O.B. such Storage Location. IFM shall deliver such finished Goods Inventory at such times and in such number of shipments as instructed by Horizon; provided, however, that the number of shipments requested by Horizon shall not exceed four (4) shipments.

2.6 Manufacturing Agreement. Horizon and IFM hereby agree to terminate that certain Manufacturing Agreement dated as of September 30, 1998, by and between Horizon and IFM (the "Manufacturing Agreement"), as of the Closing Date and agree that the Manufacturing Agreement shall have no further force or effect after the Closing Date; provided, however, that the provisions of Sections 6, 8, 9, 12, 14, 17, 18 and 19 of the Manufacturing Agreement shall survive such termination. The parties acknowledge and agree that upon termination of the Manufacturing Agreement as provided herein, (i) Horizon shall not owe any further payment to IFM under the Manufacturing Agreement, (ii) Horizon shall not be subject to any claims, liabilities, obligations, losses, costs, expenses, penalties, fines or other judgments (at equity or at law) or damages (collectively, "Damages"), whenever arising or incurred, arising out of or relating to Horizon's default under the Manufacturing Agreement prior to the date hereof, excluding Damages for which the other party is entitled to indemnification pursuant to Section 6 thereof, and (iii) IFM shall not be subject to any Damages, whenever arising or incurred, arising out of or relating to default by IFM, if any, under the Manufacturing Agreement prior to the date hereof, excluding Damages for which the other party is entitled to indemnification pursuant to Section 6 thereof.

3. Closing.

3.1 Date and Place of Closing. The purchase and sale of the Purchased Assets contemplated by this Agreement (the "Closing") shall occur at the offices of King & Spalding at 191 Peachtree Street, Atlanta, Georgia on October 9, 2000 (the "Closing Date"). The term "Effective Date" as used in this Agreement shall mean the opening of business on October 1, 2000.

3.2 Deliveries by IFM. At the Closing, IFM shall deliver or cause to be delivered to Horizon the following:

(a) An executed copy of the Guaranty of CryoLife in the form of Exhibit B hereto (the "CryoLife Guaranty");

(b) An executed copy of the Bill of Sale and General Assignment from IFM in the form of Exhibit C hereto (the "Bill of Sale") conveying good and marketable title to the Purchased Assets free and clear of all liens, mortgages, pledges, security interests, restrictions, prior assignments, charges, encumbrances, equities, and other claims of any kind or nature whatsoever (collectively, "Encumbrances");

(c) An executed copy of the Assignment and Assumption Agreement in the form of Exhibit D hereto (the "Assignment and Assumption Agreement") assigning the Assigned Contracts to Horizon;

(d) A legal opinion of Arnall, Golden & Gregory, counsel to IFM, in the form of Exhibit E hereto;

(e) An executed copy of the Sublease Agreement in the form of Exhibit F hereto (the "Sublease Agreement");

(f) An executed copy of the Manufacturing, Assembly and Packaging Agreement in the form of Exhibit G hereto (the "Manufacturing, Assembly and Packaging Agreement"), pursuant to which Horizon shall provide certain manufacturing, assembly and packaging services to CryoLife;

(g) An executed copy of the Transition Services Agreement in the form of Exhibit H hereto (the "Transition Services Agreement"), whereby IFM and CryoLife agree to continue to provide information technology, accounting and laboratory services during the transition period;

(h) A certificate of IFM as required by Section 7.3 hereof;

(i) A certified copy of the corporate charter and bylaws of IFM, and the resolutions of the Board of Directors of IFM and the shareholder(s) of IFM authorizing the transactions contemplated by this Agreement;

(j) Certificates from the appropriate public officials evidencing IFM's good standing in its state of incorporation and any other jurisdiction in which IFM is qualified to conduct business;

(k) The written consent of each party to the Assigned Contracts consenting to the assignment of such Assigned Contract if such consent is required under such Assigned Contract;

(l) Actual possession and operating control of the Purchased Assets;

(m) A list of open purchase orders for materials purchased by IFM but not yet received by IFM, together with any supporting materials relating to such open purchase orders as Horizon shall reasonably request; and

(n) Such other instruments, assignments, terminations, releases, and other instruments of transfer, assignment, and release of IFM as shall be reasonably deemed necessary by Horizon to vest in Horizon good and marketable title to the Purchased Assets, free and clear of any and all Encumbrances.

3.3 Deliveries by Horizon. At the Closing, Horizon shall deliver or cause to be delivered to IFM the following:

(a) The Purchase Price in the manner provided by Section 2 hereof,

(b) An executed copy of a Security Agreement in the form of Exhibit I hereto evidencing a security interest in all of the Purchased Assets purchased by Horizon to secure payment of the Note which will be junior in priority to the security interests granted to secure (i) Horizon's Obligations (as defined in that certain Amended and Restated Credit Agreement dated as of May 26, 1998, among Horizon, Bank of America, N.A. f/k/a NationsCredit Commercial Corporation ("Lendee"), and Stepic Corporation, Horizon Acquisition Corp., and Strato/Infusaid Inc., as Guarantors, as amended prior to or following the date hereof (collectively, the "Credit Agreement")) under or in connection with the Credit Agreement, as the Credit Agreement and/or such Obligations may be increased, renewed, modified, extended or otherwise changed in the absolute discretion of Lender, and (ii) any future bank indebtedness incurred by Horizon; provided, however, that in no event shall the aggregate of subsections (i)

and (ii) above exceed Sixty-Five Million Dollars ($65,000,000) of principal indebtedness, exclusive of interest, fees and other charges (collectively, the "Bank Indebtedness").

(c) An executed copy of the Manufacturing, Assembly and Packaging Agreement;

(d) An executed copy of the Transition Services Agreement;

(e) A legal opinion of King & Spalding, counsel to Horizon in the form of Exhibit J hereto;

(f) A certificate of Horizon as required by Section 8.2 hereof;

(g) A certified copy of the corporate charter and bylaws of Horizon, and the resolutions of the Board of Directors of Horizon authorizing the transactions contemplated by this Agreement;

(h) A Certificate from the Secretary of State of Georgia evidencing Horizon's good standing in the State of Georgia, and Certificates from any states where Horizon is qualified to do business as a foreign corporation;

(i) An executed copy of the Assignment and Assumption Agreement; and

(j) An executed copy of the Sublease Agreement.

4. Representations and Warranties of IFM. In order to induce Horizon to enter into this Agreement and to consummate the transactions contemplated hereunder, IFM represents and warrants to and covenants with Horizon that:

4.1 Organization and Good Standing. IFM is a corporation duly organized, validly existing, and in good standing under the laws of Florida, and has the requisite corporate power and authority to execute and deliver this Agreement and all other documents, agreements, and certificates (collectively, the "IFM Transfer Documents") which are required to be executed and delivered by IFM pursuant to this Agreement and to perform in all respects its obligations hereunder and thereunder. IFM is duly qualified or licensed to do business and in good standing in each jurisdiction in which the nature of its business or the character of the assets owned or leased by IFM makes such qualification or licensing necessary, except where the failure to be so qualified or licensed would not materially impair or adversely affect the transactions contemplated hereunder. IFM has all of the necessary local, state, and federal licenses and permits to carry on and operate the Business.

4.2 Due Authorization; Enforceability; No Conflict. The execution, delivery, and performance of this Agreement and the IFM Transfer Documents have been duly authorized by all requisite corporate action on the part of IFM. This Agreement has been duly executed and delivered by IFM and constitutes, and each of the IFM Transfer Documents when executed and delivered will constitute, valid and binding obligations of IFM, enforceable in accordance with and subject to their respective terms, except as limited by bankruptcy, insolvency, reorganization, and similar laws affecting the enforcement of creditors' rights or contractual obligations generally. Except as expressly described in Schedule 4.2, the execution, delivery, and performance by IFM of this Agreement and IFM Transfer Documents, the assignment of IFM's rights under the Assigned Contracts, and the consummation of the transactions contemplated hereby and thereby will not:

(a) violate any provision of the Articles of Incorporation or bylaws of IFM;

(b) result in the creation of any liens, security interests, or encumbrances upon any of the Purchased Assets, assuming the consents set forth on Schedule 4.2 are obtained;

(c) violate any provision of any judicial or administrative order, award, judgment, or decree applicable to IFM;

(d) conflict with, result in a material breach of or constitute a default under any agreement or instrument to which IFM is a party or by which it is bound, assuming the consents set forth on Schedule 4.2 are obtained;

(e) violate, in any material respect, any applicable law, rule, ordinance, or regulation applicable to IFM; or

(f) require IFM to obtain the consent, approval, or authorization of, or require IFM to file with, any federal, state, or local governmental authority or agency, any lender or lien holder, or other person or entity.

4.3 Litigation. There are no judicial or administrative actions, suits, or proceedings or, to the knowledge of IFM, any investigations pending against IFM or CryoLife which would, if adversely determined, prevent, hinder, delay, or otherwise adversely affect the consummation of the transactions contemplated hereby. IFM is not a party to or subject to the provisions of any order, decree, or judgment of any court or of any governmental authority or agency which may prevent, hinder, or otherwise adversely affect the consummation of the transactions contemplated hereby. Except as expressly described in Schedule 4.3, to the knowledge of IFM, there are no outstanding or pending product liability, intellectual property infringement or other claims that have been asserted against IFM, nor are there any outstanding or pending claims that have been asserted against CryoLife arising out of or related to the Business or the Purchased Assets.

4.4 Ownership of Assets.

(a) On the Closing Date, IFM will have, and upon completion of the Closing will have conveyed to Horizon, good and marketable title to the Purchased Assets, free and clear of any and all Encumbrances.

(b) All equipment and other items of tangible property and assets which are included in the Purchased Assets are in good operating condition and repair subject to normal wear and maintenance, and are usable in the regular and ordinary course of business.

(c) There are no existing agreements, options, commitments or rights with, of or to any person to acquire any of the assets, properties or rights included in the Purchased Assets or any interest therein.

4.5 Tax Returns; Taxes. IFM has duly filed all federal, state, local and foreign tax returns required to be filed by them, all such returns are accurate in all material respects, and IFM has duly paid or made adequate provisions for the payment of all taxes (including any interest, penalties and additions to tax) which are due or payable pursuant to such returns or which otherwise are due and payable in any jurisdiction, whether or not in connection with such returns. There are no pending claims asserted for taxes of IFM or outstanding agreements or waivers extending the statutory period of limitation applicable to any tax return of IFM or outstanding agreements or waivers extending the statutory period of limitation applicable to any tax return of IFM for any period that would affect the Business or the transaction contemplated by this Agreement or any of IFM Transfer Documents. IFM has made all estimated income tax deposits and all other required tax payments or deposits and have complied for all prior periods in all material respects with the tax withholding provisions of all applicable federal, state, local and other laws.

4.6 Inventory. The Inventory is of good and usable quality and is merchantable and saleable in the ordinary course of business.

4.7 Insurance. Schedule 4.7 hereto sets forth a true and correct description of all insurance policies of any nature whatsoever maintained by CryoLife or IFM on the date of this Agreement relating to the Business or any property owned, leased or used by IFM (the "Premises"). Neither CryoLife nor IFM has received notice of a cancellation with respect to such policies or of any default thereunder. Each of IFM or CryoLife has complied in all material respects with the terms and provisions of such policies. Within the past two years, neither CryoLife nor IFM has been refused any basic insurance coverage applied for with respect to the Business.

4.8. Intellectual Property. Except as expressly described on Schedule 4.8:

(a) No interference or infringement actions or other judicial or adversary proceedings concerning any of such items of intangible personal property are pending, and to the best of IFM's knowledge, no such action or proceeding is threatened;

(b) To the best of IFM's knowledge, IFM has the right and authority to use the Intellectual Property in connection with the conduct of the Business in the manner presently conducted, and to the best of IFM's knowledge, such use does not conflict with, infringe upon, or violate any rights of any other person, firm, or corporation;

(c) There are no outstanding or, to the best of IFM's knowledge, threatened disputes or other disagreements with respect to any of the Intellectual Property;

(d) To the best of IFM's knowledge, there is no proprietary intangible personal property used in any material respect in the operations of the Business as presently conducted that is not owned by or licensed to IFM; and

(e) To the best of IFM's knowledge, none of the Intellectual Property is subject to any outstanding order, ruling, decree, judgment or stipulation by or with any court, arbitrator, or administrative agency, nor has any of the Intellectual Property been the subject of any litigation involving IFM or CryoLife within the last four years, whether or not resolved in favor of IFM.

4.9 Contracts. Schedule 4.9 hereto sets forth a true and correct list of each contract pertaining to the Business (other than the Assigned Contracts and the Manufacturing Agreement) to which IFM or CryoLife is a party (collectively and together with the Assigned Contracts, but excluding the Manufacturing Agreement, the "Contracts"). True, complete, and correct copies of each of the Contracts, or where they are oral, true and complete written summaries thereof, have been delivered to Horizon by IFM. Except as expressly described on Schedule 4.9:

(a) IFM has fulfilled all material obligations required pursuant to each Contract to have been performed by IFM;

(b) There has not occurred any default under any of the Contracts on the part of IFM or, to the best knowledge of IFM, on the part of any other party thereto, nor has any event occurred which, with the giving of notice or the lapse of time, or both, would constitute a default on the part of IFM under any of the Contracts, nor, to the best of IFM's knowledge, has any event occurred which, with the giving of notice or the lapse of time, or both, would constitute a default on the part of any other party to any of the Contracts;

(c) Except for the consents described on Schedule 4.2, no consent of any party to any of the Contracts is required for the execution, delivery, or performance of this Agreement or the consummation of the transactions

contemplated hereby; and

(d) All such Contracts are in full force and effect and enforceable against IFM and each other party thereto.

4.10 Compliance with Law; FDA Matters.

(a) Except as set forth on Schedule 4.10(a), IFM has all material authorizations, approvals, licenses and orders of and from all governmental and regulatory offices, agencies, officers and bodies necessary to carry on the Business as it is currently being conducted, to own or hold under lease the properties and assets it owns or holds under lease and to perform all of its obligations under all agreements to which it is a party (collectively, the "Material Licenses"), and IFM has been and is in compliance with all applicable laws, regulations and administrative orders of any country, state or municipality or of any subdivision thereof to which its business and its employment of labor or its use or occupancy of properties or any part thereof are subject, the failure to obtain or the violation of which would have a Material Adverse Effect (as defined in Section 4.12(b)). Schedule 4.10(a) sets forth a true and complete list of all Material Licenses.

(b) With respect to the Business and the Purchased Assets:

(i) IFM has been and is in compliance with all current and otherwise applicable statutes, rules, regulations, standards, guides or orders pertaining to the Purchased Assets (each a "Law" and collectively the "Laws") administered or issued by the federal Food and Drug Administration ("FDA") and all other federal, state, local or foreign governmental departments, regulatory agencies, authorities, commissions, boards or courts or other law, rule or regulation-making entities having regulatory authority over CryoLife, IFM or the Business (the "Authorities"), except for any such failure to comply that would not have a Material Adverse Effect; and

(ii) Except as set forth on Schedule 4.10(b)(ii), IFM has not received any notice of adverse findings, warning letters, Section 305 notices, subpoenas or other similar communications by any Authorities since September 30, 1998 related to the Purchased Assets.

(c) There have been no recalls, field notifications, alerts or seizures requested or threatened relating to the Purchased Assets that Horizon has not itself directed.

(d) IFM has made available to Horizon a copy of all its European Union notified body's certifications and all FDA inspection reports ("Form 483's") or comparable reports of foreign authorities relating to the Business, IFM's responses to such Form 483's or comparable foreign reports. In addition, IFM will make available to Horizon information relating to design dossiers for the Excluded Products during the term of the Manufacturing, Assembly and Packaging Agreement.

(e) The representations and warranties set forth in this Section 4.10 shall not apply to any environmental matters with respect to which Section 4.17 shall solely apply.

4.11 Transactions with Affiliates. Except for the Contracts identified on Schedule 4.11, no officer or director of IFM or CryoLife has any interest in: (i) any contract, arrangement or understanding with, or relating to, the Business or the Purchased Assets; (ii) any loan, arrangement, understanding, agreement or contract for or relating to the Business or the Purchased Assets; or (iii) any property (real, personal or mixed), tangible or intangible, used or currently intended to be used in the Business.

4.12 Financial Statements, Absence of Changes, and Related Matters.

(a) IFM has delivered to Horizon (i) the unaudited balance sheets of IFM as of December 31, 1999 and the related statements of revenues and expenses for the fiscal years then ending; and (ii) the unaudited balance sheet of IFM as of August 31, 2000 (the "Interim Balance Sheet") and the related unaudited statements of revenues and expenses for the quarterly period then ended (the "Interim Balance Sheet Date"). All of the foregoing financial statements are hereinafter collectively referred to as the "Financial Statements." The Financial Statements have been prepared from and are in accordance with the books and records of IFM and present fairly the financial position and results of operations of IFM, in accordance with GAAP, as of the dates for the periods indicated.

(b) Since the Interim Balance Sheet Date, there has not been (i) any material adverse effect upon the assets, liabilities, results of operations, financial condition, business or prospects of the Business (a "Material Adverse Effect"), (ii) any damage, destruction, loss or casualty to property or assets of the Business, not covered by insurance which property or assets are material to the Business, (iii) any liability or obligation (absolute, accrued or contingent) incurred or any bad debt, contingency or other reserve increased suffering, except, in each such case

in the ordinary course of business and consistent with past practice, (iv) any cancellation of any debts or waiver of any claims or rights of substantial value, or sale, transfer or other disposition of any properties or assets real, personal or mixed, tangible or intangible) of substantial value relating to the Business, except in each such case in transactions in the ordinary course of business and consistent with past practice, (v) any transactions entered into other than in the ordinary course of business, or (vi) any agreements to do any of the foregoing (other than this Agreement).

4.13 Hart-Scott-Rodino. No shareholder of CryoLife directly or indirectly beneficially owns or has the right to vote 50% or more of the outstanding voting securities of CryoLife, or, directly or indirectly, has the right (whether by contract or otherwise) to elect 50% or more of the members of the board of directors of CryoLife. The total assets (within the meaning of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended) of CryoLife are less than $100,000,000 in the aggregate.

4.14 Officers, Directors and Employees. Schedule 4.14 contains (a) a true and complete list of all of the officers and directors of IFM, specifying (i) their office, and (ii) their salary, bonuses, commissions and other compensation programs paid by IFM, and (b) a true and complete list of all of the employees of IFM as of the date hereof together with an appropriate notation next to the name of any employee on such list with whom IFM has a written employment agreement or to whom IFM has made verbal commitments which are binding on IFM.

4.15 Employee Benefit Plans.

(a) Definition of Benefit Plans. For purposes of this Section 4.15, the term "IFM Benefit Plan" means any plan, program, arrangement, fund, policy, practice or contract which, through which or under which IFM or any IFM ERISA Affiliate (as hereinafter defined) provides benefits or compensation to or on behalf of employees or former employees of IFM or any IFM ERISA Affiliate, whether formal or informal, whether or not written, including but not limited to the following:

(i) Arrangements. Any bonus, incentive compensation, stock option, deferred compensation, commission, severance pay, golden parachute or other compensation plan or rabbi trust;

(ii) ERISA Plans. Any "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974,

as amended ("ERISA")), including, but not limited to, any multiemployer plan (as defined in Section 3(37) and Section 4001(a)(3) of ERISA), defined benefit plan, profit sharing plan, money purchase pension plan, 401(k) plan, savings or thrift plan, stock bonus plan, employee stock ownership plan, or any plan, fund, program, arrangement or practice providing for medical (including post-retirement medical), hospitalization, accident, sickness, disability, or life insurance benefits; and

(iii) Other Employee Fringe Benefits. Any stock purchase, vacation, scholarship, day care, prepaid legal services, dependent care or other fringe benefit plans, programs, arrangements, contracts or practices.

(b) IFM ERISA Affiliate. For purposes of this Section 4.15, the term "IFM ERISA Affiliate" means each trade or business (whether or not incorporated) which together with IFM is treated as a single employer under Section 414(b), (c), (m) or (o) of the Internal Revenue Code (the "Code").

(c) Identification of Benefit Plans. Except for (i) those IFM Benefit Plans identified in Schedule 4.15, and (ii) IFM Benefit Plans which have been terminated and with respect to which neither IFM nor any IFM ERISA Affiliate has any material financial, administrative or other liability, obligation or responsibility, IFM neither maintains, nor have they at any time established or maintained, nor have they at any time been obligated to make, or otherwise made, contributions to or under or otherwise participated in any IFM Benefit Plan.

(d) MEPPA Liability/Post-Retirement Medical Benefits/Defined Benefit Plans/Supplemental Retirement Plans. Neither IFM, nor any IFM ERISA Affiliate maintains, or has at any time established or maintained, or has at any time been obligated to make, or made, contributions to or under any multiemployer plan (as defined in Section 3(37) and Section 4001(a)(3) of ERISA). IFM does not maintain, nor has at any time established or maintained, nor has at any time been obligated to make, or made, contributions to or under (i) any plan which provides post-retirement medical or health benefits with respect to employees of IFM, (ii) any organization described in Sections 501(c)(9) or 501(c)(20) of the Code, (iii) any defined benefit pension plan subject to Title IV of ERISA.

(e) Compliance with Laws. Each IFM Benefit Plan is in material compliance with the provisions of all applicable laws including, but not limited to, ERISA and the Code with respect to the administration and documentation of said plan. In addition, all medical benefit plans are in material compliance with the provisions of the Consolidated Omnibus Budget Reconciliation Act relating to the continuance of insurance coverage or benefit coverage and with the requirements of the Health Insurance Portability and Accountability Act.

(f) Qualified Status. Each IFM Benefit Plan that is an employee benefit plan (within the meaning of Section 3(2) of ERISA) that is funded through a trust or insurance contract or is a welfare benefit plan (within the meaning of Section 3(l) of ERISA) funded through a trust has at all times satisfied in all material respects, by its terms and in its operation, all applicable requirements for an exemption from federal income taxation under Section 501(a) of the Code. Neither IFM nor any IFM ERISA Affiliate maintains or has previously maintained a IFM Benefit Plan which meets or was intended to meet the requirements of Section 401(a) of the Code except as disclosed on Schedule 4.15.

(g) Legal Actions. There are no actions, audits, suits or claims which are pending or, to the knowledge of IFM, threatened against any IFM Benefit

Plan, any fiduciary of any of IFM Benefit Plans with respect to IFM Benefit Plans or against the assets of any of IFM Benefit Plans, except claims for benefits made in the ordinary course of the operation of such plans.

(h) Funding. Each of IFM and each IFM ERISA Affiliate has made full and timely payment of all amounts required to be contributed under the terms of each IFM Benefit Plan and applicable law or required to be paid as expenses under such IFM Benefit Plan, and no excise taxes are assessable as a result of any nondeductible or other contributions made or not made to a IFM Benefit Plan. The assets of all IFM Benefit Plans which are required under applicable laws to be held in trust are in fact held in trust, and the assets of each such IFM Benefit Plan equal or exceed the liabilities of each such plan. The liabilities of each other plan are properly and accurately reported on the financial statements and records of IFM. The assets of each IFM Benefit Plan are reported at their fair market value on the books and records of each plan.

(i) Liabilities. Neither IFM nor any IFM ERISA Affiliate is subject to any material liability, tax or penalty to any person as a result of IFM's or any ERISA Affiliate's engaging in a prohibited transaction under ERISA or the Code, and IFM has no knowledge of any circumstances which reasonably might result in any such material liability, tax or penalty as a result of a breach of fiduciary duty under ERISA. No IFM Benefit Plan has suffered any accumulated funding deficiency within the meaning of Section 302 of ERISA and Section 412 of the Code. There is no lien upon any property of IFM or any IFM ERISA Affiliate outstanding pursuant to Section 412(n) of the Code in favor of any IFM Plan. No assets of IFM or any IFM ERISA Affiliate have been provided as security to any IFM Plan pursuant to Section 401 (a) (29) of the Code.

(j) CIGNA Plan. The only IFM Benefit Plan which provides healthcare benefits to IFM employees is a fully insured, group health plan issued in the State of Florida which IFM purchased from CIGNA HealthCare (the "CIGNA Plan"). Except as set forth on Schedule 4.15(j), IFM pays 100% of the premiums for each employee's coverage under the CIGNA Plan for each calendar month (either in whole or in part from IFM's general assets or in whole or in part from payroll deductions duly authorized by each affected employee), and all such monthly premium for such coverage for each calendar month are paid at the beginning of each such calendar month. CIGNA HealthCare has no right to receive any payments from IFM or any IFM employee for such coverage in addition to such monthly premium payments, and IFM has no right to any refunds or rebates from CIGNA HealthCare with respect to any such coverage.

4.16 Labor Relations. IFM is in material compliance with all federal and state laws respecting employment and employment practices, terms and conditions of employment, wages and hours, and IFM is not engaged in any unfair labor or unlawful employment practice. There is no unlawful employment practice or discrimination charge pending before the Equal Employment Opportunity Commission ("EEOC"), EEOC recognized state "referral agency" or any other governmental agency. There is no unfair labor practice charge or complaint against IFM pending before the National Labor Relations Board ("NLRB"). There is no labor strike, dispute, slowdown or stoppage actually pending or, to the best

knowledge of IFM, threatened against or involving or affecting IFM and no NLRB representation question exists respecting the employees of IFM. No grievance or arbitration proceeding relating to the employees of IFM is pending, and, to the knowledge of IFM, no written claim therefor exists with respect to any such employees. There is no collective bargaining agreement that is binding on IFM.

4.17 Environmental Matters. To the best of IFM's knowledge, except as disclosed on Schedule 4.17 and in the environmental report (the "Horizon Environmental Report") done by Horizon on the Premises (as defined in Section 4.7 above) and except for such failure to comply that would not have a Material

Adverse Effect, IFM is in compliance with all statutes, regulations and ordinances and common law requirements relating to hazardous substances and/or the protection of human health and the environment including, without limitation, the Clean Water Act, 33 U.S.C. ss. 1251 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. ss. 6901 et seq., the Clean Air Act, 42 U.S.C. ss. 7401 et seq., the Toxic Substances Control Act, 15 U.S.C. ss. 2601 et seq., the Emergency Planning Community Right-to-Know Act, 42 U.S.C. ss. 11,001 et seq., the regulations developed pursuant to these statutes and the corresponding state and local statutes, ordinances and regulations. To the best of IFM's knowledge, except as disclosed on Schedule 4.17 and the Horizon Environmental Report, IFM possesses all permits, authorizations, and other governmental approvals and registrations required under any statute, law, ordinance, regulation, or other legally binding requirement relating to hazardous substances and/or the protection of human health and the environment as are necessary for the continued operation of the Business, is in compliance with all such permits, authorizations, and approvals, and no proceedings are pending to revoke or modify such permits, authorizations, or approvals, except for a failure, non-compliance, or proceeding that would not have a Material Adverse Effect. To the best of IFM's knowledge, except as disclosed on Schedule 4.17 and the Horizon Environmental Report, there has been no release of a "hazardous substance" as that term is defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. ss. 9601(14) into the environment at the Premises, including, without limitation, any such release in the soil or groundwater underlying or adjacent to the Premises, except for such releases that would not have a Material Adverse Effect. To the best of IFM's knowledge, except as disclosed on Schedule 4.17 and the Horizon Environmental Report, there is no asbestos, polychlorinated biphenyls or underground storage tank located on the Premises, and there have been no releases at, on or under the Premises of asbestos, polychlorinated biphenyls or materials stored in underground storage tanks, including, without limitation, petroleum or petroleum-based materials, except for such releases that would not have a Material Adverse Effect. IFM has not received written notice of and no IFM officer has received any oral or written notice of any violation of any environmental statute or regulation or other legal requirement pertaining to environmental matters, nor has IFM been advised of any material claim or liability pursuant to any environmental statute or regulation or other legal requirement pertaining to environmental matters brought by any governmental agency or private party.

4.18 Property.

(a) To the best of IFM's knowledge, the structures owned or leased by IFM are structurally sound, are in good and safe operating condition and repair and are adequate for the uses to which they are being put, except for maintenance performed in the ordinary course of business.

(b) Schedule 4.18(b) hereto sets forth a true and correct description of each of the services provided to IFM by CryoLife.

4.19 Brokers. Neither IFM nor CryoLife has not retained, employed, or dealt with any third-party broker, finder, or investment banker in connection with this Agreement or the transactions contemplated hereby and no broker or other third-party is entitled to any commission or finder's fee as a result of any agreement or action taken by IFM or its affiliates in connection with such transactions.

5. Horizon's Representations and Warranties. Horizon hereby represents and warrants to IFM as follows:

5.1 Organization and Good Standing. Horizon is a corporation duly organized, validly existing, and in good standing under the laws of Georgia, and has the requisite corporate power and authority to execute and deliver this Agreement and the documents, agreements, and certificates (collectively, the "Horizon Transfer Documents") which are required to be executed and delivered by Horizon pursuant to this Agreement and to perform in all respects its

obligations hereunder and thereunder.

5.2 Due Authorization; Enforceability; No Conflict. The execution, delivery, and performance of this Agreement and the Horizon Transfer Documents have been duly authorized by all requisite corporate action on the part of Horizon. This Agreement has been duly executed and delivered by Horizon and constitutes, and each of the Horizon Transfer Documents when executed and delivered will constitute, the valid and binding obligation of Horizon, enforceable in accordance with and subject to their respective terms, except as limited by bankruptcy, insolvency, reorganization, and similar laws affecting the enforceability of creditors' rights or contractual obligations generally. Except as set forth on Schedule 5.2 attached hereto, the execution, delivery, and performance by Horizon of this Agreement and the Horizon Transfer Documents and the consummation of the transactions contemplated hereby and thereby will not:

(a) Violate any provision of the Articles of Incorporation or bylaws of Horizon;

(b) Violate any provision of any judicial, arbitral or administrative order, award, judgment, or decree applicable to Horizon;

(c) Conflict with, result in a material breach of or constitute a default under any agreement or instrument to which Horizon is a party or by which it is bound;

(d) Violate, in any material respect, any applicable law, rule, ordinance, or regulation applicable to Horizon; or

(e) Require Horizon to obtain the consent, approval, or authorization of, or require Horizon to file a certificate, notice, application, report or other document with, any federal, state, or local governmental authority or agency, lender, lien holder, or other person or entity.

5.3 Litigation. There are no judicial, arbitral, or administrative actions, suits, or proceedings or, to the knowledge of Horizon, any investigations pending against Horizon which would, if adversely determined, prevent, hinder, delay, or otherwise adversely affect the consummation of the transactions contemplated hereby. Horizon is not a party to or subject to the provisions of any order, decree, or judgment of any court or of any governmental agency which may prevent, hinder, or otherwise adversely affect the consummation of the transactions contemplated hereby.

5.4 Brokers. Horizon has not retained, employed, or dealt with any third-party broker, finder, or investment banker in connection with this Agreement or the transactions contemplated hereby and no broker or other third-party is entitled to any commission or finder's fee as a result of any agreement or action taken by Horizon or its affiliates in connection with such transactions.

5.5 Priority of Security Interest. Upon execution and delivery of the Security Agreement, IFM shall obtain a valid lien against all the Purchased Assets, prior to all other liens or encumbrances, including those which may hereafter accrue, except for any security interests granted with respect to the Bank Indebtedness. The current aggregate amount loaned and available for loan to Horizon under the Bank Indebtedness is approximately Fifty Million Seven Hundred Thousand Dollars ($50,700,000).

6. Covenants and Agreements of the Parties.

6.1 Horizon Access. Prior to the Closing, (i) authorized representatives of Horizon shall have reasonable access to the properties, books, records, employees and documents of IFM pertaining to the Business and Purchased Assets, (ii) IFM will furnish to Horizon all information with respect to the affairs of the Business that Horizon may reasonably request.

6.2 Cooperation in Litigation. Each party will fully cooperate with the other in the defense or prosecution of any litigation or proceeding already instituted or which may be instituted hereafter against or by such party relating to or arising out of the conduct of the Business prior to or after the closing Date (other than litigation arising out of the transactions contemplated by this Agreement). Except as provided for by Section 9 hereof, the party requesting such cooperation shall pay the out-of-pocket expenses (including legal fees and disbursements) of the party providing such cooperation and of its officers, directors, employees, and agents reasonably incurred in connection with providing such cooperation, but shall not be responsible to reimburse the party providing such cooperation for such party's time spent in such cooperation or the salaries or cost of fringe benefits or other similar expenses paid by the parties providing such cooperation to its officers, directors, employees, and agents while assisting in the defense or prosecution of any such litigation or proceeding.

6.3 Conduct of Business. From the date of this Agreement and through and including the Closing Date, (i) IFM shall conduct the Business in accordance with prior practice and only in the ordinary course of business and (ii) shall use its commercially reasonable efforts to preserve the Purchased Assets and to preserve for Horizon, IFM's favorable business relationship with its customers and others with whom business relationships exist. Without limiting the generality of the foregoing, unless otherwise consented in writing by Horizon, IFM shall:

(a) not produce finished goods inventory in excess of the quantity that is needed to fill Horizon's purchase orders and sustain current inventory levels;

(b) not purchase production equipment in excess of Twenty-Five Thousand Dollars ($25,000);

(c) not purchase office equipment in excess of Ten Thousand Dollars ($10,000);

(d) not enter into any material transaction not in the ordinary course of the Business;

(e) not sell or transfer any of its assets, except for sales in the ordinary course of the Business;

(f) not pledge or encumber any of the Purchased Assets;

(g) not materially amend, modify, or terminate any material Contract relating to the Business or the Purchased Assets;

(h) not reduce the amount of the Inventory other than in the ordinary course of the Business;

(i) not make any material changes in its methods or business operations relating to the Business or the Purchased Assets; and

(j) comply in all material respects with all Laws applicable to IFM, the Business or the Purchased Assets.

6.4 CryoLife Projects. After the Closing, Horizon shall continue to perform the work currently being performed by IFM for CryoLife, including (i) the manufacturing and packaging of BioGlue dispensers, mixing tips and twist rings, (ii) the preparation of packaging for allograft tissue, and (iii) the preparation work for CryoLife's cryopaks, pursuant to the terms of the Manufacturing, Assembly and Packaging Agreement in the form of Exhibit G hereto.

6.5 Employees. On the Closing Date, IFM shall terminate the employment of all employees of IFM, and Horizon shall rehire and engage only such employees as designated on Schedule 6.5(a) (the "Retained Employees"); provided, however, that the number of employees of IFM who do not become Retained Employees shall not exceed forty-nine (49) employees. Horizon agrees to pay the retention bonus amounts earned by the Retained Employees as set forth in the contracts listed on Schedule 6.5(b) up to an aggregate amount of $62,123.24, plus any amount resulting from an increase in any Retained Employee's compensation on or after October 9, 2000. Horizon shall have no responsibility to pay any Retained Employee any separation benefit or severance compensation if Horizon should terminate the Retained Employee prior to December 1, 2000, except to the extent that such separation benefit or severance compensation results from any increase in any Retained Employee's compensation after October 9, 2000. Horizon shall continue the CIGNA Plan (as defined in Section 4.15(j)) under Horizon's name through the end of the current policy year for all Retained Employees. After the current policy year, Horizon shall continue the CIGNA Plan on a month-to-month basis until the Retained Employees are added to the Horizon group health plan. IFM shall take such steps as reasonably requested by Horizon to assign to Horizon IFM's rights and interests as the employer under the CIGNA Plan as of the Closing Date. All other liabilities and obligations arising from employment or termination of IFM employees who are not engaged by Horizon shall be the responsibility of IFM or CryoLife. All liabilities and obligations accruing after Closing relating to the Retained Employees shall be the responsibility of Horizon, and all liabilities and obligations relating to the Retained Employees accruing prior to Closing shall be the responsibility of IFM or CryoLife, except with respect to the payment of employee compensation that is prorated pursuant to Section 2.3(c) and as otherwise set forth herein. Notwithstanding the foregoing, Bill Wright shall become an employee of CryoLife, and Horizon shall not be responsible for any obligations or liabilities arising from the termination of Mr. Wright as an IFM employee. Mr. Wright's services shall be made available without cost to Horizon by CryoLife for a period of six (6) months following the Closing Date to assist with the transition of the Purchased Assets from IFM to Horizon. Mr. Wright shall make available to Horizon such information concerning the Business or the Purchased Assets as Horizon shall request.

6.6 Transition Services. IFM and CryoLife agree to provide information technology services, accounting assistance and laboratory services to Horizon at cost for a period of transition as provided in the Transition Services Agreement in the form of Exhibit H hereto.

6.7 Current Information. IFM will advise Horizon and Horizon will advise IFM in writing immediately, but in any event prior to the Closing, of:

(a) the occurrence of any event which renders any of the representations or warranties set forth herein materially inaccurate or the awareness of either Horizon or IFM that any representation or warranty set forth herein was not materially accurate when made;

(b) any fact that, if existing or known on the date hereof, would have been required to be set forth or disclosed in or pursuant to this Agreement; and

(c) the failure of any party hereto to comply with or accomplish any of the covenants or agreements set forth herein.

6.8 Access.

(a) IFM and CryoLife shall reasonably cooperate with Horizon after the Closing Date so that Horizon has access to any information relating to the Business or the Purchased Assets as is reasonably necessary (but only to the extent necessary) for (i) the preparation for or the prosecution or defense of any suit, action, litigation, or administrative, arbitration, or other proceeding or investigation by or against Horizon or for any third

party claim for which indemnification is claimed pursuant to the terms of Section 9 below, (ii) the preparation and filing of any tax return or election relating to the Business or the Purchased Assets and any audit by any taxing authority relating thereto, (iii) the preparation and auditing of Horizon's financial statements, or (iv) the preparation and filing of any other document required by any federal, state, or local governmental department, regulatory agency, authority, commission, board, or court. The access contemplated by this provision shall be during normal business hours and upon not less than two (2) business days prior written request.

(b) Horizon shall reasonably cooperate with IFM and CryoLife after the Closing Date so that IFM has access to information and documentation concerning the Purchased Assets as is necessary (but only to the extent necessary) for (i) the preparation for or the prosecution or the defense of any suit, action, litigation, or administrative, arbitration, or other proceeding or investigation by or against IFM or CryoLife or for any third party claim for which indemnification is claimed pursuant to the terms of Section 9 below, (ii) the preparation and filing of any tax return or election relating to the Business and any audit by any taxing authority relating thereto, or (iii) the preparation and filing of any other document required by any federal, state, or local governmental department, regulatory agency, authority, commission, board, or court. The access contemplated by this provision shall be during normal business hours and upon not less than two (2) business days' prior written request.

6.9 Product Liability Insurance. The parties acknowledge and agree that IFM's obligation to maintain product liability insurance pursuant to Section 6.6 of the Second Purchase Agreement and Horizon's obligation to maintain product liability insurance pursuant to Section 18 of the Manufacturing Agreement shall remain in effect following the execution of this Agreement, in accordance with the terms of the Second Purchase Agreement and the Manufacturing Agreement, respectively. In addition, the insurance that IFM maintains pursuant to Section 6.6 of the Second Purchase Agreement shall cover all products manufactured by IFM prior to the Closing Date, including, without limitation, the Excluded Products, in addition to the Products and the Products Business (as defined in the Second Purchase Agreement).

6.10 Public Announcements. The timing and content of all announcements regarding any aspect of this Agreement or the transactions contemplated hereby to the financial community, government agencies, employees or the general public shall be agreed upon among the parties hereto in advance (unless Horizon or IFM is advised by counsel that any such announcement or other disclosure not mutually agreed upon in advance is required to be made by law or applicable rule of the American Stock Exchange and/or the New York Stock Exchange and then only after making a reasonable attempt to comply with the provisions of this Section).

6.11 Labeling. All Products (as defined in the Second Purchase Agreement) shall be labeled as follows:

(a) all Products labeled on or prior to the Closing Date (including all Finished Goods Inventory and labeled work in process) shall bear labels including the IFM and CryoLife names, and CryoLife grants Horizon a license to use its name and trademarks in the sale and distribution of such Products;

(b) all Products labeled after the Closing Date and on or prior to the sixtieth (60th) day following the Closing Date shall bear labels including the IFM and CryoLife names; provided, however, that Horizon shall mark out the CryoLife name on such labels; and

(c) all Products labeled after the sixtieth (60th) day following the Closing Date shall bear labels which do not include the CryoLife name.

7. Conditions Precedent to Horizon's Obligations. Unless otherwise waived

by Horizon, the obligations of Horizon under this Agreement are subject to the fulfillment on or before the Closing Date of each of the following conditions:

7.1 Approvals. Horizon's obligations to purchase the Purchased Assets are subject to:

(i) approval by the Board of Directors of Horizon,

(ii) approval by the Board of Directors of CryoLife,

(iii) approval by Horizon's lender, Bank of America, N.A., and

(iv) consent by Secret Promise, Ltd. to the Sublease Agreement.

7.2 Encumbrances. IFM shall have delivered to Horizon evidence, in form and substance reasonably satisfactory to Horizon, that IFM has not created any Encumbrances and that no Encumbrances then exist on the Purchased Assets.

7.3 Representations, Warranties, and Covenants. The representations and warranties of IFM contained in this Agreement shall be true and correct in all material respects at and as of the date hereof and at and as of the Closing Date with the same force and effect as though made at and as of the Closing Date, except for changes therein as may be specifically contemplated by this Agreement. IFM shall have duly performed and complied in all material respects with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date. IFM shall have delivered to Horizon a certificate dated as of the Closing Date to the foregoing effect.

7.4 Litigation Affecting Closing. There shall not be pending or threatened any action or proceeding for any injunction, writ, or preliminary restraining order, or for any order of any court, governmental agency, or arbitrator, domestic or foreign, federal, state, or local, of competent jurisdiction, or any investigation or examination which might result in such an action or proceeding, directing that the sale of the Purchased Assets to Horizon or any of the other transactions contemplated by this Agreement not be consummated or otherwise challenging the legality thereof, and there shall not be in effect on the Closing Date any such injunction, writ, or preliminary restraining order or such other order.

7.5 Closing Deliveries. At the Closing, IFM shall have delivered to Horizon such instruments, documents, and certificates as are required pursuant to Section 3.2 hereof.

7.6 No Damage, etc. Between the date of this Agreement and the Closing Date, there shall not have occurred any damage or destruction of, or loss to, any of the Purchased Assets, whether or not covered by insurance, which has had or may reasonably be expected to have a Material Adverse Effect, nor shall there have occurred any other event or condition which has had or which reasonably may be expected to have a Material Adverse Effect.

7.7 Consents. IFM shall have obtained all necessary consents and approvals as set forth on Schedule 4.2, if any.

7.8 Corporate Action. All corporate action necessary by IFM to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby shall have duly and validly taken.

8. Conditions Precedent to IFM's Obligations. Unless otherwise waived by IFM, the obligations of IFM under this Agreement are subject to the fulfillment on or before the Closing Date of each of the following conditions:

8.1 Approvals. IFM's obligation to sell the Purchased Assets is subject to:

(i) approval by the Board of Directors of CryoLife,

(ii) approval by the Board of Directors of Horizon,

(iii) approval by CryoLife's lender, and

(iv) consent by Secret Promise, Ltd. to the Sublease Agreement.

8.2 Representations, Warranties, and Covenants. The representations and warranties of Horizon contained in this Agreement shall be true and correct in all material respects at and as of the Closing Date with the same force and effect as though made at and as of the Closing Date, except for such changes therein as may be specifically contemplated by this Agreement. Horizon shall have duly performed and complied in all material respects with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing Date. Horizon shall have delivered to IFM a certificate dated the Closing Date to the foregoing effect.

8.3 Litigation Affecting Closing. There shall not be pending or threatened any action or proceeding for any injunction, writ, or preliminary restraining order, or for any order of any court, governmental agency, or arbitrator, domestic or foreign, federal, state, or local, of competent jurisdiction, or any investigation or examination which might result in such an action or proceeding, directing that the sale of the Purchased Assets to Horizon or any of the other transactions contemplated by this Agreement not be consummated or otherwise challenging the legality thereof, and there shall not be in effect on the Closing Date any such injunction, writ, or preliminary restraining order or such other order.

8.4 Closing Deliveries. At the Closing, Horizon shall have delivered to IFM such instruments, documents, certificates, and payments as are required pursuant to Section 3.3 hereof.

8.5 Consents. Horizon shall have obtained all necessary consents and approvals as set forth on Schedule 5.2, if any.

8.6 Corporate Action. All corporate action necessary by Horizon to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby shall have duly and validly taken.

9. Indemnification.

9.1. Indemnification Obligations of IFM. From and after the Closing, IFM shall indemnify and hold harmless Horizon, its officers and directors, and each of the successors and assigns of any of the foregoing (collectively, the "Horizon Indemnified Parties") from, against and in respect of any and all claims, liabilities, obligations, losses, costs, expenses, penalties, fines and other judgments (at equity or at law) and damages whenever arising or incurred (including, without limitation, amounts paid in settlement, costs of investigation and reasonable attorneys' fees and expenses) (collectively "Damages") arising out of or relating to: (a) any and all liabilities and obligations of IFM of any nature whatsoever, except the Assumed Liabilities; (b) any and all actions, suits, claims, or legal, administrative, arbitration, governmental or other proceedings or investigations against any Horizon Indemnified Party that relate to IFM, the Business or the Purchased Assets to the extent the principal event giving rise thereto (i) occurred on or prior to the Closing Date or (ii) resulted from or arose out of any action or inaction of IFM after the Closing Date; (c) any breach of any representation, warranty, covenant, agreement or undertaking made by IFM in this Agreement or in any of the IFM Transfer Documents; or (d) any fraud, willful misconduct, bad faith or any intentional breach of any representation, warranty, covenant, agreement or undertaking made by IFM in this Agreement or the IFM Transfer Documents.

9.2 Indemnification Obligations of Horizon. From and after the

Closing, Horizon shall indemnify and hold harmless IFM and CryoLife and their officers and directors, and each of the successors and assigns of any of the foregoing (collectively, the "IFM Indemnified Parties") from, against and in respect of any and all Damages arising out of or relating to: (a) any failure of Horizon to perform or discharge any Assumed Liabilities; (b) any and all actions, suits, claims, or legal, administrative, arbitration, governmental or other proceedings or investigations against any IFM Indemnified Party that relate to Horizon or the conduct by Horizon of the Business to the extent the principal event giving rise thereto resulted from or arose out of any action or

inaction of Horizon after the Closing Date; (c) any breach of any representation, warranty, covenant, agreement or undertaking made by Horizon in this Agreement or in any of the Horizon Transfer Documents; or (d) any fraud, willful misconduct, bad faith or any intentional breach of any representation, warranty, covenant, agreement or undertaking made by Horizon in this Agreement or any of the Horizon Transfer Documents.

9.3 Indemnification Procedure.

(a) Promptly after receipt by a Horizon Indemnified Party or an IFM Indemnified Party (hereinafter collectively referred to as an "Indemnified Party") of notice by a third party of any complaint or the commencement of any action or proceeding with respect to which indemnification is being sought hereunder, such Indemnified Party shall notify Horizon or IFM, whoever is the appropriate indemnifying party hereunder (the "Indemnifying Party"), of such complaint or of the commencement of such action or proceeding; provided, however, that the failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party from liability for such claim arising otherwise than under this Agreement and such failure to so notify the Indemnifying Party shall relieve the Indemnifying Party from liability which the Indemnifying Party may have hereunder with respect to such claim only to the extent that, such failure to notify the Indemnifying Party results in the forfeiture by the Indemnifying Party of rights and defenses otherwise available to the Indemnifying Party with respect to such claim. The Indemnifying Party shall have the right, upon written notice to the Indemnified Party, to assume the defense of such action or proceeding, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of the fees and disbursements of such counsel. In the event, however, that the Indemnifying Party declines or fails to assume the defense of the action or proceeding or to employ counsel reasonably satisfactory to the Indemnified Party, in either case in a timely manner, then such Indemnified Party may employ counsel to represent or defend it in any such action or proceeding and the Indemnifying Party shall pay the reasonable fees and disbursements of such counsel as incurred; provided, however, that the Indemnifying Party shall not be required to pay the fees and disbursements of more than one counsel for all Indemnified Parties in any jurisdiction in any single action or proceeding. In any action or proceeding with respect to which indemnification is being sought hereunder, the Indemnified Party or the Indemnifying Party, whichever is not assuming the defense of such action, shall have the right to participate in such litigation and to retain its own counsel at such party's own expense. The Indemnifying Party or the Indemnified Party, as the case may be, shall at all times use reasonable efforts to keep the Indemnifying Party or the Indemnified Party, as the case may be, reasonably apprised of the status of the defense of any action the defense of which they are maintaining and to cooperate in good faith with each other with respect to the defense of any such action.

(b) No Indemnified Party may settle or compromise any claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder without the prior written consent of the Indemnifying Party, unless such settlement, compromise or consent includes an

unconditional release of the Indemnifying Party from all liability arising out of such claim. An Indemnifying Party may not, without the prior written consent of the Indemnified Party, settle or compromise any claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Indemnified Party from all liability arising out of such claim and does not contain any equitable order, judgment or term which in any manner affects, restrains or interferes with the business of the Indemnified Party or any of the Indemnified Party's respective affiliates.

(c) In the event an Indemnified Party shall claim a right to payment pursuant to this Agreement, such Indemnified Party shall send written notice of such claim to the appropriate Indemnifying Party. Such notice shall specify the basis for such claim. As promptly as possible after the Indemnified Party has given such notice, such Indemnified Party and the appropriate Indemnifying Party shall establish the merits and amount of such claim (by mutual agreement, litigation, arbitration or otherwise). Within five (5) business days of the final determination of the merits and amount of such claim, the Indemnifying Party shall deliver to the Indemnified Party in immediately available funds an amount equal to such claim as determined hereunder; provided, however, that to the extent any such claim arising out of Section 9.1 of this Agreement does not involve a payment by Horizon to any third party (including attorneys' fees incurred by Horizon), an amount equal to such claim shall instead (i) be set off against the monthly obligations of Horizon to pay principal and interest under the Note as such monthly payments become due, and (ii) be delivered to the Horizon Indemnified Party in immediately available funds to the extent that such claim exceeds the remaining principal and interest due under the Note.

9.4 Claims Period. Except as provided in this Section 9.4, no claim for indemnification under this Agreement, including, but not limited to claims for indemnification or breach of warranty or covenants, may be asserted by an Indemnified Party after the expiration of the appropriate claims period (the "Claims Period") which shall commence on the Closing Date and shall terminate eighteen (18) months after the Closing Date; provided, however, that (a) the Claims Period with respect to Damages arising under Sections 4.1, 4.2., 4.4, 4.5, 4.15, 5.1, 5.2, 5.5, 9.1(a), (b), and (d), and 9.2(a), (b) and (d) of this Agreement shall commence on the Closing Date and shall survive and remain in effect without limitation until the expiration of the applicable statute of limitations period, (b) the Claims Period with respect to Damages arising under Section 4.17 of this Agreement shall commence on the Closing Date and shall survive and remain in effect without limitation until the fifth (5th) anniversary of the Closing Date, (c) the obligation of Horizon to pay, perform and discharge the Assumed Liabilities shall survive until such liabilities have been paid, performed and discharged, and (d) if prior to the close of business on the last day of the Claims Period, an Indemnifying Party shall have been properly notified of a claim for Indemnity hereunder and such claim shall not have been finally resolved or disposed of at such date, the basis of such claim shall continue to survive with respect to such claim and shall remain a basis for indemnity hereunder with respect to such claim until such claim is finally resolved or disposed of in accordance with the terms hereof.

9.5 Liability Limits. Notwithstanding anything to the contrary set forth herein:

(a) IFM shall be liable to Horizon Indemnified Parties and Horizon shall be liable to IFM Indemnified Parties for Damages only to the extent that any such Damages exceed, in the aggregate, Fifteen Thousand Dollars ($15,000) (the "Basket Amount"); provided, however, that Damages arising under or pursuant to Sections 4.1, 4.2, 4.4, 4.5, 4.15, 5.1, 5.2, 5.5,

9.1(a), (b) and (d) and 9.2(a), (b) and (d) shall not be subject to Basket Amount, nor shall the amount of any such Damages or indemnification be included in determining whether such Basket Amount has been reached.

(b) Cap Amount.

(i) The indemnification obligations of IFM or Horizon hereunder shall not exceed Three Million Eight Hundred Thousand Dollars ($3,800,000) (the "Cap Amount"). Notwithstanding the first sentence of this Section 9.5(b)(i), the Cap Amount shall be increased to Five Million Nine Hundred Forty-Five Thousand Two Hundred Sixteen Dollars ($5,945,216) in the event that Horizon becomes ineligible for any reason to receive the Discount (as defined in Section 2.1(c)). Except to the extent that any claim arising out of Section 9.1 of this Agreement involves a payment by Horizon to any third party (including attorneys' fees incurred by Horizon), in no event shall the aggregate amount of funds that may be paid by CryoLife and IFM pursuant to their indemnification obligations hereunder exceed (a) the aggregate amount of principal and interest payments received by IFM from Horizon under the Note, plus (b) any amount offset by Horizon against the Note pursuant to Section 9.3(c) as a result of any claim covered by Section 9.5(b)(ii).

(ii) Notwithstanding the provisions of Section 9.5(b)(i), any Damages arising under or pursuant to Sections 4.1, 4.2, 4.4, 4.5, 4.15, 5.1, 5.2, 5.5, 9.1(a), (b) and (d), and 9.2(a), (b), and (d) shall not be subject to the Cap Amount, and there shall be no limitation on the indemnification obligations of IFM or Horizon with respect to Damages or indemnification arising under or pursuant to such Sections.

(c) Neither Horizon nor IFM shall be liable under this Agreement for any Damages arising out of or relating to the Port Business (as that term is defined in the First Purchase Agreement) and the provisions of this Section 9 shall neither extend nor limit the indemnification provided by the First Purchase Agreement.

(d) Neither Horizon nor IFM shall be liable under this Agreement for any Damages arising out of or relating to the Products Business (as that term is defined in the Second Purchase Agreement) and the provisions of this Section 9 shall neither extend nor limit the indemnification provided by the Second Purchase Agreement.

(e) Neither Horizon nor IFM shall be liable under this Agreement for any Damages arising out of or resulting from any defects in or damage or injury to any person caused by any products manufactured or delivered by IFM to Horizon pursuant to the Manufacturing Agreement, such indemnification for such Damages to be as set forth in the Manufacturing Agreement.

(f) The rights and remedies set forth in Sections 9.1 through 9.5 shall be the exclusive remedies available to the parties pertaining to any alleged environmental liability, and the parties explicitly waive any rights to cost recovery or contribution that they have or may have under any state or federal environmental statute or under the common law.

9.6 Jurisdiction and Forum.

(a) By the execution and delivery of this Agreement, each Indemnifying Party irrevocably designates and appoints each of the parties set forth under its name below as its authorized agent upon which process may be served in any suit or proceeding arising out of or relating to this Agreement that may be instituted in any state or federal court in the State of Georgia.

IFM:

Clinton D. Richardson, Esq.
Arnall Golden & Gregory, LLP
1201 West Peachtree Street
2800 One Atlantic Center
Atlanta, Georgia 30309

Horizon:

Jon R. Harris, Jr., Esq.
King & Spalding
191 Peachtree Street, N.E.
Suite 4600
Atlanta, Georgia 30303-1763

In addition, each party agrees that service of process upon the above-designated parties shall be deemed in every respect effective service of process upon such Indemnifying Party in any such suit or proceeding. Each such Indemnifying Party further agrees to take any and all action reasonably requested by an Indemnified Party, including the execution and filing of any and all such documents and instruments, as may be necessary to continue such designation and appointment of the above-designated parties in full force and effect so long as this Agreement shall be in effect. The foregoing shall not limit the rights of any party to serve process in any other manner permitted by law.

(b) To the extent that any Indemnifying Party has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution or otherwise) with respect to itself or its property, each Indemnifying Party hereby irrevocably waives such immunity in respect of its obligations with respect to this Agreement.

(c) The parties hereto consent and agree that the appropriate forum and venue for any disputes between any of the parties hereto arising out of this Agreement shall be in any of the following courts and hereby waive any defense or objection they may have of improper venue in any such lawsuits filed in these courts: (i) the state or superior court of the county where each of CryoLife and Horizon has its principal place of business (presently, Cobb County, Georgia and Meriwether County, Georgia); and (ii) the United States District Court for the Northern District of Georgia, Atlanta Division, and each of the parties hereto hereby submits to the personal jurisdiction of any such court. The foregoing shall not limit the rights of any party to obtain execution of judgment in any other jurisdiction. The parties further agree, to the extent permitted by law, that a final and unappealable judgment against any of them in any action or proceeding contemplated above shall be conclusive and may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence of the fact and amount of such judgment.

9.7 Bulk Sales Indemnity. Horizon hereby waives compliance with the provisions of any applicable bulk sales or transfer laws in connection with the sale of the Purchased Assets contemplated by this Agreement. IFM agrees to indemnify and hold Horizon harmless from and against any and all Damages, including without limitation any claims made by creditors and any Damages arising out of or relating to any Encumbrance on Purchased Assets arising out of or relating to IFM's non-compliance with any applicable bulk sales or transfer laws in connection with the sale of the Purchased Assets contemplated by this Agreement, except to the extent that any such Damages results from or arises out of any failure by Horizon to pay or perform, when due, any obligations to be paid or performed by Horizon as provided in this Agreement.

9.8 Exclusive Remedies. After the Closing, the rights of indemnification contained in this Section 9 shall be deemed to be the exclusive remedy of the parties hereto with respect to a default or breach by any other party or other claim under or with respect to this Agreement.

10. Termination.

10.1 Termination and Abandonment. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual agreement of Horizon and IFM;

(b) by either party at any time after November 1, 2000 if Closing has not occurred and the Closing Date has not been extended by the parties hereto;

(c) by IFM, if the conditions set forth in Section 8 hereof shall not have been complied with or performed and such noncompliance or nonperformance shall not have been cured or eliminated (or by its nature cannot be cured or eliminated) by Horizon on or before the Closing Date; and

(d) by Horizon, if the conditions set forth in Section 7 hereof shall not have been complied with or performed and such noncompliance or nonperformance shall not have been cured or eliminated (or by its nature cannot be cured or eliminated) by IFM on or before Closing Date.

10.2 Effect of Termination. In the event of termination of this Agreement pursuant to this Section 10, this Agreement shall forthwith be void and there shall be no liability on the part of any party or its respective officers, directors, partners or shareholders, except for obligations under Sections 10, 11 and 12.3, all of which shall survive the termination. Notwithstanding the foregoing, nothing contained herein shall relieve any party from liability for any breach of any covenant or agreement in this Agreement prior to termination.

11. Confidentiality.

11.1 Confidentiality. All proprietary information related to the Business or the Purchased Assets (the "Confidential Information") shall be treated by IFM and CryoLife as confidential and shall not be disclosed to any third parties unless (i) such Confidential Information is or becomes part of the public knowledge or literature through no fault of IFM or CryoLife, or (ii) IFM and CryoLife are advised by written opinion of counsel that it is legally required to disclose such Confidential Information, in which case such Confidential Information may be disclosed only to the extent legally required; provided, however, that IFM and CryoLife agree to promptly notify Horizon of such legal disclosure requirement so that Horizon has a reasonable opportunity to seek a protective order. IFM and CryoLife shall use all reasonable efforts to prevent the use of all or any part of such Confidential Information in any other connection or the transmission thereof to third parties unless and until it has first obtained the written consent of Horizon specifically authorizing such use or transmission.

11.2 Remedies. IFM and Horizon hereby agree that any remedy at law for any breach of the provisions contained in Section 11.1 hereof shall be inadequate and that Horizon or IFM, as the case may be, shall be entitled to injunctive relief in addition to any other remedy Horizon might have under this Agreement.

11.3 Continuing Right to Use. IFM and CryoLife shall retain the right to use portions of the trade secrets, Confidential Information and know-how conveyed to Horizon which have applications outside the Business (the "Shared Information") and are retained in the minds of CryoLife employees and Bill Wright, but only in connection with the manufacture of medical products not in

competition with the Business or Horizon, provided that IFM and/or CryoLife shall be responsible for paying any royalty, license or fee obligations arising out of IFM's and/or CryoLife's use of the Shared Information. Notwithstanding anything to the contrary contained in this Section 11.3, neither IFM nor CryoLife shall have the right to use any portion of the Shared Information relating to the development, manufacture or sale of any synthetic latex product.

12. Miscellaneous.

12.1 Further Assurances. Subject to the other provisions of this Agreement, IFM agrees that after the Closing Date it shall, from time to time, upon the reasonable request of Horizon, execute and deliver such other instruments of conveyance and other similar documents and take such other actions as Horizon may reasonably require, consistent with the terms of this Agreement, as are reasonably necessary or desirable to transfer to Horizon title to the Purchased Assets and to otherwise perform the provisions of this Agreement to be performed by IFM. From and after the Closing Date, upon the reasonable request of IFM, Horizon shall execute, deliver, and acknowledge all such further instruments of conveyance and other similar documents and take such other actions as IFM may reasonably require, consistent with the terms of this Agreement, as are reasonably necessary or desirable to perform the provisions of this Agreement to be performed by Horizon.

12.2 Benefit of Agreement. This Agreement shall be binding upon and inure to the benefit of IFM and Horizon and their respective successors and assigns and shall not confer any rights upon any third persons.

12.3 Expenses. Except as otherwise provided herein, each party hereto agrees to pay its expenses incurred in connection with the transactions contemplated by this Agreement, including, without limitation, the fees and expenses of its accountants and counsel.

12.4 Entire Agreement; Amendments. This Agreement and the agreements referenced herein (including, without limitation, the Horizon Transfer Documents, the IFM Transfer Documents, the surviving provisions of the Manufacturing Agreement as specified herein, the First Purchase Agreement and the Second Purchase Agreement) constitute the entire agreement between the parties pertaining to the subject matter contained herein, and supersedes all prior agreements, arrangements, and understandings of the parties. No supplement, modification, or amendment of or to this Agreement shall be binding, unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party granting the waiver.

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

12.6 Section and Paragraph Headings. The index and section and paragraph headings of this Agreement are included for purposes of convenience only and shall not affect in any way the construction or interpretation of any of the provisions of this Agreement.

12.7 Notices. All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed to have been given on the date when delivered personally or sent by facsimile, the next business day after delivery to a nationally recognized overnight delivery service, or on the seventh (7th) day after mailing if mailed by first class mail, registered or certified, postage prepaid, and properly addressed as follows or to such other address as either party may designate by notice to the other party:

(a) To Horizon:

Horizon Medical Products, Inc.
Attn: Robert M. Dodge, Chief Financial Officer
Seven North Parkway Square
4200 Northside Parkway, N.W.
Atlanta, Georgia 30327
FAX: 404/264-9919

With copies to:

Nat G. Slaughter, III
Slaughter & Virgin, P.C.
400 Colony Square; Suite 1110
1201 Peachtree Street, N.E.
Atlanta, Georgia 30361
FAX: 404/872-7879

and

Jon R. Harris, Jr., Esq.
King & Spalding
191 Peachtree Street, N.E.
Suite 4600
Atlanta, Georgia 30303-1763
FAX: 404/572-5146

(b) To IFM:

Ideas for Medicine, Inc.
c/o CryoLife, Inc.
Attn: Vice President of Finance
1655 Roberts Blvd., N.W.
Kennesaw, Georgia 30144
FAX: 770/590-3754

With a copy to:

Arnall Golden & Gregory, LLP
Attn: Clinton D. Richardson
2800 One Atlantic Center
1201 West Peachtree Street
Atlanta, Georgia 30309-3450
FAX: 404/873-8665

(c) To CryoLife:

CryoLife, Inc.
Attn: Chief Financial Officer
1655 Roberts Blvd., N.W.
Kennesaw, Georgia 30144
FAX: 770/590-3754

With a copy to:

Arnall Golden & Gregory, LLP
Attn: Clinton D. Richardson
2800 One Atlantic Center
1201 West Peachtree Street
Atlanta, Georgia 30309-3450
FAX: 404/873-8665

12.8 Governing Law. This Agreement shall be governed by and construed exclusively in accordance with the internal laws of the State of Georgia,

without reference to its conflicts of law principles.

12.9 Interpretation. The parties acknowledge and agree that: (i) each party and its counsel reviewed and negotiated the terms and provisions of this Agreement and have contributed to its revision; (ii) the rule of construction to the effect that any ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement; and (iii) the terms and provisions of this Agreement shall be construed fairly as to all parties hereto, regardless of which party was generally responsible for the preparation of this Agreement.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the day and year first above written.

HORIZON MEDICAL PRODUCTS, INC.

By: /s/ William E. Peterson, Jr.

Name: William E. Peterson, Jr.
Title: President

IDEAS FOR MEDICINE, INC.

By: /s/ D. A. Lee

Name: D.A. Lee
Title: VP Finance and CFO

List of Exhibits

Exhibit A	Form of Note
Exhibit B	Form of CryoLife Guaranty
Exhibit C	Form of Bill of Sale
Exhibit D	Form of Assignment and Assumption Agreement
Exhibit E	Form of Opinion of Counsel to IFM and CryoLife
Exhibit F	Form of Sublease Agreement
Exhibit G	Form of Manufacturing, Assembly and Packaging Agreement
Exhibit H	Form of Transition Services Agreement
Exhibit I	Form of Security Agreement
Exhibit J	Form of Opinion of Counsel to Horizon

List of Schedules

Schedule 1.2(a)	Fixed Assets
Schedule 1.2(b)(1)	Finished Goods Inventory
Schedule 1.2(b)(2)	Other Inventory
Schedule 1.2(c)	Leasehold Improvements
Schedule 1.2(d)	Intellectual Property
Schedule 1.2(e)	Assigned Contracts
Schedule 1.4(e)	Accounts Receivable

Schedule 1.4(g)	Excluded Product Materials
Schedule 1.4(i)	Third Party Equipment
Schedule 1.6	Allocation of Purchase Price
Schedule 1.7(a)	Trade Payables
Schedule 4.2	IFM Consents and Approvals
Schedule 4.3	Litigation
Schedule 4.7	Insurance
Schedule 4.8	Intangible Personal Property
Schedule 4.9	Contracts
Schedule 4.10(a)	Material Licenses
Schedule 4.10(b)(ii)	Notice of Adverse Filings, etc.
Schedule 4.11	Transactions with Affiliates
Schedule 4.14	Officers, Directors and Employees
Schedule 4.15	Employee Benefit Plans
Schedule 4.15(j)	CIGNA Plan Premiums
Schedule 4.17	Environmental Matters
Schedule 4.18(b)	Assets Necessary to Conduct Business
Schedule 5.2	Horizon Consents and Approvals
Schedule 6.5(a)	Retained Employees
Schedule 6.5(b)	Bonuses

Exhibit A

FORM OF SUBORDINATED PROMISSORY NOTE

October 9, 2000 $5,945,216
Atlanta, Georgia

FOR VALUE RECEIVED, the undersigned, HORIZON MEDICAL PRODUCTS, INC., a Georgia corporation ("Maker"), promises to pay to the order of IDEAS FOR MEDICINE, INC., a Florida corporation ("Payee" and, together with any subsequent holder(s) hereof, "Holder"), the principal sum of FIVE MILLION NINE HUNDRED FORTY-FIVE THOUSAND TWO HUNDRED SIXTEEN DOLLARS ($5,945,216) (the "Principal Amount"). The Principal Amount is comprised of the following three amounts: (i) an amount equal to Three Million Eight Hundred Thousand Dollars ($3,800,000) (the "Interest Bearing Amount"), (ii) an amount equal to One Million Dollars ($1,000,000) (the "Scheduled Payment Discount Amount"), and (iii) an amount equal to One Million One Hundred Forty-Five Thousand Two Hundred Sixteen Dollars ($1,145,216) (the "Timely Payment Discount Amount," and together with the Scheduled Payment Discount Amount, collectively, the "Discount Amounts").

1. Interest.

(a) The unpaid principal balance of the Interest Bearing Amount shall bear simple interest at the rate of nine percent (9%) per annum (computed on the basis of a 360-day year of twelve 30-day months).

(b) The Discount Amounts shall bear no interest so long as Maker makes all payments under this Note on a timely basis. All payments shall be considered to have been made on a "timely basis" unless Maker defaults in any payment of principal or interest when the same becomes due and payable and such default continues for a period of ten (10) days after Maker receives written notice of such default from Holder.

(c) If Maker fails to make any payment under this Note on a timely basis, the remaining unpaid principal balance of the Principal Amount shall bear interest at eighteen percent (18%) per annum.

2. Payment of Principal.

(a) This Note shall be payable in monthly installments of principal and interest of One Hundred Forty Thousand Dollars ($140,000) per month until all principal and interest due under the Interest Bearing Amount is paid in full. The first payment under this Note shall be due on October 15,

2000, and thereafter the monthly payments shall be due on the fifteenth (15th) day of each month.

(b) If Maker makes the Scheduled Payment pursuant to Section 3 of this Note prior to April 3, 2001, Holder shall forgive the Scheduled Payment Discount Amount, and the Principal Amount shall be reduced by an amount equal to the Scheduled Payment Discount Amount as of the date Horizon makes the Scheduled Payment.

(c) If Maker makes all payments on a timely basis until such time as the principal balance of the Interest Bearing Amount is paid in full (by payment, set-off, adjustment or otherwise), Holder shall forgive the Timely Payment Discount Amount and the entire Principal Amount shall be deemed paid in full.

(d) In the event that Maker fails to qualify for forgiveness of a Discount Amount, Maker shall continue to make monthly payments of principal and interest of One Hundred Forty Thousand Dollars ($140,000) per month, until all principal and interest due under such Discount Amount is paid in full.

(e) Payments of principal and interest hereunder shall be made at such place as Holder may designate and shall be in immediately available funds in lawful money of the United States. All payments, prepayments, adjustments and set-offs (excluding forgiveness of the Discounts pursuant to Section 2(b) or 2(c) above) in respect of this Note shall be applied first to accrued interest, then to the outstanding principal balance of the Interest Bearing Amount, and then, if not forgiven pursuant to Section 2(b) and/or (c) above, to the outstanding principal balance of the Discount Amount(s).

3. Scheduled Payment. Maker agrees to pay under this Note the sum of One Million Dollars ($1,000,000) (the "Scheduled Payment") upon the earlier of (i) the closing of one or more equity financings which result in consideration to Maker of at least Fifteen Million Dollars ($15,000,000) in exchange for Maker common and/or preferred stock or (ii) April 3, 2001. Upon payment by Maker of the Scheduled Payment prior to April 3, 2001, Holder shall forgive the Scheduled Payment Discount Amount in accordance with Section 2(b) above.

4. Prepayment. Any prepayment of this Note in part or in whole is hereby permitted without premium or penalty. Interest shall cease to accrue on all amounts which are prepaid.

5. Adjustment or Set-off of Note. This Note is being issued pursuant to that certain Asset Purchase Agreement (the "Asset Purchase Agreement"), dated as of October 9, 2000, by and among Maker and Payee. This Note shall be subject to adjustment and set-off as provided in the Asset Purchase Agreement, and the Principal Amount of this Note shall be reduced if required pursuant to the Asset Purchase Agreement. In the event of any such reduction, this Note shall be amended and restated to reflect such reduction and this original Note shall have no force and effect. Contemporaneously with the return of this original Note to Maker, Maker shall deliver the amended and restated Note to Holder. Any such reduction in the principal amount of this Note shall be deemed to have occurred on the date of this Note if the reduction is based on (i) an adjustment made

pursuant to Section 2.3 of the Asset Purchase Agreement, (ii) an adjustment made pursuant to Section 2.4 of the Asset Purchase Agreement, or (iii) an indemnification claim by Maker against Payee which is set off under Section 9.3 of the Asset Purchase Agreement relating to a breach of the representations and warranties set forth in Section 4.4(a) or (c) of the Asset Purchase Agreement with respect to the Fixed Assets or Inventory (as such terms are defined in the

Asset Purchase Agreement), and, in which case, Maker shall receive credit for and shall offset under this Section 4 any interest payments to be made following such reduction by an amount equal to any interest overpayment resulting from such reduction.

6. Event of Default. Each of the following shall constitute an "Event of Default" hereunder: (a) the failure of Maker to pay any amounts when due under this Note, (b) the voluntary or involuntary bankruptcy or receivership of Maker or the assignment for the benefit of creditors of the assets of Maker and (c) the default of Maker under Section 11.1(a) of that certain Sublease Agreement dated as of October 9, 2000, by and between Maker and Payee. Upon the existence or occurrence of any Event of Default, all indebtedness evidenced by this Note, including without limitation the principal and all accrued interest and all costs of collection (including without limitation reasonable attorneys' fees) actually incurred may be declared due and payable without notice or demand of any kind.

7. Subordination. This Note shall be subordinated to the Bank Indebtedness of Maker (as defined in Section 3.3(b) of the Asset Purchase Agreement), pursuant to that certain Subordination Agreement, dated as of October 9, 2000, by and between Payee and Bank of America, N.A. and any future subordination agreements as contemplated in Section 3.3(b) of the Asset Purchase Agreement.

8. Security. The obligations of Maker under this Promissory Note are secured pursuant to that certain Security Agreement, dated as of the date hereof, by and between Maker and Payee.

9. Miscellaneous.

(a) It is the intent of Maker and Holder not to violate any federal or state law, rule or regulation pertaining either to usury or to the contracting for or charging or collecting of interest, and Maker and Holder agree that, should any provision of this Note or any act performed hereunder violate any such law, rule or regulation, then the excess of interest contracted for or charged or collected over the maximum lawful rate of interest shall be applied to the outstanding principal indebtedness due to Holder by Maker under this Note.

(b) This Promissory Note has not been registered under the Securities Act of 1933, as amended, or under any applicable state law. This Promissory Note may not be offered for sale, sold, transferred or pledged except in compliance with the Securities Act of 1933, as amended, and any applicable state laws.

(c) Maker waives presentment and demand for payment, notice of dishonor, protest and notice of protest of this Note, and all other notices in connection with the delivery, acceptance, performance, default or enforcement of this Note.

(d) No modification or waiver of any provision of this Note, nor any departure by Maker therefrom, shall in any event be effective unless the same shall be in writing and then such modification or waiver shall be effective only in the specific instance for the specific purpose given.

(e) Should any part or provision of this Note require judicial interpretation, Maker and Holder agree that the court interpreting such part or provision shall not apply a presumption that the terms hereof shall be more strictly construed against one party by reason of the rule of construction that a document is to be more strictly construed against the party that itself or through its agent prepared the same, it being agreed that Maker and Holder have both participated in the preparation of this Note.

(f) If any part or provision contained in this Note shall be invalid or unenforceable under applicable law, then such part or provision shall be

ineffective only to the extent of such invalidity (without in any way affecting the remaining parts of such part or provision or the other parts or provisions of this Note).

(g) The rights, powers and remedies provided to Holder herein are cumulative and not exclusive of any right, power or remedy provided at law or in equity. Failure or forbearance of Holder to exercise any right hereunder or otherwise granted at law or equity shall not affect or release Maker from its liability hereunder and shall not constitute a waiver of such right unless so stated by Holder in writing and then only in the specific instance and for the specific purpose given.

(h) This Note will be governed by and construed in accordance with the domestic laws of the State of Georgia.

(i) Time is of the essence under this Note.

IN WITNESS WHEREOF, this Note has been executed on the date first above written.

HORIZON MEDICAL PRODUCTS, INC.

By: _____

Name:
Title:

Address for Notices to Payee:

Ideas for Medicine, Inc.
c/o CryoLife, Inc.
1655 Roberts Blvd., N.W.
Kennesaw, Georgia 30144
Attention: Vice President of Finance

Exhibit B

Form of CryoLife Guaranty

See attached.

CRYOLIFE, INC. GUARANTY

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, CryoLife, Inc., a Florida corporation ("CryoLife"), hereby guarantees to Horizon Medical Products, Inc., a Georgia corporation ("Horizon"), the complete performance and payment by Ideas for Medicine, Inc., a Florida corporation ("IFM"), of IFM's obligations and liabilities under (i) the Asset Purchase Agreement, dated as of October , 2000, by and between IFM and Horizon (the "Purchase Agreement"), including without limitation any obligation of IFM pursuant to Section 9 of the Purchase Agreement, (ii) the Sublease Agreement, dated as of October , 2000, by and between IFM and Horizon (the "Sublease Agreement"), and (iii) the Consent to Sublease, dated as of October , 2000, by and among Horizon, IFM and Secret Promise, Ltd. (the "Sublease Consent," and together with the Purchase Agreement and the Sublease, collectively, the "Agreements").

CryoLife hereby waives notice of, and proof of reliance by Horizon upon and

acceptance of, CryoLife's guaranty herein, and of non-performance by IFM of any of its obligations under the Agreements and of any other notices or demands of any kind whatsoever. Horizon and IFM may enter into any amendment, assignment, waiver, or modification of the Agreements, whether or not such amendment, assignment, waiver, or modification would in any way increase or decrease the extent of CryoLife's obligations hereinafter, without notice to or consent of CryoLife and without thereby releasing CryoLife hereunder. CryoLife hereby guarantees the performance and payment of any of IFM's obligations set forth in any such amendment as if the provisions of such amendment were set forth in full in the Agreements. The obligations of CryoLife under this paragraph shall not be released or affected by voluntary or involuntary proceedings by or against IFM in bankruptcy or for reorganization or other relief under any bankruptcy or insolvency law. CryoLife's guaranty shall continue to be effective or shall be reinstated automatically, as the case may be, if at any time any payment, or any part thereof, by IFM is rescinded or must otherwise be returned by Horizon upon the insolvency, bankruptcy, dissolution, liquidation, or reorganization of IFM as though any such payment had not been made.

CryoLife covenants and agrees that it shall be fully bound by the provisions of Section 11 of the Purchase Agreement.

CryoLife hereby waives any right of CryoLife under Georgia law to require that an action be brought against IFM first before any action may be brought against CryoLife.

CryoLife represents and warrants to Horizon that:

(a) CryoLife is a corporation duly organized, validly existing, and in good standing under the laws of Florida, and has the requisite corporate power and authority to execute and deliver this Guaranty and the documents, agreements, and certificates (collectively, the "CryoLife Documents") which are required to be executed and delivered by CryoLife pursuant to this Guaranty and to perform in all respects its obligations hereunder and thereunder. CryoLife is duly qualified or licensed to do business and in good standing in each jurisdiction in which the nature of its business or

the character of the assets owned or leased by CryoLife makes such qualification or licensing necessary, except where the failure to be so qualified or licensed would not impair or otherwise adversely affect the transactions contemplated hereunder.

(b) The execution, delivery, and performance of this Guaranty and the CryoLife Documents have been duly authorized by all requisite corporate action on the part of CryoLife. This Guaranty has been duly executed and delivered by CryoLife and constitutes, and each of the CryoLife Documents when executed and delivered will constitute, the valid and binding obligation of CryoLife, enforceable in accordance with and subject to their respective terms, except as limited by bankruptcy, insolvency, reorganization, and similar laws affecting the enforcement of creditors' rights or contractual obligations generally. The execution, delivery, and performance by CryoLife of this Guaranty and the CryoLife Documents and the consummation of the transactions contemplated hereby and thereby will not: (i) violate any provision of the Certificate of Incorporation or Bylaws of CryoLife; (ii) violate any provision of any judicial, arbitral, or administrative order, award, judgment, or decree applicable to CryoLife; (iii) conflict with or constitute a default under any agreement or instrument to which CryoLife is a party or by which it is bound; (iv) violate, in any material respect, any applicable law, rule, ordinance, or regulation applicable to CryoLife; or (v) require CryoLife to obtain the consent, approval, or authorization of, or require CryoLife to file any certificate, notice, application, report, or other document with, any federal, state, or local governmental authority or agency or other person or entity.

(c) There are no judicial, arbitral, or administrative actions, suits, or proceedings or, to the knowledge of CryoLife, any investigations pending against CryoLife which would, if adversely determined, prevent, hinder, delay, or otherwise adversely affect the consummation of the transactions contemplated hereby. CryoLife is not a party to or subject to the provisions of any order, decree, or judgment of any court or of any governmental agency which may prevent, hinder, or otherwise adversely affect the consummation of the transactions contemplated by the Agreements.

This Guaranty shall be governed by and construed in accordance with the laws of the State of Georgia without reference to its principles of conflicts of law.

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IN WITNESS WHEREOF, the undersigned has caused the Guaranty to be executed and delivered as of the date of the foregoing Agreements.

CRYOLIFE, INC.

By: _____

Name:

Title:

Exhibit G

FORM OF MANUFACTURING, ASSEMBLY AND PACKAGING AGREEMENT

THIS MANUFACTURING, ASSEMBLY AND PACKAGING AGREEMENT (the "Agreement") is made this _____ day of October, 2000 by and between CryoLife, Inc., having offices at 1655 Roberts Blvd., Kennesaw, Georgia 30144 ("CryoLife"), and Horizon Medical Products, Inc., a Georgia corporation, having offices at One Horizon Way, Manchester, Georgia 31816 ("Horizon").

W I T N E S S E T H:

WHEREAS, CryoLife has conceived and developed unique and proprietary medical products, including components and packaging related thereto which are described on Exhibit A (hereinafter the "CryoLife Products");

WHEREAS, Horizon has the capabilities to manufacture, assemble, package, and ship the CryoLife Products (hereinafter the "Services");

WHEREAS, CryoLife desires to engage Horizon to perform the Services;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

1. COMPENSATION

A. In consideration hereof, CryoLife hereby agrees to pay Horizon an amount equal to the actual direct labor costs incurred by Horizon in connection with the provision of the Services, plus overhead at a rate of $32.50 per direct labor hour.

B. The rates set forth herein are exclusive of any federal, state, or local taxes and CryoLife shall be responsible for the payment of all such taxes (excluding taxes based on Horizon's income).

2. CRYOLIFE DUTIES

A. Within five business days following execution of this Agreement, CryoLife shall provide to Horizon a purchase order (the "Purchase Order") for the BioGlue components and allograft packaging to be manufactured, assembled, packaged, and shipped during the term of this Agreement. For assembly of CryoPaks, CryoLife will notify Horizon from time to time of required CryoPak shipments via an electronic system. In the event Horizon anticipates any problem in performing the services in accordance with the Purchase Order, Horizon shall notify CryoLife within ten days following receipt of such Purchase Order, and the parties shall negotiate in good faith to resolve any such problems and reach a Purchase Order acceptable to both parties.

B. CryoLife shall provide Horizon with the raw materials required for the performance of the Services, including, without limitation, the materials described on Exhibit B; provided, however, Horizon shall manufacture the connector for the BioGlue extender tips. Such materials shall be delivered to Horizon in accordance with the Raw Materials Schedule (as defined in Section 3B below) provided by Horizon. To the extent CryoLife fails to provide raw materials in accordance with such Schedule, the delivery date for the items for which the related raw materials were delayed shall be extended by an amount of time equal to the delay in delivery of the raw materials.

C. CryoLife's Purchasing Manager shall be CryoLife's' primary representative with respect to issues arising under this Agreement. CryoLife may change their representative upon written notice to Horizon.

D. During the term of this Agreement and for a period of three years following termination hereof, CryoLife shall maintain product liability insurance of not less than $5,000,000 per occurrence and $5,000,000 in the aggregate to cover the CryoLife Products and the distribution and sale thereof. Such insurance policy shall name CryoLife as the named insured and Horizon as an additional insured. CryoLife shall provide to Horizon within 15 days of the execution of this Agreement a Certificate of Insurance evidencing such insurance.

E. CryoLife shall be responsible for freight costs associated with transporting the BioGlue components and allograft packaging to the company designated by CryoLife for sterilization services (the "Sterilizing Company") and/or CryoLife. Shipments of CryoPaks as designated by CryoLife shall be charged to CryoLife's account with United Parcel Service. Horizon shall provide to CryoLife reasonable documentation evidencing the freight costs to be born by CryoLife pursuant to this Section.

F. CryoLife shall be responsible for handling, and Horizon shall direct to CryoLife, all customer complaints in respect of the CryoLife Products. In addition, CryoLife shall be responsible for any medical device or vigilance reports required to be filed with the United States Food & Drug Administration or any notified body in respect of the CryoLife Products.

3. HORIZON'S DUTIES

A. During the term of this Agreement, Horizon shall assemble and maintain in inventory CryoPaks in the amounts described herein for distribution to the organ and tissue procurement organizations designated by CryoLife or as otherwise designated by CryoLife. Horizon shall maintain in inventory a number

of assembled CryoPaks equal to that number which is 15% of CryoLife's average monthly requirements for CryoPaks during the three month period preceding the date hereof. Horizon shall ship CryoPaks within two business days of notification from CryoLife. Horizon shall provide CryoLife with confirmation of such shipments as they occur.

B. Horizon shall fulfill the mutually agreed upon Purchase Order in accordance with the terms thereof.

C. Within ten days following agreement with respect to the Purchase Order, Horizon shall provide to CryoLife a written list (the "Raw Materials Schedule") of the raw materials required to fulfill the Purchase Order and the dates by which such raw materials are needed in order to meet the delivery date therefore. To the extent Horizon anticipates that additional raw materials are needed to assemble and maintain the Inventory of CryoPaks in accordance with 3A, Horizon shall provide CryoLife with a Raw Materials Schedule describing the items needed, the amount of items needed, and the date such items are needed.

D. Horizon shall provide to CryoLife on or before the fifth business day of each month during the term hereof a written report on the status of the services being performed and the quantity of raw materials, work in progress, and finished goods, utilizing the CryoLife assembly, lot, and item numbers. The monthly report shall describe any raw materials returned to stock during any production run and any rejects (with explanation) for any production run. In addition, the report shall indicate the number of quality control samples and/or rejects associated with any production run.

E. Horizon shall manufacture, assemble, package and ship the CryoLife Products in accordance with the processes and procedures ("CryoLife Standard Operating Procedures") utilized by IFM prior to the date hereof and provided by CryoLife to Horizon in writing or electronically. Any changes proposed by Horizon to the manufacturing, assembly and packaging processes or the materials or supplies used in connection therewith must be communicated to CryoLife and approved by CryoLife in writing prior to the implementation of the change. To the extent CryoLife implements a change to CryoLife's Standard Operating Procedures, CryoLife shall be responsible for any validation or engineering costs incurred by Horizon in connection with such change. As instructed by CryoLife, Horizon shall ship the CryoLife Products to the Sterilizing Company designated by CryoLife. Horizon shall prepare a packing list to accompany shipments to the Sterilizing Company. The packing list shall include quantity, catalog number, description and lot number of all items included in the shipment. The packing list shall also include shipment instructions for the CryoLife Products once sterilized.

F. During the term of this Agreement and for a period of three years following termination hereof, Horizon shall maintain general liability insurance (including products/completed operations liability coverage and contractual liability coverage) of not less than $5,000,000 per occurrence and $5,000,000 in the aggregate. Such insurance policy shall name Horizon as the named insured and CryoLife as an additional insured. Further, Horizon shall maintain property insurance in amounts sufficient to reimburse CryoLife for the full replacement cost of the raw materials, work in process, and finished goods inventory of CryoLife Products located on Horizon's premises in the event of destruction while located on Horizon's premises as a result of fire, theft, etc. Horizon shall provide to CryoLife within 15 days of the execution of this Agreement a Certificate of Insurance evidencing the Insurance required hereby.

G. During the term of this Agreement, Horizon shall not manufacture, assemble or package for any third party any medical products or components which are substantially similar in function, design or use to the CryoLife Products without the prior written consent of CryoLife.

H. Horizon's Vice President of Operations shall be Horizon's primary representative with respect to issues arising under this Agreement. Horizon may change their representative upon written notice to CryoLife.

4. CONFIDENTIALITY

By virtue of the performance of the Services pursuant to this Agreement, Horizon shall have access to information that is confidential and proprietary to CryoLife ("Confidential Information"). Confidential Information shall not include information which (a) is or becomes part of the public domain through no act or omission of Horizon; (b) was in Horizon's lawful possession prior to the date of this Agreement as evidenced by its written records and had not been obtained by Horizon either directly or indirectly from CryoLife; or (c) is lawfully disclosed to Horizon by a third party without restriction on disclosure. Horizon agrees, both during the term of this Agreement and thereafter, to hold the Confidential Information in confidence. Horizon agrees not to make CryoLife's Confidential Information available in any form to any third party or to use CryoLife's Confidential Information for any purpose other than the implementation of this Agreement. Horizon agrees to take all reasonable steps to ensure that CryoLife's Confidential Information is not disclosed or distributed by its employees or agents in violation of the provisions of this Agreement. This Section 4 shall survive for a period of two years following the termination or expiration of this Agreement; provided, with respect to Confidential Information that constitutes a trade secret under Georgia law, Horizon's obligations hereunder shall survive for the longer of (i) two years, or (ii) so long as such Confidential Information remains a trade secret.

5. EQUIPMENT AND INTELLECTUAL PROPERTY

A. During the term of this Agreement, Horizon may use the equipment designated on Exhibit C (the "Equipment") at no charge to Horizon but only in connection with the manufacture, assembly, packaging, and shipping of the CryoLife Products as provided hereunder. Normal wear and tear and deterioration are the responsibility of CryoLife. Repair or replacement of the Equipment will be the responsibility of CryoLife.

B. CryoLife hereby grants to Horizon the license to use CryoLife's Confidential Information, including its processes, procedures, methodologies, know-how, trade secrets and other intellectual property rights utilized in the manufacturing, assembly, and packaging of the CryoLife Products in connection with the performance of the Services hereunder.

C. CryoLife retains all right, title, and interest in and to the Confidential Information and CryoLife Products, including, without limitation, all patent, copyright, trademark, trade dress, and trade secret right related thereto and including all derivative works and rights to create derivative works thereof.

6. REPRESENTATIONS AND WARRANTIES OF HORIZON

A. Horizon warrants that it is authorized to enter into this Agreement and that its performance thereof will not conflict with any other agreement of Horizon.

B. Horizon warrants that the Services will be performed (i) in a professional and competent manner in accordance with industry standards, and (ii) in accordance with the rules and regulations of the United States Food & Drug Administration ("FDA"), including, without limitation, the FDA's current good manufacturing practices and procedures and quality systems regulations, as well is the standards of the International Organization of Standardization.

C. EXCEPT AS SET FORTH HEREIN, HORIZON MAKES NO REPRESENTATIONS OR WARRANTIES EXPRESS OR IMPLIED, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

7. AUDIT FOR INVENTORIES AND QUALITY

CryoLife has the right to inspect and audit the quality of the Services with reasonable notice to Horizon.

8. TERM OF THE AGREEMENT

This Agreement shall commence effective as of October 1, 2000 and extend through December 31, 2000 unless sooner terminated as provided herein.

9. INDEMNIFICATION

A. Horizon agrees to indemnify and hold harmless CryoLife and its officers, employees, agents and assigns from and against any and all liabilities, claims, demands, suits, actions, causes of action or any other legal proceedings arising out of, or related in any way to, (i) any grossly negligent or intentional act or omission by Horizon arising out of or in connection with Horizon's performance of the Services under this Agreement, (ii) any failure of Horizon to perform the Services in accordance with CryoLife's Standard Operating Procedures and the warranty set forth in Section 6B(ii), and (iii) the failure of Horizon to comply with the laws, rules or regulations ("Laws") of the FDA or any other governmental authority applicable to Horizon in connection with the manufacture, assembly, packaging and shipment of the CryoLife Products hereunder. Horizontal agrees to pay all losses, damages (actual and exemplary), costs, expenses, invoices and bills (including reasonable attorneys' fees) incurred by CryoLife and its officers, employees, agents and assigns as a result of any such negligent or intentional act or omission by Horizon.

B. CryoLife agrees to indemnify and hold harmless Horizon and its officers, employees, agents and assigns from and against any and all liabilities, claims, demands, suits, actions, causes of action or any other legal proceedings arising out of or related in any way to, (i) any grossly or intentional act or omission by CryoLife arising out of or in connection with CryoLife performance of its obligations under this Agreement, (ii) except for actions for which CryoLife is entitled to indemnification under Section 8(a) hereof, the distribution, marketing or sale of the CryoLife Products or any defect in the design or specifications for the CryoLife Products or CryoLife's Standard Operating

Procedures, and (iii) the failure of CryoLife to comply with the Laws of the FDA or any other governmental authority applicable to CryoLife in connection with the sale of the CryoLife Products by CryoLife. CryoLife agrees to pay all losses, damages (actual and exemplary), costs, expenses, invoices and bills (including reasonable attorneys' fees) incurred by Horizon and its officers, employees, agents and assigns as a result of any such negligent or intentional act or omission by CryoLife.

C. Promptly after receipt by Horizon or CryoLife (hereinafter collectively referred to as an "Indemnified Party") of notice by a third party of any complaint or the commencement of any action or proceeding with respect to which indemnification is being sought hereunder, such Indemnified Party shall notify Horizon or CryoLife, whoever is the appropriate indemnifying party hereunder (the "Indemnifying Party"), of such complaint or of the commencement of such action or proceeding; provided, however, that the failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party from liability for such claim arising otherwise than under this Agreement and such failure to so notify the Indemnifying Party shall relieve the Indemnifying Party from liability which the Indemnifying Party may have hereunder with respect to such claim only to the extent that, such failure to notify the Indemnifying Party results in the forfeiture by the Indemnifying Party of rights and defenses otherwise available to the Indemnifying Party with respect to such claim. The Indemnifying Party shall have the right, upon written notice to the Indemnified Party, to assume the defense of such action or proceeding, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of the fees and disbursements of such counsel. In the event, however,

that the Indemnifying Party declines or falls to assume the defense of the action or proceeding or to employ counsel reasonably satisfactory to the Indemnified Party, in either case in a timely manner, then such Indemnified Party may employ counsel to represent or defend it in any such action or proceeding and the Indemnifying Party shall pay the reasonable fees and disbursements of such counsel incurred; provided, however, that the Indemnifying Party shall not be required to pay the fees and disbursements of more than one counsel for all Indemnified Parties in any Jurisdiction in any single action or proceeding. In any action or proceeding with respect to which indemnification is being sought hereunder, the Indemnified Party or the Indemnifying Party, whichever is not assuming the defense of such action, shall have the right to participate in such litigation and to retain its own counsel at such party's own expense. The Indemnifying Party or the Indemnified Party, as the case may be, shall at all times use reasonable efforts to keep the Indemnifying Party or the Indemnified Party, as the case may be, reasonably apprised of the status for the defense of any), action the defense of which they are maintaining and to cooperate in good faith with each other with respect to the defense of any such action.

D. No Indemnified Party may settle or compromise any claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder without the prior written consent of the Indemnifying Party, unless such settlement, compromise or consent includes all unconditional release of the Indemnifying Party from all liability arising out of such claim. An Indemnifying Party may not, without the prior written consent of the Indemnified Party, settle or comprise any claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Indemnified Party from all liability arising out of such claim and does not contain any equitable order, judgment or term which in any manner affects, restrains or interferes with the business of the Indemnified Party or any of the Indemnified Party's respective affiliates.

E. In the event an Indemnified Party shall claim a right to payment pursuant to this Agreement, such Indemnified Party shall send written notice of such claim to the appropriate Indemnifying Party. Such notice shall specify the basis for such claim. As promptly as possible after the Indemnified Party has given such notice, such Indemnified Party and the appropriate Indemnifying Party shall establish the merits and amount of such claim (by mutual agreement, litigation, arbitration or otherwise) and, within five business days of the final determination of the merits and amount of such claim, the Indemnifying Party shall deliver to the Indemnified Party in immediately available funds an amount equal to such claim as determined hereunder.

10. TERMINATION RIGHTS

A. Either party may terminate this Agreement on 10 business days' written notice to the other party in the event of a breach of any material provision of this Agreement by such other party, provided that the breaching party fails to cure such breach during the 10-day period.

B. Upon termination or expiration of this Agreement, Horizon shall return to CryoLife, at CryoLife's cost, all raw materials, work in progress, and finished goods inventory of the CryoLife Products in its possession as of the date of such termination or expiration, along with any Equipment.

11. GENERAL

A. Amendment. This Agreement may be modified only by a written document signed by duly authorized representatives of the parties.

B. Force Majeure. A party shall not be liable for, a failure or delay in the performance of any of its obligations under this Agreement where such failure or delay is the result of fire, flood, or other natural disaster, act of

God, war, embargo, riot, labor dispute, unavailability of raw materials, or the intervention of any government authority, providing that the party failing in or delaying its performance promptly notifies the other party of its inability to perform and states the reason for such inability.

C. Assignment. This Agreement may not be assigned by any party hereto without the written consent of the other party. Subject to the foregoing, all of the terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, and shall be enforceable by, the respective successor and assigns of the parties hereto.

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

E. Choice of Law. This Agreement, and the rights and obligations of the parties, shall be interpreted and governed in accordance with the laws of the State of Georgia, without giving effect to its conflicts of law provisions.

F. Waiver. Should either of the parties fail to exercise or enforce any provision of this Agreement, or waive any right to respect thereto, such failure or waiver shall not be construed as constituting a waiver or a continuing waiver of its rights to enforce any other provision or right.

G. Severability. If any provision of this Agreement or the application thereof for any reason shall be declared invalid or unenforceable, the remainder of this Agreement shall not be affected, and each remaining provision shall be valid and enforceable to the fullest extent.

H. Limitation of Liability. IN NO EVENT SHALL ANY PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES RESULTING FROM ANOTHER PARTY'S PERFORMANCE OR FAILURE TO PERFORM UNDER THIS AGREEMENT, OR THE FURNISHING, PERFORMANCE, OR USE OF ANY GOODS OR SERVICES SOLD PURSUANT HERETO, WHETHER DUE TO BREACH OF CONTRACT, BREACH OF WARRANTY, NEGLIGENCE OR OTHERWISE, REGARDLESS OF WHETHER THE NONPERFORMING PARTY WAS ADVISED OF THE POSSIBILITY OF SUCH DAMAGES OR NOT. IN NO EVENT SHALL HORIZON'S LIABILITY HEREUNDER EXCEED $5,000,000 (THE "CAP AMOUNT"); PROVIDED THE PROVISIONS OF SECTION 9A(i) AND 9A(iii) SHALL NOT BE SUBJECT TO THE CAP AMOUNT, AND THERE SHALL BE NO LIMITATION ON THE INDEMNIFICATION OBLIGATIONS OF HORIZON ARISING UNDER OR PURSUANT TO SUCH SECTIONS.

I. Effect. The headings and sub-headings contained herein are for information purposes only and shall have no effect upon the intended purpose or interpretation of the provisions of this Agreement.

J. Entire Agreement. This Agreement, the Asset Purchase Agreement of even date herewith between Horizon and IFM, and the Exhibits hereto and thereto, constitute the entire agreement and understanding between the parties with respect to the subject matter of this Agreement and integrates all prior discussions and proposals (whether oral or written) between them related to the subject matter hereof.

K. No Partnership Or Agent Created. The relationship of Horizon and CryoLife shall be that of independent contractors only. Nothing in this Agreement shall be construed as ranking one party an agent or legal representative of the other or otherwise as having the power or authority to bind the other in any manner.

L. Binding Effect. This Agreement and the rights and obligations hereunder shall be binding upon and inure to the benefit of the parties hereto and to their respective successors and permitted assigns.

M. Notices. Any notice to be made in connection with any right or obligation arising under this Agreement shall be provided by (a) personal delivery (including delivery by Federal Express or similar reputable express courier), (b) telecopy, with written confirmation of receipt received and a copy sent by the method described in (a), or (c) registered by one party to the other at the following addresses. Said notices shall be deemed to be effective upon receipt by the receiving party thereof.

Horizon:	Horizon Medical Products, Inc. Seven North Parkway Square 4200 Northside Parkway, N.W. Atlanta, Georgia 30327 Attention: Robert M. Dodge Fax: 404/264/9919
with copies to:	Nat G. Slaughter, III Slaughter & Virgin, P.C. 400 Colony Square; Suite 1110 1201 Peachtree Street, N.E. Atlanta, Georgia 30361 Fax: 404/872-7879
and	King & Spalding 191 Peachtree Street Atlanta, Georgia 30303 Attention: Jon R. Harris, Jr. Fax: 404/572-5100
CryoLife:	CryoLife, Inc. 1655 Roberts Blvd., N.W. Kennesaw, Georgia 30144 Attention: Vice President of Finance Fax: 770/590-3754
with a copy to:	Arnall Golden & Gregory, LLP 2800 One Atlantic Center 1201 West Peachtree Street Atlanta, Georgia 30309-3450 Attention: Clinton D. Richardson Fax: 404/873-8665

Either party may change its address by written notice given to the other party in the manner set forth above.

N. Attorneys Fees. If any action at law or in equity is necessary to enforce the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney fees, costs and expenses in addition to any other relief to which such prevailing party may be entitled.

O. Survival. The provisions of Sections 2D, 3F, 4, 5C, 9, 10B, 11E, 11H, 11J, 11N, and 11O shall survive any termination of this Agreement.

P. Key Employee. If, the event of the termination of the employment of Rick Howard (excluding a termination of Howard by Horizon), CryoLife shall, upon Horizon's request, make the services of Bill Wright available to Horizon for up to one day per week for the remaining term of the Agreement to assist Horizon in meeting its obligations hereunder. Provided, however, that Horizon shall pay any and all travel costs associated with the provision of such services by Bill Wright.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have each caused to be affixed hereto its or his/her hand and seal the day indicated.

CryoLife, Inc. Horizon Medical Products, Inc.

By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

Exhibit H

Form of Transition Services Agreement

See attached.

Exhibit H

FORM OF TRANSITION SERVICES AGREEMENT

This TRANSITION SERVICES AGREEMENT ("Agreement") is entered into this 9th day of October, 2000 by and among Horizon Medical Products, Inc., a Georgia corporation (the "Company"), Ideas for Medicine, Inc., a Florida corporation (the "Seller") and wholly-owned subsidiary of CryoLife, Inc. ("Provider"). The Seller, Provider and the Company may each be referred to herein as a "Party" and/or the "Parties" as the case may require.

RECITALS

WHEREAS, the Company and Seller have entered into that certain Asset Purchase Agreement, dated as of October 9, 2000 (hereinafter the "Purchase Agreement");

WHEREAS, pursuant to the terms and conditions of the Purchase Agreement, the Company intends to purchase the Seller's business as a going concern, and the Company proposes to assume certain of the liabilities and obligations of the Seller;

WHEREAS, the Seller is in the medical device manufacturing business (the "Business");

WHEREAS, after the Closing Date, the Company will operate the Business,

WHEREAS, prior to the date hereof, the Seller, Provider and their affiliates have provided the Business with certain services, and

WHEREAS, in order to support the continued and uninterrupted operation of the Business following the Closing, the parties desire to enter into this Agreement, pursuant to which the Provider will provide, for the time periods and consideration described below, certain of the services that have been provided by the Seller, Provider and their affiliates to the Business prior to the Closing Date.

NOW, THEREFORE, in furtherance of the foregoing premises and in consideration of the mutual covenants and obligations hereinafter set forth the parties hereto, intending to be legally bound hereby do agree as follows:

ARTICLE I
DEFINITIONS

1.1 The "Closing Date" shall be the date of closing of the transactions

described in the Purchase Agreement.

1.2 Capitalized terms not otherwise defined herein shall have the meaning set forth in the Purchase Agreement.

ARTICLE 2
SERVICES TO BE PROVIDED BY THE SELLER AND PROVIDER

Following the Closing Date, Provider shall provide to the Company the services (individually or collectively referred to herein as, the "Service(s)") set forth on Exhibit A for the term of this Agreement as set forth in Section 7.1 hereof.

ARTICLE 3
TERMS OF SERVICE

3.1 The attached Exhibit A of Services are subject to change with the Parties' mutual written consent with respect to which the Parties agree to deal with one another in good faith in considering changes. The Parties have made good faith efforts as of the date hereof to identify each Service and to otherwise complete the content of Exhibit A to this Agreement.

3.2 The Company is contracting for provision of the Services on an "as-is" basis. It will be at Provider's discretion as to whether enhancements or modifications to these systems will be made available to the Company. Provider shall not be obligated to make any modifications to Provider's systems at the Company's request, except as the parties may agree in writing. To the extent that it is necessary for the Company to provide information and/or materials to Provider in order for Provider to perform the Services, the Company will provide such information and/or materials in a timely manner.

3.3 The Services rendered by Provider hereunder are to be provided at no cost to the Company in consideration for the discount provided by the Company to Provider as reflected in that certain Manufacturing, Assembly and Packaging Agreement, dated as of October 9, 2000, by and between the Company and Provider. Costs to support the ultimate separation of the Company from Provider and the implementation of the Company's own independent systems and services will be paid entirely by the Company. Provider agrees to cooperate as reasonably requested by the Company in order to effectuate such separation.

ARTICLE 4
ADDITIONAL SERVICES

In addition to the specific services and facilities described above, the Parties acknowledge that there may be additional services and facilities which have not been identified herein but which have been used by the Business prior to the Closing Date and which shall continue to be required or desired by the Company until December 31, 2000, or such later date as the Parties may agree upon. If any such additional services or facilities are identified and requested by the Company, the Seller and the Company shall negotiate with one another in good faith over the terms and provisions of furnishing the services.

ARTICLE 5
LIMITATION OF LIABILITY; INDEMNIFICATION

5.1 Limitation of Liability.

(a) Provider shall not have any liability to the Company for any loss, damage, cost, or expense, including without limitation, any special, indirect, incidental or consequential damages, of the Company allegedly arising out of

Provider's performance of the services to be provided by Articles 2, 3 and 4 hereof or Provider's acts or omission in connection with its performance of such services; provided, however, that this provision shall not apply if: (i) such loss, cost or expense arises out of (A) an act of fraud, embezzlement or criminal activity by Provider or (B) willful misconduct or gross negligence by Provider; or (ii) such loss, cost or expense arises from the failure (other than by reason of an event of force majeure, as provided for in Section 10.2 hereof) or refusal of Provider to comply in any material respect with, and to perform in any material respect its obligations under, this Agreement within ten (10) business days after Provider receives written notice of such failure from the Company.

(b) The liability of Provider under Section 5.1(a)(ii) shall not exceed Fifty Thousand Dollars ($50,000). No claim under Section 5.1(a)(ii) may be asserted by the Company after the ninetieth (90th) day following the date of termination of this Agreement.

5.2 Indemnification. The Company shall indemnify Provider, and shall hold Provider harmless against, any loss, damage, cost or expense (including reasonable fees) which Provider may sustain or incur by reason of any claim, demand, suit or recovery by any third party allegedly arising out of Provider's performance of the services to be provided by Articles 2, 3 and 4 hereof or Provider's acts or omissions in connection with its performance of such services except in any instance in which Provider would have any liability under Section 5.1 hereof.

ARTICLE 6
NO WARRANTY

The level and quality of the Services shall be provided in good faith and at a level and quality comparable to that performed by Provider prior to the date of this Agreement. EXCEPT AS OTHERWISE SET FORTH HEREIN, PROVIDER MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER WITH RESPECT TO THE SERVICES TO BE PROVIDED HEREUNDER INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE 7
TERM AND TERMINATION

7.1 The term of this Agreement shall begin on the Closing Date. Services shall be provided by Provider hereunder until December 31, 2000, unless otherwise specified herein or in Exhibit A attached hereto.

7.2 Subject to the provisions of Exhibit A attached hereto, the Company may terminate any Service(s) provided pursuant to this Agreement on thirty (30) days prior written notice to Provider, unless otherwise specified in such Exhibit. If the Company elects to terminate a service, it will bear the costs of interfacing any new system to the remaining Provider systems which it continues to use. The Company shall be liable for any outstanding purchase orders placed with third parties by Provider at the direction of the Company and on the Company's behalf prior to Provider's receipt of the aforesaid written notice of termination.

7.3 Prior to termination of this Agreement, the Parties shall cooperate with one another to maintain an orderly transfer of Services provided hereunder and shall provide necessary assistance for an orderly transfer thereof.

7.4 Article 5 of this Agreement shall survive the termination hereof.

ARTICLE 8
PAYMENT

8.1 Any out-of-pocket expense paid to a third party, by Provider as a result of Services provided hereunder by Provider to the Company shall be

invoiced in Provider's customary form and detail and reimbursed by the Company to Provider; provided, however, that any such expenses which individually exceed $1,000 must be approved in advance by the Company, except for expenses incurred in connection with the following services which are hereby approved by the Company: (i) continuation of AT&T long distance and TI services, (ii) continuation of the services of GTE / Verizon, and (iii) retention of Internet and frame relay connectivity.

8.2 Payment terms are net, thirty (30) days from date of invoice, and payments shall be made in United States Dollars.

ARTICLE 9
CONFIDENTIALITY

The Parties acknowledge that in the course of performance of their respective obligations pursuant to this Agreement, each may obtain certain confidential and/or proprietary information of the other or its affiliates or customers, including the terms and conditions of this Agreement. Each Party hereby agrees that all information communicated to it by the other, its affiliates or customers, whether before or after the Closing Date, was received in strict confidence and shall be kept in strict confidence and shall be used only in accordance with this Agreement, and shall not be disclosed by the other

Party, its agents or employees without the prior written consent of the first Party. In the event that either Party either determines on the advice of its counsel that it is required to disclose any information pursuant to applicable law, or receives any demand under lawful process to disclose or provide information of the other Party that is subject to the confidentiality provisions hereof, such Party shall notify the other Party prior to disclosing and providing such information and shall cooperate at the expense of the requesting Party in seeking any reasonable protective arrangements requested by such other Party. Subject to the foregoing, the Party that receives such request may thereafter disclose or provide information to the extent required by such law (as so advised by counsel) of by lawful process. Furthermore, the Parties shall take reasonable steps necessary to ensure that all information and records relating to the business of Provider and the Company are kept strictly confidential. Notwithstanding the above, this Agreement imposes no obligation on either Party with respect to information that is or becomes a matter of public knowledge through no fault of that Party, is rightfully obtained by either Party from a third party not in violation of any duty of confidentiality, or is independently developed by either Party without reference to any proprietary or confidential information of the other Party.

ARTICLE 10
GENERAL

10.1 Amendment. This Agreement may be modified only by a written document signed by duly authorized representatives of the Parties.

10.2 Force Majeure. A Party shall not be liable for a failure or delay in the performance of any of its obligations under this Agreement where such failure or delay is the result of fire, flood, or other natural disaster, act of God, war, embargo, riot, labor dispute, unavailability of raw materials, or the intervention of any government authority, providing that the Party failing in or delaying its performance promptly notifies the other Party of its inability to perform and states the reason for such inability.

10.3 Assignment. This Agreement may not be assigned by any Party hereto without the written consent of the other Party. Subject to the foregoing, all of the terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, and shall be enforceable by, the respective successor and assigns of the Parties hereto.

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

10.5 Choice Of Law. This Agreement, and the rights and obligations of the Parties, shall be interpreted and governed in accordance with the laws of the State of Georgia, without giving effect to its conflicts of law provisions.

10.6 Waiver. Should either of the Parties fail to exercise or enforce any provision of this Agreement, or waive any right in respect thereto, such failure or waiver shall not be construed as constituting a waiver or a continuing waiver of its rights to enforce any other provision or right.

10.7 Severability. If any provision of this Agreement or the application thereof for any reason shall be declared invalid or unenforceable, the remainder of this Agreement shall not be affected, and each remaining provision shall be valid and enforceable to the fullest extent.

10.8 Limitation Of Liability. EXCEPT AS SET FORTH IN SECTION 5.1, IN NO EVENT SHALL ANY PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES RESULTING FROM ANOTHER PARTY'S PERFORMANCE OR FAILURE TO PERFORM UNDER THIS AGREEMENT, OR THE FURNISHING, PERFORMANCE, OR USE OF ANY GOODS OR SERVICES SOLD PURSUANT HERETO, WHETHER DUE TO BREACH OF CONTRACT, BREACH OF WARRANTY, NEGLIGENCE OR OTHERWISE, REGARDLESS OF WHETHER THE NONPERFORMING PARTY WAS ADVISED OF THE POSSIBILITY OF SUCH DAMAGES OR NOT.

10.9 Effect. The headings and sub-headings contained herein are for information purposes only and shall have no effect upon the intended purpose or interpretation of the provisions of this Agreement.

10.10 Entire Agreement. This Agreement, the Purchase Agreement and the Exhibits and Schedules hereto and thereto, constitute the entire agreement and understanding between the Parties with respect to the subject matter of this Agreement and integrates all prior discussions and proposals (whether oral or written) between them related to the subject matter hereof.

10.11 No Partnership Or Agent Created. The relationship of Provider and the Company shall be that of independent contractors only. Nothing in this Agreement shall be construed as ranking one party an agent or legal representative of the other or otherwise as having the power or authority to bind the other in any manner.

10.12 Binding Effect. This Agreement and the rights and obligations hereunder shall be binding upon and inure to the benefit of the Parties and to their respective successors and permitted assigns.

10.13 Notices. Any notice to be made in connection with any right or obligation arising under this Agreement. shall be provided by (a) personal delivery (including delivery by Federal Express or similar reputable express courier), (b) telecopy, with written confirmation of receipt received and a copy sent by the method described in (a), or (c) registered mail by one party to the other at the following addresses. Said notices shall be deemed to be effective upon receipt by the receiving party thereof.

Company:	Horizon Medical Products, Inc. Seven North Parkway Square 4200 Northside Parkway, N.W. Atlanta, Georgia 30327 Attention: Robert M. Dodge Fax: 404/264/9919
With copies to:	Nat G. Slaughter, III

	Slaughter & Virgin, P.C. 400 Colony Square; Suite 1110 1201 Peachtree Street, N.E. Atlanta, Georgia 30361 Fax: 404/872-7879
and:	King & Spalding 191 Peachtree Street Atlanta, Georgia 30303 Attention: Jon R. Harris, Jr. Fax: 404/572-5100
Seller:	Ideas for Medicine, Inc. c/o CryoLife, Inc. 1655 Roberts Blvd., N.W. Kennesaw, Georgia 30144 Attention: Vice President of Finance Fax: 770/590-3754
With a copy to:	Arnall Golden & Gregory, LLP 2800 One Atlantic Center 1201 West Peachtree Street Atlanta, Georgia 30309-3450 Attention: Clinton D. Richardson Fax: 404/873-8665
Provider:	CryoLife, Inc. 1655 Roberts Blvd., N.W. Kennesaw, Georgia 30144 Attention: Vice President of Finance Fax: 770/590-3754

Either party may change its address by written notice given to the other Party in the manner set forth above.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be duly executed as of the day and year first above written.

HORIZON MEDICAL PRODUCTS, INC.

By: _____
Name:
Title:

IDEAS FOR MEDICINE, INC.

By: _____
Name:
Title:

CRYOLIFE, INC.

By: _____

Name:
Title:

Exhibit I

Form of Security Agreement

See attached.

Exhibit I

FORM OF SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("Agreement") is made as of the day of October, 2000, by HORIZON MEDICAL PRODUCTS, INC., a Georgia corporation ("Horizon") in favor of IDEAS FOR MEDICINE, INC., a Florida corporation (together with its successors, assigns and transferees, "IFM").

PRELIMINARY STATEMENT

This Agreement is made to secure all of the following (individually and collectively the "Indebtedness"):

Payment of the principal balance, together with interest, costs and all other sums, to be paid according to that certain Promissory Note ("Note"), by Horizon to IFM, made as of the date of this Agreement by Horizon, together with any and all extensions, renewals, modifications, substitutions or replacements thereof; and the performance of the covenants and obligations of Horizon due or to become due to IFM under this Agreement and/or under any and all other documents and instruments evidencing and/or securing payment of all amounts due under the Note (collectively, the "Loan Documents"), and the repayment of all costs, expenses, advances and other sums incurred and/or expended by IFM in connection with performance of those covenants and obligations.

In consideration of the above facts and the mutual promises of the parties, and as security for the purposes stated above and elsewhere in this Agreement, the parties agree as follows:

1. Grant of Security Interest. Horizon hereby grants IFM a security interest in the following described property (collectively, the "Collateral"):

(i) presently existing and hereafter arising accounts, contract rights, and all other forms of obligations owing to Borrower arising out of the sale or lease of goods or the rendition of services by Borrower, whether or not earned by performance, and any and all credit insurance, guaranties, and other Security therefor, as well as all merchandise returned to or reclaimed by Borrower relating to any of the foregoing (collectively, "Accounts");

(ii) present and future general intangibles and other personal property (including choses or things in action, goodwill, blueprints, drawings, purchase orders, customer lists, monies due or recoverable from pension funds, route lists, monies due under any royalty or licensing agreements, infringement claims, computer programs, computer discs, computer tapes, literature, reports, catalogs deposit accounts, insurance premium rebates, tax refunds, and tax refund claims) other than (A) goods

and Accounts relating to any of the foregoing, or (B) patents, trade names, trademarks, servicemarks, or copyrights (collectively, "General Intangibles");

(iii) present and future letters of credit, notes, drafts, instruments, certificated and uncertificated securities, documents, leases, and chattel paper relating to any of the foregoing (collectively, "Negotiable Collateral");

(iv) present and future inventory in which Borrower has any interest, including goods held for sale or lease or to be furnished under a contract of service and all of Borrower's present and future raw materials, work in process, finished goods, and packing and shipping materials, wherever located, and any documents of title representing any of the above, relating to any of the foregoing (collectively, "Inventory");

(v) present and hereafter acquired machinery, machine tools, motors, equipment, furniture, furnishings, fixtures, vehicles (including motor vehicles and trailers), tools, parts, dies, jigs, goods (other than consumer goods or farm products), and any interest in any of the foregoing, and all attachments, accessories, accessions, additions, and improvements to any of the foregoing, wherever located (collectively, "Equipment");

(vi) substitutions, replacements, additions, accessions, proceeds, products to or of any of the foregoing (other than substitutions or replacements of Equipment after the date hereof), including, but not limited to, proceeds of insurance covering any of the foregoing, or any portion thereof, and any and all Accounts, General Intangibles, Negotiable Collateral, Inventory, Equipment, money, deposits, accounts, or other tangible or intangible property resulting from the sale or other disposition of the Accounts, General Intangibles, Negotiable Collateral, Inventory, Equipment, or any portion thereof or interest therein and the proceeds thereof.

Notwithstanding anything to the contrary contained herein, Horizon's grant of a security interest is only as to (i) the Accounts, Negotiable Collateral, Inventory, and Equipment acquired pursuant to that certain Asset Purchase Agreement between Horizon and IFM dated as of May 19, 1998 (the "First Purchase Agreement"), that certain Asset Purchase Agreement between Horizon and IFM dated as of September 30, 1998 (the "Second Purchase Agreement"), (ii) the Accounts, General Intangibles, Negotiable Collateral, Inventory, and Equipment acquired pursuant to that certain Asset Purchase Agreement between Horizon and IFM of even date herewith (the "Third Purchase Agreement"), and (iii) substitutions, replacements, additions, accessions, proceeds, products to or of any of the foregoing (other than substitutions or replacements of Equipment after the date hereof) (the "Pledged Assets"). IFM's security interest shall not attach to any property of Horizon other than the Pledged Assets.

2. WARRANTIES AND REPRESENTATIONS. Horizon warrants and covenants to IFM as follows:

(a) Payment of Indebtedness. Horizon will pay the Indebtedness and perform all obligations related to the Indebtedness when due, whether by maturity, acceleration or otherwise.

(b) Authority. This Agreement is the valid and binding obligation of Horizon, enforceable in accordance with its terms except as limited by creditors' rights and equity. Horizon is organized and validly existing and in good standing under the laws of the State of Georgia and the execution, delivery and performance of this Agreement has been duly authorized by all necessary action of Horizon's board of directors, and will not violate Horizon's governing instruments or other material agreements.

(c) Name; Address; Location of Collateral. Horizon's name and address and the location of the Collateral are accurately set forth on the signature page of this Agreement.

(d) Title to Collateral. Horizon has good and marketable title to the Collateral. Horizon will keep the Collateral free of all other liens, encumbrances and security interests and will defend title to the Collateral against all claims and demands of all persons at any time claiming any interest in the Collateral except for the security interest associated with the Bank Indebtedness (as defined in the Third Asset Purchase Agreement as set forth in (a) that certain Subordination Agreement ("Subordination Agreement"), dated of even date herewith, by and between Bank of America, N.A. and IFM, and (b) any future subordination agreements entered into in connection therewith (collectively, the "Security Interest").

(e) Priority of Security Interest. The execution and delivery of this Agreement creates a valid security interest in the Collateral, and upon the filing of a UCC-1 financing statement with (i) the Clerk of the Superior Court of any county in the State of Georgia and (ii) the Secretary of State of the State of Florida, IFM will have a perfected second security interest in the Collateral, subject to no other lien, encumbrance or security interest except for the Security Interest to the extent one can perfect by filing a financing statement under Article 9 of the UCC and except for rights of Landlord under the Commercial Lease Agreement or Florida law.

(f) Financing Statements. Horizon will execute financing statement(s) in form acceptable to IFM and will pay the cost of filing financing statement(s) in all public offices wherever filing is deemed reasonably necessary by IFM. A carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement under the UCC and may be filed by IFM in any filing office.

(g) Payment of Taxes and Insurance Premiums. Horizon shall pay when due and before any interest, collection fees or penalties accrue, all taxes, expenses, assessments, liens or other charges (collectively, "Taxes") which may now or hereafter be levied or assessed against the Collateral unless Horizon is contesting such Taxes in good faith and has maintained adequate reserves with respect to the payment thereof. Horizon shall also obtain and pay for insurance for the Collateral in an amount consistent with industry standards and/or reasonably acceptable to IFM. Horizon shall furnish proof of payment of taxes or insurance upon request of IFM.

(h) Maintenance of Collateral. Horizon will maintain the Equipment in good condition and repair, ordinary wear and tear excepted. Horizon will promptly inform IFM of any material loss or diminution in value of the Collateral.

3. PROHIBITION ON TRANSFER OR MODIFICATION. Horizon shall not transfer, sell, assign, lease or modify the Collateral or any interest therein, any part thereof without the prior written consent of IFM, except for the transfer set forth in the Third Asset Purchase Agreement. Notwithstanding the foregoing, Horizon may use and/or sell the Collateral if the same is in the ordinary Course of Horizon's business and on customary terms and at usual prices.

4. PROHIBITION ON CHANGE OF NAME, ORGANIZATION OR LOCATION. Horizon shall not assume a different name, conduct its business at any location other than as appears in this Agreement, nor change the location of any of the Collateral without, in each instance, obtaining the prior written consent of IFM thirty (30) days prior to any such event. Horizon agrees to execute any amendments to financing statement(s) required in connection with this Section 4 in form acceptable to IFM, and will pay the filing fees and costs actually incurred by IFM in connection with any such amendments.

5. EXAMINATION OF RECORDS AND COLLATERAL. Horizon shall keep full and accurate records related to the Collateral, and such records shall be open to

inspection and duplication by IFM at all reasonable times upon reasonable prior notice. Upon reasonable notice to Horizon and at reasonable times, IFM may enter upon any property owned by or in the possession of Horizon to examine and inspect the Collateral. Horizon shall provide IFM as soon as practicable with any information concerning the Collateral as IFM may reasonably request at any time.

6. REIMBURSEMENT OF EXPENSES. Horizon shall reimburse IFM for all reasonable costs and expenses, including reasonable attorneys' fees, actually incurred by IFM in enforcing the rights of IFM under this Agreement except for inspection of records. All costs, expenses and fees of any nature for which Horizon is obligated to reimburse or indemnify IFM are part of the Indebtedness secured by this Agreement and are payable upon demand, unless expressly provided otherwise, with interest until repaid at the highest rate charged on any of the Indebtedness (but not to exceed the maximum rate permitted by law).

7. RIGHTS AND OBLIGATIONS OF IFM. In the event that Horizon fails to pay taxes, maintain insurance or perform any other obligation arising under this Agreement, IFM may pay or perform such obligation(s) for the account of Horizon and the same shall be added to the Indebtedness and shall be immediately due and payable together with interest at the highest rate charged by IFM on any of the Indebtedness (but not to exceed the maximum rate permitted by law). IFM shall not be liable for any loss to the Collateral nor shall such loss reduce the balance due.

8. INDEMNIFICATION. Horizon shall indemnify and save IFM harmless from all claims, obligations, costs, expenses, including attorneys' fees, and causes of action or other rights asserted against IFM and relating to breach of this Agreement by Horizon.

9. EVENTS OF DEFAULT AND REMEDIES.

(a) Events of Default. Any of the following events shall, for purposes of this Agreement, constitute an "Event of Default":

(i) Failure by Horizon to pay any amount owing on or with respect to the Indebtedness when due, whether by maturity, acceleration or otherwise, which failure continues for ten (10) days after the due date of such amount.

(ii) Any failure by Horizon to comply with, or breach by Horizon of, any of the non-monetary terms, provisions, warranties or covenants of any Note, this Agreement or the other Loan Documents, which failure continues for thirty (30) days after the date of written notice to Horizon (or any Guarantor) from IFM of such failure.

(iii) The insolvency of Horizon or the admission in writing of Horizon's or any guarantor's inability to pay debts as they mature.

(iv) Any material statement, representation or information made or furnished by or on behalf of Horizon to IFM in connection with or to induce IFM to provide any of the Indebtedness shall prove to be false or materially misleading when made or furnished.

(v) Institution of bankruptcy, reorganization, insolvency or other similar proceedings by or against Horizon, unless, in the case of a petition filed against Horizon, the same is dismissed within sixty (60) days of filing.

(vi) The issuance or filing of any judgment, attachment, levy, garnishment or the commencement of any related proceeding upon or in respect to Horizon or the Collateral in which the amount of such judgment, attachment, levy, garnishment or the amount in controversy in any related proceeding exceed $50,000.

(vii) Dissolution, merger or consolidation in which Horizon is not the surviving entity, termination of existence, insolvency, or assignment for the benefit of creditors of or by Horizon.

(viii) Any failure by Horizon to comply with or breach by Horizon (after giving of any required notice) and expiration of an applicable cure period) Sublease Agreement (the "Sublease"), by and between IFM of event date herewith.

(b) Remedies Upon Event of Default. Upon the occurrence of any Event of Default, IFM shall have the following rights:

(i) Declare all or part of the Indebtedness immediately due and payable.

(ii) Horizon agrees, upon request of IFM, to assemble the Collateral and make it available to IFM at any place which is reasonably convenient for Horizon and IFM. Horizon grants IFM permission to enter upon any premises owned or occupied by Horizon for the purpose of taking possession of the Collateral.

(iii) Subject to the rights of Bank of America, N.A. under the Subordination Agreement, IFM shall have the right to take possession of the Collateral, with or without demand, and with or without process of law. Subject to the rights of Bank of America, N.A. under the Subordination Agreement, IFM shall have the right to sell and dispose of the Collateral and to distribute the proceeds according to law. In connection with the right of IFM to take possession of the Collateral, IFM may take possession of any other items of property in or on the Collateral at the time of taking possession and hold them for Horizon without liability on the part of IFM. If there is any statutory requirement for notice, that requirement shall be met if IFM shall send notice to Horizon at least ten (10) days prior to the date of sale, disposition or other event giving rise to the required notice. Horizon shall be liable for any deficiency remaining after disposition of the Collateral.

(iv) IFM shall also have any one or more of the rights and remedies under the UCC or at law or equity to enforce the payment of the Indebtedness.

(c) Remedies Generally.

(i) All remedies provided for in Section 9(b) shall be available to the extent not prohibited by law. Each remedy shall be cumulative and additional to any other remedy of IFM at law, in equity or by statute. No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of, or acquiescence in, any such default or Event of Default.

(ii) IFM may waive any Event of Default and may rescind any declaration of maturity of payments on the Indebtedness. In case of such waiver or rescission Horizon and IFM shall be restored to their respective former positions and rights under this Agreement. Any waiver by IFM of any default or Event of Default shall be in writing and shall be limited to the particular default waived and shall not be deemed to waive any other default.

(d) Application of Proceeds. Any proceeds received by IFM from the exercise of remedies pursuant to Section 9(b) of this Agreement shall be applied as follows:

(i) First, to pay all costs and expenses incidental to the leasing, foreclosure, sale or other disposition of the Collateral. These costs and expenses shall include, without limit, any costs and expenses incurred by

IFM (including, without limit, attorneys' fees and disbursements actually incurred), and any taxes and assessments or other liens and encumbrances prior to the lien of this Agreement.

(ii) Second, to all sums expended or incurred by IFM, directly or indirectly in carrying out any term, covenant or agreement under this Agreement or any related document, together with interest as provided in this Agreement.

(iii) Third, to the payment of the Indebtedness. If the proceeds are insufficient to fully pay the Indebtedness, then application shall be made first to late charges and interest accrued and unpaid, then to any applicable prepayment premium, and then to unpaid fees and other charges, then to the outstanding principal balance.

(iv) Fourth, any surplus remaining shall be paid to Horizon or to whomsoever may be lawfully entitled.

(e) Further Actions. Promptly upon the request of IFM, Horizon shall execute, acknowledge and deliver any and all further documents, security agreements, financing statements and assurances, and do or cause to be done all further acts as IFM may acquire to confirm and protect the lien of this Agreement or otherwise to accomplish the purposes of this Agreement.

(f) Attorneys Fees. Any reference in this Agreement to attorneys' fees shall refer to reasonable fees, charges, costs and expenses of outside attorneys and paralegals actually incurred, whether or not a suit or proceeding is instituted, and whether incurred at the trial court level, on appeal, in a bankruptcy, administrative or probate proceeding, in consultation with counsel, or otherwise.

10. TERMINATION OF FINANCING STATEMENTS. IFM shall execute and deliver to Horizon, within ten (10) business days after the written request of Horizon, UCC termination statements with respect to the Collateral secured hereunder, provided that (a) Horizon shall not be in default under any of the terms, covenants or conditions of any document or instrument evidencing or securing the Indebtedness; (b) the outstanding principal balance of any Note, together with interest, premiums, costs and all other sums on that amount, shall be paid in full; and (c) all termination statements shall be prepared by IFM at Horizon's expense. Upon the filing of such termination statements in accordance with the applicable provisions of the UCC, this Agreement shall be terminated.

11. MISCELLANEOUS.

(a) Governing Law. This Agreement shall be construed according to the laws of the State of Georgia.

(b) Successors and Assigns. This Agreement shall be binding upon the successors and assigns of Horizon including, without limit, any Horizon in possession or trustee in bankruptcy for Horizon, and the rights and privileges of IFM under this Agreement shall inure to the benefit of its successors and assigns. This shall not be deemed a consent by IFM to a conveyance by Horizon of all or any part of the Collateral or of any ownership interest in Horizon.

(c) Notices. Notice from one party to another relating to this Agreement shall be made pursuant to the Note.

(d) Entire Agreements; Amendments. This Agreement. the Subordination Agreement, and the Third Asset Purchase Agreement, and any agreement to which it refers state all rights and obligations of the parties and supersede all other agreements (oral or written) with respect to the security interests granted by this Agreement. Any amendment of this Agreement shall be in writing and shall

require the signature of Horizon and IFM.

(e) Partial Invalidity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the remaining provisions of this Agreement.

(f) Inspections. Any inspection, audit, appraisal or examination by IFM or its agents of the Collateral or of information or documents pertaining to the Collateral is for the sole purpose of protecting IFM's interest under this Agreement and is not for the benefit or protection of Horizon or any third party.

(g) Automatic Reinstatement. Notwithstanding any prior revocation, termination, surrender or discharge of this Agreement, the effectiveness of this Agreement shall automatically continue or be reinstated, as the case may be, in the event that:

(i) Any payment received or credit given by IFM in respect of the Indebtedness is determined to be a preference, impermissible setoff, fraudulent conveyance, diversion of trust funds, or otherwise required to be returned to Horizon or any third party under any applicable state or federal law, including, without limit, laws pertaining to bankruptcy or insolvency, in which case this Agreement shall be enforceable as if any such payment or credit had not been received or given, whether or not IFM relied upon this payment or credit or changed its position as a consequence of it.

(ii) In the event of continuation or reinstatement of this Agreement, Horizon agrees upon demand by IFM to execute and deliver to IFM those documents which IFM determines are appropriate to further evidence (in the public records or otherwise) this continuation or reinstatement, although the failure of Horizon to do so shall not affect in any way the reinstatement or continuation. If Horizon does not execute and deliver to IFM such documents upon demand, IFM and each officer of IFM is irrevocably appointed (which appointment is coupled with an interest) the true and lawful attorney of Horizon (with full power of substitution) to execute and deliver such documents in the name and on behalf of Horizon.

(h) Assignment. This Agreement is freely assignable, in whole or in part, by IFM without notice to or consent of Horizon. IFM shall be fully discharged from all responsibility accruing hereunder from and after the effective date of any such assignment. IFM's assignee shall, to the extent of the assignment, be vested with all the powers and rights of IFM hereunder (including those granted under Section 9 hereof or otherwise with respect to the Collateral), and to the extent of such assignment the assignee may fully enforce such rights and powers, and all references to IFM shall mean and refer to such assignee. IFM shall retain all rights and powers hereby given not so assigned, transferred and/or delivered. Horizon hereby waives all defenses which Horizon may be entitled to assert against IFM's assignee with respect to liability accruing hereunder prior to the effective date of any assignment of IFM's interest herein. Horizon may not, in whole or in part, directly or indirectly, assign this Agreement or its rights hereunder or delegate its duties hereunder without, in each instance, the specific prior written consent of IFM, which consent may be withheld or delayed in IFM's sole discretion.

Horizon has executed this Agreement on the day and year first above written.

Horizon's principal place of business is located in the County of Meriwether, State of Georgia.

Collateral is located at: 3101 37th Avenue North, St. Petersburg, Florida.

HORIZON:

HORIZON MEDICAL PRODUCTS, INC.

By: --

Its: --

1343496v1

Exhibit 3.3

ARTICLES OF AMENDMENT TO THE
ARTICLES OF INCORPORATION
OF
CRYOLIFE, INC.

TO: Department of State
Tallahassee, Florida 32304

Pursuant to the provisions of Section 607.10025 of the Florida Statutes, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

1. The name of the corporation is CRYOLIFE, INC.

2. The following amendments of the Articles of Incorporation were adopted by the directors of the corporation on the 20th day of November, 2000, in the manner prescribed by the Florida General Corporation Act, Section 607.10025.

Paragraph a(1) of Article V of the Articles of Incorporation is hereby deleted in its entirety and the following is substituted therefor:

ARTICLE V
Capital Stock

(A) (1) The number of shares of capital stock authorized to be issued by this corporation shall be Seventy-Five Million (75,000,000) shares of common stock, each with a par value of One Cent ($.01) and Five Million (5,000,000) shares of preferred stock, each with a par value of One Cent ($.01). The shares of preferred stock may be divided into and issued in series.

3. The amendment of the Articles of Incorporation does not adversely affect the rights or preferences of the holders of outstanding shares of any class or series of stock and does not result in the percentage of authorized shares that remain unissued after the division exceeding the percentage of authorized shares that were unissued before the division. There is no reduction in the par value of the Common Stock by reason of the Stock Distribution.

4. The total number of shares of Common Stock of the corporation that have been issued or are outstanding are 13,381,053. On December 20, 2000, the Board of Directors adopted a Resolution approving a three for two stock split by way of a stock dividend of CryoLife, Inc.'s Common Stock $.01 par value ("Common Stock") including shares of Common Stock held in Treasury to be accomplished by the issuance on December 27, 2000 of one additional share of authorized but unissued Common Stock for every two shares of Common Stock issued and outstanding on December 8, 2000. After the stock dividend, there will be 20,071,579 shares of Common Stock issued and outstanding.

5. The effective date of the division is December 27, 2000.

6. This amendment of the Articles of Incorporation is made in connection with the division of Common Stock and is permitted by Section 607.10025 without shareholder approval.

IN WITNESS WHEREOF, the foregoing Articles of Amendment are executed by the President, STEVEN G. ANDERSON and attested by RONALD D. MCCALL, as Secretary of CryoLife, on the 7th day of December, 2000.

WITNESSES:

/s/ Felicia E. Trott

/s/ Steven G. Anderson

Steven G. Anderson
President and CEO
/s/ Janie Brewer CryoLife, Inc.

/s/ Felicia E. Trott /s/ Ronald D. McCall
--- ---

Ronald D. McCall, Esq.
Secretary
/s/ Janie Brewer CryoLife, Inc.

COUNTY OF COBB
STATE OF GEORGIA

I HEREBY CERTIFY that before me, the undersigned authority, personally appeared STEVEN G. ANDERSON, as President of CRYOLIFE, INC., to me well known and who acknowledged that he executed the foregoing instrument this 7th day of December, 2000, for the uses and purposes stated.

/s/ Suzanne K. Gabbert

Notary Public

My commission expires:

COUNTY OF COBB
STATE OF GEORGIA

I HEREBY CERTIFY that before me, the undersigned authority, personally appeared RONALD D. MCCALL, as Secretary of CRYOLIFE, INC., to me well known and who acknowledged that he executed the foregoing instrument this 7th day of December, 2000, for the uses and purposes stated.

/s/ Suzanne K. Gabbert

Notary Public

My commission expires:

1343964v1

Exhibit 10.9(c)

EMPLOYMENT AGREEMENT

In consideration of the promises hereinafter contained, CryoLife, Inc., a Florida corporation ("we," "our" and "us") and David Ashley Lee ("you") hereby agree as of this 12th day of December 1994 to the following:

1. Employment. We hereby employ you and you hereby accept employment on the terms and conditions set forth below. Your duties and compensation are set forth on the Exhibit attached hereto.

2. Extent of Services. During your employment, you agree to devote your full and exclusive time and attention to your employment duties and not to engage in any other business activity which conflicts or competes with our business or which reduces your effectiveness in performing your duties under this Agreement unless you have first obtained our prior written consent.

3. Benefits and Absences. You are entitled to all benefits offered by us for which you meet the eligibility requirements. You are subject to the obligations concerning absences due to disability, sick leave, and other absences, described in the current benefit summary schedule, and as revised hereafter.

4. Term and Termination. Your employment shall commence on the date of this Agreement. Both you and we shall have the right upon giving 30 days' written notice to the other to terminate with or without cause the employment under this Agreement. However, if one party to this Agreement terminates the employment, the other party may at his option effect the separation immediately. This Agreement shall automatically terminate in the event of your death. Such automatic termination shall discharge both parties hereto from any and all further liability or responsibility to the other under this Agreement.

5. Right to Change Duties. We reserve the right to change the nature and scope of your duties. In the event of any transfer to another corporate facility, we shall defray the reasonable cost of transporting you and your family with household furnishings to your new location.

6. Secrecy and Noncompetition. Your employment and continued employment with us is conditioned upon your signing our standard Secrecy and Noncompete Agreement whose terms and agreements you agree to be bound by. You agree that under no condition will any breach or infraction of this Agreement be assertable as a defense to any action or responsibility incurred by you under the Secrecy and Noncompete Agreement.

7. Your Warranties. You present and warrant that you will not utilize or disclose any trade secrets or proprietary information of others to us and that the only secrecy and/or noncompetition agreements you have with others are identified on the attached exhibit.

8. Miscellaneous. This Agreement may not be changed or terminated orally, and no change, termination or attempted waiver of the provisions hereof shall be binding unless in writing and signed by the parties against whom the same is sought to be enforced; provided, however, that the compensation paid to you hereunder may be increased at any time by us without in any way affecting any other term or condition of this Agreement which in all other respects shall remain in force and effect. This Agreement shall be governed by the laws of the State of Georgia.

IN WITNESS WHEREOF, this Agreement has been duly executed on the day and year first above written.

CRYOLIFE, INC.

By: /s/ Steven G. Anderson

Its: President

EMPLOYEE

/s/ D.A. Lee

Exhibit to Employment Agreement

Duties: Controller

Compensation: $5,208.33 Monthly/Plus Company Fringe Benefits

Secrecy and Noncompetition Agreements With Others*:

(*Copies of these must be promptly provided to CryoLife)

1344210v1

Exhibit 10.16(b)

RESTATEMENT AND AMENDMENT TO FUNDING AGREEMENT

THIS RESTATEMENT AND FIRST AMENDMENT TO FUNDING AGREEMENT (this "First Amendment") is entered into this 6th day of August, 1999, by and between AMLI LAND DEVELOPMENT - I LIMITED PARTNERSHIP, an Illinois limited partnership, whose address is in care of AMLI REALTY CO., 1945 Vaughn Road, Kennesaw, Georgia 30144 (together with its successors and assigns "Amli") and CRYOLIFE, INC., a Florida corporation, whose address is 1655 Roberts Boulevard, Kennesaw, Georgia 30144 (together with its permitted successors and assigns "Tenant").

W I T N E S S E T H:

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

WHEREAS, Amli and Cryolife have agreed to the construction of an additional two-story office/R&D/warehouse/light manufacturing building and improvements and appurtenances thereto, including an interconnection between Cryolife Phase I and Cryolife Phase II (as that term is hereinafter defined) thereby adjoining Cryolife Phase I and Cryolife Phase II ("Cryolife Phase II") and desire to restate and amend the Agreement as it relates to Cryolife Phase II;

WHEREAS, Amili and Cryolife desire to enter into this First Amendment to restate and amend the Agreement.

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

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

2. The Agreement is hereby incorporated herein by reference and is hereby restated in total, except as herein amended.

3. The Cryolife Phase II shall be and is hereby covered and governed by the Agreement.

4. The Agreement as restated is hereby amended as follows:

   a. In the Paragraph styled Land on Page 4, delete the following "The term "Land" means an approximately 11 acre parcel of real estate located in the Park, and legally described on Exhibit A attached to the Lease" and substitute in lieu therefor the following "The term "Land" means an approximately 9.5 acre parcel of real estate located in the Park, and legally described in Exhibit A-1, attached to the Lease."

   b. In the Paragraph styled Lease on Page 4, strike the following "The term "Lease" shall mean that certain Lease of even date herewith between the Landlord and the Tenant" and substitute in lieu therefor the following "The Term "Lease" shall mean that certain Restated and First Amendment to Lease of even date herewith between the Landlord and the Tenant."

   c. In Article II, Paragraph 2.2(a), on Page 6, in the last line of the Paragraph strike "April 1, 1997" and substitute in lieu therefor "March 1, 2001."

d. In Article III, Paragraph 3.3 (a), on Page 9, in the 4th line up from the bottom of the Paragraph strike "June 1, 1996" and substitute in lieu therefor "October 31, 2000."

e. In Article III, Paragraph 3.5, on Page 10 the following is added as a new paragraph (iii): "(iii) Provided that Tenant is not in default hereunder, under the Lease or under the Pre-Occupancy Agreement, any savings by Tenant of the $25.00 per square foot allowance for Tenant Improvements in any phase of the construction of the Tenant Improvements may be used in subsequent phases of Tenant Improvements."

f. In Article V, 5.1(e) on Page 15, in the 5th and 6th lines from the top of the Paragraph strike "2100 River Edge Parkway, Suite 420, Atlanta, Georgia 30328" and substitute in lieu therefor "1945 Vaughn Road, Kennesaw, Georgia 30144," and the 7th line from the top of the Paragraph strike "2211 New Market Parkway, Suite 142, Marietta, Georgia 30067, and substitute in lieu therefor" 1655 Roberts Boulevard, Kennesaw, Georgia 30144."

g. In Article VI, 6.1(i)(3) on Page 17, in the 2nd line from the top of the Paragraph strike "April 1, 1997" and substitute in lieu therefor "March 1, 2001," and in subparagraph (j) first line of the Paragraph strike "April 1, 1997" and substitute in lieu therefor "March 1, 2001."

h. In Exhibit A in the 1st Paragraph in the last line of the Paragraph strike "1995" and substitute in lieu therefor "1999."

i. In Exhibit B in the 1st Paragraph, 2nd line of this Paragraph strike "1995" and substitute in lieu therefor "1999."

j. In Exhibit C in the 1st Paragraph, last line of the Paragraph strike "1995" and substitute in lieu therefor "1999."

k. In Exhibit F in the 1st Paragraph, 2nd line of the Paragraph strike "1995" and substitute in lieu therefor "1999."

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

IN WITNESS WHEREOF, Amli and Tenant have caused this First Amendment to be duly executed under seal as of the date here first above written.

TENANT:

CRYOLIFE, INC.,
a Florida corporation

By: /s/ Steven G. Anderson

Steven G. Anderson
Its Chairman, President & CEO

[CORPORATE SEAL]

Date of Signature: 8-3-99

AMLI LAND DEVELOPMENT -
I LIMITED PARTNERSHIP,
an Illinois limited partnership

By: AMLI REALTY CO.
a Delaware corporation,
its sole general partner

By: /s/ Phillip N. Tague

Philip N. Tague
Executive Vice President

[CORPORATE SEAL]

Date of Signature: 8-6-99

Exhibit 10.34

SUBLEASE AGREEMENT

This SUBLEASE (the "Sublease") is entered into as of the 9th day of October, 2000, between IDEAS FOR MEDICINE, INC., formerly known as CryoLife Acquisition Corporation, a Florida corporation (herein called "IFM") and HORIZON MEDICAL PRODUCTS, INC., a Georgia corporation (herein called "Horizon"), both hereafter called the "Parties".

1. DEMISE

IFM hereby sublets to Horizon and Horizon subleases from IFM the Premises described in Paragraph 2 herein, which is the Demised Premises leased by IFM, as Tenant, from Secret Promise, Ltd., as successor-in-interest to J. Crayton Pruitt Family Trust u/t/a 9/17/76, ("Landlord") under that certain lease dated March 5, 1997, as amended, which is incorporated herein, by reference, and which is hereinafter, collectively with any and all amendments, referred to as the "Lease." Defined terms used herein but not otherwise defined herein shall have the meaning set forth in the Lease.

2. DESCRIPTION OF SPACE

The premises (the "Premises") subject to this Sublease consists of that certain tract or parcel of land more particularly described on Exhibit A attached hereto and made a part hereof, together with all improvements erected thereon and all appurtenances thereunto belonging.

3. TERM OF SUBLEASE

The term (the "Sublease Term") of this Sublease shall be for a period ending on the date that the Lease Term expires or is earlier terminated, if earlier. Notwithstanding anything to the contrary expressed or implied in this Sublease or in the Lease, Horizon hereby acknowledges and agrees that it shall have no right to exercise any election, right or opportunity of Tenant under the Lease to renew or extend the term of the Lease, nor shall Horizon have any right to holdover or continue in occupancy of the Premises after termination of the Lease, except as expressly set forth herein to the contrary. At the expiration of the initial Term of the Lease, Horizon shall be entitled to request IFM to extend the Term of the Lease in accordance with the terms of Section 5 of the Lease. Horizon shall provide such request to IFM in writing not more than ninety (90) nor less than thirty (30) days prior to the last date by which IFM is permitted to provide to Landlord a notice of election to extend under the Lease. If IFM refuses to so extend it shall so notify Horizon within fifteen (15) days after receipt of Horizon's notice, and then, with Landlord's prior consent, and provided that Landlord agrees in writing that (i) IFM is or shall be released as of the expiration of the then current Lease Term and shall not be or remain liable during the succeeding Extension Option Term or Terms, and (ii) CryoLife, Inc. ("CryoLife"), IFM's sole shareholder, is or shall be released from its obligations under the Guaranty executed by CryoLife in favor of Landlord in connection with the Lease as of the expiration of the then current Lease Term and shall not be liable during the succeeding Extension Option Term or Terms. IFM shall assign all of its right, title and interest in and to the Lease and the Premises to Horizon upon the expiration or termination of the then current Lease Term. Alternatively, if IFM does not elect to extend then Horizon shall be free to negotiate with Landlord for a new, direct lease of the Premises. Horizon hereby acknowledges that IFM has no duty or obligation to extend the lease for the benefit of Horizon, that Landlord has no duty or obligation to negotiate with Horizon with respect to a new lease, and that Landlord's consent to any assignment to Horizon may be granted or withheld by Landlord in accordance with the provisions of Section 23 of the Lease.

4. SUBLEASE RENT

Horizon agrees to pay to IFM as "Rent" for the Premises all amounts due by IFM to Landlord under the Lease including, but not limited to, monthly "Base Rental" (as defined and prescribed in the Lease), together with any and all other "Additional Rental", rents, sums and other charges due and payable under the Lease as set forth therein. With respect to Base Rental payments and any and all other payments due on or before the first (1st) day of the month under the Lease, under this Sublease such payments shall be due and payable monthly in advance on the twentieth (20th) day of each calendar month immediately preceding the calendar month of the term of this Sublease for which such Rent is due. The payment of Rent for the month of October 2000 shall be due and payable as and when this Sublease is executed by Horizon, and shall be pro rated on a per diem basis for the partial month. As to any and all other payments due and payable under the Lease, for purposes of this Sublease such payments shall be due and payable to Horizon to IFM on the date which is ten (10) days prior to the applicable due date for such payment under the Lease.

If any payment or installment of Rent is not paid as and when due under this Sublease, and if such failure is not cured within ten (10) days thereafter, then such Rent payment shall be due and payable together with an administrative late charge handling fee equal to One Hundred Dollars ($100.00). Horizon hereby acknowledges and agrees that (i) IFM shall not be obligated to accept any late payment, (ii) IFM shall not be deemed to have waived such late charge by acceptance of any subsequent Rent payment which fails to include such charge, and (iii) any and all past due Rent shall, in addition, bear interest from the date which is ten (10) days after the date due until the date paid at a rate ("Default Interest Rate") equal to the lesser of eighteen percent (18%) simple interest per annum or the highest rate allowed by law.

5. HOLDOVER

There shall be absolutely no holdover permitted by Horizon after the expiration or termination of this Sublease. Any holdover after the expiration of this Sublease concurrently with the expiration of the term of the Lease shall be conclusively deemed to be as a tenant at will or at sufferance of Landlord under the Lease, and not by, through or under IFM under this Sublease. Any holdover after the earlier termination of the term hereof prior to the expiration or termination of the term of the Lease shall be conclusively deemed to be as a tenant at will or at sufferance of IFM under this Sublease. Any such holdover tenancy under Landlord may thereafter be terminated by Landlord, and any such holdover tenancy under IFM may be thereafter terminated by IFM, at any time from and after the date it commences and/or as provided by the laws of the State of Florida. Notwithstanding the foregoing, the Rent during the period of any holdover under IFM shall increase to one hundred twenty-five percent (125%) times the Rent due payable under the Lease. Further, Horizon hereby acknowledges and agrees that its indemnity of IFM and of Landlord under Section 6 below shall

include, without limitation, any and all claims, demands, causes of action, damages, costs and expenses (including without limitation reasonable actual attorneys' fees and costs) arising out of or resulting directly or indirectly from Horizon's holdover. Notwithstanding the foregoing, Horizon shall not be liable to IFM for any consequent, special, indirect, or punitive damages hereunder, except to the extent that damages (if any) owed by IFM to Landlord may be so characterized.

6. HORIZON TO COMPLY WITH LEASE AGREEMENT TERMS, INDEMNITIES

6.1 Horizon agrees to perform and observe the covenants, conditions, and terms set forth in the Lease on the part of the tenant to be performed and observed (including without limitation Sections 9-11 thereof), except the covenant for the payment of Base Rental (and any rent tax imposed thereon) reserved in the Lease, and to indemnify, defend (using counsel selected by or acceptable to IFM for such purpose) and hold the Landlord and IFM each harmless

from and against any and all claims, demands, causes of action, damages, costs and expenses (including without limitation reasonable actual attorneys' fees and costs) arising out of or resulting directly or indirectly from IFM's breach of or default under the Lease or this Sublease, unless caused by or resulting from, directly or indirectly, any act or omission, breach or default of Horizon.

7. SERVICES AND UTILITIES

Horizon shall pay any and all charges for utilities and services as set forth in the Lease. In the event that IFM has any utility deposits or other deposits for services, Horizon shall reimburse IFM for the amounts thereof or shall replace the same with deposits funded by Horizon within thirty (30) days after written request from IFM to do so.

8. USE FOR BUSINESS PURPOSES

The premises subleased herein are to be used for the business purposes set out in the Lease and for no other use or purpose whatsoever.

9. ALTERATIONS

Horizon shall not undertake or commence any alterations, additions or improvements to the Premises without having first obtained the prior written consent of IFM hereunder and, to the extent applicable, the consent or approval of Landlord under the Lease.

10. WAIVER OF ONE BREACH NOT WAIVER OF OTHERS

Waiver of one breach of a term, condition, or covenant of this Sublease by either party hereto shall be limited to the particular instance and shall not be deemed to be a waiver of future breaches of the same or other terms, conditions, or covenants.

11. TERMINATION AND REENTRY BY IFM ON HORIZON'S DEFAULT

11.1 Horizon shall be in default under this Sublease upon the occurrence of any of the following acts, events or conditions:

(a) The Base Rental, Additional Rental or any other sum of money payable under this Sublease is not paid when due, and such failure is not cured within ten (10) days after written notice from IFM to Horizon thereof (provided, however, that IFM shall not be obligated to provide to Horizon a notice of such failure to the opportunity to cure same after such notice more than three (3) times in any period of twelve (12) consecutive months;

(b) Horizon shall abandon or vacate all or any portion of the Premises and ceases paying Rent;

(c) The failure or refusal of Horizon, at any time during the Sublease Term, to fulfill or perform any other covenant, agreement or obligation of Horizon hereunder if such failure or refusal shall continue without correction for a period of twenty (20) days after notice thereof to Horizon (provided, however, that if such covenant, agreement or obligation shall be of such nature that it can be fulfilled or performed and if Horizon in good faith commences to fulfill or perform same within said twenty (20) day period exercising due diligence, a default by Horizon shall not be deemed to have occurred if Horizon commences to diligently pursue the fulfillment or performance of the covenant, agreement or obligation during such 20-day period and shall thereafter continuously and diligently proceed therewith until completion within sixty (60) total days);

(d) An attempt to assign, sub-sublease or further transfer Horizon's rights or interests hereunder shall occur without the prior written approval of IFM, except as set forth in that certain Assignment of Sublease of even date herewith among Horizon, Bank of America, N.A., and IFM.

(e) The initiation of any proceeding whereupon the estate or interest of Horizon in the Premises, or any portion thereof, or in this Sublease is levied upon or attached if such proceeding is not vacated, discharged or bonded within thirty (30) days after the date of such levy or attachment;

(f) The entry of any decree or order for relief by a court having jurisdiction in the Premises in respect of Horizon in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Horizon or for any substantial part of the assets of Horizon, or the entry of any decree or order with respect to winding-up or liquidation of the affairs of Horizon, if any such decree or order continues unstayed and in effect for a period of sixty (60) consecutive days;

(g) The commencement by Horizon of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by

Horizon to the appointment of or possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Horizon or for any substantial part of the assets of Horizon, or any assignment made by Horizon for the benefit of creditors, and such case or proceeding is not dismissed within sixty (60) days; or

(h) A default by Horizon under that certain Promissory Note from Horizon in favor of IFM dated as of even date herewith in the principal amount of $5,945,216 (as that note may be amended or replaced) and a failure to cure such default as set forth therein.

11.2 Upon the occurrence of a default by Horizon as described in this Sublease, IFM shall have the option to pursue any one or more of the following remedies without notice or demand whatsoever, and in addition to, and not in limitation of any other remedy or right permitted to it by law of in equity or by this Sublease:

(a) IFM, with or without terminating this Sublease and without waiving such default, may perform, correct or repair any condition which shall constitute a failure on Horizon's part to keep, observe, perform or satisfy such condition, and IFM may take, on behalf of Horizon, whatever steps IFM deems necessary to cure such default. IFM may reenter the Premises for such purposes without being liable for prosecution or any claim for damages therefor, and Horizon shall fully reimburse and compensate IFM on demand for all costs and expenses incurred by IFM in such performance, correction or repair, including without limitation, accrued interest from the date of demand until date of payment at the Default Interest Rate, and such sums shall be deemed to be Additional Rental hereunder;

(b) IFM may terminate this Sublease, in which event Horizon shall immediately surrender the Premises to IFM, and if Horizon fails to do so, IFM may, without prejudice to any other remedy it may have, enter upon and take possession of the Premises and expel or remove Horizon and any other person who may be occupying said premises or any part thereof in accordance with all applicable laws and without breaching the peace;

(c) IFM may recover possession of the Premises, with or without terminating this Sublease, at IFM's option, in the manner prescribed by any applicable statute, including without limitation, statutes relating to summary process. Any demand for the Rent, reentry for conditions broken, and any and all notices to quit, including without limitation, the notice required by the provisions of Section 83.20, Florida Statutes, or any similar statutes, or other formalities of any nature, to which Horizon may be entitled, are hereby specifically waived. In any possessory action for nonpayment of Rent or other charge due hereunder, Horizon expressly waives any defense other than payment. Horizon's obligation to

pay Rent is independent of any duty or obligation of IFM under this Sublease;

(d) IFM may relet the Premises upon such terms and conditions and for such rental as IFM deems advisable, without thereby avoiding or terminating this Sublease, and Horizon shall remain liable for any and all Rent and other charges and expenses hereunder. For the purpose of reletting, IFM is authorized to make such repairs or alterations to the Premises and/or to remove or store Horizon's or other occupants' possessions as may be necessary in the sole discretion of IFM for the purpose of such reletting, and if a sufficient sum is not realized from such reletting (after payment of all costs and expenses of such repairs, alteration or storage and the expense of such reletting and the collection of

rent accruing therefrom) each month to equal the Rent, then Horizon shall pay such deficiency each month upon demand therefor. Actions to collect such amounts may be brought from time to time, on one or more occasions, without the necessity of IFM's waiting until the expiration of the Sublease Term. In the event of termination of the Sublease or repossession of the Premises for default as described in this Sublease, IFM shall use commercially reasonable efforts to relet the Premises, or a portion thereof, and to collect rental after reletting; and in the event of reletting, IFM may relet the whole or any portion of the Premises, as agent for Horizon or for IFM's own account, for any period to any sublease and for any use and purpose;

(e) IFM may declare immediately due and payable the then present value (calculated with a discount factor or eight percent (8%) per annum) of the difference between (x) the entire amount of Base Rental. Additional Rental and other charges and assessments which in IFM's reasonable determination would become due and payable during the remainder of the Sublease Term (in the absence of the termination of this Sublease), and (y) the then fair market value of the Premises for the remainder of the Sublease Term. Upon the acceleration of such amounts, Horizon agrees to pay the same at once, in addition to all Rent, costs, charges, assessments, and reimbursements theretofore due: provided, however, that such payment shall not constitute a penalty or forfeiture, but shall constitute liquidated damages for Horizon's failure to comply with the terms and provisions of this Sublease (IFM and Horizon agreeing that IFM's actual damages in such event are difficult to ascertain and that the amount set forth above is a reasonable estimate thereof). In computing such liquidated damages, there shall be added to such deficiency any reasonable expenses as IFM may incur in connection with reletting, such as court costs, reasonable attorneys' fees and disbursements, brokerage fees and preparing the Premises for reletting. Furthermore, such amount shall be construed as liquidated damages and shall constitute a debt provable in bankruptcy or receivership; and/or

(f) Alter all locks and other security devices at the Premises without terminating this Sublease.

In the event that IFM shall have taken possession of the Premises pursuant to the authority herein granted, then IFM shall have the right to keep in place and use all of the furniture, fixtures and equipment at the Premises, including without limitation that which is owned by or subleased to Horizon, and at all times prior to any foreclosure thereon by IFM or repossession thereof by any lessor thereof or third party having a lien thereon. IFM shall also have the right to remove from the Premises (without the necessity of obtaining a distress warrant, writ of sequestration or other legal process) all or any portion of such furniture, fixtures, equipment and other property located thereon and place same in storage at any premises within the county in which the Premises is located; and in such event, Horizon shall be liable to IFM for costs incurred by IFM in connection with such removal and storage and shall indemnify and hold IFM harmless from all loss, damage, cost, expense and liability in connection with such removal and storage. IFM shall also have the right to relinquish possession of all or any portion of such furniture, fixtures, equipment and other property to any person ("Claimant") claiming to be entitled to possession thereof who presents to IFM a copy of any instrument represented to IFM by Claimant to have

been executed by Horizon (or any predecessor of Horizon) granting Claimant the right under various circumstances to take possession of such furniture, fixtures, equipment or other property, without the necessity on the part of IFM to inquire into the authenticity of said instrument's copy of Horizon's signature thereon and without the necessity of IFM's making any investigation or inquiry as to the validity of the factual or legal basis upon which Claimant purports to act. Horizon agrees to indemnify and hold IFM harmless from all costs, expense, loss, damage and liability incident to IFM's relinquishment of possession of all or any portion of such furniture, fixtures, equipment or other property to Claimant. The rights of IFM herein stated shall be in addition to any and all other rights which IFM has or may hereafter have at law or in equity, and Horizon stipulates and agrees that the rights herein granted IFM are commercially reasonable. IFM shall in no event be liable to Horizon, including, without limitation, liability for trespass or conversion, with respect to any actions taken pursuant to this Section 11.2 so long as same are taken in accordance with all applicable laws.

11.3 No course of dealing between IFM and Horizon or any failure or delay on the part of IFM in exercising any rights of IFM under Section 11.2 hereof or under any other provisions of this Sublease shall operate as a waiver of any rights of IFM hereunder, at law or in equity or under any other provisions of this Sublease, nor shall any waiver of a default on one occasion operate as a waiver of any subsequent default or of any other default. No express waiver shall affect any condition, covenant, rule, or regulation other than the one specified in such waiver and that one only for the time and in the manner specifically stated. The exercise by IFM of any one or more of the rights and remedies provided in this Sublease shall not prevent the subsequent exercise by IFM of any one or more of the other rights and remedies herein provided. All remedies provided for in this Sublease are cumulative and may, at the election of IFM, be exercised alternatively, successively, or in any other manner and are in addition to any other rights provided for or allowed by law or in equity. After default, the acceptance of Rent (or any portion thereof) or failure to re-enter by IFM shall not be held to be a waiver of its rights to terminate this Sublease or of any other rights under this Sublease or applicable statue, and IFM may re-enter and take possession of the Premises, or exercise any other right and remedy, as if no Rent had been accepted after such default.

11.4 Exercise by IFM of any one or more remedies under Section 11 or otherwise available shall not be deemed to be an acceptance of surrender of the Premises by Horizon whether by agreement or by operation of law, it being understood that such surrender can be effected only by the written agreement of IFM and Horizon or otherwise as permitted by law. No alteration of locks or other security devices and no removal or other exercise of dominion by IFM over the property of Horizon or others at the Premises shall be deemed unauthorized or constitute a conversion, Horizon hereby consenting, after any default, to the aforesaid exercise of dominion over Horizon's property within the Premises so long as IFM complies with all Florida laws pertaining to distraint, dispossessory, detainer or other remedial actions of landlords not waived under this Sublease. All claims for damages by reason of such re-entry and/or repossession and/or alteration of locks or other security devices and hereby waived, as are all claims for damages by reason of any distress warrant, forcible detainer proceedings, sequestration proceedings or other legal process so long as IFM complies with all Florida laws pertaining to distraint, dispossessory, detainer or other remedial actions of landlords not waived under this Sublease. No such reentry or taking possession of the Premises by IFM shall

be construed as an election on IFM's part to terminate this Sublease, unless a written notice of such intention be given by IFM to Horizon or unless the termination thereof be decreed by a court of competent jurisdiction. Horizon agrees that any re-entry by IFM which is made pursuant to a judgment obtained in

forcible detainer proceedings or other legal proceedings will not make IFM liable for trespass.

12. LITIGATION COSTS

If any legal action is filed to enforce this Sublease, or any part thereof, the prevailing shall be entitled to recover reasonable actual attorneys' fees and costs of the action.

13. APPLICABLE LAW, VENUE, AND SERVICE

In interpreting this Sublease and in determining the right of the Parties under it, the laws of the State of Florida shall apply. Venue shall lie in the county in which the Premises is located.

Personal service either within or without such state shall be sufficient to give personal jurisdiction to any court in which an action is filed for litigation of rights under this Sublease.

14. SURRENDER OF PREMISES AND KEYS

Horizon agrees that at the expiration or termination of this Sublease, it will quit and surrender the Premises in the condition set forth in the Lease upon an expiration or termination, without notice, and will deliver to IFM all keys belonging to the Premises.

15. REMOVAL OF PROPERTY BY IFM

If IFM re-enters the Premises or takes possession of them before normal expiration of this Sublease in accordance with its terms, any and all personal property of Horizon not removed within ten (10) days of such re-entry or repossession (and to the extent IFM has changed the locks, it will permit Horizon access to the Premises for such purposes) shall be conclusively deemed to have been abandoned by Horizon and IFM shall have the right to cause the same to be removed and disposed of in any manner it deems necessary or appropriate, including without limitation throwing the same away, at Horizon's sole cost and expense.

16. HORIZON'S INSOLVENCY, BANKRUPTCY, RECEIVERSHIP OR ASSIGNMENT FOR CREDITORS

If IFM cannot terminate this Sublease or Horizon's right of possession because of the application of bankruptcy or similar laws, then Horizon, as a debtor in possession or on behalf of any trustee for Horizon, shall: (i) within the statutory time, assume or reject this Sublease and (ii) not seek or request any extension of adjournment of any application to assume or reject this Sublease by IFM. In such event, Horizon or any trustee for Horizon may only assume this Sublease if (A) it cures or provides adequate assurance that it will promptly cure any default hereunder, (B) it compensates or provides adequate assurance that it will promptly compensate IFM for any actual pecuniary loss to IFM

resulting from Horizon's defaults, including without limitation accrued interest at the Default Interest Rate and attorneys' fees as a result of such default, and (C) it provides adequate assurance or performance during the Sublease Term of all of the terms, covenants and provisions of this Sublease to be performed by Horizon. In no event after the assumption of this Sublease shall any then-existing default remain uncured for a period in excess of the earlier of ten (10) days or the time period set forth herein. Adequate assurance of performance shall include, without limitation, adequate assurance (1) of the source of payment of Rent reserved hereunder, and (2) that the assumption of this Sublease will not breach any provision hereunder, and will not cause a breach of any other sublease, financing agreement or master agreement relating to the Building.

17. NOTICES

All notices, demands, requests, elections, consents or other communications required or permitted to be given pursuant to the terms of this Sublease shall be in writing, signed by the party making the same, and shall be delivered personally or by overnight mail service or courier, or by certified mail, return receipt requested, postage or other delivery costs prepaid, to the other party hereto, at the addresses set forth below. The date of such notice or other communication shall be the date of personal delivery, the date of delivery if deposited with Federal Express or other overnight or same day mail service or courier, or the date delivery, refusal to accept delivery or inability to deliver as evidenced on the return receipt, if sent by certified mail. If any date on which any notice or election is required to be given or made hereunder falls on a Saturday, Sunday or legal holiday, then, the date on which such notice or election is required to be given or made hereunder shall, for all purposes, be deemed to be the next following business day. Any notice to IFM shall be addressed as follows:

Ideas for Medicine, Inc.
c/o CryoLife, Inc.
1655 Roberts Boulevard
Kennesaw, Georgia 30144
Attn: Vice President of Finance

with a copy to:

Arnall Golden & Gregory, LLP
2800 One Atlantic Center
1201 West Peachtree Street
Atlanta, Georgia 30309-3450
Attn: Clinton D. Richardson, Esq.

and if given to Horizon, shall be addressed to:

Horizon Medical Products, Inc.
Seven North Parkway Square
4200 Northside Parkway, N.W.
Atlanta, Georgia 30327
Attn: Robert M. Dodge,
Chief Financial Officer

with copies to:

Slaughter & Virgin, P.C.
400 Colony Square, Suite 1110
1201 Peachtree Street, N.E.
Atlanta, Georgia 30361
Attn: Nat G. Slaughter, III

and

King & Spalding
191 Peachtree Street, N.E.
Suite 4600
Atlanta, Georgia 30303-1763
Attn: Jon R. Harris, Jr., Esq.

or such other address(es) as IFM or Horizon may from time to time designate in writing on not less than twenty (20) days prior to written notice to the other.

18. SUBLEASE APPLICABLE TO HEIRS, SUCCESSORS AND ASSIGNS

The terms, conditions, and covenants of this Sublease shall inure to and be binding on the heirs, successors, and administrators, executors, and assigns of the Parties hereto, except as otherwise herein provided.

19. NO ASSIGNMENT OR FURTHER SUBLEASE WITHOUT CONSENT

Horizon shall not sell or assign this Sublease or any part thereof, or any interest therein, or further sublease the same (collectively, a "Transfer"), without written consent of both IFM and Landlord. Any attempt to do so without such consent shall be conclusively deemed to be void and/or shall be a breach of this Sublease. IFM agrees that it shall not unreasonably withhold, condition or delay its consent to a proposed Transfer, provided that the following conditions have been satisfied: (i) Horizon is not then in breach or default under this Sublease, nor has any event or condition occurred which, with the giving of notice or the passage of time, or both, could constitute a default by Horizon under this Sublease, (ii) Landlord has given its consent in writing (or is deemed to have given its consent) to the proposed Transfer for all purposes under the Lease, (iii) provided that Bank of America, N.A. ("Bank"), is still the holder and assignee of the assignment instrument discussed in the parenthetical in item (iv) below. Bank has given its consent in writing to the proposed Transfer, and (iv) that certain Promissory Note referred to in Section 11.1 (h) above has been paid in full by Horizon to IFM (provided, however, if the proposed Transfer is to Bank pursuant to that certain "Assignment of Sublease (Sublessee's Interest)" by and between Horizon and Bank which is attached as Exhibit A to that certain "Lessor Subordination and Consent" being executed and delivered substantially of even date herewith by IFM in favor of Bank, then this condition (iv) shall not be applicable). Horizon acknowledges that IFM is obligated to give to Landlord thirty (30) days' prior written notice of any proposed Transfer. Horizon agrees to give IFM at least thirty-five (35) days' prior written notice of any proposed Transfer, and to provide to Landlord and to Bank a concurrent copy of any notice given by Horizon to IFM hereunder with respect to a proposed Transfer.

20. CONDITION OF THE PREMISES

The Premises are delivered to Horizon in an "as-is" condition, with no work to be performed by, or at the cost of, IFM, and no representations or warranties of any kind, express or implied, by IFM to Horizon. Horizon hereby acknowledges and agrees that it has had such time and opportunity as it has deemed necessary or appropriate to visit, examine and inspect the Premises, and has received and reviewed a copy of the Lease, and hereby approves the same in all respects.

IN WITNESS WHEREOF, the parties herein have hereunto set their hands and seals and have caused this Sublease to be executed by their duly authorized officers as of the day and year first above written.

IFM:

IDEAS FOR MEDICINE, INC.

/s/ D.A. Lee

By: D.A. Lee

Its: VP - Finance and CFO

Horizon:

HORIZON MEDICAL PRODUCTS, INC.

/s/ William E. Peterson, Jr.

By: William E. Peterson, Jr.

Its:President

LEGAL DESCRIPTION

EXHIBIT "A"

A tract of land located in and being a portion of the Northwest 1/4 of Section 11 Township South, Range 16 East, and also being portions of the following subdivision recorded in the Public Records of Pinelias County, Florida:

NORTON'S SUBDIVISION NO. 2, Plat Book 9, page 2;

PONCE De LEON PARK, Plat Book 12, page 47;

RIDGE CREST, Plat Book 8, page 23;

Said tract being more particularly described as follows:

Beginning at the Northeast corner of lands described in Official Records Book 4755, page 2019, thence North 89(0)51'39(0) West along the North line thereof, 175.74 feet to a point on the Westerly line of Block 4 of said NORTON'S SUBDIVISION NO. 2 as extended Southeasterly; thence North 44(0)23'39(0) West along said line 240.10 feet to a point of intersection with the Southerly line of Block 6 of said NORTON'S SUBDIVISION NO. 2 as extended Easterly; thence leaving said Westerly line North 89(0)59'22(0) West along said Southerly line 225.24 feet; thence leaving said line North 00(0)05'38(0) East along a Westerly line of lands described in Official Records Book 1703, page 158, a distance of 125.20 feet to a point on the Northerly line of Lot 2, Block 6 of said NORTON'S SUBDIVISION NO. 2; thence North 89(0)59'22(0) West along said line, 1.98 feet to the Northwest corner of said Lot 2; thence North 45(0)15'52(0) West along a Westerly line of lands described in Official Records Book 1703, page 158, a distance of 85.26 feet to a point on the Southerly line of Lot 1, Block 5 of said NORTON'S SUBDIVISION NO. 2; thence North 89(0)54'30(0) West along said line, 169.73 feet to the Southwest corner of Lot 2 of said block; thence North 00(0)23'59(0) East along the Westerly line of said lot, 8.18 feet to a point of intersection with the Southerly line of Block 8 of said RIDGE CREST as extended Easterly; thence North 89(0)36'33(0) West along said line, 62.76 feet to the Southeast corner of Lot 14, Block 8 of said RIDGE CREST; thence North 00(0)17'36(0) East along the Easterly line of said lot. 125.02 feet to the Northeasterly corner thereof; thence North 89(0)57'46(0) West along the Northerly line of said Block 8, a distance of 103.00 feet, thence leaving said line North 00(0)57'57(0) East along a Westerly line of lands described in Official Records Book 1703, page 158, a distance of 20.02 feet to a point on the Southerly line of Lot 12, Block 7 of said RIDGE CREST, thence South 89(0)59'01(0) East along said line, 102.95 feet to the Southeasterly corner of Lot 14 of said block; thence North 00(0)21'03(0) East along the Easterly line thereof, 75.94 feet; thence leaving said line and along an Easterly line of lands described in Official Records Book 4051, page 1262 the following two courses: 1) North 44(0)22'59(0) West, 467.97 feet; 2) North 38(0)16'33(0) West, 41.51 feet; thence North 43(0)48'04(0) West along a Westerly line of lands described in Official Records Book 1703, page 158, a distance of 86.68 feet, thence leaving said line and along an Easterly line of lands described in Official Records Book 4051, page 1262 the following two courses: 1) North 44(0)06'45(0) West, 110.12 feet; 2) North 45(0)34'36(0) East, 219.50 feet to a point 29.85 feet Southwesterly of the centerline of an existing railroad track; thence South 44(0)23'31(0) East. 1728.97 feet along a line parallel to and 29.85 feet Southwesterly of the centerline of said railroad track said line also parallel to and 19.20 feet Southwesterly of the Northeasterly edge of an existing concrete platform; thence leaving said line South 45(0)36'29(0) West,

19.97 feet to the Point of Beginning.

END OF LEGAL DESCRIPTION

1343496

Exhibit 10.35

TERMS OF AGREEMENT
BETWEEN
RONALD C. ELKINS, M.D. AND CRYOLIFE, INC.

EFFECTIVE DATE:
January 2, 2001 - December 31, 2003 with option to renew.

FOCUS OF SERVICES:
Ronald C. Elkins, M.D. agrees to provide twelve consulting days per 12 month Period. Consulting Services will address:

- the clinical use of BioGlue in cardiac and vascular surgery, either in open surgery or minimally invasive surgery.
- the development of catheter(s) and related products to facilitate the use of BioGlue in these clinical applications.
- the presentation of clinical information at surgical meetings, educational symposia and other surgical congresses for the purpose of surgeon education and training.
- the clinical use of SynerGraft heart valves, O'Brien heart valves, CryoGraft-SG and CryoValve-SG.

COMPENSATION:

- Annual consulting fee of $100,000.00 paid monthly.
- Royalty of 5% on net sales of products which are invented solely by you and which receive a patent and which are developed and marketed as a result of this relationship. If these products are invented in conjunction with another party, a royalty of 2.5% will be paid on net sales.
- Royalty of 3% on net sales of products which are invented solely by you which do not receive a patent, but which are developed and marketed as a result of this relationship. If these products are invented in conjunction with another party, a royalty of 1.5% will be paid on net sales.

Payment of all travel and related expenses incurred under this Agreement and in compliance with corporate travel and expense guidelines and policies.

The undersigned agree to the terms of this Agreement between Ronald C. Elkins, M.D. and CryoLife, Inc.

/s/ Steven G. Anderson Date: 11-1-00
Steven G. Anderson
President and CEO-CryoLife, Inc.

/s/ Ronald C. Elkins Date: 11-7-00
Ronald C. Elkins, M.D.

1343019

Exhibit 10.36

CRYOLIFE, INC.

and

CHEMICAL MELLON SHAREHOLDER SERVICES, L.L.C.

Rights Agent

RIGHTS AGREEMENT

Dated as of November 27, 1995

TABLE OF CONTENTS

Agreement, dated as of November 27, 1995, between CryoLife, Inc., a Florida corporation (the "Company"), and Chemical Mellon Shareholder Services, L.L.C. (the "Rights Agent").

WHEREAS, the Board of Directors of the Company has authorized and declared a dividend of one preferred share purchase right (a "Right") for each Common Share (as hereinafter defined) of the Company outstanding on December 11, 1995 (the "Record Date");

WHEREAS, each Right represents the right to purchase one one-tenth of a Preferred Share (as hereinafter defined), upon the terms and subject to the conditions herein set forth; and

WHEREAS, the Company has further authorized and directed the issuance of one Right with respect to each Common Share that shall become outstanding between the Record Date and the earliest of the Distribution Date, the Redemption Date and the Expiration Date (as such terms are hereinafter defined).

NOW THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean any Person (as such term is hereinafter

defined) who or which, together with all Affiliates and Associates (as hereinafter defined) of such Person, shall be the Beneficial Owner (as hereinafter defined) of 15% or more of the Common Shares of the Company then outstanding, but shall not include the Company, any Subsidiary (as hereinafter defined) of the Company, any employee benefit plan of the Company or any Subsidiary of the Company, or any entity holding Common Shares for or pursuant to the terms of any such plan. Notwithstanding the foregoing, no Person shall become an "Acquiring Person" as the result of an acquisition of Common Shares by the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person to 15% or more of the Common Shares of the Company then outstanding; provided, however, that if a Person shall become the Beneficial Owner of 15% or more of the Common Shares of the Company then outstanding by reason of share purchases by the Company and shall, after such share purchases by the Company, become the Beneficial Owner of any additional Common Shares of the Company, then such Person shall be deemed to be an "Acquiring Person". Notwithstanding the foregoing, if the Board of

Directors of the Company determines in good faith that a Person who would otherwise be an "Acquiring Person", as defined pursuant to the foregoing provisions of this paragraph (a), has become such inadvertently, and such Person divests in an orderly fashion but as promptly as practicable a sufficient number of Common Shares so that such Person would no longer be an "Acquiring Person," as defined pursuant the foregoing provisions of this paragraph (a), then such Person shall not be deemed to be an "Acquiring Person" for any purposes of this Agreement.

(b) "Affiliate", and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the date of this Agreement.

(c) Unless otherwise specifically provided, "agreement" refers to both written and oral agreements.

(d) A Person shall be deemed the "Beneficial Owner" of and shall be deemed to "beneficially own" any securities:

(i) which such Person or any of such Person's Affiliates or Associates is deemed to "beneficially own", within the meaning of Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on the date of this Agreement;

(ii) which such Person or any of such Person's Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, rights (other than these Rights), warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or (B) the right to vote pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or

Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except to the extent contemplated by the proviso to Section 1(d)(ii)(B) above) or disposing of any securities of the Company.

Notwithstanding anything in this definition of Beneficial Ownership to the contrary, the phrase "then outstanding," when used with reference to a Person's Beneficial Ownership of securities of the Company, shall mean the number of such securities then issued and outstanding together with the number of such

securities not then actually issued and outstanding which such Person would be deemed to own beneficially hereunder. Notwithstanding the foregoing, nothing contained in this definition shall cause a Person ordinarily engaged in business as an underwriter of securities to be the "Beneficial Owner" of, or to "beneficially own," any securities acquired in a bona fide firm commitment underwriting pursuant to an underwriting agreement with the Company.

(e) "Business Day" shall mean any day other than a Saturday, a Sunday, or a day on which banking institutions in Pennsylvania are authorized or obligated by law or executive order to close.

(f) "Close of Business" on any given date shall mean 5:00 P.M., Pittsburgh, Pennsylvania time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., Pittsburgh, Pennsylvania time, on the next succeeding Business Day.

(g) "Common Shares" when used with reference to the Company shall mean the shares of common stock, par value $.01 per share, of the Company. "Common Shares" when used with reference to any Person other than the Company shall mean the capital stock (or equity interest) with the greatest voting power of such other Person entitled to vote generally in the election of all directors of such other Person or the equity securities or other equity interest having power (whether or not exercised) to control or direct the management of such other Person or, if such other Person is a Subsidiary of another Person, the Person or Persons which ultimately control such first-mentioned Person.

(h) "Distribution Date" shall have the meaning set forth in Section 3 hereof.

(i) "Expiration Date" shall have the meaning set forth in Section 7 hereof.

(j) "Person" shall mean any individual, firm, corporation or other entity, and shall include any successor (by merger or otherwise) of such entity.

(k) "Preferred Shares" shall mean shares of Series A Junior Participating Preferred Stock, par value $.01 per share, of the Company having the rights and preferences set forth in the Form of Articles of Amendment attached to this Agreement as Exhibit A.

(l) "Redemption Date" shall have the meaning set forth in Section 7 hereof.

(m) "Shares Acquisition Date" shall mean the first date of public announcement by the Company or an Acquiring Person that a Person, together with all Affiliates and Associates of such Person, has become an Acquiring Person.

(n) "Subsidiary" of any Person shall mean any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person.

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3 hereof, shall prior to the Distribution Date be the holders of the Common Shares) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-Rights Agents as it may deem necessary or desirable.

Section 3. Issue of Right Certificates. (a) Until the earlier of (i) the tenth day after the Shares Acquisition Date or (ii) the tenth Business Day (or such later date as may be determined by action of the Board of Directors prior to such time as any Person becomes an Acquiring Person) after the date of the commencement by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) of, or of the first public announcement of the intention of any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) to commence, a tender or exchange offer the consummation of which would result in any Person becoming the Beneficial Owner of Common Shares aggregating 15% or more of the then outstanding Common Shares (including any such date which is after the date of this Agreement and prior to the issuance of the Rights; the earlier of such dates being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced (subject to the provisions of Section 3(b) hereof) by the certificates for Common Shares registered in the names of the holders thereof (which certificates shall also be deemed to be Right Certificates) and not by separate Right Certificates, and (y) the right to receive Right Certificates will be transferable only in connection with the transfer of Common Shares. As soon as practicable after the Distribution Date, the Company will prepare and execute, the Rights Agent will countersign, and the Company will send or cause to be sent (or the Rights Agent will, if requested, send) by first-class, insured, postage-prepaid mail, to each record holder of Common Shares as of the Close of Business on the Distribution Date, at the address of such holder shown on the records of the Company, a Right Certificate, in substantially the form of Exhibit B hereto (a "Right Certificate"), evidencing one Right for each Common Share so held. As of the Distribution Date and thereafter, the Rights will be evidenced solely by such Right Certificates.

(b) On the Record Date, or as soon as practicable thereafter, the Company will send a copy of a Summary of Rights to Purchase Preferred Shares, in substantially the form of Exhibit C hereto (the "Summary of Rights"), by first-class, postage-prepaid mail, to each record holder of Common Shares as of the Close of Business on the Record Date, at the address of such holder shown on the records of the Company. With respect to certificates for Common Shares outstanding as of the Record Date, until the Distribution Date, the Rights will be evidenced by such certificates registered in the names of the holders thereof together with a copy of the Summary of Rights attached thereto. Until the Distribution Date (or the earlier of the Redemption Date or the Expiration Date), the surrender for transfer of any certificate for Common Shares outstanding on the Record Date, with or without a copy of the Summary of Rights attached thereto, shall also constitute the transfer of the Rights associated with the Common Shares represented thereby.

(c) Certificates for Common Shares which become outstanding (including, without limitation, reacquired Common Shares referred to in the last sentence of this paragraph (c)) after the Record Date but prior to the earliest of the Distribution Date, the Redemption Date or the Expiration Date shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

> This certificate also evidences and entitles the holder hereof to certain rights as set forth in a Rights Agreement between CryoLife,

Inc. and Chemical Mellon Shareholder Services, L.L.C., dated as of November 27, 1995 (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of CryoLife, Inc. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. CryoLife, Inc. will mail to the holder of this certificate a copy of the Rights Agreement without charge after receipt of a written request therefor. Under certain circumstances, as set forth in the Rights Agreement, Rights issued to any Person who becomes an Acquiring Person (as defined in the Rights Agreement) may become null and void.

With respect to such certificates containing the foregoing legend, until the Distribution Date, the Rights associated with the Common Shares represented by such certificates shall be evidenced by such certificates alone, and the surrender for transfer of any such certificate shall also constitute the transfer of the Rights associated with the Common Shares represented thereby. In the event that the Company purchases or acquires any Common Shares after the Record Date but prior to the Distribution Date, any Rights associated with such Common Shares shall be deemed cancelled and retired so that the Company shall

not be entitled to exercise any Rights associated with the Common Shares which are no longer outstanding. Notwithstanding this paragraph (c), the omission of a legend shall not effect the enforceability of any part of this Rights Agreement or the rights of any holder of Rights.

Section 4. Form of Right Certificates. The Right Certificates (and the forms of election to purchase Preferred Shares and of assignment to be printed on the reverse thereof) shall be substantially in the form as Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Sections 7, 11 and 22 hereof, the Right Certificates, whenever issued, shall entitle the holders thereof to purchase such number of one one-tenths of a Preferred Share as shall be set forth therein at the price per one one-tenth of a Preferred Share set forth therein (the "Purchase Price"), but the number of one one-tenths of a Preferred Share and the Purchase Price shall be subject to adjustment as provided herein.

Section 5. Countersignature and Registration. (a) The Right Certificates shall be executed on behalf of the Company by its Chairman of the Board, its Chief Executive Officer, its President, any of its Vice Presidents, or its Treasurer, either manually or by facsimile signature, shall have affixed thereto the Company's seal or a facsimile thereof, and shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Right Certificates shall be manually countersigned by the Rights Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Company who shall have signed any of the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the person who signed such Right Certificates had not ceased to be such officer of the Company; and any Right Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

(b) Following the Distribution Date, the Rights Agent will keep or cause to

be kept, at its principal office, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the date of each of the Right Certificates.

Section 6. Transfer, Split Up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates. (a) Subject to the provisions of Sections 7(e) and 14 hereof, at any time after the

Close of Business on the Distribution Date, and at or prior to the Close of Business on the earlier of the Redemption Date or the Expiration Date, any Right Certificate or Right Certificates (other than Right Certificates representing Rights that have become void pursuant to Section 7(e) hereof or that have been exchanged pursuant to Section 24 hereof) may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of one one-tenths of a Preferred Share as the Right Certificate or Right Certificates surrendered then entitled such holder to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificate or Right Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the principal office of the Rights Agent. Thereupon the Rights Agent shall, subject to Sections 7(e) and 14 hereof, countersign and deliver to the person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates.

(b) Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, at the Company's request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will make and deliver a new Right Certificate of like tenor to the Rights Agent for delivery to the registered holder in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

(c) Notwithstanding any other provisions hereof, the Company and the Rights Agent may amend this Agreement to provide for uncertified Rights in addition to or in place of Rights evidenced by Right Certificates.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights. (a) Subject to Section 7(e) and except as otherwise provided in this Agreement, the registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein) in whole or in part at any time after the Distribution Date upon surrender of the Right Certificate, with the form of election to purchase on the reverse side thereof duly executed, to the Rights Agent at the principal office of the Rights Agent, together with payment of the Purchase Price for each one one-tenth of a Preferred Share as to which the Rights are exercised, at or prior to the earliest of (i) the close of business on November 27, 2005 (the "Expiration Date"), (ii) the time at which the Rights are redeemed as provided in Section 23 hereof (the "Redemption Date"), or (iii) the time at which such Rights are exchanged as provided in Section 24 hereof.

(b) The Purchase Price for each one one-tenth of a Preferred Share purchasable pursuant to the exercise of a Right shall initially be $100.00, and

shall be subject to adjustment from time to time as provided in Section 11 or 13 hereof and shall be payable in lawful money of the United States of America in accordance with paragraph (c) below.

(c) Upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase duly executed, accompanied by payment of the Purchase Price for the shares to be purchased and an amount equal to any applicable transfer tax required to be paid by the holder of such Right Certificate in accordance with Section 9 hereof by certified check, cashier's check or money order payable to the order of the Company, the Rights Agent shall thereupon promptly (i) either (A) requisition from any transfer agent of the Preferred Shares certificates for the number of Preferred Shares to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) requisition from the depositary agent depositary receipts representing such number of one one-tenths of a Preferred Share as are to be purchased (in which case certificates for the Preferred Shares represented by such receipts shall be deposited by the transfer agent with the depositary agent) and the Company hereby directs the depositary agent to comply with such request, (ii) when appropriate, requisition from the Company the amount of cash to be paid in lieu of issuance of fractional shares in accordance with Section 14 hereof, (iii) after receipt of such certificates or depositary receipts, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder and (iv) when appropriate, after receipt, deliver such cash to or upon the order of the registered holder of such Right Certificate.

(d) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Section 14 hereof.

(e) Notwithstanding anything in this Rights Agreement to the contrary, any rights that are at anytime beneficially owned by an acquiring Person or any Affiliate or Associate of an acquiring Person shall be null and void and not transferable, and any holder of any such Right (including any purported transferee or subsequent holders) shall not have any right to exercise or transfer any such Right. No Rights Certificate shall be issued pursuant to Section 3 that represents Rights beneficially owned by an Acquiring Person whose Rights would be void pursuant to the preceding sentence or any Associate or Affiliate thereof; no Right Certificate shall be issued at any time upon the transfer of any Rights to an Acquiring Person whose Rights would be void pursuant to the preceding sentence or any Associate or Affiliate thereof or to any nominee of such Acquiring Person, Associate or Affiliate; and any Right Certificate delivered to the Rights Agent for transfer to an Acquiring Person whose Rights would be void pursuant to the preceding sentence shall be cancelled.

(f) Notwithstanding anything in this Rights Agreement to the contrary,

neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder of any Right Certificates upon the occurrence of any purported exercise as set forth in this Section 7 unless such registered holder shall have (i) completed and signed the certificate contained in the form of election to purchase set forth on the reverse side of the Right Certificate surrendered for such exercise and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request.

(g) The Company may temporarily suspend, for a period of time not to exceed 90 calendar days after the Distribution Date, the exercisability of the Rights in order to prepare and file a registration statement under the Securities Act, on appropriate form, with respect to the Preferred Shares purchasable upon

exercise of the Rights and permit such registration statement to become effective; provided, however, that no such suspension shall remain effective after, and the Rights shall without any further action of the Company or any other Person become exercisable immediately upon the effectiveness of such registration statement. Upon any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended and shall issue a further public announcement at such time as the suspension is no longer in effect. Notwithstanding any provision herein to the contrary, the Rights shall not be exercisable in any jurisdiction if the requisite qualification under the Blue Sky or securities laws of such jurisdiction shall not have been obtained or the exercise of the Rights shall not be permitted under applicable law.

Section 8. Cancellation and Destruction of Right Certificates. All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, and any Right Certificate representing Rights that shall become null and void and nontransferable pursuant to Section 7(e) surrendered or presented for any purpose shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Rights Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Right Certificates to the Company, or shall, at the written request of the Company, destroy such cancelled Right Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

Section 9. Availability of Preferred Shares. (a) The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued Preferred Shares or any Preferred Shares held in its treasury, the number of Preferred Shares that will be sufficient to permit the exercise in full of all outstanding Rights in accordance with Section 7. The Company covenants and agrees that it will take all such action as may be necessary to ensure that all Preferred Shares delivered upon exercise of Rights shall, at the time of delivery of the certificates for such Preferred Shares

(subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable shares. The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Right Certificates or of any Preferred Shares upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Right Certificates to a person other than, or the issuance or delivery of certificates or depositary receipts for the Preferred Shares in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise or to issue or to deliver any certificates or depositary receipts for Preferred Shares upon the exercise of any Rights until any such tax shall have been paid (any such tax being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's reasonable satisfaction that no such tax is due.

(b) In the event that there shall not be sufficient Preferred Shares issued but not outstanding or authorized but unissued to permit the exercise or exchange of Rights in accordance with Section 11, the Company covenants and agrees that it will take all such action as may be necessary to authorize additional Preferred Shares for issuance upon the exercise or exchange of Rights pursuant to Section 11; provided, however, that if the Company is unable to cause the authorization of additional Preferred Shares, then the Company shall, or in lieu of seeking any such authorization, the Company may, to the extent necessary and permitted by applicable law and any agreements or instruments in

effect prior to the Distribution Date to which it is a party, (A) upon surrender of a Right, pay cash equal to the Purchase Price in lieu of issuing Preferred Shares and requiring payment therefor, (B) upon due exercise of a Right and payment of the Purchase Price for each Preferred Share as to which such Right is exercised, issue equity securities having a value equal to the value of the Preferred Shares which otherwise would have been issuable pursuant to this Agreement, which value shall be determined by a nationally recognized investment banking firm selected by the Board of Directors of the Company or (C) upon due exercise of a Right and payment of the Purchase Price for each Preferred Share as to which such Right is exercised, distribute a combination of Preferred Shares, cash and/or other equity and/or debt securities having an aggregate value equal to the value of the Preferred Shares which otherwise would have been issuable pursuant to Section 11, which value shall be determined by a nationally recognized investment banking firm selected by the Board of Directors of the Company. To the extent that any legal or contractual restrictions (pursuant to agreements or instruments in effect prior to the Distribution Date to which it is party) prevent the Company from paying the full amount payable in accordance with the foregoing sentence, the Company shall pay to holders of the Rights as to which such payments are being made all amounts which are not then restricted on a pro rata basis as such payments become permissible under such legal or contractual restrictions until such payments have been paid in full.

(c) So long as the Preferred Shares issuable upon the exercise or exchange of Rights are to be listed on any national securities exchange, the Company covenants and agrees to use its best efforts to cause, from and after such time

as the Rights become exercisable or exchangeable, all Preferred Shares reserved for such issuance to be listed on such securities exchange upon official notice of issuance upon such exercise or exchange.

(d) The Company further covenants and agrees that it will pay when due and payable any and all Federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of Right Certificates or of any Preferred Shares or Common Shares or other securities upon the exercise or exchange of the Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Right Certificates to a Person other than, or in respect of the issuance or delivery of certificates for the Preferred Shares or Common Shares or other securities, as the case may be, in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise or exchange or to issue or deliver any certificates for Preferred Shares or Common Shares or other securities, as the case may be, upon the exercise or exchange of any Rights until any such tax shall have been paid (any such tax being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

Section 10. Preferred Shares Record Date. Each person in whose name any certificate for Preferred Shares is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Preferred Shares represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the Preferred Shares transfer books of the Company are closed, such person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Preferred Shares transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate shall not be entitled to any rights of a holder of Preferred Shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price, Number of Shares or Number of Rights. The Purchase Price, the number of Preferred Shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Shares payable in Preferred Shares, (B) subdivide the outstanding Preferred Shares, (C) combine the outstanding Preferred Shares into a smaller number of Preferred Shares or (D) issue any shares of its capital stock in a reclassification of the Preferred Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a), the Purchase Price in effect

at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of capital stock issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive the aggregate number and kind of shares of capital stock which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Shares transfer books of the Company were open, he would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right.

(ii) Subject to Section 24 of this Agreement, in the event any Person becomes an Acquiring Person, each holder of a Right, except as provided in Section 7(e), shall thereafter have a right to receive, upon exercise thereof at a price equal to the then current Purchase Price multiplied by the number of one one-tenths of a Preferred Share for which a Right is then exercisable, in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of Common Shares of the Company as shall equal the result obtained by (x) multiplying the then current Purchase Price by the number of one one-tenths of a Preferred Share for which a Right is then exercisable and (y) dividing that product by 50% of the then Current Per Share Market Price of the Company's Common Shares (determined pursuant to Section 11(d) hereof) on the date of the occurrence of such event (such number of shares being hereinafter referred to as the "Adjustment Shares"). In the event that any Person shall become an Acquiring Person and the Rights shall then be outstanding, the Company shall not take any action which would eliminate or diminish the benefits intended to be afforded by the Rights.

(iii) In the event that there shall not be sufficient Common Shares issued but not outstanding or authorized but unissued to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii), the Company shall, to the extent permitted by applicable law and regulation, (a) determine the excess of (1) the value of the Adjustment shares issuable upon the exercise of a Right (computed using the Current Per Share Market Price used to determine the number of Adjustment Shares) (the "Current Value') over (2) the Purchase Price (such excess is herein referred to as the "Spread"), and (B) with respect to each Right, make adequate provision to substitute for the Adjustment Shares, upon the exercise of the Rights and payment of the applicable Purchase Price, (1) cash, (2) a reduction in the Purchase Price, (3) Common Stock or other equity securities of the Company (including, without limitation, shares, or units of shares, of preferred stock (including, without limitation, the Preferred Stock) that the Board of Directors of the Company has determined to have the same value as shares of Common Stock (such shares of preferred stock are herein referred to as "Common Stock Equivalents")), (4) debt securities of the Company, (5) other assets or (6) any combination of the foregoing, having an aggregate value equal to the Current Value, where such aggregate value has been determined by the Board of Directors of the Company based upon the advice of a nationally recognized investment banking firm selected by the Board of Directors

of the Company; provided, however, if the Company shall not have made adequate provision to deliver value pursuant to clause (B) above within 30 days following the later of (x) the first Distribution Date and (y) the date on which the Company's right of redemption pursuant to Section 23(a) expires (the later of (x) and (y) being referred to herein as the "Flip-In Trigger Date"), then the Company shall be obligated to deliver, upon the surrender for exercise of a Right and without requiring payment of the Purchase Price, shares of Common Stock (to the extent available) and then, if necessary, cash, which shares and/or cash have an aggregate value equal to the Spread. If the Board of Directors of the Company shall determine in good faith that it is likely that sufficient additional shares of Common Stock could be authorized for issuance upon exercise in full of the Rights, the 30-day period set forth above may be extended to the extent necessary, but not more than 90 days after the Flip-In Trigger Date, in order that the Company may seek shareholder approval for the authorization of such additional shares (such period, as it may be extended, the "Substitution Period"). To the extent that the Company determines that some action need be taken pursuant to the first and/or second sentences of this Section 11(a)(iii), the Company (x) shall provide, subject to Section 7(e) hereof, that such action shall apply uniformly to all outstanding Rights,and (y) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek any authorization of additional shares and/or to decide the appropriate form of distribution to be made pursuant to such first sentence and to determine the value thereof. In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. For purposes of this Section 11(a)(iii), the value of the Common Stock shall be the Current Market Price Per Share of the Common Stock on the Flip-In Trigger Date and the value of any Common Stock Equivalents shall be deemed to have the same value as the Common Stock on such date.

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Preferred Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Preferred Shares (or shares having the same rights, privileges and preferences as the Preferred Shares ("equivalent preferred shares")) or securities convertible into Preferred Shares or equivalent preferred shares at a price per Preferred Share or equivalent preferred share (or having a conversion price per share, if a security convertible into Preferred Shares or equivalent preferred shares) less than the then Current Per Share Market Price of the Preferred Shares (as defined in Section 11(d)) on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Preferred Shares outstanding on such record date plus the number of Preferred Shares which the aggregate offering price of the total number of Preferred Shares and/or equivalent preferred shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price and the denominator of which shall be the number of Preferred Shares outstanding on such record date plus the number of additional

Preferred Shares and/or equivalent preferred shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible); provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right. In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of

Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent. Preferred Shares owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for the making of a distribution to all holders of the Preferred Shares (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness or assets (other than a regular quarterly cash dividend or a dividend payable in Preferred Shares) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the then Current Per Share Market Price of the Preferred Shares on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to one Preferred Share and the denominator of which shall be such Current Per Share Market Price of the Preferred Shares; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company to be issued upon exercise of one Right. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, the "Current Per Share Market Price" of any security (a "Security" for the purpose of this Section 11(d)(i)) on any date shall be deemed to be the average of the daily closing prices per share of such Security for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date; provided, however, that in the event that the Current Per Share Market Price of the Security is determined during a period following the announcement by the issuer of such Security of (A) a dividend or distribution on such Security payable in shares of such Security or securities convertible into such shares, or (B) any subdivision, combination or reclassification of such Security and prior to the expiration of 30 Trading Days after the ex-dividend date for such dividend or

distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the Current Per Share Market Price shall be appropriately adjusted to reflect the current market price per share equivalent of such Security. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Security is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the security is listed or admitted to trading or, if the Security is not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or such other system then in use, or, if on any such date the Security is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Security selected by the Board of Directors of the Company. The term "Trading Day" shall mean a day on

which the principal national securities exchange on which the Security is listed or admitted to trading is open for the transaction of business or, if the Security is not listed or admitted to trading on any national securities exchange, a Business Day.

(ii) For the purpose of any computation hereunder, the "Current Per Share Market Price" of the Preferred Shares shall be determined in accordance with the method set forth in Section 11(d)(i). If the Preferred Shares are not publicly traded, the "Current Per Share Market Price" of the Preferred Shares shall be conclusively deemed to be no more than the Current Per Share Market Price of the Common Shares as determined pursuant to Section 11(d)(i) (appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof) multiplied by one tenth, with such adjustment to such price as is determined in good faith by the Board of Directors to take into account the differences between Common Share and Preferred Shares (including, without limitation, differences in voting rights). If neither the Common Shares nor the Preferred Shares are publicly held or so listed or traded, "Current Per Share Market Price" shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent.

(e) No adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest one ten thousandth of a Preferred Share or one thousandth of any other share or security as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment

required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which requires such adjustment or (ii) the date of the expiration of the right to exercise any Rights.

(f) If as a result of an adjustment made pursuant to Section 11(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock of the Company other than Preferred Shares, thereafter the number of such other shares so receivable upon exercise of any Right shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Shares contained in Section 11(a) through (c), inclusive, and the provisions of Sections 7, 9, 10 and 13 with respect to the Preferred Shares shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of one one-tenths of a Preferred Share purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-tenths of a Preferred Share (calculated to the nearest one ten thousandth of a Preferred Share) obtained by (i) multiplying (x) the number of one one-tenths of a share covered by a Right immediately prior to this adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in substitution for any

adjustment in the number of one one-tenths of a Preferred Share purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one one-tenths of a Preferred Share for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have

been issued, shall be at least 10 days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of one one-tenths of a Preferred Share issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price and the number of one one-tenths of a Preferred Share which were expressed in the initial Right Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below one one-tenth of the then par value, if any, of the Preferred Shares issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable Preferred Shares at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuing to the holder of any Right exercised after such record date of the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it in its sole discretion shall determine to be advisable in order that any consolidation or subdivision of the Preferred Shares, issuance wholly for cash of any Preferred Shares at less than the current market price, issuance wholly for cash of Preferred Shares or securities which by their terms are convertible into or exchangeable for Preferred Shares, dividends on

Preferred Shares payable in Preferred Shares or issuance of rights, options or warrants referred to hereinabove in Section 11(b), hereafter made by the Company to holders of its Preferred Shares shall not be taxable to such stockholders.

(n) In the event that at any time after the date of this Agreement and prior to the Distribution Date, the Company shall (i) declare or pay any dividend on the Common Shares payable in Common Shares or (ii) effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise than by payment of dividends in Common Shares) into a greater or lesser number of Common Shares, then in any such case (A) the number of one one-tenth of a Preferred Share purchasable after such event upon proper exercise of each Right shall be determined by multiplying the number of one one-tenth of a Preferred Share so purchasable immediately prior to such event by a fraction, the numerator of which is the number of Common Shares outstanding immediately before such event and the denominator of which is the number of Common Shares outstanding immediately after such event, and (B) each Common Share outstanding immediately after such event shall have issued with respect to it that number of Rights which each Common Share outstanding immediately prior to such event had issued with respect to it. The adjustments provided for in this Section 11(n) shall be made successively whenever such a dividend is declared or paid or such a subdivision, combination or consolidation is effected.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares. Whenever an adjustment is made as provided in Section 11 or 13 hereof, the Company shall promptly (a) prepare a certificate setting forth such adjustment, and a brief statement of the facts accounting for such adjustment, (b) file with the Rights Agent and with each transfer agent for the Common Shares or the Preferred Shares a copy of such certificate and (c) mail a brief summary thereof to each holder of a Right Certificate in accordance with Section 25 hereof. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment therein contained.

Section 13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power. In the event, directly or indirectly, at any time after a Person has become an Acquiring Person, (a) the Company shall consolidate with, or merge with and into, any other Person, (b) any Person shall consolidate with the Company, or merge with and into the Company and the Company shall be the continuing or surviving corporation of such merger and, in connection with such merger, all or part of the Common Shares shall be changed into or exchanged for stock or other securities of any other Person (or the Company) or cash or any other property, or (c) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one or more transactions, assets or earning power aggregating 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person other than the Company or one or more of its wholly-owned Subsidiaries, then, and in each such case, proper provision shall be made so that each holder of a Right (except as otherwise provided herein) shall thereafter have the right to receive, upon the exercise thereof at a price equal

to the then current Purchase Price multiplied by the number of one one-tenths of a Preferred Share for which a Right is then exercisable, in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of Common Shares of such other Person (including the Company as successor thereto or as the surviving corporation) as shall equal the result obtained by (A) multiplying the then current Purchase Price by the number of one one-tenth of a Preferred Share for which a Right is then exercisable and dividing that product by (B) 50% of the then Current Per Share Market Price of the Common Shares of such other Person (determined pursuant to Section 11(d) hereof) on the date of consummation of such consolidation, merger, sale or transfer; (ii) the issuer of such Common

Shares shall thereafter be liable for, and shall assume, by virtue of such consolidation, merger, sale or transfer, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term "Company" shall thereafter be deemed to refer to such issuer; and (iv) such issuer shall take such steps (including, but not limited to, the reservation of a sufficient number of its Common Shares in accordance with Section 9 hereof) in connection with such consummation as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to the Common Shares thereafter deliverable upon the exercise of the Rights. The Company shall not consummate any such consolidation, merger, sale or transfer unless prior thereto the Company and such issuer shall have executed and delivered to the Rights Agent a supplemental agreement so providing. The Company shall not enter into any transaction of the kind referred to in this Section 13 if at the time of such transaction there are any rights, warrants, instruments or securities outstanding or any agreements or arrangements which, as a result of the consummation of such transaction, would eliminate or substantially diminish the benefits intended to be afforded by the Rights. The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers.

Section 14. Fractional Rights and Fractional Shares. (a) The Company shall not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market,

as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company may, but shall not be required to, issue fractions of Preferred Shares upon exercise of the Rights (other than fractions which are integral multiples of one one-tenth of a Preferred Share) or to distribute certificates which evidence fractional Preferred Shares (other than fractions which are integral multiples of one one-tenth of a Preferred Share). Fractions of Preferred Shares in integral multiples of one one-tenth of a Preferred Share may, at the election of the Company, be evidenced by depositary receipts, pursuant to an appropriate agreement between the Company and a depositary selected by it; provided, that such agreement shall provide that the holders of such depositary receipts shall have all the rights, privileges and preferences to which they are entitled as beneficial owners of the Preferred Shares represented by such depositary receipts. In lieu of fractional Preferred Shares that are not integral multiples of one one-tenth of a Preferred Share, the Company may elect to pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the

same fraction of the current market value of one Preferred Share. For the purposes of this Section 14(b), the current market value of a Preferred Share shall be the closing price of a Preferred Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) The holder of a Right by the acceptance of the Right expressly waives his right to receive any fractional Rights or any fractional shares upon exercise of a Right (except as provided above).

Section 15. Rights of Action. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent under Section 18 hereof, are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Shares), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the Common Shares), may, on his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Right Certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement. Any

holder of Rights who prevails in an action to enforce the provisions of this Rights Agreement shall be entitled to recover the reasonable costs and expenses, including attorneys' fees, incurred in such action.

Section 16. Transfer and Ownership of Rights and Rights Certificates. (a) Prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of the Common Shares; and the Rights associated with the Common Shares shall be automatically transferred upon the transfer of the Common Shares.

(b) After the Distribution Date, the Right Certificates will be transferable, subject to Section 7(e), only on the registry books of the Rights Agent if surrendered at the principal office of the Rights Agent, duly endorsed or accompanied by a proper instrument of transfer.

(c) The Company and the Rights Agent may deem and treat the person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Shares certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificates or the associated Common Shares certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary.

Section 17. Right Certificate Holder Not Deemed a Stockholder. No holder, as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed, for any purpose, the holder of the Preferred Shares or any other securities of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a stockholder of the Company, including, without limitation, any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders, or to receive dividends or other distributions or subscription rights, or otherwise, until the Right or Rights

evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent. (a) The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Rights Agent shall be protected and shall incur no liability for, or in respect of any action taken, suffered or omitted by it in connection with, its administration of this Agreement in reliance upon any Right Certificate or certificate for the Preferred Shares or Common Shares or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate,

statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper person or persons, or otherwise upon the advice of counsel as set forth in Section 20 hereof.

(b) The Company agrees to indemnify and to hold the Rights Agent harmless against any loss, liability, damage or expense (including reasonable fees and expenses of legal counsel) which the Rights Agent may incur resulting from its actions as Rights Agent pursuant to this Rights Agreement; provided, however, that the Rights Agent shall not be indemnified or held harmless with respect to any such loss, liability, damage or expense incurred by the rights Agent as a result of, or arising out of, its own negligence, bad faith or wilful misconduct. In no case shall the Company be liable with respect to any action, proceeding, suite or claim against the Rights Agent unless the Rights Agent shall have notified the Company, by letter or by facsimile confirmed by letter, of the assertion of any action, proceeding, suit or claim against the Rights Agent, promptly after the Rights Agent shall have notice of any such assertion of an action, proceeding, suit or claim or have been served with the summons or other first legal process giving information as to the nature and basis of the action, proceeding, suit or claim. The Company shall be entitled to participate at its own expense in the defense of any such action, proceeding, suit or claim, and, if the Company so elects, the Company shall assume the defense of any such action, proceeding, suit or claim. In the event that the Company assumes such defense, the Company shall not thereafter be liable for the fees and expenses of any additional counsel retained by the Rights Agent, so long as the Company shall retain counsel satisfactory to the Rights Agent, in the exercise of its reasonable judgment, to defend such action, proceeding, suit or claim. The Rights Agent agrees not to settle any litigation in connection with any action, proceeding, suit or claim with respect to which it may seek indemnification from the Company without the prior written consent of the Company. Section 19. Merger or Consolidation or Change of Name of Rights Agent. (a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the stock transfer or corporate trust powers of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this

Agreement.

Section 19. Merger or Consolidation or Change of Name of Rights Agent. (a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the stock transfer or corporate trust powers of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name

of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

(b) In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including, without limitation, the identity of an Acquiring Person) be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Treasurer or the Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder to the Company and any other Person only for its own negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor

shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Right Certificate; nor shall it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 7(e) hereof) or any adjustment in the terms of the Rights (including the manner, method or amount thereof) provided for in Section 3, 11, 13, 23 or 24, or the ascertaining of the existence of facts that would require any such change or adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after actual notice that such change or adjustment is required); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Preferred Shares to be issued pursuant to this Agreement or any Right Certificate or as to whether any Preferred Shares will, when issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the Board, the Chief Executive officer, the President, any Vice President, the Secretary or the Treasurer of the Company, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such officer or for any delay in acting while waiting for those instructions.

(h) The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company and to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail, and to the holders of the Right Certificates by first-class mail. The Company may

remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail, and to the holders of the Right Certificates by

first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (or, prior to the Distribution Date, of the Common Shares) (who shall, with such notice, submit his Right Certificate or, prior to the Distribution Date, the certificate representing his Common Shares, for inspection by the Company), then the registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Shares) may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a corporation organized and doing business under the laws of the United States or of the State of New York, Pennsylvania or Florida (or of any other state of the United States so long as such corporation is authorized to do business as a banking institution in the State of New York, Pennsylvania or Florida, in good standing, having an office in the State of New York, Pennsylvania or Florida, which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least $50 million; provided, that the principal transfer agent for the Common Shares shall in any event be qualified to be the Rights Agent. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares or Preferred Shares, and mail a notice thereof in writing to the registered holders of the Right Certificates (or, prior to the Distribution Date, of the Common Shares). Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Right Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change made in accordance with the provisions of this Agreement. In addition, in connection with the issuance or sale of Common Shares following the Distribution Date and prior to the earlier of the Redemption Date and the Expiration Date, the Company (A) shall, with respect to Common Shares so issued or sold pursuant

to the exercise of stock options or under any employee plan or arrangement, or upon the exercise, conversion or exchange of securities, notes or debentures issued by the Company and (B) may, in any other case, if deemed necessary or appropriate by the Board of Directors of the Company, issue Right Certificates representing the appropriate number of Rights in connection with such issuance or sale; provided, however, that (i) no such Right Certificate shall be issued if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or the Person to whom such Right Certificate would be issued, and (ii) no such Right Certificate shall be issued if, and to the extent that, appropriate adjustments shall otherwise have been made in lieu of the issuance thereof.

Section 23. Redemption. (a) The Board of Directors of the Company may, at its option, at any time prior to such time as any Person becomes an Acquiring Person, redeem all but not less than all the then outstanding Rights at a redemption price of $.001 per Right, appropriately adjusted to reflect any stock

split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"). The redemption of the Rights by the Board of Directors may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish. The Company, at its option, may pay the Redemption Price either in cash or in Common Shares, or other securities of the Company deemed by the Board of Directors of the Company, in the exercise of its sole discretion, to be at least equivalent in value to the Redemption Price.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price. Within 10 Business Days after the action of the Board of Directors of the Company ordering the redemption of the Rights, (i) the Company shall promptly give public notice of any such redemption; provided, however, that the failure to give, or any defect in, any such notice shall not affect the validity of such redemption and (ii) mail a notice of redemption to all the holders of the then outstanding Rights at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Shares. The notice, if mailed in the manner herein provided, shall be conclusively presumed to have been duly given, whether or not the holder of Rights received such notice. In any case, failure to give such notice by mail, or any defect in the notice, to any particular holder of Rights shall not effect the sufficiency of the notice to the other holders of Rights. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made.

Section 24. Exchange. (a) The Board of Directors of the Company may, at its option, at any time after any Person becomes an Acquiring Person, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to the provisions of Section 7(e) hereof)

for Common Shares at an exchange ratio of one Common Share per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors shall not be empowered to effect such exchange at any time after any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any such Subsidiary, or any entity holding Common Shares for or pursuant to the terms of any such plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the Common Shares then outstanding.

(b) Immediately upon the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to paragraph (a) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of Common Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice of any such exchange; provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company promptly shall mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 7(e) hereof) held by each holder of Rights.

(c) In the event that there shall not be sufficient Common Shares issued

but not outstanding or authorized but unissued to permit any exchange of Rights as contemplated in accordance with this Section 24, the Company shall take all such action as may be necessary to authorize additional Common Shares for issuance upon exchange of the Rights. In the event the Company shall, after good faith effort, be unable to take all such action as may be necessary to authorize such additional Common Shares, the Company shall substitute, for each Common Share that would otherwise be issuable upon exchange of a Right, a number of Preferred Share or fraction thereof such that the Current Per Share Market Price of one Preferred Share multiplied by such number or fraction is equal to the Current Per Share Market Price of one Common Share as of the date of issuance of such Preferred Shares or fraction thereof.

(d) The Company shall not be required to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. In lieu of such fractional Common Shares, the Company shall pay to the registered holders of the Right Certificates with regard to which such fractional Common

Shares would otherwise be issuable an amount in cash equal to the same fraction of the current market value of a whole Common Share. For the purposes of this paragraph (d), the current market value of a whole common Share shall be the closing price of a Common Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of exchange pursuant to this Section 24.

Section 25. Notice of Certain Events. (a) In case the Company shall propose (i) to pay any dividend payable in stock of any class to the holders of its Preferred Shares or to make any other distribution to the holders of its Preferred Shares (other than a regular quarterly cash dividend), (ii) to offer to the holders of its Preferred Shares rights or warrants to subscribe for or to purchase any additional Preferred Shares or shares of stock of any class or any other securities, rights or options, (iii) to effect any reclassification of its Preferred Shares (other than a reclassification involving only the subdivision of outstanding Preferred Shares), (iv) to effect any consolidation or merger into or with, or to effect any sale or other transfer (or to permit one or more of its subsidiaries to effect any sale or other transfer), in one or more transactions, of 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to, any other Person, (v) to effect the liquidation, dissolution or winding up of the Company, or (vi) to declare or pay any dividend on the Common Shares payable in Common Shares or to effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise than by payment of dividends in Common Shares), then, in each such case, the Company shall give to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend, or distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the Common Shares and/or Preferred Shares, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least 10 days prior to the record date for determining holders of the Preferred Shares for purposes of such action, and in the case of any such other action, at least 10 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Common Shares and/or Preferred Shares, whichever shall be the earlier.

(b) In case the event set forth in Section 11(a)(ii) hereof shall occur, then the Company shall as soon as practicable thereafter give to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of the occurrence of such event, which notice shall describe such event and the consequences of such event to holders of Rights under Section 11(a)(ii) hereof.

Section 26. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate (or,

prior to the Distribution Date, of the Common Shares) to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

CryoLife, Inc.
Suite 142
2211 New Market Parkway
Marietta, Georgia 30067
Attention: Corporate Secretary

Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate (or, prior to the Distribution Date, of the Common Shares) to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

Chemical Mellon Shareholder Services, L.L.C.
Four Station Square, 3rd Floor
Pittsburgh, Pennsylvania 15219
Attention: Rights Agent

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 27. Supplements and Amendments. The Company may from time to time supplement or amend this Agreement without the approval of any holders of Right Certificates in order to cure any ambiguity, to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, or to make any other provisions with respect to the Rights which the Company may deem necessary or desirable, any such supplement or amendment to be evidenced by a writing signed by the Company and the Rights Agent; provided, however, that from and after such time as any Person becomes an Acquiring Person, this Agreement shall not be amended in any manner which would adversely affect the interests of the holders of Rights (other than those held by the Acquiring Person). Without limiting the foregoing, the Company may at any time prior to such time as any Person becomes an Acquiring Person amend this Agreement to lower the thresholds set forth in Sections 1(a) and 3(a) to not less than the sum of .001% and the largest percentage of the outstanding Common Shares then known by the Company to be beneficially owned by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any Subsidiary of the Company, or any entity holding Common Shares for or pursuant to the terms of any such plan).

Section 28. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. Benefits of this Agreement; Actions by the Board of Directors, etc. (a) Nothing in this Agreement shall be construed to give to any person or corporation other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the

Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares).

(b) Except as explicitly otherwise provided in this Rights Agreement, the Board of Directors of the Company shall have the exclusive power and authority to, except to the extent rights or power are explicitly allocated to the Rights Agent hereunder, to administer this Rights Agreement and to exercise all rights and powers specifically granted to the Board of Directors of the Company or to the Company, as may be necessary or advisable to administer this Rights Agreement, including, without limitation, the right and power to make all determinations deemed necessary or advisable for the administration of this Rights Agreement. (Including, without limitation, a determination to redeem or not redeem the Rights or to amend this Rights Agreement, and whether there is an Acquiring Person).

(c) Nothing contained in this Rights Agreement shall be deemed to be in derogation of the obligation of the Board of Directors of the Company to exercise its fiduciary duty. Without limiting the foregoing, nothing contained herein shall be construed to suggest or imply that the Board of Directors shall not be entitled to reject any tender offer, or to recommend that holders of Common Shares reject any tender offer, or to take any other action (including, without limitation, the commencement, prosecution, defense or settlement of any litigation and the submission of additional or alternative offers or other proposals) with respect to any tender offer that the Board of Directors believes is necessary or appropriate in the exercise of such fiduciary duty.

Section 30. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 31. Governing Law. This Agreement and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Florida and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

Section 32. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 33. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and attested, all as of the day and year first above written.

CRYOLIFE, INC.

By: /s/ Steven G. Anderson

Title: President/CEO

CHEMICAL MELLON SHAREHOLDER
SERVICES, L.L.C.

By: /s/ Tracie Vicki

Title: Vice President

Exhibit A

FORM
of
AMENDMENT TO ARTICLES OF INCORPORATION
to create a series of
SERIES A JUNIOR PARTICIPATING PREFERRED STOCK
of
CRYOLIFE, INC.

To the Department of State
State of Florida

Pursuant to the provisions of Sections 607.1006 and 607.0602 of the Florida Business Corporation Act (the "Act"), the corporation hereinafter named (the "Corporation") does hereby adopt the following Articles of Amendment.

1. The name of the corporation is CryoLife, Inc.

2. A new paragraph (c) of Article V of the Articles of Incorporation of the Corporation is hereby added to the Articles of Incorporation which shall read as follows:

"(c) There shall be a series of Preferred Stock, par value $.01 per share (the "Preferred Stock"), of the Corporation with the following designated number of shares, relative rights, preferences, and limitations thereof:

(1) Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be two million (2,000,000) shares of the five million (5,000,000) authorized preferred shares. The two million (2,000,000) Series A Preferred Stock shares shall be reserved for issuance in connection with the exercise of certain rights granted pursuant to a Rights Agreement, dated as of November 27, 1995, by and between the Corporation and Chemical Mellon Shareholder Services, L.L.C., as Rights Agent thereunder. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

(2) Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value $.01 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date`), commencing on the first Quarterly Dividend Payment Date

after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $.10 or (b) subject to the provision for adjustment hereinafter set forth, 10 times the aggregate per share amount of all cash dividends, and 10 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $.10 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

(3) Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to one vote on all matters submitted to a vote of the stockholders of the Corporation. In

the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other document or filing creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

(4) Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in subparagraph 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends

paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the

Corporation unless the Corporation could, under paragraph (A) of this subparagraph 4, purchase or otherwise acquire such shares at such time and in such manner.

(5) Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other document or filing creating a series of Preferred Stock or any similar stock or as otherwise required by law.

(6) Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received $10.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 10 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such

parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(7) Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 10 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of common stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. In the event both this subparagraph 7 and subparagraph 2 appear to apply to a transaction, this subparagraph 7 will control.

(8) No Redemption; No Sinking Fund. The shares of Series A Preferred Stock shall not be redeemable; provided, however, that the Corporation may purchase or otherwise acquire outstanding shares of Series A Preferred Stock in the open market or by offer to any holder or holders of shares of Series A Preferred Stock. The shares of Series A Preferred Stock shall not be subject to or entitled to the operation of a retirement or sinking fund.

(9) Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's Preferred Stock, unless the Board of Directors shall specifically determine otherwise in fixing the powers, preferences, and relative, participating, optional and other special rights of the shares of such series and the qualifications, limitations and restrictions thereof.

(10) Fractional Shares. The Series A Preferred Stock shall be issuable upon exercise of the Rights issued pursuant to the Rights Agreement in whole shares or in any fraction of a share that is one one-tenth of a share or any integral multiple of such fraction which shall entitle the holder, in proportion to such holders fractional shares, to receive dividends, exercise voting rights, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock. In lieu of fractional shares, the Corporation, prior to the first issuance of a share or a fraction of a share of Series A Preferred Stock, may elect (1) to make a cash payment as provided in the Rights Agreement for fractions of a share other than one one-tenth of a share or any integral multiple thereof or (2) to issue depository receipt evidencing such authorized fraction of a share of Series A Preferred Stock pursuant to an appropriate agreement between the Corporation and a depository selected by the Corporation; provided that such agreement shall provide that the holders of such depository receipts shall have all the rights, privileges and preferences to which they are entitled as holders of the Series A Preferred Stock.

(11) Amendment. These Articles of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class."

3. The date of adoption of the aforesaid amendment was November 27, 1995.

4. The aforesaid amendments were duly adopted by the board of directors of the Corporation without any shareholder action. No shareholder action was required in connection with the adoption of the aforesaid amendments pursuant to the provisions of Section 607.0602 of the Act.

5. The effective time and date of these Articles of Amendment shall be at 9:00 a.m. on November ____, 1995.

Executed on November 27, 1995.

CRYOLIFE, INC.

_____

Steven G. Anderson, President
and Director

Attest:

CRYOLIFE, INC.

_____
Ronald D. McCall, Secretary
and Director

Exhibit B

Form of Right Certificate

Certificate No. R- _____ Rights

NOT EXERCISABLE AFTER NOVEMBER 27, 2005 OR EARLIER IF REDEMPTION OR EXCHANGE OCCURS. THE RIGHTS ARE SUBJECT TO REDEMPTION AT $.001 PER RIGHT AND TO EXCHANGE ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT.

Right Certificate

CRYOLIFE, INC.

This certifies that _____ or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of 1995 (the "Rights Agreement"), between, CryoLife, Inc., a Florida corporation (the "Company"), and Chemical Mellon Shareholder Services, L.L.C., (the "Rights Agent"), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to 5:00 P.M., Pittsburgh, Pennsylvania time, on November 27, 2005 at the principal office of the Rights Agent, or at the office of its successor as Rights Agent, one one-tenth of a fully paid non-assessable share of Series A Junior Participating Preferred Stock, par value $.01 per share (the "Preferred Shares"), of the Company, at a purchase price of $100.00 per one one-tenth of a Preferred Share (the "Purchase Price"), upon presentation and surrender of this Right Certificate with the Form of Election to Purchase duly executed. The number of Rights evidenced by this Right Certificate (and the number of one one-tenths of a Preferred Share which may be purchased upon exercise hereof) set forth above, and the Purchase Price set forth above, are the number and Purchase Price as of _____, 1995, based on the Preferred Shares as constituted at such date. As provided in the Rights Agreement, the Purchase Price and the number of one one-tenths of a Preferred Share which may be purchased upon the exercise of the Rights evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights,

limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates. Copies of the Rights Agreement are on file at the principal executive offices of the Company and the above-mentioned offices of the Rights Agent.

This Right Certificate, with or without other Right Certificates, upon surrender at the principal office of the Rights Agent, may be exchanged for another Right Certificate or Right Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of Preferred Shares as the Rights evidenced by the Right Certificate or Right Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate (i) may be redeemed by the Company at a redemption price of $.001 per Right or (ii) may be exchanged in whole or in part for Preferred Shares or shares of the Company's Common Stock, par value $.01 per share.

No fractional Preferred Shares will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which are integral multiples of one one-tenth of a Preferred Share, which may, at the election of the Company, be evidenced by depositary receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Right Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of the Preferred Shares or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised as provided in the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal. Dated as of _____, 1995.

ATTEST: CRYOLIFE, INC.

_____ By_____

Countersigned:

CHEMICAL MELLON SHAREHOLDER SERVICES, L.L.C.

By_____
Authorized Signature

Form of Reverse Side of Right Certificate

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Right Certificate.)

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto _____
(Please print name and address of transferee)
_____ this Right Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the within Right Certificate on the books of the within-named Company, with full power of substitution.

Dated:_____, 1995

_____
Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

_____

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not beneficially owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

_____
Signature

Form of Reverse Side of Right Certificate -- continued

FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise Rights represented by the Right Certificate.)

To:_____, INC.

The undersigned hereby irrevocably elects to exercise _____ Rights represented by this Right Certificate to purchase the Preferred Shares issuable upon the exercise of such Rights and requests that certificates for such Preferred Shares be issued in the name of:

Please insert social security
or other identifying number

_____
(Please print name and address)

_____

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance remaining of such Rights shall be registered in the name of and delivered to:

Please insert social security
or other identifying number

_____
(Please print name and address)

_____

Dated: _____, 1995

_____
Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

Form of Reverse Side of Right Certificate -- continued

_____

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not beneficially owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

_____
Signature

NOTICE

The signature in the Form of Assignment or Form of Election to Purchase, as the case may be, must conform to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

In the event the certification set forth above in the Form of Assignment or the Form of Election to Purchase, as the case may be, is not completed, the Company and the Rights Agent will deem the beneficial owner of the Rights evidenced by this Right Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement) and such Assignment or Election to Purchase will not be honored.

SUMMARY OF RIGHTS TO PURCHASE
PREFERRED SHARES

On November 27, 1995, the Board of Directors of CryoLife, Inc. (the "Company") declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of common stock, par value $.01 per share (the "Common Shares"), of the Company. The dividend is payable on December 11, 1995 (the "Record Date") to the stockholders of record on that date. Each Right entitles the registered holder to purchase from the Company one one-tenth of a share of Series A Junior Participating Preferred Stock, par value $.01 per share (the "Preferred Shares"), of the Company at a price of $100.00 per one one-tenth of a Preferred Share (the "Purchase Price"), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the Company and Chemical Mellon Shareholder Services, L.L.C. as Rights Agent (the "Rights Agent").

Until the earlier to occur of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") have acquired beneficial ownership of 15% or more of the outstanding Common Shares or (ii) 10 business days (or such later date as may be determined by action of the Board of Directors prior to such time as any person or group of affiliated persons becomes an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 15% or more of the outstanding Common Shares (the earlier of such dates being called the "Distribution Date"), the Rights will be evidenced, with respect to any of the Common Share certificates outstanding as of the Record Date, by such Common Share certificate with a copy of this Summary of Rights attached thereto.

The Rights Agreement provides that, until the Distribution Date (or earlier redemption or expiration of the Rights), the Rights will be transferred with and only with the Common Shares. Until the Distribution Date (or earlier redemption or expiration of the Rights), new Common Share certificates issued after the Record Date upon transfer or new issuance of Common Shares will contain a notation incorporating the Rights Agreement by reference. Until the Distribution Date (or earlier redemption or expiration of the Rights), the surrender for transfer of any certificates for Common Shares outstanding as of the Record Date, even without such notation or a copy of this Summary of Rights being attached thereto, will also constitute the transfer of the Rights associated with the Common Shares represented by such certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on November 27, 2005 (the "Expiration Date"), unless the Expiration Date is extended or unless the Rights are earlier redeemed or exchanged by the Company, in each case, as described below.

The Purchase Price payable, and the number of Preferred Shares or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Shares, (ii) upon the grant to holders of the Preferred Shares of certain rights or warrants to subscribe for or purchase Preferred Shares at a price, or securities convertible into Preferred Shares with a conversion price, less than the then-current market price of the Preferred Shares or (iii) upon the distribution to holders of the Preferred Shares of evidences of indebtedness or assets (excluding regular periodic cash dividends paid out of earnings or

retained earnings or dividends payable in Preferred Shares) or of subscription rights or warrants (other than those referred to above).

The number of outstanding Rights and the number of one one-tenths of a Preferred Share issuable upon exercise of each Right are also subject to adjustment in the event of a stock split of the Common Shares or a stock dividend on the Common Shares payable in Common Shares or subdivisions, consolidations or combinations of the Common Shares occurring, in any such case, prior to the Distribution Date.

Preferred Shares purchasable upon exercise of the Rights will not be redeemable. Each Preferred Share will be entitled to a minimum preferential quarterly dividend payment of $.10 per share but will be entitled to an aggregate dividend of 10 times the dividend declared per Common Share. In the event of liquidation, the holders of the Preferred Shares will be entitled to a minimum preferential liquidation payment of $10.00 per share but will be entitled to an aggregate payment of 10 times the payment made per Common Share. Each Preferred Share will have 1 vote, voting together with the Common Shares. Finally, in the event of any merger, consolidation or other transaction in which Common Shares are exchanged, each Preferred Share will be entitled to receive 10 times the amount received per Common Share. These rights are protected by customary antidilution provisions.

Because of the nature of the Preferred Shares, dividend, liquidation and voting rights, the value of the one one-tenth interest in a Preferred Share purchasable upon exercise of each Right should approximate the value of one Common Share.

In the event that the Company is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold after a person or group has become an Acquiring Person, proper provision will be made so that each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereafter be void), will thereafter have the right to receive, upon the exercise thereof at the then current exercise price of the Right, that number of shares of common stock of

the acquiring company which at the time of such transaction will have a market value of two times the exercise price of the Right. In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, proper provision shall be made so that each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereafter be void), will thereafter have the right to receive upon exercise that number of Common Shares having a market value of two times the exercise price of the Right.

At any time after any person or group becomes an Acquiring Person and prior to the acquisition by such person or group of 50% or more of the outstanding Common Shares, the Board of Directors of the Company may exchange the Rights (other than Rights owned by such person or group which will have become void), in whole or in part, at an exchange ratio of one Common Share, or one one-tenth of a Preferred Share (or of a share of a class or series of the Company's preferred stock having equivalent rights, preferences and privileges), per Right (subject to adjustment).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price.

No fractional Preferred Shares will be issued (other than fractions which are integral multiples of one one-tenth of a Preferred Share, which may, at the election of the Company, be evidenced by depository receipts) and in lieu thereof, an adjustment in cash will be made based on the market price of the Preferred Shares on the last trading day prior to the date of exercise.

At any time prior to the acquisition by a person or group of affiliated or

associated persons of beneficial ownership of 15% or more of the outstanding Common Shares, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of $.001 per Right (the "Redemption Price"). The redemption of the Rights may be made effective at such time on such basis with such conditions as the Board of Directors in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

The terms of the Rights may be amended by the Board of Directors of the Company without the consent of the holders of the Rights, including an amendment to lower certain thresholds described above to not less than the sum of .001% and the largest percentage of the outstanding Common Shares then known to the Company to be beneficially owned by any person or group of affiliated or associated persons, except that from and after such time as any person or group of affiliated or associated persons becomes an Acquiring Person no such amendment may adversely affect the interests of the holders of the Rights.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 8-K dated _____, 1995. A copy of the Rights Agreement is available free of charge from the Company. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is hereby incorporated herein by reference.

Exhibit 10.37

CRYOLIFE INTERNATIONAL, INC.

International Distribution Agreement

This Agreement (the "Agreement") consists of this page and the Schedules identified below which together constitute your complete agreement with CryoLife International, Inc. (the "Company") relating to the Products listed on Schedule A. This Agreement will become effective as of the date of its signing (the "Effective Date"). This Agreement replaces any prior oral or written communications regarding the subject matter hereof between you (the "Distributor") and Company. The schedules included in this Agreement are:

Schedule A	Products and Territory
Schedule B	Inventory and Minimum Purchase Requirements
Schedule C	Non-Company Products Carried and Not Carried by Distributor
Schedule D	Distributor's Duties
Schedule E	Terms and Conditions
Schedule F	Marks

By signing below and in consideration of the mutual covenants contained in this Agreement, Company and Distributor agree to the terms of this Agreement.

Agree to:

Distributor: Century Medical, Inc.

/s/ Mitsunari Suzuki

Mitsunari Suzuki
President/CEO
Century Medical, Inc.

Type of Organization (circle one):
corporation, partnership, LLC, proprietor, individual

Company: CryoLife International, Inc.

/s/ Gerald B. Seery

Gerald B. Seery
Senior Vice President, Marketing
CryoLife International, Inc.

Steven G. Anderson
President and CEO
CryoLife, Inc.

Date: September 17, 1998

Address: 1655 Roberts Boulevard, N.W., Kennesaw, GA 30144

Schedule A

PRODUCTS AND TERRITORY

DISTRIBUTOR NAME: Century Medical, Inc.

Products:

BioGlue Surgical Adhesive, including any line extensions, modifications and improvements thereto.

Territory:

The country of Japan (the "Territory").

SCHEDULE B

INVENTORY AND MINIMUM PURCHASE REQUIREMENTS

DISTRIBUTOR NAME: Century Medical, Inc.

Product Stocking Requirements:

Minimum 2 months inventory maintained at all times.

Minimum Purchase Requirements, subject to Product reimbursement existing in the Territory for the Indications (as defined in Schedule E, subsection 6(c)), by Contract Year:

PRODUCT LINE	YEAR 1	YEAR 2	YEAR 3
BioGlue Surgical Adhesive	$350,000	$600,000	$750,000

Ninety (90) days prior to the beginning of Contract Year 4 and ninety (90) days prior to the beginning of each Contract Year thereafter, Distributor and Company will negotiate Minimum Purchase Requirements for the immediately following Contract Year taking into consideration such factors as the previous Contract Year's sales of Products in the Territory, Distributor's inventory level of the Products, competition and competitive trends and other such factors which pertain to the market and marketability of the Products. In the event that the parties are unable to agree upon a Minimum Purchase Requirement for Contract Year 4 or any Contract Year thereafter, the Minimum Purchase Requirement for Contract Year 4 or any subsequent Contract Year shall be the greater of the product of (a) 1.15 times the Minimum Purchase Requirement for the immediately preceding Contract Year, or (b) 1.15 times Distributor's actual purchase of Product for the immediately preceding Contract Year.

For purposes of this Agreement, the term "Contract Year" shall mean the twelve (12) month period commencing on the first day of the first full month following the date that all medical registrations required for distribution of Products in the Territory are approved, and all import permits required for the importation of Products into the Territory are issued by the appropriate government authorities.

If, at the time of reimbursement of the Product is established, the Product price, as provided in Section 3(a) of Schedule E is greater than an amount equal to thirty-five percent (35%) of the reimbursement amount, then the parties shall meet and in good faith review pricing levels and the Minimum Purchase Requirements. Nothing in the foregoing sentence, however, shall require Company to supply any Product to Distributor at a price that would result in Company achieving an unacceptable profit margin, as determined by Company.

Product Prices:

As provided in Section 3(a) of Schedule E.

SCHEDULE C

NON-COMPANY PRODUCTS
CARRIED AND NOT CARRIED BY DISTRIBUTOR

DISTRIBUTOR NAME: Century Medical, Inc.

I. Competitive products Distributor may continue to represent within the Territory:

In addition to Products, Distributor may represent, sell and distribute the products listed below which are or may be competitive with Products (describe fully the manufacturer's name, product name and applications of all products and services):

Manufacturer	Products
Radiology & Imaging Products	
Parker Laboratories	Ultrasound Gels and Electrode Creams
Graphic Controls	ECG & EEG Electrodes
CIVCO Medical Instruments	Ultrasound Accessories, Biopsy needle guides
Critical Care Products	
Ballad Medical	Closed Tracheal Suctioning Tube
Diametrics Medical	Point of Care Blood Gas Analysis System
Integra LifeSciences	Integra(R)Artificial Skin, Helistat & Helitene
Cardiovascular Products	
Millar Instruments	Pressure Transducer, Catheter Doppler system
ATS Medical	Open Pivot Bi-leaflet Heart Valve
Cordis-Webster	Electrophysiology Catheters
EP Medsystems	EP Workmate(TM)Recording System & EP-3(TM)
B. Braun Medical	Cardiac Stimulator Vena Cava Filter
Interventional Neurology	
Phoenix Biomedical	NeuroSurgery and Hunter(TM)Tendon Implants
Integra LifeSciences	DuraGen dura Regeneration Template
Orthopedics Products	
Wright Medical Technologies	Artificial Joint prosthetics, Trauma, Sports Medicine, Bone Growth Substitutes
Cross Medical Products	Synergy(TM)Universal Spinal Fixation Devices
Encore Orthopedics	Tru-Flex(TM)Intermedular Nail Products
Surgical Products	
Hemostatix Medical Devices	Shaw(TM) Scalpel
Aaron Medical Industries	Electrodes
Genzyme	Aortic Punch Gabbay-Frator Suture Guide
Urology/Women's Healthcare	
VIDAMed International	TUNA(TM)Transurethral RF Ablation for BPH

II. Specific Non Company products Distributor agrees not to distribute within the Territory:

In addition to the general prohibition against carrying competitive products within the Territory contained in Section 12(a) of the Terms and Conditions set forth in Schedule E Distributor agrees not to represent the following specific products and services:

1. Any product or services by Shelheigh.
2. Any products or services by Tissuemed.
3. Any bioadhesives (excluding synthetic adhesives).

SCHEDULE D

DISTRIBUTOR'S DUTIES

DISTRIBUTOR NAME: Century Medical, Inc.

Distributor shall, at its sole expense, use its best efforts to develop and expand the sale of Products within the Territory. In addition, Distributor shall be responsible for the following, at its own expense:

1. Payment Terms. As provided in Section 3(e) of Schedule E.

2. Facilities and Personnel. Distributor will appoint a product specialist in BioGlue Surgical Adhesive within sixty (60) days after the expected date of import license approvals for the Products. Distributor shall maintain office space and facilities, and hire and train such other professional and competent personnel, as may be required to carry out its obligations under this Agreement. As requested by Company, Distributor will participate in any training courses which Company may conduct for Distributor's benefit; will attend special meetings; and will attend local trade shows which Distributor deems appropriate.

3. Visits. When Company desires to conduct field work in the Territory, Distributor will plan an effective schedule of appointments and otherwise provide reasonable assistance to Company personnel for the duration of the visit.

4. Reports and Forecasts. Distributor will make accurate quarterly sales reports to Company, in a form acceptable to Company, which details Distributor's sales of Products within the Territory. Distributor will make such reports within fifteen (15) days following the end of each quarter. As periodically required by Company, Distributor will provide to Company other reports and forecasts and such other information as Company may reasonably request. Company has the right to verify the information in such reports and it, or its agents, shall be given access to Distributor's books and records for such purpose upon reasonable notice during normal business hours.

5. Product Stocking Requirements. Distributor must meet or exceed all Product stocking requirements and Minimum Purchase Requirements identified or determined in the manner provided in Schedule B.

6. Maintenance of Inventory. Within thirty (30) days following the date of approval for import licenses for the Products, subject to Company's supply to Distributor of adequate Promotional Materials (as defined below), and continuing until the termination of this Agreement, Distributor will maintain representative and adequate stocks of Products in locations commensurate with the market and Distributor's sales, in order to ensure adequate and timely and prompt delivery of "off the shelf" Products to customers at all times.

7. Promotional Materials. Distributor must maintain an adequate inventory of Company's current sales material and samples ("Promotional Materials") and must use the Promotional Materials in an efficient and effective manner to promote the sale of Products in the Territory. Distributor must obtain Company's written approval for the use of materials other than the Promotional Materials to promote Products. Distributor will prepare accurate translations of Company's Promotional Materials into the languages utilized in the Territory and will make such translations available to Company. Unless otherwise agreed, Distributor will use the trademarks or tradenames identified on Schedule F (the "Marks") on all Promotional Materials. This Agreement grants no right to use the Company name or any of the Marks as part of Distributor's corporate or tradename or for any purpose other than as authorized by Company for use with Promotional Materials, accurate translations of promotional Materials, and substitute Promotional Material which has been approved by Company. Distributor will use no other trademarks, servicemarks, tradenames or identifying markings to describe or identify any Products without the prior written consent of Company.

8. Aftermarket Support. Distributor will provide full and complete service incident to the sale of Products in the Territory in accordance with Company's

commercially reasonable instructions. As instructed by Company, Distributor will assist Company in fulfilling warranty obligations, if any, relating to the Products for all customers located in the Territory and Company will reimburse Distributor for any out of pocket expenses incurred in connection therewith.

9. Performance and Changes. Distributor will communicate promptly to Company ongoing information regarding the performance of Products and any and all modifications, design changes or improvements of Products suggested by any customer or employee or agent of Distributor, and Distributor hereby agrees that Company will be and will remain the exclusive owner of such improvements and information.

10. Compliance with Company Policies. Distributor, to the extent informed and instructed by Company, must comply, and must cause its employees and agents to comply, with all policies established by Company from time to time, as well as with Company's educational, commercial, and engineering instructions respecting Products.

11. General. Distributor must maintain an overall credit rating satisfactory to Company; conduct its business in an ethical manner; make payment for Products in a timely fashion; accurately represent Products in terms of function and performance; and promptly report in writing to Company any suspected Product defects or safety problems, or any customer complaints concerning Products.

SCHEDULE E

TERMS AND CONDITIONS

1. Appointments. (a) Appointments. Distributor shall act as the exclusive importer and distributor of Company's Products within the Territory. Distributor will use its best efforts to promote the sale of Products within the Territory. Company agrees that it will not: (i) grant the same rights to another party during the term of this Agreement; (ii) directly or indirectly make sales of Products in the Territory, except through Distributor; or (iii) make sales of Products outside of the Territory to any party whom Company knows intends to resell Products into the Territory.

(b) Conditions. Distributor shall maintain an office in the Territory and shall conduct all of its business in its own name. Distributor may appoint subdistributors to make sales of Products within the Territory on such terms and conditions as Distributor determines to be necessary to fulfill its obligations under this Agreement; provided that no such appointment or delegation shall relieve Distributor from any obligations hereunder.

(c) Relationship. Nothing contained in this Agreement shall constitute or create a relationship of employer/employee, principal/agent, joint venture, partnership, or any other relationship between Company and Distributor other than that of independent contractor.

2. Activity Outside the Territory. Distributor will restrict its promotion, marketing and sale of Products to the Territory in order to ensure that appropriate attention is being devoted to customers in the Territory and to meet the Minimum Purchase Requirements (defined in Section 5). To ensure the foregoing, Distributor shall not solicit, accept or fulfill orders for Products

from any person or entity located outside the Territory, or establish or maintain either a branch or distribution depot for the purpose of distribution of any Product outside the Territory.

3. Product Purchases. (a) Prices. Distributor's purchase price for all Products shall be the prices set out in the export price schedule of Company for Products sold to unaffiliated third parties in effect as of the time of shipment of Products. Company shall have the right to change the export price schedule for Products sold to unaffiliated third parties in its sole discretion, but any accepted orders shall be filled at the prices stated in the export price schedule effective at the date of the acceptance of such order. Company shall provide Distributor with sixty (60) days' prior notice of any price change, and Distributor will have sixty (60) days following the date of such notice to order at the existing price.

(b) Purchase Orders. Distributor shall issue to Company a purchase order, in English, which shall specify: (i) the Product, including item numbers and part numbers if shown for that item in the export price schedule; (ii) the price; (iii) requested delivery schedule; and (iv) exact "ship to" and "invoice to" place of business. Company, in its sole discretion, shall confirm such purchase order in writing by transmitting to Distributor an order confirmation or by notifying Distributor of its decision to reject such purchase order. If Distributor does not receive a valid order confirmation, the purchase order shall be deemed rejected. The terms contained in this Agreement, the purchase order, and any order confirmation given by Company, together with any written amendments signed by both parties, shall govern the sale of Products; provided, however, that the terms of this Agreement shall supersede all inconsistent terms in the purchase order. No purchase order or order confirmation shall serve to amend this agreement, regardless of whether or not such document was signed by an employee of Company. Orders placed by telephone, facsimile, or in person are to be confirmed through a written purchase order to Company by Distributor within the shortest practicable time thereafter. Company shall have the sole right to accept or reject at Company's home office any and all orders of Products. Notwithstanding the foregoing, in the event that Company rejects any bona fide purchase order submitted by Distributor in compliance with the provisions set forth herein, any Minimum Purchase Requirement then in effect pursuant to Section 5(a) will be adjusted accordingly.

(c) Shipment. Products shall be shipped F.O.B. Kennesaw. Company shall endeavor to ship Distributor's orders of any Product within a reasonable time, subject to the limitations of the prevailing laws and regulations of Company's or Distributor's governments and to forces outside the control of Company. Company must deliver Products meeting the Company's specifications and quality

standards in effect at the time of shipment and with a minimum shelf life of twenty four (24) months. Distributor acknowledges that Company may appoint any wholly owned subsidiary or Company's parent corporation to make sales of Products to Distributor, subject to the terms and conditions of this Agreement; provided, however, that no such appointment or delegation shall relieve Company from any of its obligations hereunder.

(d) Returns. Company does not guarantee the sale of any Product in the Territory and shall not accept any returns of any Product except under the following conditions:

(i) Distributor has notified Company in writing of any alleged defects rendering any Product unsalable not later than fourteen (14) days from the date of arrival of such Product at Distributor's warehouse in the Territory.

(ii) At Company's request, Distributor promptly returns the allegedly defective Product to Company or provides such other evidence of the deficiency of the Product to Company, all as Company shall specify. Credit for any defective Product shall issue only if, and only to the extent, that Company's examination shall confirm that the Product is defective and that such defect is

not the result of any mishandling of the Product after the Product is delivered Free Carrier Company's point of shipment.

(iii) Company reserves the right, at its discretion, to replace free of charge any Product found to be defective with the same quantity of Product in good, saleable condition, transferring the replacement to Distributor's facilities at Company's point of shipment which shall be the Company's expense. Distributor will advise Company of any information in its possession regarding mishandling, damage, deterioration, alteration, or modification of any Product or its packaging. Distributor will follow Company's instructions to return Products or to otherwise dispose of them, and will not ship Products until receiving such instructions.

(e) Payment. All payments due by Distributor hereunder shall be made by Distributor net sixty (60) days from the later of date of invoice or date of delivery of the Products Free Carrier Company's point of shipment which shall be the Company's plant or warehouse in the United States. All such payments shall be made in U.S. Dollars by wire transfer to an account or accounts designated by the Company. This provision shall survive any termination or expiration of this Agreement.

4. Changes and Recalls. (a) Changes. The Company reserves the right to make changes or to discontinue manufacture or sale of the Product.

(b) Recalls. Only Company shall be permitted to determine whether or when to make a recall of a Product. Company will notify Distributor of the "recall" and Distributor, at Company's sole expense, agrees to cooperate with Company in all reasonable ways to accomplish the "recall" and to remove such recalled Products from the market. This cooperation shall include but not be limited to the obligation to pick up all recalled Products from customers. Company reserves the right to replace "recalled" Products with equivalent Products.

5. Minimum Purchase Requirement. (a) For any Contract Year (as hereinafter defined), in which Distributor fails to purchase at least the minimum purchase requirement for Products set forth in Schedule B hereto for such Contract Year (each, a "Minimum Purchase Requirement" and, collectively, the "Minimum Purchase Requirements"), Company shall have the right to terminate this Agreement for cause upon written notice to Distributor; provided that Company shall have provided notice of such failure to Distributor within one (1) month after the end of such Contract Year and Distributor shall not have made sufficient additional purchases of Product from the Company during the three (3) month period immediately after the end of such Contract Year (the "Catch Up Period") to fulfill such Minimum Purchase Requirement had such purchases been made during the prior Contract Year (the "Catch Up Purchases"). The parties agree that in order to prevent double counting of purchases, any Catch Up Purchases counted, pursuant to the preceding sentence, toward meeting a Minimum Purchase Requirement for the Contract Year prior to the Contract Year in which they were actually purchased will not be counted toward meeting the Minimum Purchase Requirement for the Contract Year in which they are actually made. Company agrees to engage in reasonable discussions with Distributor during the Catch Up Period regarding whether Company will accept any remedy other than those

identified above for Distributor's failure to make the Minimum Purchase Requirements, and in such discussions Company agrees to consider such factors as Distributor's previous Contract Year's sales, inventory level, competition, competitive trends and other factors which impact the marketability of the Products. Nothing in this paragraph shall require Company or Distributor to accept an alternative remedy.

(b) For purposes of this Agreement, the term "Contract Year" shall mean the twelve (12) month period commencing on the first day of the first full month following the date that all medical registrations required for distribution of Products in the Territory are approved, and all import permits required for the importation of Products into the Territory are issued by the appropriate

government authorities.

(c) Company recognizes that a substantial lead time is required to obtain import license approvals for Product specification changes and Company will endeavor to its best ability to give Distributor as much advance notification as is reasonably possible of Product specification changes. In the event Company discontinues the manufacture or sale of Products or in the event of a Product specification change or Product recall, Distributor's Minimum Purchase Requirements under Schedule B hereto shall be amended and adjusted accordingly.

6. Compliance with Laws. (a) Local Law. Distributor will at all times during the term of this Agreement comply with all laws and regulations applicable to its business in the Territory. Distributor represents that it knows of no provision of law or regulations in the Territory applicable to this Agreement which would render any provision of this Agreement void or unenforceable or which would entitle Distributor to any right to compensation which is not specified herein.

(b) Import Licenses and Other Approvals. Distributor shall, at its expense, obtain any and all import licenses and governmental approvals that may be necessary to permit the sale by Company and the purchase by Distributor of Products for resale into the Territory. Distributor will comply with all registration requirements in the Territory, and will obtain such approvals from the governmental authorities of the Territory as may be necessary to comply with any and all governmental laws, regulations, and orders that may be applicable to Distributor by reason of its execution of or performance under this Agreement, including any requirement to be registered as Company's independent distributor or representative with any governmental authority, and including any and all laws, regulations, or orders that govern or affect the ordering, export, shipment, import, sale (including government procurement), delivery, or redelivery of Products in the Territory.

(c) Conduct of Trials, Etc. The parties anticipate that obtaining governmental approval within the Territory for the importation of the Products by Company to Distributor for resale in the Territory will require the conduct of clinical trials (the "Clinical Trials") within the Territory. Distributor and Company shall jointly establish the guidelines, parameters and procedures for the Clinical Trials, and such Clinical Trials will be conducted at Distributor's expense and under Distributor's supervision. Distributor's application to the Japanese Ministry of Health and Welfare to begin the Clinical Trials shall include requests for the indications (the "Indications") of vascular repair (including dissecting Aortic aneurysm, suture of Aortic incision, anastomosis between Aorta and artificial graft, and anastomosis of Aorta-Coronary bypass graft), adjunctive air leak elimination during lung volume reduction surgery, bronchial plural fistula, cancer and adjunctive suture repair for trachea anastomosis and other thoracic applications, and liver repair, subject to confirmation of the efficacy for use on the liver. Distributor agrees to provide Company with periodic English language progress reports on the conduct and results of the Clinical Trials as well as copies of all test results, reports, correspondence and filings made in connection with the Clinical Trials (collectively, the "Reports"). Whenever possible, Distributor will provide Company with English language copies of the Reports.

(d) Questionable Payments. Distributor certifies that neither it, nor any of its directors, officers, employees, or agents is an official, agent, or employee of any government or governmental agency or political party or a candidate for any political office on the Effective Date of this Agreement. Distributor shall not, directly or indirectly, in the name of, on behalf of, or for the benefit of Company offer, promise, or authorize to pay, or pay any compensation, or give anything of value to, any official, agent, or employee of any government or governmental agency, or to any political party or officer, employee, or agent thereof. Distributor shall require each of its directors, officers, employees, and agents to comply with the provisions of this subsection 6(d). Any breach of the provisions of this subsection 6(d) shall entitle Company to terminate this Agreement for cause effective immediately on notice to Distributor. Distributor shall promptly notify Company of the occurrence of any event that would or may result in an exception to the representations contained in this subsection 6(d).

(e) Health, Safety, and Environmental Standards; Labeling. Distributor agrees to advise Company fully with respect to all health, safety, environmental, and other standards, specifications, and other requirements imposed by law, regulation, or order in the Territory and applicable to Products. Distributor shall also advise Company of all instructions, warnings, and labels applicable to Products that are necessary or desirable under laws, regulations, or practices in the Territory. Company shall be entitled to increase the prices charged to Distributor for Products immediately by the amount of any increase in Company's cost of manufacturing attributable to compliance with any such safety standards, specifications, labels, or requirements.

(f) Documentation and Assurances. Distributor shall furnish Company with such documentation as Company may request to confirm Distributor's compliance with this Section 6 and Distributor agrees that it shall not engage in any course of conduct that, in Company's reasonable belief, would cause Company to be in violation of the laws of any jurisdiction.

7. Warranty, Insurance and Assistance in Litigation.

(a) Limited Company Warranty. Company warrants that any Product supplied to Distributor will be manufactured in compliance with the Product specifications and, in all material respects, manufactured in compliance with all applicable rules, regulations, statutes and ordinances of the country of manufacture and of the Territory. In addition, to the best of its ability, Company will supply all Products to Distributor free from defects in material, design, workmanship, manufacture, treatment, packaging, instruction manuals, and labels, warning or otherwise. Company will provide, when requested by Distributor, certification that, to the best of its knowledge, it is in compliance with U.S. and Japanese laws, statutes, rules, and regulations and relevant orders relating to the manufacturing, use, distribution and sale of the Products. All Products sold to Distributor will be sold free from security interests, liens or other encumbrances. COMPANY MAKES NO OTHER EXPRESS OR IMPLIED WARRANTIES WHATSOEVER.

(b) Company Insurance. Company shall, at its own expense, maintain the product liability insurance identified below with respect to the Products sold hereunder to cover any and all losses, damages (actual, consequential or indirect), liabilities, penalties, claims, demands, suits or actions, and related costs and expenses of any kind (including, without limitation, expenses of investigation, counsel fees, judgments and settlements) for injury to, or death of, any person or property damage or any other loss suffered or allegedly suffered by any person or entity and arising out of or otherwise in connection with the Products sold by Company to Distributor under this Agreement. Company shall maintain insurance with a Five Million U.S. Dollars ($5,000,000.00) combined single limit for bodily injury and property damage per occurrence in the aggregate. Company shall add Distributor as an additional named insured and furnish Distributor with copies of all applicable insurance policies, which insurance shall not be canceled, modified or reduced without the prior written consent of Distributor.

(c) Assistance in Litigation. If any claim is made or any suit or action is instituted against Distributor arising out of or otherwise in connection with any defect or alleged defect of the Products sold by Company to Distributor under this Agreement, Company shall, without limiting the general indemnity provided by Section 9, at its own expense and upon request by Distributor: (i) investigate or research the causes of accidents, occurrences, injuries or losses affecting any person or property as a result of the manner in which the Products are designed, manufactured, treated, packaged, labeled, delivered, sold or used, and use its best efforts to correct or eliminate such causes within a reasonable period; and (ii) provide to Distributor any and all assistance (including, without limitation, technical and other information, documents, data, materials and witnesses) which are, in the opinion of Distributor or its counsel, necessary or useful for Distributor's defense of such claim, suit or action in relation to Products sold by Company to Distributor hereunder. This Section 7

shall survive any termination or expiration of this Agreement.

8. Limitations of Liability. COMPANY'S LIABILITY IN RESPECT OF PRODUCTS IS LIMITED TO THAT SET FORTH IN SECTIONS 7 AND 9 AND IN ANY OTHER WRITTEN WARRANTIES ISSUED IN WRITING BY COMPANY. COMPANY MAKES NO OTHER WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO PRODUCTS. DISTRIBUTOR AGREES NOT TO MAKE ANY REPRESENTATIONS AND/OR WARRANTIES IN RESPECT OF PRODUCTS EXCEPT AS EXPRESSLY STATED IN THE APPLICABLE WRITTEN WARRANTY ISSUED BY COMPANY.

NO REPRESENTATION OR WARRANTY IS MADE AS TO FITNESS FOR ANY PURPOSE OR MERCHANTABILITY.

9. Indemnifications. (a) Indemnity by Company. Company agrees to indemnify Distributor against any liability resulting from (i) an act, omission, or negligence of Company in the manufacture, processing, handling, promoting, marketing, representing, or delivering of Products pursuant to this Agreement or (ii) any default of Company under this Agreement.

(b) Indemnity by Distributor. Distributor agrees to indemnify Company against any liability resulting from (i) an act, omission, or negligence of Distributor in the storage, handling, promoting, marketing, representing, or delivering of Products pursuant to this Agreement or (ii) any default of Distributor under this Agreement.

(c) Notice and Defense of Indemnified Claims. In each case, the party receiving the indemnity (the "Indemnified Party") will notify the party providing the indemnity (the "Indemnifying Party") promptly of any claim against Indemnified Party to which any such indemnity may apply and, if Indemnifying Party chooses an adequate provision to compensate Indemnified Party in the event of an adverse result, Indemnified Party will allow Indemnifying Party to have control of the defense of any action relating thereto and negotiations for its settlement, provided Indemnified Party is allowed to participate at its own expense. Indemnifying Party will maintain adequate liability insurance for claims it provides indemnification for hereunder.

(d) Survival. The provisions of this Section 9 shall survive any expiration or termination of this Agreement.

10. No Lost Profits or Consequential Damages. NOTWITHSTANDING ANY REPRESENTATION, WARRANTY, UNDERTAKING OR OTHER PROVISION, TERM OR CONDITION OF THIS AGREEMENT, EXPRESS OR IMPLIED, COMPANY WILL NOT BE LIABLE TO DISTRIBUTOR FOR ANY LOSS OF PROFITS OR CONSEQUENTIAL OR INDIRECT LOSS OR DAMAGE ARISING OUT OF OR IN CONNECTION WITH THE INABILITY OF COMPANY TO SUPPLY ITS PRODUCTS OR THE SUPPLY OF DEFECTIVE PRODUCTS.

11. Protection of Intellectual Property and Confidentiality Agreement. (a) Protection of Company's Intellectual Property/Information and Ideas. Distributor acknowledges Company's exclusive right, title and interest in Company's patents, trademarks, trade names, emblem, designs, models and methods of presentation relating to Products in the Territory or elsewhere (the "Intellectual Property"). Distributor acknowledges Company has certain ideas and information concerning financial matters and trade secrets and corporate proprietary information, written and unwritten (the "Information and Ideas") which Company is willing to disclose to Distributor from time to time as it becomes necessary to promote the purposes of this Agreement. Distributor will not at any time do or cause to be done any act or thing which directly or indirectly challenges or impairs the Intellectual Property or the Information and Ideas. Distributor agrees, during the term and following termination of this Agreement, that it will not disclose any Intellectual Property or Information and Ideas, nor will it make or cause to be made any use of the Intellectual Property or Information and Ideas, except in the proper performance of its duties under this Agreement. Distributor is not prohibited hereby from disclosing or using any Intellectual Property or Information and Ideas which subsequently become part of the public domain through no breach of this Agreement and through no fault of Distributor. Distributor agrees to take all reasonable steps, including the insertion of

relevant clauses in contracts of employment, to prevent disclosure of the Intellectual Property and Information and Ideas by sub-representatives, agents and/or employees of Distributor, and to safeguard and protect all Intellectual Property and Information and Ideas from damage, theft or loss or from perusal by unauthorized persons, except as may be required by law. Company warrants to Distributor that it possesses all necessary rights and title to use the Intellectual Property in connection with the Products.

(b) No Rights Vest in Distributor. Distributor will not acquire any right, title or interest in the Intellectual Property or Information and Ideas by virtue of the execution or performance of this Agreement, nor at any time describe or represent itself to others as having such right, title or interest. Should any Territory law or regulation vest Distributor with any rights in or to

any of the Intellectual Property or Information and Ideas, Distributor hereby assigns and agrees to assign to Company all such rights contemporaneously with their vesting. Distributor shall promptly notify Company of any and all infringements of the Intellectual Property or Information and Ideas of which Distributor becomes aware within the Territory, and will assist Company in taking action against any such infringements at Company's expense. Subject to the limited rights of Distributor under Section 16(d) below, Distributor shall cease using the Intellectual Property or Information and Ideas upon any expiration or termination of this Agreement. Distributor shall not remove or alter any labeling on the Products.

(c) Mutual Duty to Preserve Confidentiality of Other Confidential Information. Without the prior written consent of the supplying party, no receiving party, its officers, agents, or employees shall, in any manner whatsoever for use in any way for its own account or for any third party disclose or communicate to any third party, any technical, engineering, manufacturing, business, financial, or other information and know how, but excluding any Intellectual Property or Information and Ideas already covered under subsection (a) above (hereinafter referred to as the "Confidential Information") generated by any party hereto and acquired directly or indirectly by any other party. Nothing in this subsection (b) shall prevent disclosure or use of information (i) already known to any receiving party; (ii) which is or becomes public knowledge without the fault of the receiving party; (iii) which is properly acquired by the receiving party from a third party having the legal right to such information; (iv) is required to be disclosed by a proper governmental or judicial authority; or (iv) as required or as may be desirable in connection with a financing of Company or Distributor. No receiving party shall, in any manner whatsoever for use in any way for its own account or for the account of any third party, disclose or communicate to any third party, any Confidential Information for any purpose except for the purpose for which such Confidential Information was supplied, and such receiving party will take every reasonable precaution to protect the confidentiality of such information.

(d) Other Obligations. Each party acknowledges that any breach of any obligation under this Section is likely to cause or threaten irreparable harm to the other party, and accordingly, each party agrees that in such event the non-breaching party shall be entitled to equitable relief to protect its interests, including, but not limited to, preliminary and permanent injunctive relief. Upon expiration or termination of this Agreement, each party shall return to the other party all Confidential Information, Intellectual Property and Information and Ideas in the receiving party's possession and control. This Section 11 shall survive any expiration or termination of this Agreement.

12. Other Obligations and Activities of Distributor. In addition to any and all obligations and/or permitted activities recited elsewhere in this Agreement:

(a) Representation of Other Products. During the term of this Agreement, Distributor will not represent or distribute, directly or indirectly, the products of any other manufacturer or producer which in the opinion of Company compete with any Products promoted by Distributor hereunder (collectively,

"Competitive Products"), nor shall Distributor manufacture any Competitive Products, directly or indirectly. Competitive Products, include, without limitation, those Products identified on Part II of Schedule C. Notwithstanding the foregoing, Distributor may represent, sell and distribute the competitive products listed on Part I of Schedule C. It is acknowledged and agreed, however, that Distributor may represent, promote and sell other lines of health related services and devices. Distributor shall furnish Company before execution of this Agreement or at time of execution a list of all products currently handled by Distributor and shall update the list from time to time as Distributor adds products to its distribution business.

(b) Duties of the Distributor. Distributor understands and agrees to perform each and all of the activities listed and described in Schedule D (Distributor's Duties).

13. Other Obligations and Activities of Company. In addition to any and all obligations and/or permitted activities recited elsewhere in this Agreement:

(a) Provision of Information. Company may provide without charge to Distributor, reasonable information concerning the technical aspects of Products, their use, and the like, in writing and/or oral presentations.

(b) Seminar Cooperation. Company will cooperate with Distributor to a reasonable extent in the sponsorship and planning of technical seminars in the Territory on Products.

(c) Market Surveys. Company may furnish, without charge to Distributor, market surveys and related information prepared by Company or by third parties pertaining to the market for Products in the Territory. Distributor will treat same as Information and Ideas in accordance with the provisions of Section 11.

(d) Advertisement Assistance. From time to time, Company may advertise Products in publications circulated in the Territory, and may refer to Distributor by name in such advertisements. Distributor hereby consents to the use of its name in such advertisements and for similar purposes. Such advertising shall in all events use Company's logo and trade name(s) or trademarks in such manner as to protect same. In no event shall Distributor modify or change Company's name or trade name(s) and or trademarks.

(e) Access to Company Personnel. Company shall provide Distributor with reasonable access to and assistance from its technical, sales, and service personnel, as Company deems appropriate. Such assistance shall be without charge to Distributor except as may be otherwise mutually agreed.

(f) Regulatory Updates. Company will provide Distributor with prompt updates on all regulatory issues known to Company which could reasonably be expected to adversely affect the sale and marketing of Products by Distributor in the Territory.

(g) Technical Information. Company will provide Distributor with such information, technical descriptions, drawings, data, specifications, service and instructions for use manuals, quality control audits, facility inspection reports issued by government regulators or recognized international quality control auditors, and so forth, relating to the Products in Company's possession and control as may be reasonably required by Distributor to obtain and to maintain import permits or continuing approval from the appropriate governmental authorities in order to distribute the Products in the Territory.

(h) Related Regulatory Actions. Company will promptly notify Distributor of any of the following adverse types of actions taken with respect to Company or the Products by regulators in other jurisdictions which Company believes could reasonably be expected to adversely affect the sale or marketing of Products by Distributor in the Territory: (i) any facility inspection resulting in any notice of infraction, warning or other action, (ii) voluntary or mandatory

recalls or withdrawal of Products, (iii) administrative or court proceedings, (iv) any changes of factory location, (v) changes in method of sterilization, packaging, materials, design or other specifications of Products and (vi) any similar matters.

(i) Trademark Registration. Subject to Section 6 hereof, Company will register and maintain in the Territory all trademarks used in connection with the Products.

(j) Referrals. Company will promptly refer to Distributor all orders and inquiries for the Products in the Territory received by Company.

(k) Non-Competition. During the term of this Agreement and for a period of twelve (12) months after the termination or expiration of this Agreement, neither party, their affiliates, successors and assigns shall solicit for employment any personnel employed by the other party.

14. Products Modification. Subject to Section 5(c), Company may, at any time and from time to time and without recourse on Distributor's part, add to, delete from, or modify any or all of the Products.

15. Force Majeure. Neither Company nor Distributor will have any liability for any failure or delay in performing any obligation under this Agreement (except the obligation to make payments promptly when and as due) if the failure or delay results from force majeure, understood as a cause which is beyond the control of either party and one which could not have been avoided with the exercise of due care. The party claiming force majeure will give the other party written notice of the cause within fifteen (15) days after occurrence thereof, and will exercise reasonable diligence to remove the cause and resume performance. If Company is the affected party, it may equitably allocate production and delivery of affected Products among its Distributors and customers.

16. Term of Agreement; Termination. (a) Term. The term of this Agreement shall be for an initial period commencing on the Effective Date of this Agreement and expiring on the date five (5) years after the first date of the first Contract Year (the "Initial Period"). This Agreement may be automatically extended by the parties for additional five (5) year period(s) (each, an "Extension Period") upon mutual written agreement that the parties have agreed on Minimum Purchase Requirements for the Products for such Extension Period. Notice of requested extension shall be made by either party to the other not less than ninety (90) days prior to the end of the Initial Period or any Extension Period. For purposes of this Agreement, the term "Term" shall refer to the Initial Period and any and all Extension Periods thereof in accordance with this Section. This Agreement may be earlier terminated at any time as follows:

(i) in the manner provided in Section 5(a); or

(ii) by either party for cause upon the giving of not less than 30 days prior written notice of intent to terminate to the other party, and failure of the party receiving such notice to cure the cause stated in such notice to the reasonable satisfaction of the notifying party by the end of such 30 day period; provided, however, that the foregoing right to cure shall not apply to a material breach that has been notified to the breaching party on two or more prior occasions or to any material breach after the breaching party has been notified of any three prior material breaches. For purposes of this Section, "cause" means the other party's material breach of a duty or obligation under this Agreement, other than as provided in Section 5(a). For the avoidance of doubt and without prejudice to whether other acts might constitute material breach, the parties agree that the violation of any of the provisions contained in Sections 2, 3(c), 6(a), 6(b), 6(d), 6(e), 11 and 12(a) shall constitute a material breach; or

(iii) by either party forthwith on written notice of termination to the other party for the other party's voluntary or involuntary petition of

bankruptcy, or insolvency, or winding up of its operations; or in the event of nationalization, in whole or part, of the other party; or in the event of acquisition of all or part of the assets of Distributor by a competitor of Company in respect of Products; or in the event of Distributor's assignment or attempted assignment of this Agreement or any of its rights, duties or obligations hereunder without Company's prior written consent, except as set forth in Section 17(c); or in the event of introduction or passage of any legislation in the Territory which would grant to Distributor greater rights upon termination of this Agreement than Distributor would presently have; or

(iv) immediately by written notice from Company following notice from Distributor pursuant to sub-paragraphs (i), (ii) or (iii) above, or after a breach by Distributor of the provisions of Section 6 or Section 11 above.

(b) Effect of Termination. During the period of notice of termination under Subsection 16(a)(i), (ii) or (iii), the party giving notice may withhold its own performance (except in respect of the payment of any amount then due and owing to the other party) unless the other party cures or acts with due diligence to cure the breach or failure, but such cure or due diligence shall not in and of itself operate to cancel the notice of termination which must be affirmatively canceled by the party originally giving notice. During the period of notice of termination without cause, each party shall diligently perform all of its duties and obligations under this Agreement.

(c) Rights of Company. Upon expiration or termination of this Agreement, Company may (at any time thereafter) appoint a new Distributor of Products in the Territory. The following obligations of Distributor will survive and continue after any expiration or termination of this Agreement, subject to the rights of Distributor under 16(d):

(i) to immediately return to Company all documents, or other informational and advertising materials in tangible form relating to the Intellectual Property or Information and Ideas, supplied to Distributor by Company;

(ii) to continue to make any payments owed to Company promptly when due;

(iii) to thereafter abstain from using or disclosing to third parties the Intellectual Property or Information and Ideas for so long as the same is not in the public domain or for so long as the same is in the public domain due only to the default of Distributor, whichever period is longer;

(iv) to cease promoting Products and give appropriate notice to all sub-distributors and agents in the Territory of such fact;

(v) to diligently and expediently take all necessary steps to transfer the medical registrations and import permits (the "Shonin(s)") for the Products to the Company or to any third party located in the Territory, as notified by Company, that is authorized and legally entitled to hold the Shonin(s). Company agrees to reimburse Distributor for all of Distributor's out of pocket expenses related to Distributor [obtaining and maintaining] [transferring] the Shonin(s). [For purposes of this section, "out of pocket expenses" shall include, without limitation, Product costs, documentation and Product testing fees, patient fees paid to the institution performing the clinical trial, fees paid to the institutions to perform and conduct the clinical trial including issuance of final reports, meeting expenses, clinical trial product liability insurance, post marketing surveillance fees, etc. Specifically excluded from reimbursable "out of pocket expenses" are Distributor overhead, salary and travel expenses in the Territory.] Any such reimbursable out of pocket expenses owed to Distributor upon termination or expiration of this Agreement shall become immediately due and payable.

During the period that the Shonin(s) is in the process of being transferred, Distributor agrees to otherwise cooperate with Company by importing and reselling the Products to Company's next authorized and designated distributor at Distributor's fully landed cost for the Products plus a mark-up

of ten percent (10%). The general purchase and sales terms of this Agreement will govern the sale of Products to such distributor during this transfer period. Company expressly agrees to indemnify Distributor for any non-payment by Company's next distributor for Products so resold by Distributor or for any non-performance of Distributor out of Distributor's immediate control during this transfer period.

(vi) to continue to indemnify Company in respect to all matters as to which indemnification by Distributor is required by this Agreement; and

(vii) to continue to observe any obligation otherwise expressly provided in this Agreement to survive expiration or termination.

(d) Rights of Distributor. The following obligations of the Company will survive and continue after any expiration and termination of this Agreement, subject to the rights of the Company under 16(c):

(i) to thereafter abstain from using or disclosing to third parties any Confidential Information of Distributor for so long as the same is not in the public domain or for so long as the same is in the public domain due only to the default of the Company, whichever is longer;

(ii) to make any payments to Distributor required by Section 16(c)(v) or Section 16(e);

(iii) to continue to indemnify Distributor in respect to all matters to which indemnification by company is required by this Agreement; and

(iv) to continue to observe any obligations otherwise expressly provided in this Agreement to survive expiration or termination.

(e) Inventory Repurchases. Upon termination or expiration of this Agreement, Company and Distributor each have the option of causing Distributor to return for refund of the original purchase price paid by Distributor all of Distributor's remaining inventory of Products which are in saleable condition. If neither party elects the option in the preceding sentence, Distributor may continue to sell such remaining inventory in the Territory for a period which shall not exceed six (6) months following the date of termination or expiration of this Agreement, at which date Distributor's remaining saleable inventory of the Products shall be returned to Company for full refund of the original purchase price of the Products. Company shall refund Distributor's purchase price for returned Product within sixty (60) days after Company's receipt of any Product returned by Distributor pursuant to this Section 16(e). The refund shall be effected by wire transfer to an account designated by Distributor at such time. Regardless of the option elected, Distributor must return to Company a complete set of traceability reports within thirty (30) days of termination or

expiration of this Agreement. For purposes of this provision, "saleable condition" means the Product must be in the original factory packaging, undamaged, currently sterile and with a remaining shelf life of at least six (6) months.

This provision shall survive any expiration or termination of this Agreement.

(f) Limitation of Post Termination Liability. Without limiting any remedy a party may have at law or at equity in connection with the breach of this Agreement by the other party neither party to this Agreement shall be liable to the other by reason of the termination or expiration of this Agreement for compensation, reimbursement, or damages on account of any loss of prospective profits, or anticipated sales or on account of expenditures, investments, leases, or other commitments relating to the business or goodwill of either party.

17. General.

(a) Notice. Any notice or other communication required or permitted by this Agreement must be given in writing and must be delivered by personal delivery (including personal delivery by internationally recognized and reputable overnight courier, such as Federal Express, DHL, or similar overnight courier), first class mail (registered or certified), or telecopy (with a copy sent by personal delivery or first class mail), at the postal address of the party as set forth herein or such other changed address of the party as to which notice has been given, and will be deemed as having been given when received or delivered.

(b) Set Off. Company reserves the right to set off any amounts Distributor owes to Company against any amount Company owes to Distributor to the extent acceptable to regulators in the Territory.

(c) Binding; Assignment. This Agreement shall be binding on Distributor, Company, and their respective successors and assigns; provided, however, that, subject to Section 1(b), any assignment of this Agreement by Distributor, whether by operation of law or otherwise, without the prior written consent of Company is void. Any assignment of this Agreement by Company, whether by operation of law or otherwise, without the prior written consent of Distributor, is void: provided, that Company may assign this Agreement without consent in the event of a sale or transfer of all or substantially all of the stock or Product device assets of Company, to the purchaser of such stock or assets. Notwithstanding anything in this Agreement to the contrary, Company hereby agrees that any direct or indirect sale, assignment or transfer of Company's rights to manufacture Products to any third party in a manner that prevents the Company from fulfilling its obligations to Distributor under this Agreement shall be subject to such third party becoming obliged through such sale, assignment or transfer to the terms of this Agreement to the same extent, and subject to the same duties and obligations, as Company.

(d) Entire Agreement; Modification; Waiver. This Agreement contains the entire agreement between the parties with respect to the subject matter of the Agreement and shall supersede and terminate all prior agreements, commitments, or understandings, whether oral or written, related to the Products. No waiver or modification of any of the provisions of this Agreement shall be binding unless it is in writing and signed by the parties. Any waiver of any condition on any one occasion shall not constitute a waiver on any subsequent occasion.

(e) Arbitration. All disputes, controversies, claims or differences which may arise between the parties hereto arising out of or in relation to or in connection with this Agreement or any breach thereof shall be settled by arbitration conducted in accordance with the Commercial Arbitration Rules (the "Rules") and supplementary Procedures for International Commercial Arbitration (the "Supplementary Procedures") of the American Arbitration Association, in effect on July 1, 1996. Whenever any dispute, controversy, claim or difference which may be submitted to arbitration under this subsection arises between the parties hereto, either party hereby may give to the other party hereto notice of its intention to submit such dispute, controversy, claim or difference to arbitration. Such arbitration shall take place in New York City, New York, United States of America, before a single arbitrator agreed upon by the parties to the arbitration. In the event the parties to the arbitration cannot agree upon an arbitrator within twenty (20) days after either party's notice to arbitrate, such arbitration shall take place in Atlanta, Georgia, United States of America, if initiated and brought by Distributor, or Tokyo, Japan if initiated and brought by Company, before a single arbitrator appointed by the American Arbitration Association in accordance with the Rules and Supplementary Procedures.

The parties hereto agree that each party to the arbitration is to pay an equal part of the deposit fixed by the American Arbitration Association or the arbitrator. The determinations of such arbitrator will be final and binding upon the parties to the arbitration, and judgment upon the award rendered by the

arbitrator may be entered in any court having jurisdiction, or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be. The arbitrator shall set forth the grounds for his decision in the award. The parties acknowledge and agree that this Agreement and any award rendered pursuant to it shall be governed by the 1958 United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

The arbitrator shall apply the law of the State of Georgia, United States of America, as to both substantive and procedural questions, but excepting any State of Georgia rule which would result in judicial failure to enforce this arbitration provision or any portion thereof.

All proceedings before the arbitrator shall be conducted in the English language. All documents and papers submitted to the arbitrator shall be in the English language or accompanied by a competent English language translation thereof.

(g) Controlling Language. This Agreement has been written, and all discussions leading up to this Agreement have been conducted, in the English language which both parties thoroughly understand. Each party represents that it has read and fully understands this Agreement, and further agrees that all notices and other correspondence or communications between the parties relating to or under this Agreement will be made solely in the English language.

(h) Independent Contractor. Distributor shall operate as an independent contractor and nothing contained in this Agreement shall be deemed or construed to recreate an employer/employee, principal/agent, joint venture, partnership, or fiduciary relationship between the parties.

(i) Taxes. Distributor shall be responsible for paying all sales, use, transactional, importation, or other value added taxes (other than taxes measured by the net income of Company) resulting from the completion of the transactions in the Territory contemplated by this Agreement.

(j) Authority. EACH OF THE SIGNATORIES INDIVIDUALLY REPRESENTS AND WARRANTS THAT HE HAS THE REQUISITE POWER AND AUTHORITY TO ENTER INTO THIS AGREEMENT ON BEHALF OF THE PARTY FOR WHICH HE SIGNS AND THAT THE PARTY HAS THE FULL POWER AND AUTHORITY TO FULLY PERFORM ITS OBLIGATIONS UNDER THIS AGREEMENT.

(k) Waivers. Either party's delay or failure to enforce any right or remedy available to it under this Agreement or at law for Distributor's material breach of or repeated failure to perform a duty or an obligation hereunder will not constitute a waiver of such right or remedy in respect of the same or any subsequent breach of failure.

(l) Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, such provision will be severed from this Agreement without affecting the validity or enforceability of any of the remaining provisions.

(m) Heading and Captions. Headings and captions used herein are for convenience only and are not to be deemed part of this Agreement.

(n) Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be an original, and all of which together shall constitute one and the same instrument.

(o) Further Assurances. The parties agree to execute any and all such further agreements, instruments or documents, and to take any and all such further action as may be necessary or desirable to carry out the provisions hereof and to effectuate the proposes of this Agreement. Company hereby agrees that any direct or indirect sale, assignment or transfer of Company's rights to manufacture Products to any third party in manner that prevents the Company from fulfilling its obligations to Distributor under this Agreement shall be subject to such third party becoming obliged through such sale, assignment or transfer to the terms of this Agreement to the same extent and subject to the same duties and obligations as Company.

SCHEDULE F

MARKS

Exhibit 13

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

MARKET PRICE OF COMMON STOCK

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

2000	High	Low
First Quarter	16 5/12	7 1/2
Second Quarter	16 1/4	10 3/8
Third Quarter	23 1/8	14 7/8
Fourth Quarter	35 7/8	17 5/6

1999	High	Low
First Quarter	8 1/2	6 5/6
Second Quarter	12 5/12	6 2/3
Third Quarter	10 1/6	7 1/2
Fourth Quarter	9 1/4	7 3/8

Reflects adjustment for 3-for-2 stock split effected December 27, 2000.

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

SELECTED FINANCIAL INFORMATION

(In thousands except percentages and per share data) December 31,

OPERATIONS	2000	1999	1998	1997	1996
Revenues	$77,096	$66,722	$60,691	$50,571	$36,866
Net Income	7,817	4,451	6,486	4,725	3,927
Research and development as a percentage of revenues	6.8%	6.6%	7.8%	7.8%	7.6%
EARNINGS PER SHARE 1,2					
Basic	$ 0.42	$ 0.24	$ 0.36	$ 0.33	$ 0.28
Diluted	$ 0.41	$ 0.24	$ 0.35	$ 0.32	$ 0.26
YEAR-END FINANCIAL POSITION					
Total assets	$112,009	$94,025	$98,390	$54,402	$34,973
Working capital	68,449	59,597			
	62,310	19,478	10,787		
Long-term liabilities	11,905	6,177	8,577	17,846	2,799
Shareholders' equity	89,395	80,226	80,421	30,227	24,929
Current ratio	7:1	9:1	8:1	4:1	3:1
Shareholders' equity per diluted common share 1,2	$ 4.65	$ 4.27	$ 4.38	$ 2.03	$ 1.68

1 Reflects adjustment for the 3-for-2 stock split effected December 27, 2000.

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

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Item 8. Financial Statements and Supplementary Data - pages 22-37 of annual shareholder report below:

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO CRYOLIFE, INC.:

We have audited the accompanying consolidated balance sheet of CRYOLIFE, INC. AND SUBSIDIARIES as of December 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of December 31, 1998, and for each of the two years ended December 31, 1998, were audited by other auditors whose report dated February 2, 1999 expressed and unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CryoLife, Inc. and subsidiaries as of December 31, 2000 and 1999 and the results of their operations and their cash flows for each of the two years ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN, LLP
Atlanta, Georgia
February 7, 2001

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

ASSETS

December 31,	2000	1999
Current assets:		
Cash and cash equivalents	$ 17,480	$ 6,128

Marketable securities, at market	21,234	24,403
Receivables:		
Trade accounts, less allowance for doubtful accounts of $85 in 2000 and $528 in 1999	11,454	11,694
Note receivable, less allowance of $723	1,833	--
Income taxes	574	31
Other	711	608
Total receivables	14,572	12,333
Deferred preservation costs	20,311	17,652
Inventories	3,994	4,597
Prepaid expenses	893	1,123
Deferred income taxes	674	983
Total current assets	79,158	67,219
Property and equipment:		
Equipment	12,911	11,882
Furniture and fixtures	4,327	3,147
Leasehold improvements	14,149	14,487
Construction in progress	8,219	1,001
	39,606	30,517
Less accumulated depreciation and amortization	14,027	11,843
Net property and equipment	25,579	18,674
Other assets:		
Note receivable, less allowance of $241	643	--
Goodwill, less accumulated amortization of $405 in 2000 and $311 in 1999	1,495	1,590
Patents, less accumulated amortization of $850 in 2000 and $794 in 1999	2,540	2,363
Other, less accumulated amortization of $436 in 2000 and $742 in 1999	2,423	2,780
Deferred income taxes	171	1,399
Total assets	$ 112,009	$ 94,025

See accompanying notes to consolidated financial statements.

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

LIABILITIES AND SHAREHOLDERS' EQUITY December 31,	2000	1999
Current liabilities:		
Accounts payable	$ 2,914	$ 975
Accrued expenses	1,054	1,595
Accrued compensation	2,097	1,711
Accrued procurement fees	3,537	2,874
Current maturities of capital lease obligation	173	180
Current maturities of long-term debt	934	287
Total current liabilities	10,709	7,622
Capital lease obligations, less current maturities	1,361	1,534
Convertible debenture	4,393	4,393

Bank line of credit, less current maturities	6,151	--
Other long-term debt	--	250
Total liabilities	22,614	13,799
Commitments and Contingencies		
Shareholders' equity:		
Preferred stock $.01 par value per share; authorized 5,000 shares including 2,000 shares of series A junior participating preferred stock; no shares issued	--	--
Common stock $.01 par value per share; authorized 75,000 shares; issued 20,077 in 2000 and 20,041 shares in 1999	201	200
Additional paid-in capital	64,936	64,359
Retained earnings	31,381	23,564
Deferred compensation	(45)	(57)
Accumulated other comprehensive income	(1,088)	(785)
Treasury stock; 1,356 shares in 2000 and 1,701 shares in 1999, at cost	(5,990)	(7,055)
Total shareholders' equity	89,395	80,226
Total liabilities and shareholders' equity	$ 112,009	$ 94,025

See accompanying notes to consolidated financial statements.

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

Year Ended December 31,	2000	1999	1998
Revenues:			
Preservation services and products	$ 76,480	$ 65,845	$ 60,179
Research grants and licenses	616	877	512
	77,096	66,722	60,691
Costs and Expenses:			
Preservation services and products	33,347	30,170	25,303
General, administrative, and marketing	28,731	24,693	23,907
Research and development	5,207	4,396	4,708
Nonrecurring charges	--	2,355	--
Interest expense	299	387	670
Interest income	(1,952)	(1,556)	(1,490)
Other income, net	(169)	(224)	(1,078)
	65,463	60,221	52,020
Income before income taxes	11,633	6,501	8,671
Income tax expense	3,816	2,050	2,185
Net income	$ 7,817	$ 4,451	$ 6,486
Earnings per share:			
Basic	$ 0.42	$ 0.24	$ 0.36
Diluted	$ 0.41	$ 0.24	$ 0.35
Weighted average shares outstanding:			
Basic	18,541	18,512	17,961
Diluted	19,229	18,800	18,396

See accompanying notes to consolidated financial statements.

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

Year Ended December 31,	2000	1999	1998
Net cash flows from operating activities:			
Net income	$ 7,817	$ 4,451	$ 6,486
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Deferred income recognized	--	(1,176)	(387)
Gain on sale of marketable equity securities	--	(112)	(4)
Depreciation of property and equipment	3,023	2,854	2,586
Amortization	199	300	905
Provision for doubtful accounts	21	121	176
Deferred income taxes	1,658	(970)	(1,948)
Nonrecurring charges	--	2,355	--
Tax effect of non-qualified option exercises	595	--	--
Changes in operating assets and liabilities:			
Trade and other receivables	469	(1,707)	(1,797)
Income taxes	(543)	40	771
Deferred preservation costs	(2,659)	(3,413)	(1,982)
Inventories	(1,433)	(2,882)	(3,010)
Prepaid expenses and other assets	230	822	(706)
Accounts payable	1,095	(686)	295
Accrued expenses	(193)	1,321	(158)
Net cash flows provided by operating activities	10,279	1,318	1,227
Net cash flows from investing activities:			
Capital expenditures	(9,491)	(3,853)	(6,693)
Net proceeds from sale of IFM product line	--	--	15,000
Other assets	43	(783)	(752)
Purchases of marketable securities	(5,729)	(5,123)	(34,063)
Sales of marketable securities	8,542	6,149	7,604
Net cash flows used in investing activities	(6,635)	(3,610)	(18,904)
Net cash flows from financing activities:			
Principal payments of debt	(287)	(514)	(13,990)
Proceeds from debt issuance	6,835	--	1,680
Proceeds from note receivable	360	--	--
Principal payments on obligations under capital leases	(180)	(224)	(203)
Proceeds from exercise of options and issuance of stock	1,660	571	46,298
Purchase of treasury stock	(612)	(4,296)	(3,350)
Net payments on notes receivable from shareholders	--	--	16
Net cash flows provided by (used in) financing activities	7,776	(4,463)	30,451
Increase (decrease) in cash	11,420	(6,755)	12,774
Effect of exchange rate changes on cash	(68)	(2)	--
Cash and cash equivalents, beginning of year	6,128	12,885	111
Cash and cash equivalents, end of year	$ 17,480	$ 6,128	$ 12,885
Supplemental disclosures of cash flow information - cash paid during the year for:			
Interest	$ 471	$ 369	$ 742
Income taxes	2,215	3,816	3,568
Non cash investing and financing activities:			
Establishing capital lease obligation	$ --	$ --	$ 2,141
Debt conversion into common stock	$ --	$ --	$ 608

Purchase of property and equipment in accounts payable	$ 844	$ 6	$ 185
Tax effects of non-qualified option exercises	$ 595	$ --	$ --

See accompanying notes to consolidated financial statements.

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

	Common Shares Outstanding Shares	Amount	Additional Paid-In Capital	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Income	Treasury Stock	Notes Receivable From Shareholders	Total Shareholders' Equity
Balance at December 31, 1997	14,553	$154	$17,642	$12,627	$--	$--	$(180)	$(16)	$30,227
Net income	--	--	--	6,486	--	--	--	--	6,486
Unrealized gains on investments	--	--	--	--	--	139	--	--	139
Comprehensive income									6,625
Follow-on equity offering, net of $703 of offering costs	4,464	44	45,403	--	--	--	--	--	45,447
Exercise of options	150	1	338	--	--	--	121	--	460
Employee stock purchase plan	46	--	294	--	--	--	97	--	391
Convertible debenture	75	1	604	--	--	--	--	--	605
Purchase of treasury stock	(514)	--	--	--	--	--	(3,350)	--	(3,350)
Payment on shareholder note	--	--	--	--	--	--	--	16	16
Balance at December 31, 1998	18,774	200	64,281	19,113	--	139	(3,312)	--	80,421
Net income	--	--	--	4,451	--	--	--	--	4,451
Unrealized losses on investments	--	--	--	--	--	(922)	--	--	(922)
Translation adjustment	--	--	--	--	--	(2)	--	--	(2)
Comprehensive income									3,527
Exercise of options	74	--	(126)	--	--	--	305	--	179
Employee stock purchase plan	60	--	144	--	--	--	248	--	392
Issuance of stock options to a nonemployee	--	--	60	--	(60)	--	--	--	--
Amortization of deferred compensation	--	--	--	--	3	--	--	--	3
Purchase of treasury stock	(567)	--	--	--	--	--	(4,296)	--	(4,296)
Balance at December 31, 1999	18,341	200	64,359	23,564	(57)	(785)	(7,055)	--	80,226
Net income	--	--	--	7,817	--	--	--	--	7,817
Unrealized losses on investments	--	--	--	--	--	(235)	--	--	(235)
Translation adjustment	--	--	--	--	--	(68)	--	--	(68)
Comprehensive income									7,514
Exercise of options	392	1	338	--	--	--	1,389	--	1,728
Employee stock purchase plan	66	--	239	--	--	--	288	--	527
Amortization of deferred compensation	--	--	--	--	12	--	--	--	12
Purchase of treasury stock	(78)	--	--	--	--	--	(612)	--	(612)
Balance at December 31, 2000	18,721	$201	$64,936	$31,381	$(45)	$(1,088)	$(5,990)	$--	89,395

See accompanying notes to consolidated financial statements.

CRYOLIFE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Nature of Business

Founded in 1984, CryoLife, Inc. (the "Company") is the leader in the

preservation of viable human tissues for transplant, and is developing and commercializing additional implantable devices for use in vascular, cardiovascular, and orthopaedic applications. The Company's primary business segment, cryopreservation of human tissues, marketed in North and South America, Europe, and Asia. The Company develops proprietary implantable bioadhesives, including BioGlue surgical adhesive, which it has begun commercializing for vascular and pulmonary applications in North America, Europe, South America, Asia, South Africa, and the Middle East. In addition, the Company's bioprosthetic implantable products include stentless porcine heart valves marketed in Europe, South America, the Middle East, Canada, and South Africa, as well as a proprietary project to transplant human cells onto the structure of animal tissue. Until October 9, 2000, the Company served as an original equipment manufacturer for single-use medical devices for use in vascular surgical procedures. International revenues were $5.1 million in 2000 and $4.0 million in 1999 and 1998. Net revenues by product for the years ended December 31, 2000, 1999, and 1998 were as follows:

	2000	1999	1998
Preservation services:			
Heart valve tissue	$29,685	$29,043	$30,836
Vascular tissue	21,279	19,273	14,270
Connective tissue	16,132	11,200	7,720
Total preservation services	67,096	59,516	52,826
BioGlue surgical adhesive	6,405	1,657	883
Single-use medical devices	2,208	3,717	5,672
Bioprosthetic products	771	955	798
	$76,480	$65,845	$60,179

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances are eliminated.

Reclassifications

Certain prior year balances have been reclassified to conform to the 2000 presentation.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition

Revenues for preservation services are recognized as services are performed. Revenues from medical devices and other products are recognized at the time the product is shipped or title passes pursuant to customer terms. Revenues from research grants are recognized in the period the associated costs are incurred, and license revenues are recognized in the period cash is received and all

licensor obligations have been fulfilled. Amounts recognized as revenues are fixed and collectibility of the related receivables is reasonably assured.

Cash and cash equivalents

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

Marketable Securities

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

Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designations as of each balance sheet date. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost. Debt securities not classified as held-to-maturity or trading and marketable equity securities not classified as trading are classified as available-for-sale. Available-for-sale securities are stated at their fair values, with the unrealized gains and losses, net of tax, reported in a separate component of shareholders' equity. The amortized cost of debt securities classified as available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in investment income. Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income. At December 31, 2000 and 1999, all marketable equity securities and debt securities were designated as available-for-sale.

Deferred Preservation Costs

Tissue is procured from deceased human donors by organ procurement organizations and tissue banks which consign the tissue to the Company for processing and preservation. Preservation costs related to tissue held by the Company are deferred until shipment to the implanting hospital. Deferred preservation costs consist primarily of laboratory expenses, tissue procurement fees, fringe and facility allocations, and freight-in charges, and are stated on a first-in, first-out basis.

Inventories

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

Property and Equipment

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

Intangible Assets

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

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

Long-lived Assets

The Company records impairment losses on long-lived assets in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets.

Income Taxes

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

Stock Split

On November 27, 2000, the Board of Directors declared a three-for-two stock split, effected in the form of a stock dividend, payable on December 27, 2000, to shareholders of record on December 8, 2000. All share and per share information in the accompanying consolidated financial statements has been adjusted to reflect such split.

Comprehensive Income

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

New Accounting Pronouncement

On January 1, 2001, the Company was required to adopt SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("Statement 133"), as amended. Statement 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 Statement 133 impacts the accounting for the Company's forward-starting interest rate swap agreement.

The Company maintains a construction line of credit, which converts to floating

rate debt (i.e., term loan) upon completion of the expansion of the Company's corporate headquarters (Note 5). This floating rate debt exposes the Company to changes in interest rates going forward. On March 16, 2000, the Company entered into $4 million in notional amounts of a forward-starting interest swap

agreement that take effect on June 1, 2001. This swap agreement has been designated as a cash flow hedge to effectively convert a portion of its anticipated 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 accrued as interest rates change and recognized as an adjustment to interest expense related to the debt. Upon adoption of SFAS 133 in 2001, 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. The reclassification of any gains or losses associated with the interest rate swap into the statement of income is anticipated to occur upon the various maturity dates of the interest rate swap agreement, which expires in 2006.

During 1999, the Securities and Exchange Commission released Staff Bulletin 101, "Revenue Recognition in Financial Statements" which clarifies the basic criteria for recognizing revenue. The Company adopted this bulletin during the fourth quarter 2000. The adoption of this bulletin did not have a material impact on the consolidated financial statements.

2. Ideas for Medicine, Inc.

On March 5, 1997 the Company acquired the stock of Ideas for Medicine, Inc. ("IFM"), a medical device company specializing in the manufacture and distribution of single-use medical devices, for consideration of approximately $4.5 million in cash and approximately $5.0 million in convertible debentures plus related expenses. The cash portion of the purchase price was financed by borrowings under the Company's revolving term loan agreement. Pursuant to the purchase agreement, an additional consideration of $700,000 was paid in January 2000. In connection with this acquisition, the Company also entered into a consulting agreement with the former majority shareholder of IFM requiring monthly payments to such shareholder of approximately $17,000 until March 2002.

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

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

On June 22, 1999 IFM notified HMP that it was in default of certain provisions of the Agreement. Specifically, HMP was in violation of the payment provisions

contained within the Agreement, which called for inventory purchases to be paid for within 45 days of delivery. Additionally, HMP was in violation due to nonpayment of interest related to such past due accounts receivable.

After notification of the default, HMP indicated to the Company that it would not be able to meet and did not meet the minimum purchase requirements outlined in the Agreement. At December 31, 1999, the Company determined that it had incurred an impairment loss on its IFM assets due to the significant uncertainties related to the Company's ability to realize its investment in IFM. In calculating the amount of the impairment loss, management used its best estimate to determine the realizable value of its increase in working capital due to the HMP default and the recoverability of IFM's long-lived assets, consisting primarily of leasehold improvements and equipment. As a result, management recorded a $2.1 million impairment loss on working capital and a $2.6 million impairment loss on leasehold improvements. Additionally, the Company offset the above charges with $2.5 million of deferred income recorded in connection with the sale of the IFM product line to HMP. The net pretax effect of the above nonrecurring charges was $2.2 million and has been included under the caption "Nonrecurring charges" in the accompanying Consolidated Income Statements. At December 31, 1999, after recognition of the impairment loss, IFM assets consisted of $800,000 of accounts receivable, $1.7 million of inventory, $1.6 million of building, and $360,000 of equipment.

On October 9, 2000 the Company sold substantially all of the remaining assets of IFM to HMP. The assets consisted primarily of inventory, equipment and leasehold improvements. The transaction provides for HMP to pay the Company the sum of approximately $5.9 million, payable in equal monthly installments of principal and interest of $140,000. The note consists of a portion, approximately $3.8 million, which bears interest at 9% per year, and a non-interest-bearing portion of approximately $2.1 million. The note also requires an additional $1 million principal payment at any time prior to April 3, 2001. If the $1 million payment is made when due, and no other defaults exist under the note, then $1 million of the non-interest-bearing portion of the note will be forgiven. In addition, at such time as the principal balance has been paid down to $1.1 million and there have been no defaults under the promissory note, the remainder of the note will be forgiven and the note will be canceled.

In addition, CryoLife has entered into a sublease agreement with HMP under which HMP has assumed responsibility for the IFM manufacturing facility. Also, substantially all of the employees of IFM have become employees of HMP.

3. Marketable Securities

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

December 31, 2000	Cost	Unrealized Holding Losses	Estimated Market Value
Municipal obligations	$ 17,789	$ (2)	$ 17,787
Equity securities	9,889	(1,540)	8,349
	$ 27,678	$ (1,542)	$ 26,136

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

The gross realized gains on sales of available-for-sale securities totaled $0 and $112,000 in 2000 and 1999, respectively. Differences between cost and market of a $1.5 million (less deferred taxes of $524,000) and a $1.2 million loss (less deferred taxes of $403,000) are included as a separate component of shareholders' equity as of December 31, 2000 and 1999, respectively.

At December 31, 2000 and 1999, approximately $4.9 million and $4.1 million, respectively, of debt securities with original maturities of 90 days or less at their acquisition dates were included in cash and cash equivalents. At December 31, 2000 approximately $8.3 million of investments mature within 90 days, no investments had a maturity date between 90 days and 1 year, and approximately $21.2 million of investments mature between 1 and 5 years.

4. Inventories

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

	2000	1999
Raw materials	$1,796	$1,555
Work in process	405	578
Finished goods	1,793	2,464
	$3,994	$4,597

5. Long-Term Debt

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

	2000	1999
Line of credit bearing interest equal to the Adjusted LIBOR plus 2%, to be adjusted monthly. Upon the earlier of completion of construction of the Company's expanded headquarters or June 30, 2001, the line will convert to a 5 year term loan bearing interest at Adjusted LIBOR plus 1.5%.	$6,835	--
7% convertible debenture, due in March 2002	4,393	4,393
8.25% note payable due in equal annual installments of $250,000	250	500
Note payable due in 2000 with an effective interest rate of 8%, net of unamortized discount of $3,000 in 1999	--	37
	11,478	4,930
Less current maturities	934	287
Total long-term debt	$10,544	$4,643

As amended on June 12, 1998, the Company executed a $10 million revolving loan agreement (the "Loan Agreement") with a bank which permits the Company to borrow up to $2.0 million at either the bank's prime rate of interest (9.5% at December 31, 2000) or at adjusted LIBOR, as defined, plus an applicable LIBOR margin. The Loan Agreement expires on December 31, 2001. The Loan Agreement contains certain

restrictive covenants including, but not limited to, maintenance of certain financial ratios and a minimum tangible net worth requirement. The Loan Agreement is secured by substantially all of the Company's assets, excluding intellectual property. Commitment fees are paid based on the unused portion of the facility.

On April 25, 2000 the Company entered into a loan agreement ("Line Agreement") which permits the Company to borrow up to $8 million under a line of credit during the expansion of the Company's corporate headquarters. Borrowings under the line of credit bear interest equal to the Adjusted LIBOR plus 2% to be adjusted monthly (8.8% at December 31, 2000). Upon the earlier of completion of construction or June 30, 2001, the line of credit will be converted to a term loan to be paid in 60 equal monthly installments of principal plus interest computed at Adjusted LIBOR plus 1.5%. The Line Agreement contains certain restrictive covenants including, but not limited to, maintenance of certain financial ratios and a minimum tangible net worth requirement. The Line Agreement is secured by substantially all of the Company's assets. A commitment fee of $20,000 was paid when the Company entered into the Line Agreement. At December 31, 2000, $1.2 million was available to be borrowed under the line of credit.

In March 1997 the Company issued a $5.0 million convertible debenture in connection with the IFM acquisition. The debenture bears interest at 7% and is due in March 2002. The debenture is convertible into common stock of the Company at any time prior to the due date at $8.05 per common share. In conjunction with the Company's follow-on equity offering in April of 1998, $607,000 of the convertible debenture was converted into 75,000 shares of the Company's common stock on March 30, 1998.

On September 12, 1996 the Company acquired the assets of United Cryopreservation Foundation, Inc. ("UCFI"), a processor and distributor of cryopreserved human heart valves and saphenous veins for transplant. The Company issued a $1.25 million note in connection with the acquisition. The note bears interest at prime, as adjusted annually on the anniversary date of the acquisition.

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

2001	$934
2002	5,760
2003	1,367
2004	1,367
2005	1,367
Thereafter	683
	$11,478

6. Fair Values of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments", requires the Company to disclose estimated fair values for its financial instruments. The carrying amounts of receivables and accounts payable approximate their fair values due to the short-term maturity of these instruments. The carrying value of the Company's other financial instruments approximated fair value at December 31, 2000 and 1999.

7. Commitments and Contingencies

Leases

The Company leases equipment, furniture, and office space under various leases with terms of up to 19 years. Commencing January 5, 1998 the Company leased office and manufacturing facilities under a capital lease for $24,125 per month with an interest rate at 8% per annum through January 2008 from the former

majority shareholder of IFM. This lease is subject to a sublease agreement with HMP as discussed in footnote number 2. Certain leases contain escalation clauses and renewal options for additional periods. Future minimum lease payments under noncancelable leases as of December 31, 2000 are as follows (in thousands):

	Capitalized Leases	Operating Leases
2001	$ 290	$ 2,061
2002	290	1,947
2003	290	1,942
2004	290	1,896
2005	290	1,905
Thereafter	579	20,779
Total minimum lease payments	2,029	$ 30,530
Less amount representing interest	495	
Present value of net minimum lease payments	1,534	
Less current portion	173	
	$ 1,361	

Property acquired under capital leases at December 31, 2000 consists of the following (in thousands):

Buildings	$ 1,987
Accumulated depreciation	596
	$ 1,391

Total rental expense for operating leases amounted to $1,478,000, $1,457,000, and $1,321,000, for 2000, 1999, and 1998, respectively. Total rental income under the sublease with HMP was $95,000 in 2000. No rental income was received in 1999 and 1998.

Litigation, Claims, and Assessments

The Company is party to various legal proceedings arising in the normal course of business, most of which involve claims for personal injury and property damage incurred in connection with its operations. Management believes that the outcome of its various legal proceedings will not have a material adverse effect on the Company's financial position or results of operations.

8. Stock Option Plans

The Company has stock option plans which provide for grants of options to employees and directors to purchase shares of the Company's common stock at exercise prices generally equal to the fair values of such stock at the dates of grant, which generally become exercisable over a five-year vesting period and expire within ten years of the grant dates. Under the 1993 Employee Incentive Stock Option Plan, the 1998 Long-Term Incentive Plan, and the amended and restated Nonemployee Director's Plan, the Company has authorized the grant of options of up to 1,050,000, 900,000, and 594,000 shares of common stock, respectively. As of December 31, 2000 and 1999, there were 994,000 and 575,000 shares of common stock reserved for future issuance under the Company's stock option plans. A summary of stock option transactions under the plans follows:

	Shares	Exercise Price	Weighted Average Exercise Price
Outstanding at December 31, 1997	1,131,000	$2.00-12.29	$5.96
Granted	496,000	8.00-11.50	10.35
Exercised	(155,000)	2.08-6.83	3.20
Canceled	(232,000)	2.08-12.29	10.69
Outstanding at December 31, 1998	1,240,000	2.00-11.50	7.17
Granted	503,000	7.92-11.42	9.24
Exercised	(74,000)	2.00-6.83	2.44
Canceled	(150,000)	6.83-11.42	11.30
Outstanding at December 31, 1999	1,519,000	2.33-11.50	7.67
Granted	492,000	11.50-29.15	13.99
Exercised	(416,000)	2.33-9.00	3.85
Canceled	(45,000)	6.83-9.00	8.64
Outstanding at December 31, 2000	1,550,000	$5.67-29.15	$10.67

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

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 5.67-8.21	393,000	2.8	$7.52	291,000	$7.46
8.23-11.42	506,000	3.6	9.64	275,000	10.56
11.50-11.63	556,000	4.9	11.56	225,000	11.50
12.92-29.15	95,000	6.1	24.04	--	--
$5.67-29.15	1,550,000	4.0	$10.67	791,000	$9.69

In September 1999, the Company granted options to a nonemployee to purchase 18,000 shares of common stock at an exercise price of $8.21 per share. In connection with the issuance of these options, the Company recognized $60,000 as

deferred compensation for the estimated fair value of the options. Deferred compensation is amortized ratably over the vesting period of the options.

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

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

	2000	1999	1998
Expected dividend yield	0%	0%	0%
Expected stock price volatility	.540	.540	.520
Risk-free interest rate	6.39%	5.78%	5.30%
Expected life of options	4.3 Years	3.6 Years	3.8 Years

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

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

	2000	1999	1998
Net income--as reported	$7,817	$4,451	$6,486
Net income--pro forma	$6,634	$3,421	$5,705
Earnings per share--as reported:			
Basic	$ 0.42	$ 0.24	$ 0.36
Dilutive	$ 0.41	$ 0.24	$ 0.35
Earnings per share--pro forma:			
Basic	$ 0.36	$ 0.19	$ 0.32
Dilutive	$ 0.35	$ 0.18	$ 0.31

Other information concerning stock options follows:

	2000	1999	1998
Weighted average fair value of options granted during the year	$6.97	$3.75	$4.36
Number of shares as to which options are exercisable at end of year	791,000	923,000	757,000

9. Shareholder Rights Plan

On November 27, 1995 the Board of Directors adopted a shareholder rights plan to protect long-term share value for the Company's shareholders. Under the plan, the Board declared a distribution of one Right for each outstanding share of the Company's Common Stock to shareholders of record on December 11, 1995. Additionally, the Company has further authorized and directed the issuance of one Right with respect to each Common Share that shall become outstanding between December 11, 1995 and the earliest of the Right's exercise date or expiration date. Each Right entitles the registered holder to purchase from the Company one-thirtieth of a share of a newly created Series A Junior Participating Preferred Stock at an exercise price of $100. The Rights, which expire on November 27, 2005, may be exercised only if certain conditions are met, such as the acquisition of 15% or more of the Company's Common Stock by a person or affiliated group ("Acquiring Person").

In the event the Rights become exercisable, each Right will enable the owner, other than the Acquiring Person, to purchase, at the Right's then current exercise price, that number of shares of Common Stock with a market value equal to twice the exercise price times the number of one-tenth of a share of Series A Junior Participating Preferred Stock for which the Right is then exercisable. In addition, unless the Acquiring Person owns more than 50% of the outstanding

shares of Common Stock, the Board of Directors may elect to exchange all outstanding Rights (other than those owned by such Acquiring Person) at an exchange ratio of one share of Common Stock per Right appropriately adjusted to reflect any stock split, stock dividend or similar transaction.

10. Stock Repurchase

On October 14, 1998, the Company's Board of Directors authorized the Company to purchase up to 1.5 million shares of its common stock. The purchase of shares will be made from time-to-time in open market or privately negotiated transactions on such terms as management deems appropriate. As of December 31, 2000, 1999 and 1998, the Company had purchased an aggregate of 1,159,000, 1,081,000 and 514,000 shares, respectively, of its common stock for an aggregate purchase price of $8,258,000, $7,646,000 and $3,350,000, respectively.

11. Employee Benefit Plans

The Company has a 401(k) savings plan (the "Plan") providing retirement benefits to all employees who have completed at least six months of service. The Company makes matching contributions of 50% of each participant's contribution up to 5% of each participant's salary. Total company contributions approximated $407,000, $351,000, and $241,000, for 2000, 1999, and 1998, respectively. Additionally, the Company may make discretionary contributions to the Plan that are allocated to each participant's account. No such discretionary contributions were made in 2000, 1999, or 1998.

On May 16, 1996 the Company's shareholders approved the CryoLife, Inc. Employee Stock Purchase Plan (the "ESPP"). The ESPP allows eligible employees the right to purchase common stock on a quarterly basis at the lower of 85% of the market price at the beginning or end of each three-month offering period. As of December 31, 2000 and1999 there were 688,000 and 754,000, respectively, shares of common stock reserved under the ESPP and there had been 212,000 and 146,000, respectively, shares issued under the plan.

12. Earnings Per Share

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

	2000	1999	1998
Numerator for basic and diluted earnings per share -- income available to common shareholders	$7,817	$4,451	$6,486
Denominator for basic earnings per share - weighted-average shares	18,541	18,512	17,961
Effect of dilutive stock options	688	288	435
Denominator for diluted earnings per share - adjusted weighted-average shares	19,229	18,800	18,396
Basic earnings per share	$ 0.42	$ 0.24	$ 0.36
Diluted earnings per share	$ 0.41	$ 0.24	$ 0.35

13. Income Taxes

Income tax expense consists of the following (in thousands):

	2000	1999	1998

Current:			
Federal	$2,272	$2,912	$3,854
State	(114)	108	279
	2,158	3,020	4,133
Deferred	1,658	(970)	(1,948)
	$3,816	$2,050	$2,185

Such amounts differ from the amounts computed by applying the U.S. federal income tax rate of 34% to pretax income as a result of the following (in thousands):

	2000	1999	1998
Tax expense at statutory rate	$3,955	$2,210	$2,947
Increase (reduction) in income taxes Resulting from:			
Entertainment expenses	47	47	90
State income taxes, net of federal Benefit	231	163	173
Nontaxable interest income	(264)	(232)	(63)
Research and development credits	(125)	(100)	(585)
State and local tax refunds	--	--	(256)
Other	(28)	(38)	(121)
	$3,816	$2,050	$2,185

The tax effects of temporary differences which give rise to deferred tax liabilities and assets at December 31 are as follows (in thousands):

	2000	1999
Long-term deferred tax (liabilities) assets:		
Property	$(756)	(556)
Intangible assets	538	579
Impairment of IFM long-lived assets	--	993
	(218)	1,016
Current deferred tax assets (liabilities):		
Impairment of IFM inventory	--	634
Unrealized gain on marketable securities	524	403
Allowance for bad debts	398	201
Accrued expenses	104	98
Deferred preservation costs and inventory reserves	87	57
Other	(50)	(27)
	1,063	1,366
Net deferred tax assets	$845	$2,382

At December 31, 2000, the Company has recorded a net deferred tax asset of $845,000. Realization of the net deferred tax asset is dependent on generating sufficient taxable income in future periods. Although realization is not ensured, management believes that it is more likely than not that the deferred tax asset will be realized.

14. Executive Insurance Plan

Pursuant to a supplemental life insurance program for certain executive officers of the Company, the Company and the executives share in the premium payments and ownership of insurance policies on the lives of such executives. The Company's

aggregate premium contributions under this program were $53,000, $33,000, and $43,000, for 2000, 1999, and 1998, respectively.

15. Equipment on Loan to Implanting Hospitals

The Company consigns liquid nitrogen freezers with certain implanting hospitals for tissue storage. The freezers are the property of the Company. At December 31, 2000 freezers with a total cost of approximately $1.9 million and related accumulated depreciation of approximately $1.2 million were located at the implanting hospitals' premises. Depreciation is provided over the estimated useful lives of the freezers on a straight-line basis.

16. Transactions with Related Parties

The Company expensed $78,000, $60,000, and $68,000, during 2000, 1999, and 1998, respectively, relating to services performed by a law firm whose sole proprietor is a member of the Company's Board of Directors and a shareholder of the Company. The Company expensed $102,000, $64,000 and $75,000 in 2000, 1999 and 1998, respectively, relating to consulting services performed by a member of the Company's Board of Directors and a shareholder of the Company. The Company expensed $150,000, $195,000, and $210,000 in 2000, 1999, and 1998, respectively, relating to consulting services performed by a shareholder of the Company.

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SELECTED QUARTERLY FINANCIAL INFORMATION

(In thousands except per share data)

	Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
REVENUES					
	2000	$19,623	$19,454	$19,524	$18,495
	1999	16,325	17,395	16,529	16,473
	1998	14,561	15,554	16,014	14,562
NET INCOME					
	2000	$1,604	$1,979	$2,308	$1,926
	1999	1,380	1,727	1,714	(370)
	1998	1,172	2,048	1,902	1,364
EARNINGS PER SHARE - DILUTED 1					
	2000	$ 0.09	$ 0.10	$ 0.12	$ 0.10
	1999	0.07	0.09	0.09	(0.02)
	1998	0.08	0.10	0.10	0.07

1 Reflects adjustment for the 3-for-2 stock split effected December 27, 2000.

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EXHIBIT 21.1

SUBSIDIARIES OF CRYOLIFE, INC.

Subsidiary	Jurisdiction
Ideas for Medicine, Inc.	Florida
CryoLife Technology, Inc.	Nevada
CryoLife Foreign Sales, Inc.	Barbados
CryoLife Europa, LTD.	United Kingdom
AuraZyme Pharmaceuticals, Inc.	Florida

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Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our reports dated February 7, 2001, appearing on page 35 of the Company's 2000 Annual Report and incorporated into Exhibit 13.1 and page S-1 of this Form 10-K, into the Company's previously filed Registration Statement File Nos. 333-16581, 33-83996, 33-84048, 333-03513, 333-59853, 333-59849, 333-06141, 333-34025, 333-75535, and 333-47310.

/s/ Arthur Andersen LLP

Atlanta, Georgia
March 27, 2001

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Exhibit 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the use of our report dated February 2, 1999 with respect to the consolidated financial statements of CryoLife, Inc. for the year ended December 31, 1998, included in this Annual Report (Form 10-K).

Our audits, also included the financial statement schedule of CryoLife, Inc. listed in Item 14(a) for the year ended December 31, 1998. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, as of the date of our report referred to in the preceding paragraph, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein for the year ended December 31, 1998.

We also consent to the incorporation by reference in Registration Statements No. 333-75535, 33-83996, 33-84048, 333-03513, 333-39849, 333-06141, 333-34025, 333-75535, and 333-47310, of our report dated February 2, 1999, with respect to the consolidated financial statements and our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of CryoLife, Inc. for the year ended December 31, 2000.

Ernst & Young LLP

Atlanta, Georgia
March 27, 2001

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