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

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

For the Quarterly Period Ended March 31, 2003
Commission File Number 1-13165

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

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

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

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

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

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

YES __X__ NO ____

The number of shares of common stock, par value $0.01 per share, outstanding on April 30, 2003 was 19,663,833.

Part I - FINANCIAL INFORMATION

Item 1. Financial statements

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

	Three Months Ended March 31,	
	2003	2002
	(Unaudited)	
Revenues:		
Human tissue preservation services	$ 9,130	$ 20,238
Products	6,599	5,065
Distribution and grant	191	168
	15,920	25,471
Costs and expenses:		
Human tissue preservation services	2,443	8,063

(Includes lower of cost or market write-down of $297 in 2003)		
Products	1,641	2,235
General, administrative, and marketing	11,592	9,478
Research and development	917	1,153
Interest expense	132	192
Interest income	(131)	(298)
Other income, net	(26)	(56)
	16,568	20,767
(Loss) income before income taxes	(648)	4,704
Income tax (benefit) expense	(214)	1,600
Net (loss) income	$ (434)	$ 3,104
(Loss) earnings per share:		
Basic	$ (0.02)	$ 0.16
Diluted	$ (0.02)	$ 0.16
Weighted average shares outstanding:		
Basic	19,634	19,096
Diluted	19,634	19,796

See accompanying notes to summary consolidated financial statements.

Item 1. Financial Statements

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

	March 31, 2003	December 31, 2002
ASSETS	(Unaudited)	
Current Assets:		
Cash and cash equivalents	$ 6,898	$ 10,277
Marketable securities, at market	13,327	14,583
Trade receivables, net	7,769	6,930
Other receivables, net	9,090	11,824
Deferred preservation costs, net	7,564	4,332
Inventories	4,703	4,585
Prepaid expenses and other assets	1,457	2,182
Deferred income taxes	5,365	6,734
Total current assets	56,173	61,447
Property and equipment, net	36,879	38,130
Patents, net	5,321	5,324
Deferred income taxes	736	--
Other, net	1,439	1,513
TOTAL ASSETS	$ 100,548	$ 106,414
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 2,358	$ 3,874
Accrued expenses and other current liabilities	6,017	6,823
Accrued compensation	1,271	1,627
Accrued procurement fees	2,557	3,769
Current maturities of capital lease obligations	2,064	2,169
Current maturities of long-term debt	5,200	5,600
Total current liabilities	19,467	23,862

Capital lease obligations, less current maturities	917	971
Deferred income taxes		986
Other long-term liabilities	838	795
Total liabilities	21,222	26,614
Shareholders' equity:		
Preferred stock	--	---
Common stock (20,996 issued shares in 2003 and 20,935 shares in 2002)	210	209
Additional paid-in capital	73,765	73,630
Retained earnings	12,352	12,786
Deferred compensation	(18)	(21)
Accumulated other comprehensive income	103	282
Less: Treasury stock at cost (1,361 shares in 2003 and 1,361 shares in 2002)	(7,086)	(7,086)
Total shareholders' equity	79,326	79,800
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 100,548	$ 106,414

See accompanying notes to summary consolidated financial statements.

Item 1. Financial Statements

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

	Three Months Ended March 31,	
	2003	2002
	(Unaudited)	
Net cash from operating activities:		
Net (loss) income	$ (434)	$ 3,104
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Gain on sale of marketable equity securities	--	(10)
Depreciation and amortization	1,401	1,230
Provision for doubtful accounts	24	24
Write-down of deferred preservation costs	297	--
Other non-cash adjustments to income	19	--
Deferred income taxes	(342)	365
Tax effect of nonqualified option exercises	--	306
Changes in operating assets and liabilities:		
Receivables	1,871	(2,919)
Deferred preservation costs and inventories	(3,647)	(2,854)
Prepaid expenses and other assets	725	185
Accounts payable, accrued expenses, and other liabilities	(3,847)	380
Net cash used in operating activities	(3,933)	(189)
Net cash from investing activities:		
Capital expenditures	(79)	(1,398)
Other assets	(2)	(412)
Purchases of marketable securities	--	(11,725)
Sales and maturities of marketable securities	1,205	13,036
Proceeds from note receivable	--	284
Net cash provided by (used in) investing activities	1,124	(215)
Net cash from financing activities:		
Principal payments of debt	(400)	(400)

Payment of obligations under capital leases	(159)	(149)
Proceeds from exercise of stock options and issuance of common stock	136	348
Net cash used in financing activities	(423)	(201)
Decrease in cash and cash equivalents	(3,232)	(605)
Effect of exchange rate changes on cash	(147)	(33)
Cash and cash equivalents, beginning of period	10,277	7,204
Cash and cash equivalents, end of period	$ 6,898	$ 6,566

See accompanying notes to summary consolidated financial statements.

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

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited summary consolidated financial statements have been prepared in accordance with (i) accounting principles generally accepted in the United States for interim financial information and (ii) the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission ("SEC"). Accordingly, the statements do not include all of the information and disclosures required by accounting principles generally accepted in the United States for a complete presentation of financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain prior year balances have been reclassified to conform to the 2003 presentation. Operating results for the three months ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the consolidated financial statements and notes thereto included in the CryoLife Form 10-K for the year ended December 31, 2002, as amended.

NOTE 2 - FDA ORDER ON HUMAN TISSUE PRESERVATION AND OTHER FDA CORRESPONDENCE

On August 13, 2002 the Company received an order from the Atlanta district office of the FDA regarding the non-valved cardiac, vascular, and orthopaedic tissue processed by the Company since October 3, 2001 (the "FDA Order"). The FDA Order followed an April 2002 FDA Form 483 Notice of Observations ("April 2002 483") and an FDA Warning Letter dated June 17, 2002, ("Warning Letter"). Subsequently, the Company responded to the Warning Letter. Revenue from human tissue preservation services accounted for 78% of the Company's revenues for the six months ended June 30, 2002, (the last period ending prior to the issuance of the FDA Order) and of those revenues 67% or $26.9 million were derived from preservation of tissues subject to the FDA Order. The FDA Order contains the following principal provisions:

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

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

- Non-valved cardiac, vascular, and orthopaedic tissue processed by the

Company from October 3, 2001 to September 5, 2002 must be retained until it is recalled, destroyed, the safety is confirmed, or an agreement is reached with the FDA for its proper disposition under the supervision of an authorized official of the FDA.

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

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

Pursuant to the FDA Order, the Company placed non-valved cardiac, vascular, and orthopaedic tissue subject to the FDA Order on quality assurance quarantine and recalled the non-valved cardiac, vascular, and orthopaedic tissues subject to

the FDA Order (i.e. processed since October 3, 2001) that had been distributed but not implanted. In addition, the Company ceased processing non-valved cardiac, vascular, and orthopaedic tissues. On September 5, 2002 the Company reached an agreement with the FDA (the "Agreement") that supplements the FDA Order and allows the tissues subject to recall (processed between October 3, 2001 and September 5, 2002) to be released for distribution after the Company completes steps to assure that the tissue is used for approved purposes and that patients are notified of risks associated with tissue use. Specifically, the Company must obtain physician prescriptions, and tissue packaging must contain specified warning labels. The Agreement calls for the Company to undertake to identify third-party records of donor tissue testing and to destroy tissue from donors in whom microorganisms associated with an infection are found. The Agreement had a 45-business day term and was renewed on November 8, 2002, on January 8, 2003, and on March 17, 2003. This most recent renewal expires on June 13, 2003. The Company is unable to predict whether or not the FDA will grant further renewals of the Agreement. In addition, pursuant to the Agreement, the Company agreed to perform additional procedures in the processing of non-valved cardiac and vascular tissues and subsequently resumed processing these tissues. The Agreement contained the requirement that tissues subject to the FDA Order be replaced with tissues processed under validated methods. The Company also agreed to establish a corrective action plan within 30 days from September 5, 2002 with steps to validate processing procedures. The corrective action plan was submitted on October 5, 2002.

On December 31, 2002 the FDA clarified the Agreement noting that non-valved cardiac and vascular tissues processed since September 5, 2002 are not subject to the FDA Order. Specifically, for non-valved cardiac and vascular tissue processed since September 5, 2002, the Company is not required to obtain physician prescriptions, label the tissue as subject to a recall, or require special steps regarding procurement agency records of donor screening and testing beyond those required for all processors of human tissue. A renewal of the Agreement that expires on June 13, 2003 is therefore not needed in order for the Company to continue to distribute non-valved cardiovascular and vascular tissues processed since September 5, 2002, including orthopaedic tissue.

The Company resumed limited processing of orthopaedic tissues in late February 2003 following an FDA inspection of the Company's processing operations. The Company's first quarter 2003 procurement of orthopaedic tissues was approximately 5% of orthopaedic procurement levels in the first quarter of 2002. The Company plans to resume distribution of orthopaedic tissues.

A new FDA 483 Notice of Observations ("February 2003 483") was issued in connection with the FDA inspection in February 2003, but corrective action was implemented on most of its observations during the inspection. The Company believes the observations, most of which focus on the Company's systems for handling complaints and validation of test methods, will not materially affect the Company's operations. The Company responded to the February 2003 483 in March 2003. The Company is currently communicating with the FDA to determine the adequacy of its response to close out the February 2003 483.

After receiving the FDA Order the Company met with representatives of the FDA's

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

As a result of the adverse publicity surrounding the FDA Warning Letter, FDA Order, and reported tissue infections, the Company's procurement of cardiac tissues, from which heart valves and non-valved cardiac tissues are processed, decreased 29% in the first quarter of 2003 as compared to the first quarter of 2002. The Company's first quarter 2003 procurement of cardiac tissues decreased 4% from fourth quarter of 2002. The Company has continued to process and distribute heart valves since the receipt of the FDA Order, as these tissues are not subject to the FDA Order.

During the first quarter of 2003 the Company limited its vascular procurement until it addressed the observations detailed in the April 2002 483, and the Company continues to limit its vascular procurement until it can fully evaluate the demand for its vascular tissues. The Company's procurement of vascular

tissue decreased 65% in the first quarter of 2003 as compared to the first quarter of 2002. The Company's first quarter 2003 procurement of vascular tissues increased 25% from fourth quarter of 2002. The Company expects that vascular procurement will continue to increase during 2003.

As a result of the FDA Order the Company recorded a reduction to pretax income of $12.6 million in the quarter ended June 30, 2002. The reduction was comprised of a net $8.9 million increase to cost of human tissue preservation services, a $2.4 million reduction to revenues (and accounts receivable) for the estimated return of the tissues subject to recall by the FDA Order, and a $1.3 million accrual recorded in general, administrative, and marketing expenses for retention levels under the Company's product liability and directors' and officers' insurance policies of $1.2 million (see Note 12), and for estimated expenses of $75,000 for packaging and handling for the return of affected tissues under the FDA Order. The net increase of $8.9 million to cost of preservation services was comprised of a $10.0 million write-down of deferred preservation costs for tissues subject to the FDA Order, offset by a $1.1 million decrease in cost of preservation services due to the estimated tissue returns resulting from the FDA Order (the costs of such recalled tissue are included in the $10.0 million write-down). The Company evaluated many factors in determining the magnitude of impairment to deferred preservation costs as of June 30, 2002, including the impact of the FDA Order, the possibility of continuing action by the FDA or other United States and foreign government agencies, and the possibility of unfavorable actions by physicians, customers, procurement organizations, and others. As a result of this evaluation, management believed that since all non-valved cardiac, vascular, and orthopaedic allograft tissues processed since October 3, 2001 were under recall pursuant to the FDA Order, and since the Company did not know if it would obtain a favorable resolution of its appeal and request for modification of the FDA Order, the deferred preservation costs for tissues subject to the FDA Order had been significantly impaired. The Company estimated that this impairment approximated the full balance of the deferred preservation costs of the tissues subject to the FDA Order, which included the tissues stored by the Company and the tissues to be returned to the Company, and therefore recorded a write-down of $10.0 million for these assets.

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

decrease in cost of preservation services due to the estimated and actual tissue returns resulting from the FDA Order (the costs of such recalled tissue are included in the $22.7 million write-down).

The Company evaluated multiple factors in determining the magnitude of impairment to deferred preservation costs at September 30, 2002, including the impact of the FDA Order, the possibility of continuing action by the FDA or other United States and foreign government agencies, the possibility of unfavorable actions by physicians, customers, procurement organizations, and others, the progress made to date on the corrective action plan, and the requirement in the Agreement that tissues subject to the FDA Order be replaced with tissues processed under validated methods. As a result of this evaluation management believed that all tissues subject to the FDA Order, as well as the majority of tissues processed prior to October 3, 2001, including heart valves, which were not subject to the FDA Order, were fully impaired. Management believed that most of the Company's customers would only order tissues processed after the September 5, 2002 Agreement or tissues processed under future procedures approved by the FDA once those tissues were available. The Company anticipated that the tissues processed under the Agreement would be available early to mid-November. Thus, the Company recorded a write-down of deferred preservation costs for processed tissues in excess of the supply required to meet demand prior to the release of these interim processed tissues. In the quarter ended March 31, 2003 the Company recorded a $297,000 increase to cost of preservation services to write-down the value of certain deferred tissue preservation costs that exceeded market value. As of March 31, 2003 the balance of deferred preservation costs was $3.8 million for allograft heart valve tissues, $379,000 for non-valved cardiac tissues, $3.1 million for vascular tissues, and $344,000 for orthopaedic tissues.

As a result of the write-down of deferred preservation costs, the Company recorded $6.3 million in income tax receivables and $4.5 million in deferred tax assets as of December 31, 2002. Upon destruction or shipment of the remaining tissues associated with the deferred preservation costs write-down, the deferred tax asset will become deductible in the Company's tax return. An expected refund of approximately $8.9 million related to 2002 federal income taxes will be

generated through a carry back of operating losses and write-downs of deferred preservation costs. The Company filed its 2002 federal income tax returns in April of 2003 and expects to receive its tax refund during the second quarter of 2003. In addition, the Company recorded $2.5 million in income tax receivables as of December 31, 2002 related to estimated tax payments for 2002. The Company received payment of the $2.5 million in January of 2003.

On September 3, 2002 the Company announced a reduction in employee force of approximately 105 employees. In the third quarter of 2002 the Company recorded accrued restructuring costs of approximately $690,000, for severance and related costs of the employee force reduction. The expense was recorded in general, administrative, and marketing expenses and was included as a component of accrued expenses and other current liabilities on the Summary Consolidated Balance Sheet. During the year ended December 31, 2002 the Company utilized $580,000 of the accrued restructuring costs, including $505,000 for salary and severance payments, $64,000 for placement services for affected employees, and $11,000 in other related costs. During the quarter ended March 31, 2003 the Company utilized $64,000 of the accrued restructuring costs, including $57,000 for salary and severance payments and $7,000 in other related costs. In March 2003 the Company reversed the remaining accrual of $46,000 in unused restructuring costs, which was primarily due to lower than anticipated medical claims costs for affected employees. The Company does not expect to incur any additional restructuring costs associated with the employee force reduction.

In the quarter ended March 31, 2003 the Company recorded a favorable adjustment of $848,000 to the estimated tissue recall returns due to lower actual tissue returns under the FDA Order than were originally estimated in the second and third quarters of 2002. The adjustment increased cardiac tissue revenues by $92,000, vascular tissue revenues by $711,000, and orthopaedic tissue revenues by $45,000 in the first quarter of 2003. As of March 31, 2003 approximately $100,000 remains in the accrual for estimated return of tissues subject to recall by the FDA Order.

The Company expects its liquidity to continue to decrease significantly over the next year due to the anticipated significant decrease in revenues throughout at

least the first half of 2003 as compared to the prior year period, as a result of reported tissue infections, the FDA Order and associated adverse publicity, and an expected decrease in cash due to the anticipated increased legal and professional costs relating to the defense of lawsuits (discussed in Note 12) and ongoing FDA compliance. The Company believes that anticipated revenue generation, expense management, savings resulting from the reduction in the number of employees to reflect the reduction in revenues, tax refunds expected to be approximately $8.9 million from loss carrybacks generated from operating losses and write-downs of deferred preservation costs, and the Company's existing cash and marketable securities will enable the Company to meet its liquidity needs through at least March 31, 2004, even if the Term Loan (as discussed in Note 5) is called in its entirety. There is no assurance that the Company will be able to return to the level of demand for its tissue services that existed prior to the FDA Order due to the adverse publicity or as a result of customers and tissue banks switching to competitors. Failure of the Company to maintain sufficient demand for its services would have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

On February 20, 2003 the Company received a letter from the FDA stating that a 510(k) premarket notification should be filed for the Company's CryoValve SG and that premarket approval marketing authorization should be obtained for the Company's CryoVein SG when used for arteriovenous ("A-V") access. The agency's position is that use of the SynerGraft technology in the processing of allograft heart valves represents a modification to the Company's legally marketed CryoValve allograft, and that femoral veins used for A-V access are medical devices that require premarket approval. The FDA letter did not question the safety or efficacy of the SynerGraft process or the CryoVein A-V access implant.

The FDA has advised the Company that its CryoValve SG and CryoVein SG used for AV access will be regulated as medical devices. The Company is in discussions with the FDA about the type of clearances necessary for these products. The Company advised the FDA that it has voluntarily suspended use of the SynerGraft technology in the processing of allograft heart valves and vascular tissue until the regulatory status of the CryoValve SG and CryoVein SG is resolved. The FDA has not suggested that these tissues be recalled. Until such time as the issues surrounding the SynerGraft tissue are resolved, the Company will employ its traditional processing methods on these tissues. Distribution of allograft heart valves and vascular tissue processed using the Company's traditional processing protocols will continue. The outcome of the discussions with the FDA regarding

the use of the SynerGraft process on human tissue could result in a reduction in SynerGraft processed cardiovascular and vascular tissue which would reduce the revenues and gross margins with respect to cardiovascular and vascular tissues.

NOTE 3 - CASH EQUIVALENTS AND MARKETABLE SECURITIES

The Company maintains cash equivalents, which consist primarily of highly liquid investments with maturity dates of 90 days or less at the time of acquisition, and marketable securities in several large, well-capitalized financial institutions, and the Company's policy disallows investment in any securities rated less than "investment-grade" by national rating services.

Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designations as of each balance sheet date. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost. Debt securities not classified as held-to-maturity or trading and marketable equity securities not classified as trading are classified as available-for-sale. At March 31, 2003 and December 31, 2002 all marketable equity securities and debt securities were designated as available-for-sale.

Available-for-sale securities are stated at their fair values, with the unrealized gains and losses, net of tax, reported in a separate component of shareholders' equity. Interest income, dividends, realized gains and losses, and declines in value judged to be other than temporary are included in investment income. The cost of securities sold is based on the specific identification method.

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

March 31, 2003	Cost Basis	Unrealized Holding Gains/(Losses)	Estimated Market Value
Cash equivalents:			
Money market funds	$ 103	--	$ 103
Municipal obligations	2,200	--	2,200
	$ 2,303	$ --	$ 2,303
Marketable securities:			
Municipal obligations	$ 13,071	$ 256	$ 13,327

December 31, 2002	Cost Basis	Unrealized Holding Gains/(Losses)	Estimated Market Value
Cash equivalents:			
Money market funds	$ 52	$ --	$ 52
Municipal obligations	7,175	--	7,175
	$ 7,227	$ --	$ 7,227
Marketable securities:			
Municipal obligations	$ 14,276	$ 307	$ 14,583

Differences between cost and market listed above, consisting of a net unrealized holding gain less deferred taxes of $87,000 at March 31, 2003 and $104,000 as of December 31, 2002, are included in the accumulated other comprehensive income account of shareholders' equity.

The marketable securities of $13.3 million on March 31, 2003 and $14.6 million on December 31, 2002 had maturity dates as follows: approximately $2.0 million and $1.2 million, respectively, had a maturity date of less than 90 days, approximately $8.0 million and $8.0 million, respectively, had a maturity date between 90 days and 1 year, and approximately $3.3 million and $5.4 million, respectively, had a maturity date between 1 and 5 years.

NOTE 4 - INVENTORIES

Inventories are comprised of the following (in thousands):

	March 31, 2003	December 31, 2002
	(Unaudited)	
Raw materials	$ 2,542	$ 2,341
Work-in-process	388	306
Finished goods	1,773	1,938
	$ 4,703	$ 4,585

NOTE 5 - DEBT

On April 25, 2000 the Company entered into a loan agreement permitting the Company to borrow up to $8 million under a line of credit during the expansion of the Company's corporate headquarters and manufacturing facilities. Borrowings under the line of credit accrued interest equal to Adjusted LIBOR plus 2% adjusted monthly. On June 1, 2001 the line of credit was converted to a term loan (the "Term Loan") to be paid in 60 equal monthly installments of principal plus interest computed at Adjusted LIBOR plus 1.5% (2.84% at March 31, 2003). At March 31, 2003 the principal balance of the Term Loan was $5.2 million. The Term Loan is secured by substantially all of the Company's assets. The Term Loan

contains certain restrictive covenants including, but not limited to, maintenance of certain financial ratios, a minimum tangible net worth requirement, and the requirement that no materially adverse event has occurred. The lender has notified the Company that the FDA Order, as described in Note 2, and the inquiries of the SEC, as described in the Company's Form 10-K for the year ended December 31, 2002, as amended, have had a material adverse effect on the Company that constitutes an event of default. Additionally, as of March 31, 2003, the Company is in violation of the debt coverage ratio and net worth financial covenants. As of April 30, 2003 the lender has elected not to declare an event of default, but reserves the right to exercise any such right under the terms of the Term Loan. Therefore, all amounts due under the Term Loan as of March 31, 2003 are reflected as a current liability on the Summary Consolidated Balance Sheets.

NOTE 6 - DERIVATIVES

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

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

In August 2002 the Company determined that changes in the derivative's fair value could no longer be recorded in other comprehensive income, as a result of the uncertainty of future cash payments on the Term Loan caused by the lender's ability to declare an event of default as discussed in Note 5. Beginning in August 2002 the Company records all changes in the fair value of the derivative

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

At March 31, 2003 the notional amount of this swap agreement was $2.6 million, and the fair value of the interest rate swap agreement, as estimated by the bank based on its internal valuation models, was a liability of $252,000. The fair value of the swap agreement is recorded as part of short-term liabilities. For the three months ended March 31, 2003 the Company recorded a loss of $19,000 on the interest rate swap. The unamortized value of the swap agreement, recorded in the accumulated other comprehensive income account of shareholders' equity, was $241,000 at March 31, 2003.

NOTE 7 - COMPREHENSIVE (LOSS) INCOME

The following is a summary of comprehensive (loss) income (in thousands):

	March 31,

	2003	2002
	(Unaudited)	
Net (loss) income	$ (434)	$ 3,104
Unrealized loss on investments	(34)	(86)
Change in fair value of interest rate swap (including cumulative effect of adopting SFAS 133 in 2001)	13	8
Translation adjustment	(158)	(33)
Comprehensive (loss) income	$ (613)	$ 2,993

The tax effect on the change in unrealized gain/loss on investments is $17,000 and $39,000 for the three months ended March 31, 2003 and 2002, respectively. The tax effect on the change in fair value of the interest rate swap is an expense of $6,000 and a benefit of $5,000 for the three months ended March 31, 2003 and 2002, respectively. The tax effect on the translation adjustment is $110,000 and zero for the three months ended March 31, 2003 and 2002, respectively.

NOTE 8 - (LOSS) EARNINGS PER SHARE

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

	Three Months Ended March 31,	
	2003	2002
	(Unaudited)	
Numerator for basic and diluted earnings per share - (loss) income available to common shareholders	$ (434)	$ 3,104
Denominator for basic earnings per share - weighted-average basis	19,634	19,096
Effect of dilutive stock options	--	700
Denominator for diluted earnings per share - adjusted weighted-average shares	19,634	19,796
(Loss) earnings per share:		
Basic	$ (0.02)	$ 0.16
Diluted	$ (0.02)	$ 0.16

The effect of stock options of 364,000 shares for the three months ended March 31, 2003, was excluded from the calculation because this amount is antidilutive for the period presented.

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

NOTE 9 - STOCK-BASED COMPENSATION

On December 31, 2002 the Company was required to adopt SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS 148"). SFAS 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition for companies that voluntarily elect to adopt the fair value recognition and measurement methodology prescribed by SFAS 123. In addition, regardless of the method a company elects to account for stock-based compensation arrangements, SFAS 148 requires additional disclosures

in the footnotes of both interim and annual financial statements regarding the method the company uses to account for stock-based compensation and the effect of such method on the Company's reported results. The adoption of SFAS 148 did not have a material effect on the financial position, results of operations, and cash flows of the Company.

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 SFAS 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 SFAS 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:

	Three Months Ended March 31,	
	2003	2002
	(Unaudited)	
Expected dividend yield	0%	0%
Expected stock price volatility	.617	.630
Risk-free interest rate	2.49%	3.67%
Expected life of options	4.0 Years	5.3 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):

	Three Months Ended March 31,	
	2003	2002
	(Unaudited)	
Net (loss) income--as reported	$ (434)	$ 3,104
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of tax	128	160
Net (loss) income--pro forma	$ (562)	$ 2,944
(Loss) earnings per share--as reported:		
Basic	$ (0.02)	$ 0.16

Diluted	$ (0.02)	$ 0.16
(Loss) earnings per share--proforma:		
Basic	$ (0.03)	$ 0.15
Diluted	$ (0.03)	$ 0.15

NOTE 10 - ACCOUNTING PRONOUNCEMENTS

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

The Company was required to adopt SFAS No. 145, "Rescission of FASB Statements 4, 44 and 64, Amendment to FASB Statement 13, and Technical Corrections" ("SFAS 145"), on January 1, 2003. SFAS 145 rescinds SFAS No. 4, 44 and 64, which required gains and losses from extinguishments of debt to be classified as extraordinary items. SFAS 145 also amends SFAS No. 13 eliminating inconsistencies in certain sale-leaseback transactions. The provisions of SFAS 145 are effective for fiscal years beginning after May 15, 2002. The adoption of SFAS 145 did not have a material effect on the results of operations or financial position of the Company.

The Company was required to adopt SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146") on January 1, 2003. SFAS 146 requires that costs associated with exit or disposal activities be recorded at their fair values when a liability has been incurred. Under previous guidance, certain exit costs were accrued upon management's commitment to an exit plan, which is generally before an actual liability has been incurred. The adoption of SFAS 146 did not have a material effect on the results of operations or financial position of the Company.

NOTE 11 - SEGMENT INFORMATION

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

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

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

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

	Three Months Ended March 31	
	2003	2002
	(Unaudited)	

Revenue:		
Human tissue preservation services	9,130	20,238
Implantable medical devices	6,599	5,065
All other(a)	191	168
	$ 15,920	$ 25,471
Cost of Preservation Services and Products:		
Human tissue preservation services	2,443	8,063
Implantable medical devices	1,641	2,235
All other(a)	--	--
	4,084	10,298
Gross Margin (Loss):		
Human tissue preservation services	6,687	12,175
Implantable medical devices	4,958	2,830
All other(a)	191	168
	$ 11,836	$ 15,173

(a) The "All other" designation includes 1) grant revenue and 2) distribution revenue.

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

	Three Months Ended March 31	
	2003	2002
	(Unaudited)	
Revenue:		
Human tissue preservation services:		
Cardiovascular tissue	$ 4,725	$ 7,307
Vascular tissue	4,255	7,017
Orthopaedic tissue	150	5,914
Total preservation services	9,130	20,238
BioGlue surgical adhesive	6,494	4,873
Other implantable medical devices	105	192
Distribution and grant	191	168
	$ 15,920	$ 25,471

NOTE 12 - COMMITMENTS AND CONTINGENCIES

In the normal course of business as a medical device and services company, the Company has product liability complaints filed against it. As of April 28, 2003 twenty-three cases were open that were filed against the Company between May 18, 2000 and April 14, 2003. The cases are currently in the pre-discovery or discovery stages. Of these cases, 15 allege product liability claims arising out of the Company's orthopaedic tissue services, seven allege product liability claims arising out of the Company's allograft heart valve tissue services, and one alleges product liability claims arising out of the non-tissue products made by Ideas for Medicine, when it was a subsidiary of the Company.

On March 31, 2003 the Company announced that a settlement has been reached in the lawsuit brought against the Company by the estate of Brian Lykins. The complaint filed against the Company in the Superior Court of Cobb County, Georgia, on July 12, 2002 by Steve Lykins, as Trustee for the benefit of next of kin of Brian Lykins alleged strict liability, negligence, and breach of warranties related to tissue implanted in November 2001. In addition to this lawsuit, three other lawsuits have been dismissed or were settled during the first quarter of 2003. The total settlements involved in these cases including amounts paid by the Company and its insurer were less than 10% of total current

assets at March 31, 2003.

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

Claims-made insurance policies cover only those asserted claims and incidents that are reported to the insurance carrier while the policy is in effect. Thus, a claims-made policy does not represent a transfer of risk for claims and incidents that have been incurred but not reported to the insurance carrier. The Company periodically evaluates its exposure to unreported product liability claims, and records accruals as necessary for the estimated cost of unreported claims related to services performed and products sold. As of December 31, 2002 the Company accrued $3.6 million in estimated costs for unreported product liability claims related to services performed and products sold prior to December 31, 2002. The expense was recorded in 2002 in general, administrative, and marketing expenses and was included as a component of accrued expenses and other current liabilities on the Summary Consolidated Balance Sheets. As of March 31, 2003 the accrual for unreported product liability claims remained unchanged for services performed and products sold prior to March 31, 2003.

The Company has concluded that it is probable that it will incur losses relating to asserted claims and pending litigation of at least $1.2 million, which represents the aggregate amount of the Company's retention under its product

liability and directors' and officers' insurance policies. Therefore, the Company recorded an accrual of $1.2 million during 2002. As of March 31, 2003 the remaining accrual for the retention levels decreased to $750,000 due to required insurance retention payments made related to legal settlements reached during the first quarter of 2003.

Several putative class action lawsuits were filed in July through September 2002 against the Company and certain officers of the Company, alleging that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing a series of purportedly materially false and misleading statements to the market. During the third quarter of 2002 the Court consolidated the suits, and on November 14, 2002 lead plaintiffs and lead counsel were named. A consolidated complaint was filed on January 15, 2003, seeking the Court's certification of the litigation as a class action on behalf of all purchasers of the Company's stock between April 2, 2001 and August 14, 2002. The principal allegations of the consolidated complaint are that the Company failed to disclose its alleged lack of compliance with certain FDA regulations regarding the handling and processing of certain tissues and other product safety matters. In the consolidated complaint, plaintiffs seek to recover compensatory damages and various fees and expenses of litigation, including attorneys' fees. The Company and the other defendants filed a motion to dismiss the consolidated complaint on February 28, 2003 which remains pending before the Court. The Company carries directors' and officers' liability insurance policies, which the Company believes to be adequate to defend against this action. Nonetheless, an adverse judgment in excess of the Company's insurance coverage could have a material adverse effect on the Company's financial position, results of operations, and cash flows.

On August 30, 2002 a purported shareholder derivative action was filed by Rosemary Lichtenberger against Steven G. Anderson, Albert E. Heacox, John W. Cook, Ronald C. Elkins, Virginia C. Lacy, Ronald D. McCall, Alexander C. Schwartz, and Bruce J. Van Dyne in the Superior Court of Gwinnett County, Georgia. The suit, which names the Company as a nominal defendant, alleges that the individual defendants breached their fiduciary duties to the Company by causing or allowing the Company to engage in certain inappropriate practices that caused the Company to suffer damages. The complaint was preceded by one day by a letter written on behalf of Ms. Lichtenberger demanding that the Company's Board of Directors take certain actions in response to her allegations. On January 16, 2003 another purported derivative suit alleging claims similar to those of the Lichtenberger suit was filed in the Superior Court of Fulton County by complainant Robert F. Frailey. As in the Lichtenberger suit, the filing of the complaint in the Frailey action was preceded by a purported demand letter

sent on Frailey's behalf to the Company's Board of Directors. Both complaints seek undisclosed damages, costs and attorney's fees, punitive damages and prejudgment interest against the individual defendants derivatively on behalf of the Company. The Company's Board of Directors has established an independent committee to investigate the allegations of Ms. Lichtenberger and Mr. Frailey. The independent committee has engaged independent legal counsel to assist in the investigation and that investigation is currently proceeding.

NOTE 13 - SUBSEQUENT EVENTS

On April 11, 2003 the Company entered into an agreement to finance $1.4 million in insurance premiums associated with the yearly renewal of certain of the Company's insurance policies. The amount financed accrues interest at a 3.75% rate and is payable in equal monthly payments over a nine month period.

PART I - FINANCIAL INFORMATION

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

RECENT EVENTS

On February 5, 2003 the Company announced that it had signed an exclusive agreement with curasan AG, located in Germany, for United States distribution of Cerasorb(R) Ortho, curasan's resorbable bone graft substitute. The five-year agreement gives CryoLife exclusive rights to market Cerasorb Ortho for all non-spine, non-dental orthopaedic indications such as trauma, general, and sports medicine. Cerasorb, a resorbable, beta-tricalcium phosphate bone regeneration material, was first introduced in Germany in 1998 for dental use. The product captured approximately 60% of the synthetic dental bone regeneration market in Germany within four years. In 2001 curasan received CE Mark certification for Cerasorb's use in general orthopaedics, and in 2002 received FDA 510(k) approval for orthopaedic use. The Company anticipates that the United States market for bone grafts and substitutes for which it can distribute Cerasorb is approximately $140 million annually.

A new FDA 483 Notice of Observations was issued in connection with the FDA inspection in February of 2003, but corrective action was implemented on most of its observations during the inspection. The Company believes the observations, most of which focus on the Company's systems for handling complaints and validation of test methods, will not materially affect the Company's operations. If the Company is unable to satisfactorily respond to the FDA's observations contained in this notice, the FDA could take further action, which could have a material adverse effect on the Company's business, results of operations, financial position, or cash flows. The Company resumed limited processing of orthopaedic tissues in late February 2003 following the FDA inspection. The Company plans to resume distribution of orthopaedic tissues.

On February 20, 2003 the Company received a letter from the FDA stating that a 510(k) premarket notification should be filed for the Company's CryoValve SG and that premarket approval marketing authorization should be obtained for the Company's CryoVein SG when used for arteriovenous ("A-V") access. The agency's position is that use of the SynerGraft technology in the processing of allograft heart valves represents a modification to the Company's legally marketed CryoValve allograft, and that femoral veins used for A-V access are medical devices that require premarket approval. The FDA letter did not question the safety or efficacy of the SynerGraft process or the CryoVein A-V access implant.

The FDA has advised the Company that its CryoValve SG and CryoVein SG used for AV access will be regulated as medical devices. The Company is in discussions with the FDA about the type of clearances necessary for these products. The Company has voluntarily suspended use of the SynerGraft technology in the processing of allograft heart valves and vascular tissue until the regulatory status of the CryoValve SG and CryoVein SG is resolved. The FDA has not suggested that these tissues be recalled. Until such time as the issues surrounding the SynerGraft tissue are resolved, the Company will employ its traditional processing methods on these tissues. Distribution of allograft heart valves and vascular tissue processed using the Company's traditional processing

protocols will continue. The outcome of the discussions with the FDA regarding the use of the SynerGraft process on human tissue could result in a reduction in SynerGraft processed cardiovascular and vascular tissue which would reduce the revenues and gross margins with respect to cardiovascular and vascular tissues. Considering additional costs associated with processing SynerGraft cardiac and vascular tissues, the potential net financial impact from not utilizing the SynerGraft technology in cardiac and vascular tissue processing is estimated to be approximately 10% of the cardiac and vascular revenues derived from SynerGraft processing.

On March 31, 2003 the Company announced that a settlement has been reached in the lawsuit brought against the Company by the estate of Brian Lykins. See Part II, Item 1 "Legal Proceedings" for further discussion.

CRITICAL ACCOUNTING POLICIES

A summary of the Company's significant accounting policies is included in Note 1 to the consolidated financial statements, as filed in the Form 10-K for the fiscal year ended December 31, 2002, as amended. Management believes that the consistent application of these policies enables the Company to provide users of

the financial statements with useful and reliable information about the Company's operating results and financial condition. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require the Company to make estimates and assumptions. The following are accounting policies that management believes are most important to the portrayal of the Company's financial condition and results and may involve a higher degree of judgment and complexity.

DEFERRED PRESERVATION COSTS: Tissue is procured from deceased human donors by organ and tissue procurement agencies, which consign the tissue to the Company for processing and preservation. Preservation costs related to tissue held by the Company are deferred until revenue is recognized upon shipment of the tissue to the implanting facilities. Deferred preservation costs consist primarily of laboratory and personnel expenses, tissue procurement fees, fringe benefits, facility allocations, and freight-in charges, and are stated at the lower of cost or market, net of reserve, on a first-in, first-out basis.

As of March 31, 2003 the balance of deferred preservation costs was $3.8 million for allograft heart valve tissues, $379,000 for non-valved cardiac tissues, $3.1 million for vascular tissues, and $344,000 for orthopaedic tissues. During 2002 the Company recorded a write-down of deferred preservation costs of $8.7 million for valved cardiac tissues, $2.9 million for non-valved cardiac tissues, $11.9 million for vascular tissues, and $9.2 million for orthopaedic tissue totaling $32.7 million. These write-downs were recorded as a result of the FDA Order as discussed at Note 2 to the Summary Consolidated Financial Statements in this Form 10-Q. The amount of these write-downs reflects managements' estimates based on information available to it at the time the estimates were made. These estimates may prove inaccurate, as the scope and impact of the FDA Order are determined. Management continues to evaluate the recoverability of these deferred preservation costs based on the factors discussed in Note 2 to Summary Consolidated Financial Statements and will record additional write-downs if it becomes clear that additional impairments have occurred. The write-down created a new cost basis which cannot be written back up if these tissues become shippable. The cost of human tissue preservation services may be favorably impacted depending on the future level of tissue shipments related to previously written-down deferred preservation costs. The shipment levels of these written-down tissues will be affected by the amount and timing of the release of tissues processed after September 5, 2002, as a result of the Agreement with the FDA, since, under the Agreement, written-down tissues may be shipped if tissues processed after September 5, 2002 are not available for shipment.

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

- Significant underperformance relative to expected historical or projected future operating results;

- Significant negative industry or economic trends;
- Significant decline in the Company's stock price for a sustained period; and
- Significant decline in the Company's market capitalization relative to net book value.

Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), requires the write-down of a long-lived asset to be held and used if the carrying value of the asset or the asset group to which the asset belongs is not recoverable. The carrying value of the asset or asset group is not recoverable if it exceeds the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of the asset or asset group. In applying SFAS 144, the Company defined the specific asset groups used to perform the cash flow analysis. The Company defined the asset groups at the lowest level possible, by identifying the cash flows from groups of assets that could be segregated from the cash flows of other assets and liabilities. Using this methodology, the Company determined that its asset groups consisted of the long-lived assets related to the Company's two reporting segments. The Company used a fourteen-year period for the undiscounted future cash flows. This period of time was selected based upon the remaining life of the primary assets of the asset groups, which are leasehold improvements. The undiscounted future cash flows related to these asset groups exceeded their carrying values as of March 31, 2003 and therefore management has concluded that there is not an impairment of the Company's long-lived intangible assets and tangible assets related to the

tissue preservation business or medical device business. However, depending on the Company's ability to rebuild demand for its tissue preservation services, the outcome of discussions with the FDA regarding the shipping of orthopaedic tissues, and the future effects of adverse publicity surrounding the FDA Order and reported infections on preservation revenues, these assets may become impaired. Management will continue to evaluate the recoverability of these assets in accordance with SFAS 144.

Beginning with the Company's adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") on January 1, 2002 the goodwill resulting from business acquisitions is not amortized, but is instead subject to periodic impairment testing in accordance with SFAS 142. Patent costs are amortized over the expected useful lives of the patents (primarily 17 years) using the straight-line method. Other intangibles, which consist primarily of manufacturing rights and agreements, are amortized over the expected useful lives of the related assets (primarily five years). As a result of the FDA Order, the Company determined that an evaluation of the possible impairment of intangible assets under SFAS 142 was necessary. The Company engaged an independent valuation expert to perform the valuation using a discounted cash flow methodology, and as a result of this analysis, the Company determined that goodwill related to its tissue processing reporting unit was fully impaired as of September 30, 2002. Therefore, the Company recorded a write-down of $1.4 million in goodwill during the quarter ended September 30, 2002. Management does not believe an impairment exists related to the other intangible assets that were assessed in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144").

PRODUCT LIABILITY CLAIMS: In the normal course of business as a medical device and services company, the Company has product liability complaints filed against it. The Company maintains claims-made insurance policies to mitigate its financial exposure to product liability claims. Claims-made insurance policies cover only those asserted claims and incidents that are reported to the insurance carrier while the policy is in effect. Thus, a claims-made policy does not represent a transfer of risk for claims and incidents that have been incurred but not reported to the insurance carrier. The Company periodically evaluates its exposure to unreported product liability claims, and records accruals as necessary for the estimated cost of unreported claims related to services performed and products sold. As of December 31, 2002 the Company had accrued $3.6 million in estimated costs for unreported product liability claims related to services performed and products sold prior to December 31, 2002. The Company engaged an independent actuarial firm to perform an analysis of the unreported product claims as of December 31, 2002. The independent firm

estimated the unreported product loss liability using a frequency-severity approach, whereas, projected losses were calculated by multiplying the estimated number of claims by the estimated average cost per claim. The estimated claims were calculated based on the reported claim development method and the Bornhuetter-Ferguson method using a blend of the Company's historical claim emergence and industry data. The estimated cost per claim was calculated using a lognormal claims model blending the Company's historical average cost per claim with industry claims data. The expense was recorded in 2002 in general, administrative, and marketing expenses and was included as a component of accrued expenses and other current liabilities on the Summary Consolidated Balance Sheet. As of March 31, 2003 the accrual for unreported product liability claims remained unchanged for services performed and products sold prior to March 31, 2003. The Company believes that the accrual for unreported product liability claims in addition to the product liability insurance renewal effective as of April 1, 2003 is adequate to cover product liability complaints filed against it. The Company's product liability insurance coverage may have a favorable impact on future accruals for unreported product liability claims.

NEW ACCOUNTING PRONOUNCEMENTS

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

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

inconsistencies in certain sale-leaseback transactions. The provisions of SFAS 145 are effective for fiscal years beginning after May 15, 2002. The adoption of SFAS 145 did not have a material effect on the results of operations or financial position of the Company.

The Company was required to adopt SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146") on January 1, 2003. SFAS 146 requires that costs associated with exit or disposal activities be recorded at their fair values when a liability has been incurred. Under previous guidance, certain exit costs were accrued upon management's commitment to an exit plan, which is generally before an actual liability has been incurred. The adoption of SFAS 146 did not have a material effect on the results of operations or financial position of the Company.

RESULTS OF OPERATIONS
(IN THOUSANDS)

REVENUES

	Three Months Ended March 31,	
	2003	2002
Revenues as reported	$ 15,920	$ 25,471
Adjustment to estimated tissue recall returns	848	--
Revenues prior to adjustment to estimated tissue recall returns (a)	$ 15,072	$ 25,471

Revenues as reported decreased 37% for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002. Revenues as reported include $848,000 in favorable adjustments to the estimated tissue recall returns due to lower actual tissue returns under the FDA Order than were originally estimated.

As of March 31, 2003 approximately $100,000 remains in the accrual for estimated return of tissues subject to recall by the FDA Order. Revenues prior to the adjustment to estimated tissue recall returns decreased 41% for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002. This decrease in revenues was primarily due to a 59% decrease in human tissue preservation service revenues as a result of the FDA Order's restriction on shipments of certain tissues, the Company's cessation of orthopaedic processing, and decreased demand as a result of the adverse publicity surrounding the FDA Order, FDA Warning Letter, and reported tissue infections, partially offset by a 33% increase in BioGlue(R) Surgical Adhesive revenues due to increased demand for the three months ended March 31, 2003.

Management believes that a decrease in revenues as compared to prior year periods will continue at least through the first half of 2003, although the ongoing corrective actions taken by the Company regarding the FDA issues and the anticipated resolution of the FDA issues should assist the Company in rebuilding demand for its preservation services. In the event the Company is not successful in rebuilding demand for its preservation services, future revenues can be expected to decrease significantly as compared to historical levels. As discussed in Note 2 to the Summary Consolidated Financial Statements, the outcome of the discussions with the FDA regarding the use of the SynerGraft process on human tissue could result in a reduction in SynerGraft processed cardiovascular and vascular tissue which would reduce revenue and the gross margins with respect to cardiovascular and vascular tissues.

(a) The measurement "revenues prior to adjustment to estimated tissue recall returns" may be deemed to be a "non-GAAP" financial measure as that term is defined in Regulation G and Item 10(e) of Regulation S-K and is included for informational purposes to provide information comparable to revenues in prior periods. Presentation of revenues excluding such adjustment might mislead investors with respect to the magnitude of the Company's revenues, since the "adjustment to estimated tissue recall returns" included in "revenues as reported" does not represent revenues earned from actual tissues shipped during the period.

BIOGLUE SURGICAL ADHESIVE

	Three Months Ended March 31,	
	2003	2002
Revenues as reported	$ 6,494	$ 4,873
BioGlue revenues as reported as a percentage of total revenue as reported	41%	19%
BioGlue revenues as reported as a percentage of total revenue prior to adjustment to estimated tissue recall returns(a)	43%	19%

Revenues from the sale of BioGlue Surgical Adhesive increased 33% for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002. The increase in revenues for the three months ended March 31, 2003 was due to a 23% increase in the amount of BioGlue cartridges and delivery devices shipped due to an increase in demand and a 10% increase in the average selling price of the BioGlue cartridges and delivery devices shipped. Domestic revenues accounted for 79% and 80% of total BioGlue revenues for the three months ended March 31, 2003 and 2002, respectively.

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

CARDIOVASCULAR PRESERVATION SERVICES

	Three Months Ended March 31,	
	2003	2002
Revenues as reported	$ 4,725	$ 7,307
Adjustment to estimated tissue recall returns	92	--
Revenues prior to adjustment to estimated tissue recall returns(a)	$ 4,633	$ 7,307
Cardiovascular revenues as reported as a percentage of total revenue as reported	30%	29%
Cardiovascular revenues prior to adjustment to estimated tissue recall returns as a percentage of total revenue prior to adjustment to estimated tissue recall returns(a)	31%	29%

Revenues from cardiovascular preservation services as reported decreased 35% for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002. Revenues as reported include $92,000 in favorable adjustments to the estimated tissue recall returns due to lower actual tissue returns under the FDA Order than were originally estimated. Revenues from cardiovascular preservation services prior to the adjustment to estimated tissue recall returns decreased 37% for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002. This decrease in revenues for the three months ended March 31, 2003 was primarily due to a 43% decrease in cardiovascular shipments due to a decline in demand related to the adverse publicity surrounding the FDA Order and FDA Warning Letter, the FDA Letter posted on its website, reported tissue infections and the related adverse publicity, and the restrictions on shipments of certain non-valved cardiac tissues subject to the FDA Order. This decrease in shipments was partially offset by a 6% increase in

average service fees due to a higher percentage of shipments in the first quarter of 2003 consisting of heart valves rather than non-valved cardiac tissue as compared to the first quarter of 2002.

The Company anticipates a future decrease in cardiovascular preservation revenues as compared to prior year periods for at least the first half of 2003 as a result of the FDA Warning Letter, the FDA Order, the FDA letter posted on its website, certain reported tissue infections, and the related adverse publicity. If the Company is unable to rebuild demand for its preservation services for these tissues, future cardiac preservation revenue could continue to decrease.

VASCULAR PRESERVATION SERVICES

	Three Months Ended March 31,	
	2003	2002
Revenues as reported	$ 4,255	$ 7,017
Adjustment to estimated tissue recall returns	711	--
Revenues prior to adjustment to estimated tissue recall returns(a)	$ 3,544	$ 7,017
Vascular revenues as reported as a percentage of total revenue as reported	27%	28%
Vascular revenues prior to adjustment to estimated tissue recall returns as a percentage of total revenue prior to adjustment to estimated tissue recall returns(a)	24%	28%

Revenues from vascular preservation services as reported decreased 39% for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002. Revenues as reported include $711,000 in favorable adjustments to the estimated tissue recall returns due to lower actual tissue returns under the FDA Order than were originally estimated. Revenues from vascular preservation services prior to the adjustment to estimated tissue recall returns decreased 49% for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002. This decrease in revenues for the three months ended March 31, 2003 was primarily due to a 42% decrease in vascular shipments due to a decline in demand related to the adverse publicity surrounding the FDA Order and FDA Warning Letter, reported tissue infections and the related adverse publicity, and the restrictions on shipments of certain vascular tissues subject to the FDA Order. Additional decreases in revenues were due to a 7% decrease in average service fees due to an increase in shorter multiple grafts, used as composite grafts, shipped per case relative to longer, singular vascular grafts, which have higher service fees, shipped per case in the first quarter of 2002.

The Company anticipates a future decrease in vascular preservation revenues as compared to prior year periods for at least the first half of 2003 as a result of the adverse publicity surrounding the FDA Warning Letter, FDA Order, and certain reported tissue infections. If the Company is unable to rebuild demand for its preservation services for these tissues, future vascular preservation revenue could continue to decrease.

ORTHOPAEDIC PRESERVATION SERVICES

	Three Months Ended March 31,	
	2003	2002
Revenues as reported	$ 150	$ 5,914
Adjustment to estimated tissue recall returns	45	--
Revenues prior to adjustment to estimated tissue recall returns(a)	$ 105	$ 5,914
Orthopaedic revenues as reported as a percentage of total revenue as reported	1%	23%
Orthopaedic revenues prior to adjustment to estimated tissue recall returns as a percentage of total revenue prior to adjustment to estimated tissue recall returns(a)	1%	23%

Revenues from orthopaedic preservation services as reported decreased 97% for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002. Revenues as reported include $45,000 in favorable adjustments to the estimated tissue recall returns due to lower actual tissue returns under the FDA Order than were originally estimated. Revenues from orthopaedic preservation services prior to the adjustment to estimated tissue recall returns decreased 98% for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002. This decrease in revenues for the three months ended March 31, 2003 was primarily due to a 97% decrease in orthopaedic shipments due to a decline in demand related to the adverse publicity surrounding the FDA Order, FDA Warning Letter, and reported tissue infections, cessation of processing of orthopaedic tissue until late February 2003, and the restrictions on shipments of certain orthopaedic tissues subject to the FDA Order. Revenues since August 14, 2002 have been from shipments of orthopaedic tissues that were processed prior to October 3, 2001.

The Company anticipates a substantial decrease in the orthopaedic preservation revenues as compared to prior year periods for at least the first half of 2003 due to the Company's inability to ship orthopaedic grafts processed between October 3, 2001 and September 5, 2002 pursuant to the FDA Order, the adverse publicity resulting from the FDA Warning Letter and FDA Order, and the reported infections in some orthopaedic allograft recipients. The Company resumed processing orthopaedic tissues in late February 2003 following the FDA inspection of the Company's operations as discussed in Note 2 to the Summary

Consolidated Financial Statements. The Company's first quarter 2003 procurement of orthopaedic tissues was approximately 5% of orthopaedic procurement levels in the first quarter of 2002. The Company plans to resume distribution of orthopaedic tissues. If the Company is unable to rebuild demand for its preservation services for orthopaedic tissues, future orthopaedic preservation revenue, if any, may be minimal.

IMPLANTABLE MEDICAL DEVICES

Revenues from implantable medical devices decreased 45% to $105,000 for the three months ended March 31, 2003 from $192,000 for the three months ended March 31, 2002, representing 1% of total revenues during such periods.

DISTRIBUTION AND GRANT REVENUES

Grant revenues increased to $191,000 for the three months ended March 31, 2003 from $27,000 for the three months ended March 31, 2002. Grant revenues in both years were primarily attributable to the SynerGraft research and development programs. Distribution revenues decreased to zero for the three months ended March 31, 2003 from $141,000 for the three months ended March 31, 2002. Distribution revenues consisted of commissions received for the distribution of orthopaedic tissues for another processor. The Company does not currently anticipate receiving distribution revenues from any third party processors in 2003.

COSTS AND EXPENSES

Cost of human tissue preservation services aggregated $2.4 million for the three months ended March 31, 2003 compared to $8.1 million for the three months ended March 31, 2002, representing 27% and 40%, respectively, of total human tissue preservation service revenues as reported during each period. Cost of human tissue preservation services was 29% and 40% for the three months ended March 31, 2003 and 2002, respectively, of total human tissue preservation service revenues prior to the adjustment to estimated tissue recall returns during each period. The decrease in the first quarter 2003 cost of preservation was due to decreased shipments resulting from decreased demand and shipments of tissue with a zero cost basis due to write-downs of deferred preservation costs in the second and third quarter of 2002. The reduction in cost of preservation services for tissues shipped in the first quarter of 2003 due to prior period write-downs was estimated to be $2.3 million. This decrease was partially offset by a $297,000 increase to cost of preservation services to adjust the value of certain deferred tissue preservation costs that exceeded market value. The Company anticipates a reduction in the cost of human tissue preservation services for at least the first half of 2003 as compared to prior periods due to a reduction in shipments of tissues as a result of the FDA Order and FDA Warning Letter, reported tissue infections, and the related adverse publicity. The cost of human tissue preservation services as a percent of revenue is likely to increase as a result of lower tissue processing volumes, especially if the decline in demand continues. However, the cost of human tissue preservation services may be favorably impacted, depending on the future level of tissue shipments related to previously written-down deferred preservation costs, because the write-down creates a new cost basis which cannot be written back up if these tissues are shipped or become available for shipment. The shipment levels of these written-down tissues will be affected by the amount and timing of the release of tissues processed after September 5, 2002, pursuant to the Agreement with the FDA, since written-down tissues may only be shipped if tissues processed after the Agreement are not available for shipment.

Cost of products aggregated $1.6 million for the three months ended March 31, 2003 compared to $2.2 million for the three months ended March 31, 2002, representing 25% and 44%, respectively, of total product revenues during such periods. The decrease in cost of products is primarily due to a decrease in the costs related to bioprosthetic products due to lower sales and production levels for these products, partially offset by an increase in BioGlue sales. The decrease in the first quarter 2003 cost of products as a percentage of total product revenues is due to a favorable product mix that was impacted by the increase in revenues from BioGlue Surgical Adhesive, which carries higher gross margins than bioprosthetic devices.

General, administrative, and marketing expenses increased 22% to $11.6 million in the first quarter of 2003, compared to $9.5 million in the first quarter of

2002, representing 73% and 37%, respectively, of total revenues during such periods. The increase in expenditures for the three months ended March 31, 2003 was primarily due to an increase of approximately $2.0 million in professional fees (legal, consulting, and accounting) due to increased litigation, litigation settlement costs, and issues surrounding the FDA Order and an increase of approximately $300,000 in insurance premiums. The Company expects to continue to incur significant legal costs and professional fees to defend the lawsuits filed against the Company and to address FDA compliance requirements. Additional marketing expenses may also be incurred to address the effects of the adverse publicity surrounding the FDA Order.

Research and development expenses decreased 20% to $917,000 for the three months ended March 31, 2003, compared to $1.2 million for the three months ended March 31, 2002, representing 6% and 5%, respectively, of total revenues during such periods. Research and development spending in 2003 and 2002 was primarily focused on the Company's SynerGraft and Protein Hydrogel Technologies.

Interest expense, net of interest income, was $1,000 for the three months ended March 31, 2003 as compared to $106,000 of interest income, net of interest expense, for the three months ended March 31, 2002. The 2003 decrease in net interest income was due to reduced investments earning interest in 2003 as compared to 2002 and lower interest rates in 2003, partially offset by a reduction in the principal debt amount outstanding due to scheduled principal payments and the conversion of the convertible debenture in March of 2002.

Other income decreased to $26,000 for the three months ended March 31, 2003 as compared to $56,000 for the three months ended March 31, 2002.

The effective income tax rate was 33% and 34% for quarters ended March 31, 2003 and 2002, respectively.

SEASONALITY

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

LIQUIDITY AND CAPITAL RESOURCES

NET WORKING CAPITAL

At March 31, 2003 net working capital (current assets of $56.2 million less current liabilities of $19.5 million) was $36.7 million, with a current ratio (current assets divided by current liabilities) of 3 to 1, compared to net working capital of $37.6 million, with a current ratio of 3 to 1 at December 31, 2002. The Company's primary capital requirements arise from general working capital needs, capital expenditures for facilities and equipment, and funding of research and development projects. The Company has historically funded these requirements through bank credit facilities, cash generated by operations, and equity offerings. Based on the decrease in revenues resulting from the FDA Order, FDA Warning Letter, reported tissue infections, and associated adverse publicity, the Company expects that its cash used in operating activities will increase significantly over the near term, and that net working capital will decrease. The Company believes that anticipated revenue generation, expense management, savings resulting from the reduction in the number of employees to reflect the reduction in revenues, federal tax refunds of approximately $8.9 million due to loss carrybacks generated from operating losses and write-downs of deferred preservation costs and inventory, and the Company's existing cash and cash equivalents and marketable securities will enable the Company to meet its liquidity needs, including repayment of the Term Loan if required, through at least March 31, 2004. It is possible that the Company will not have sufficient funds to meet its primary capital requirements over the long term.

NET CASH FROM OPERATING ACTIVITIES

Net cash used in operating activities was $3.9 million and $189,000 for the three months ended March 31, 2003 and 2002, respectively. The difference is primarily attributable to the net loss in 2003 compared to net income in 2002 and changes in accounts receivable, accounts payable, and deferred preservation costs. These changes in working capital reflect the decrease in revenues and increased expenses as compared to the first quarter of 2002. The $3.9 million in current year net cash used was primarily due to an increase in working capital requirements due to a $4.9 million net change in operating assets and liabilities, partially offset by non-cash items, including depreciation and amortization of $1.4 million, provision for doubtful accounts of $24,000, write-down of deferred preservation costs of $297,000, and other non-cash adjustments to income of $19,000 The net loss of $434,000 includes a $2.0 million increase in professional fees due to increased litigation, litigation settlement costs, and issues surrounding the FDA compliance requirements, as discussed in the Results of Operations section above.

NET CASH FROM INVESTING ACTIVITIES

Net cash provided by investing activities was $1.1 million in the three months ended March 31, 2003, as compared to cash used of $215,000 in the three months ended March 31, 2002. The $1.1 million in current year net cash provided was primarily due to $1.2 million increase in cash from maturities of marketable debt securities, partially offset by capital expenditures.

NET CASH FROM FINANCING ACTIVITIES

Net cash used in financing activities was $423,000 and $201,000 in the three months ended March 31, 2003 and 2002, respectively. The $423,000 in current year net cash used was primarily due to $400,000 in principal payments on the Term

Loan and $159,000 in payments on capital leases, partially offset by a $136,000 increase in cash due to proceeds from the issuance of stock.

SCHEDULED CONTRACTUAL OBLIGATIONS AND FUTURE PAYMENTS

Scheduled contractual obligations and the related future payments subsequent to March 31, 2003 are as follows (in thousands):

	Total	Remainder of 2003	2004	2005	Thereafter
Debt	$ 5,200	$ 1,200	$ 1,600	$ 1,600	$ 800
Capital Lease Obligations	3,426	632	843	843	1,108
Operating Leases	26,706	1,721	2,115	2,091	20,779
Purchase Commitments	700	322	378	--	--
Total Contractual Obligations	$ 36,032	$ 3,875	$ 4,936	$ 4,534	$ 22,687

The Company's Term Loan, of which the principal balance was $5.1 million as of April 30, 2003, contains certain restrictive covenants including, but not limited to, maintenance of certain financial ratios and a minimum tangible net worth requirement, and the requirement that no materially adverse event has occurred. The lender has notified the Company that the FDA Order, as described in Note 2, and the inquiries of the SEC, as described in Note 12, have had a material adverse effect on the Company that constitutes an event of default. Additionally, as of March 31, 2003 the Company is in violation of the debt coverage ratio and net worth financial covenants. As of April 30, 2003 the lender has elected not to declare an event of default, but reserves the right to exercise any such right under the terms of the Term Loan. Therefore, all amounts due under the Term Loan as of March 31, 2003 are reflected as a current liability on the Summary Consolidated Balance Sheets. In the event the lender calls the Term Loan, the Company at present has adequate funds to pay the principal amount outstanding. The Term Loan is secured by substantially all of the Company's assets. Due to cross default provisions included in the Company's debt agreements, as of March 31, 2003 the Company was in default of certain capital lease agreements maintained with the lender of the Term Loan. Therefore, all amounts due under these capital leases are reflected as a current liability

on the Summary Consolidated Balance Sheets as of March 31, 2003. Since the lender has not elected to exercise its rights to declare an event of default, the above chart shows the payments according to their scheduled payment dates.

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

INTEREST RATE SWAP AGREEMENT

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

In August 2002 the Company determined that changes in the derivative's fair value could no longer be recorded in other comprehensive income, as a result of the uncertainty of future cash payments on the Term Loan caused by the lender's ability to declare an event of default as discussed in Note 5. Beginning in August 2002 the Company is recording all changes in the fair value of the derivative currently in other expense/income on the Summary Consolidated

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

At March 31, 2003 the notional amount of this swap agreement was $2.6 million, and the fair value of the interest rate swap agreement, as estimated by the bank based on its internal valuation models, was a liability of $252,000. The fair value of the swap agreement is recorded as part of short-term liabilities. For the three months ended March 31, 2003 the Company recorded a loss of $19,000 on the interest rate swap. The unamortized value of the swap agreement, recorded in the accumulated other comprehensive income account of shareholders' equity, was $241,000 at March 31, 2003.

STOCK REPURCHASE

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

CAPITAL EXPENDITURES

The Company expects that its full year capital expenditures in 2003 will be less than its expenditures in 2002, which were approximately $4.1 million. The Company expects to have the flexibility to increase or decrease the majority of its planned capital expenditures depending on its ability to resume normal operating levels once it has fully evaluated the demand for its tissues and resumed distribution of orthopaedic tissues. The Company does not currently anticipate any major purchase of equipment as a result of the April 2002 and February 2003 FDA inspections.

OVERALL TREND IN LIQUIDITY AND CAPITAL RESOURCES

Century Medical, Inc. has completed the Japanese BioGlue clinical trial and is performing a post clinical trial follow up of patients who have received the product. The Company does not know when to expect a final decision on the approval of the BioGlue application from the Japanese Ministry of Health and Welfare. If approval is received, the Company believes it could have a positive impact on its BioGlue business.

The Company expects its liquidity to decrease significantly over the next year due to the anticipated significant decrease in revenues through at least the first half of 2003 as compared to the prior year period, as a result of the FDA Order and associated adverse publicity, and an expected decrease in cash due to the anticipated increased legal and professional costs relating to the defense of lawsuits and the FDA Order. The Company believes that anticipated revenue generation, expense management, savings resulting from the reduction in the number of employees to reflect the reduction in revenues, tax refunds of approximately $8.9 million due to loss carrybacks generated from operating losses and write-downs of deferred preservation costs and inventory, and the Company's existing cash and cash equivalents and marketable securities will enable the Company to meet its liquidity needs through at least March 31, 2004, even if the Term Loan is called in its entirety. There is no assurance that the Company will be able to return to the level of demand for its tissue services that existed prior to the FDA Order as a result of the adverse publicity or as a result of customers and tissue banks switching to competitors. Failure of the Company to maintain sufficient demand for its services would have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

The Company's long term liquidity and capital requirements will depend upon numerous factors, including continued acceptance of BioGlue, the ability to extend the Agreement with the FDA, the extent and duration of the anticipated revenue decreases, the costs associated with compliance with FDA requirements, the outcome of litigation pending against the Company as described in Part II Item 1 of this Form 10-Q, the level of demand for cardiovascular and vascular tissue, the continuing effect of adverse publicity, the Company's ability to resolve the February 2003 FDA 483 and the informal February FDA letter regarding tissues processed with SynerGraft technology, the ability to regain orthopaedic demand, the actual outcomes of product liability claims that have been incurred but not reported as of March 31, 2003 for which $3.6 million has been accrued, the timing of the Company's receipt of FDA approvals to begin clinical trials for its products currently in development, the availability of resources

required to further develop its marketing and sales capabilities if and when those products gain approval, 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 be required to seek to raise additional funds through bank facilities, debt or equity offerings, or other sources of capital to meet future requirements. Additional funds may not be available when needed or on terms acceptable to the Company, which could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements and information made or provided by the Company that are based on the beliefs of its management as well as estimates and assumptions made by and information currently available to our management. The words "could," "may," "might," "will," "would," "shall," "should," "pro forma," "potential," "pending," "intend," "believe," "expect," "anticipate," "estimate," "plan," "future" and other similar expressions generally identify forward-looking statements, including, in particular, statements regarding anticipated revenues, cost savings, insurance coverage, regulatory activity, available funds and capital resources, and pending litigation. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on these forward-looking

statements, which are as of their respective dates.

Some of the forward-looking statements contained in this Form 10-Q include those regarding:

- The impact of recent accounting pronouncements;
- The adequacy of insurance coverage;
- The outcome of lawsuits filed against the Company;
- The impact of the FDA Order, related Agreements, reported tissue infections, and the related adverse publicity on future revenues, profits and business operations, future tissue procurement levels, and the estimates underlying the related charges recorded in the second and third quarter;
- The Company's intent to resume shipping orthopaedic tissue;
- Future costs of human tissue preservation services;
- The impact of the February 2003 FDA 483 and of the FDA letter regarding SynerGraft processed cardiovascular and vascular tissues;
- Expected future impact of BioGlue on revenues;
- The estimates of the amounts accrued for the retention levels under the Company's product liability and directors' and officers' insurance policies;
- The estimates of the amounts accrued for product liability claims incurred but not reported at March 31, 2003; and
- The adequacy of current financing arrangements, product demand and market growth.

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 without limitation, in addition to those specified in the text surrounding such statements, the risk factors set forth below, the risks set forth under "Risk Factors" in Part I, Item 1 of the Company's Form 10-K for the year ended December 31, 2002 and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this Form 10-Q are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Company or its business or operations. The Company assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events, or otherwise.

The risks and uncertainties which might impact the forward-looking statements and the Company include concerns that:

- The impact of the FDA Order, the FDA Warning Letter, reported tissue infections, and the resulting adverse publicity on CryoLife's business, liquidity and capital resources has been and may continue to be material;
- The Company may not be able to obtain sufficient cardiovascular, vascular, and orthopaedic tissue to operate profitably;
- Shipments of orthopaedic tissues are now minimal and demand may not return;
- Physicians may be reluctant to implant the Company's preserved tissues;
- Heart valves processed by the Company may also be recalled;

- Products not included in the FDA Order may come under increased scrutiny;
- Demand for heart valves processed by the Company has decreased and may decrease further in the future;
- Adverse publicity may reduce demand for products not affected by the FDA Order;
- We may be unable to address the concerns raised by the FDA in its February 2003 Form 483 Notice of Observations, or the February 2003 letter regarding the use of SynerGraft technology to process human tissue;

- Regulatory action outside of the U.S. may also affect the Company's business;
- The Company's common stock is potentially at risk of being delisted from the New York Stock Exchange;
- The Company is the subject of an informal SEC investigation;
- As a result of the FDA Order and resulting financial impact, CryoLife's lender has notified it that it is in default of certain provisions of the Company's credit facility, resulting in cross defaults under CryoLife's lease;
- The Company's insurance coverage may be insufficient to cover judgments under existing or future claims;
- Insurance coverage may be difficult or impossible to obtain in the future and if obtained, the cost of insurance coverage is likely to be much more expensive than in the past;
- Intense competition may affect the Company's ability to recover from the FDA Order and develop its surgical adhesive business;
- Extensive government regulation may retard the Company's ability to develop and sell products and services; and
- Uncertainties regarding future health care reimbursement may affect the amount and timing of the Company's revenues.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company's interest income and expense are most sensitive to changes in the general level of United States interest rates. In this regard, changes in United States interest rates affect the interest earned on the Company's cash and cash equivalents of $6.9 million and short-term investments in municipal obligations of $13.3 million as of March 31, 2003, as well as interest paid on its debt. A 10% adverse change in interest rates affecting the Company's cash equivalents and short-term investments would not have a material impact on the Company's interest income for 2003.

The Company manages interest rate risk through the use of fixed debt and an interest rate swap agreement. At March 31, 2003 approximately $2.6 million of the Company's $5.2 million in debt charged interest at a fixed rate. This fixed rate debt includes a portion of the Company's outstanding term loan balance that has been effectively converted to fixed rate debt through an interest rate swap agreement. A 10% increase in interest rates affecting the Company's variable rate debt, net of the effect of the interest rate swap agreement, would not have a material increase in the Company's interest expense for 2003. A 10% decrease in interest rates would not have a material effect on the interest rate swap agreement.

Item 4. Controls and Procedures.

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

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

Part II - OTHER INFORMATION

Item 1. Legal Proceedings.

In the normal course of business as a medical device and services company the Company has product liability complaints filed against it. As of April 28, 2003 twenty-three cases were open that were filed against the Company between May 18, 2000 and April 14, 2003. The cases are currently in the pre-discovery or discovery stages. Of these cases, 15 allege product liability claims arising out

of the Company's orthopaedic tissue services, seven allege product liability claims arising out of the Company's allograft heart valve tissue services, and one alleges product liability claims arising out of the non-tissue products made by Ideas for Medicine, when it was a subsidiary of the Company.

On March 31, 2003 the Company announced that a settlement has been reached in the lawsuit brought against the Company by the estate of Brian Lykins. The complaint filed against the Company in the Superior Court of Cobb County, Georgia, on July 12, 2002 by Steve Lykins, as Trustee for the benefit of next of kin of Brian Lykins alleged strict liability, negligence, and breach of warranties related to tissue implanted in November 2001. In addition to this lawsuit, three other lawsuits have been dismissed or were settled during the first quarter of 2003. The total settlements involved in these cases including amounts paid by the Company and its insurer were less than 10% of total current assets at March 31, 2003.

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

Claims-made insurance policies cover only those asserted claims and incidents that are reported to the insurance carrier while the policy is in effect. Thus, a claims-made policy does not represent a transfer of risk for claims and incidents that have been incurred but not reported to the insurance carrier. The Company periodically evaluates its exposure to unreported product liability claims, and records accruals as necessary for the estimated cost of unreported claims related to services performed and products sold. As of December 31, 2002 the Company accrued $3.6 million in estimated costs for unreported product liability claims related to services performed and products sold prior to December 31, 2002. The expense was recorded in 2002 in general, administrative, and marketing expenses and was included as a component of accrued expenses and other current liabilities on the Summary Consolidated Balance Sheets. As of March 31, 2003 the accrual for unreported product liability claims remained unchanged for services performed and products sold prior to March 31, 2003.

The Company has concluded that it is probable that it will incur losses relating to asserted claims and pending litigation of at least $1.2 million, which represents the aggregate amount of the Company's retention under its product liability and directors' and officers' insurance policies. Therefore, the Company recorded an accrual of $1.2 million during 2002. As of March 31, 2003 the remaining accrual for the retention levels decreased to $750,000 due to required insurance retention payments made related to legal settlements reached during the first quarter of 2003.

Several putative class action lawsuits were filed in July through September 2002 against the Company and certain officers of the Company, alleging that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing a series of purportedly materially false and misleading statements to the market. During the third quarter of 2002 the Court consolidated the suits, and on November 14, 2002 lead plaintiffs and lead counsel were named. A consolidated complaint was filed on January 15, 2003, seeking the Court's certification of the litigation as a class action on behalf of all purchasers of the Company's stock between April 2, 2001 and August 14, 2002. The principal allegations of the consolidated complaint are that the Company failed to disclose its alleged lack of compliance with certain FDA regulations regarding the handling and processing of certain tissues and other product safety matters. In the consolidated complaint, plaintiffs seek to recover compensatory damages and various fees and expenses of litigation, including attorneys' fees. The Company and the other defendants filed a motion to dismiss the consolidated complaint on February 28, 2003 which remains pending before the Court. The Company carries directors' and officers' liability

insurance policies, which the Company believes to be adequate to defend against this action. Nonetheless, an adverse judgment in excess of the Company's insurance coverage could have a material adverse effect on the Company's financial position, results of operations, and cash flows.

On August 30, 2002 a purported shareholder derivative action was filed by Rosemary Lichtenberger against Steven G. Anderson, Albert E. Heacox, John W. Cook, Ronald C. Elkins, Virginia C. Lacy, Ronald D. McCall, Alexander C. Schwartz, and Bruce J. Van Dyne in the Superior Court of Gwinnett County, Georgia. The suit, which names the Company as a nominal defendant, alleges that the individual defendants breached their fiduciary duties to the Company by causing or allowing the Company to engage in certain inappropriate practices that caused the Company to suffer damages. The complaint was preceded by one day by a letter written on behalf of Ms. Lichtenberger demanding that the Company's Board of Directors take certain actions in response to her allegations. On January 16, 2003, another purported derivative suit alleging claims similar to those of the Lichtenberger suit was filed in the Superior Court of Fulton County by complainant Robert F. Frailey. As in the Lichtenberger suit, the filing of the complaint in the Frailey action was preceded by a purported demand letter sent on Frailey's behalf to the Company's Board of Directors. Both complaints seek undisclosed damages, costs and attorney's fees, punitive damages, and prejudgment interest against the individual defendants derivatively on behalf of the Company. The Company's Board of Directors has established an independent committee to investigate the allegations of Ms. Lichtenberger and Mr. Frailey. The independent committee has engaged independent legal counsel to assist in the investigation and that investigation is currently proceeding.

Item 2. Changes in Securities.

None

Item 3. Defaults Upon Senior Securities.

See Note 5 to the Summary Consolidated Financial Statements for information regarding a notification by the Company's lender that the FDA Order and the inquiries of the SEC have had a material adverse effect on the Company, which constitutes an event of default. The lender has elected not to declare an event of default at this time.

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

None.

Item 5. Other information.

None.

Item 6. Exhibits and Reports on Form 8-K

(a) The exhibit index can be found below.

Exhibit Number	Description
3.1*	Restated Certificate of Incorporation of the Company, as amended.
3.2*	ByLaws of the Company, as amended.

3.3	Articles of Amendment to the Certificate of Incorporation of the Company. (Incorporated by reference to Exhibit 3.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.)
4.1	Form of Certificate for the Company's Common Stock. (Incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).
10.1*	Letter Agreement between the Company and FDA, dated March 17, 2003.

10.2* First Amendment to Employment Agreement, by and between the Company and Steven G. Anderson, dated September 3, 2002.

99.1* Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002.

(b) No Reports on Form 8-K were filed during the quarter.

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* Filed herewith.

SIGNATURES

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

CRYOLIFE, INC.
(Registrant)

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

May 2, 2003

DATE

CERTIFICATIONS

I, Steven G. Anderson, Chairman, President, and Chief Executive Officer, certify that:

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

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

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

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

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities,

particularly during the period in which this quarterly report is being prepared;

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

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

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

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

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

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 5, 2003

/s/ STEVEN G. ANDERSON

Chairman, President, and Chief Executive Officer

I, David Ashley Lee, Vice President, Treasurer, and Chief Financial Officer, certify that:

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

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

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

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

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

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

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

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

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

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

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 5, 2003

/s/DAVID ASHLEY LEE

Vice President, Treasurer, and
Chief Financial Officer

EXHIBIT 3.1

RESTATED ARTICLES OF INCORPORATION
OF CRYOLIFE, INC.
WITH AMENDMENTS

The undersigned officers of CryoLife, Inc., hereby file with the Secretary of State of the State of Florida these Restated Articles of Incorporation with Amendments for the purpose of consolidating the amendments that have been made in the Articles of Incorporation.

1. The name of the corporation is CRYOLIFE, INC.

2. Restated Articles of Incorporation: The Board of Directors adopted the Restated Articles of Incorporation on September 12, 1996. The text of the Restated Articles of Incorporation are as follows:

ARTICLE I

NAME

The name of this corporation shall be CRYOLIFE, INC.

ARTICLE II

EXISTENCE OF CORPORATION

This corporation shall have perpetual existence.

ARTICLE III

PURPOSES

The corporation may engage in the transaction of any or all lawful business for which corporations may be incorporated under the laws of the State of Florida.

ARTICLE IV

GENERAL POWERS

The corporation shall have power:

(a) To purchase, take, receive, lease, or otherwise acquire, own, hold, improve, use, or otherwise deal in and with real or personal property or any interest therein, wherever situated.

(b) To sell, convey, mortgage, pledge, create a security interest in, lease, exchange, transfer, and otherwise dispose of all or part of its property and assets.

(c) To lend money to, and use its credit to assist its officers and employees in accordance with Section 607.141, Florida Statutes (1976).

(d) To purchase, take, receive, subscribe for, or otherwise acquire, own, hold, vote, use, employ, sell, mortgage, lend, pledge, or otherwise dispose of, and otherwise use and deal in and with, shares or other interests in, or obligations of, other domestic or foreign corporations, associations, partnerships, or individuals, or direct or indirect obligations of the United States or of any other government, state, territory, governmental district, or municipality or of any instrumentality thereof.

(e) To make contracts and guarantees and incur liabilities, borrow money at such rates of interest as the corporation may determine, issue its notes, bonds, and other obligations, and secure any of its obligations by mortgage or pledge

of all or any of its property, franchise, and income.

(f) To lend money for its corporate purposes, invest and reinvest its funds, and take and hold real and personal property as security for the payment of funds so loaned or invested.

(g) To conduct its business, carry on its operations, and have offices and exercise the powers granted by the State of Florida, within or without the state.

(h) To elect or appoint officers and agents of the corporation and define their duties and fix their compensation.

(i) To make and alter by-laws, not inconsistent with the laws of the State of Florida, for the administration and regulation of the affairs of the corporation.

(j) To make donations for the public welfare or for charitable, scientific or educational purposes.

(k) To transact any lawful business which the board of directors shall find will be in aid of governmental policy.

(l) To pay pensions and establish pension plans, profit sharing plans, stock bonus plans, stock option plans, and other incentive plans for any or all of its directors, officers, and employees and for any or all of the directors, officers, and employees of its subsidiaries.

(m) To be a promoter, incorporator, partner, member, associate, or manager of any corporation, partnership, joint venture, trust, or other enterprise.

(n) To have and exercise all powers necessary or convenient to effect its purposes.

ARTICLE V

CAPITAL STOCK

(a)(1) The number of shares of capital stock authorized to be issued by this corporation shall be Fifty Million (50,000,000) 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.

(a)(2) Pursuant to Section 607.047 of the Florida Statutes, the Board of Directors is expressly authorized and empowered to divide any or all of the shares of preferred stock into series and, within the limitations set forth in Section 607.047 of the Florida Statutes, to fix and determine the relative rights and preferences of the shares of any series so established. The Board of Directors is expressly authorized to designate each series of preferred stock so as to distinguish the shares thereof from the shares of all other series and classes.

(a)(3) Each share of issued and outstanding common stock shall entitle the holder thereof to one (1) vote on each matter with respect to which shareholders have the right to vote, to fully participate in all shareholder meetings, and to share ratably in the net assets of the corporation upon liquidation and/or dissolution. Each share of issued and outstanding preferred stock shall have such rights to share in the net assets of the corporation upon liquidation and/or dissolution as are determined and fixed by the Board of Directors pursuant to Florida Statutes Section 607.047. All or any part of said capital stock may be paid for in cash, in property or in labor or services at a fair valuation to be fixed by the Board of Directors at a meeting called for such purposes. All stock when issued shall be paid for and shall be nonassessable.

(b) In the election of directors of this corporation, there shall be no cumulative voting of the stock entitled to vote at such election.

(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 lessor 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 maters 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 canceled 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) Bank. 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 holder's 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 a 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.

ARTICLE VI

REGISTERED OFFICE AND REGISTERED AGENT

The street address of the corporation's registered office is 601 North Florida Avenue, Suite 500, Tampa, Florida 33602, and the name of the corporation's registered agent at such address is Ronald D. McCall. The Corporation may change its registered office or its registered agent or both by filing with the Department of State of the State of Florida, a statement complying with Section 607.037 of the Florida Statutes.

ARTICLE VII

INITIAL BOARD OF DIREECTORS

The number of Directors constituting the initial Board of Directors shall be one, and the name and address of the person who is to serve as a member thereof is as follows:

STEVEN G. ANDERSON
2211 New Market Parkway
Suite 142
Marietta, Georgia 30067

ARTICLE VIII

INCORPORATOR

The name and street address of the incorporator of this corporation is as follows:

STEVEN G. ANDERSON
2211 New Market Parkway
Suite 142
Marietta, Georgia 30067

ARTICLE IX

AMENDMENT OF ARTICLES OF INCORPORATION

The corporation reserves the right to amend, alter, change or repeal any provisions contained in these Articles of Incorporation in the manner now or hereafter prescribed by statute, and all rights conferred upon the stockholders herein are subject to this reservation.

ARTICLE X

INDEMNIFICATION

If in the judgment of the majority of the entire Board of Directors (excluding from such majority and director under consideration for indemnification), the criteria set forth in Section 607.014(1) or (2), Florida Statutes, have been met, then the corporation shall indemnify any officer or director, or former officer or director, his personal representatives, devisees or heirs, in the manner and to the extent contemplated by the said Section 607.014.

ARTICLE XI

SHAREHOLDERS PROHIBITED FROM TAKING
ACTION WITHOUT A MEETING

The shareholders may not take action by written consent. Any and all action by a shareholder is required to be taken at the annual shareholders meeting or at a special shareholders meeting. This provision applies to common stock and all classes of preferred stock.

ARTICLE XII

SPECIAL MEETINGS OF SHAREHOLDERS

Special meetings of the shareholders for any purpose may be called at the request in writing of shareholders owning not less than 50% of all votes entitled to be cast on any issue proposed to be considered at the proposed meeting by delivering one or more written demands for the meeting which are signed, dated and delivered to the Secretary of the Company and describing the purposes for which the meeting is to be held.

3. It is hereby certified by the undersigned that the Restatement

contains only amendments adopted by the Board of Directors that did not require shareholder's approval.

IN WITNESS WHEREOF, the foregoing Restated Articles of Incorporation with Amendments are executed by the President, STEVEN G. ANDERSON and attested by RONALD D. McCALL, as Secretary of CRYOLIFE, INC. this 4th day of November, 1996.

WITNESSES:

/s/ Sharon A. Thomas

/s/ Felicia E. Trott

/s/ Steven G. Anderson

STEVEN G. ANDERSON
President and CEO
CryoLife, Inc.

/s/ Joyce A. Clark

/s/ Patricia B. Carafa

/s/ Ronald D. McCall

RONALD D. McCALL
Secretary
CryoLife, Inc.

STATE OF GEORGIA
COUNTY OF COBB

BEFORE ME, the undersigned authority, an officer duly qualified to take acknowledgements, personally appeared STEVEN G. ANDERSON, as President and CEO of CRYOLIFE, INC., to me known to be the person described in and who signed the foregoing Restated Articles of Incorporation with Amendments, and acknowledged the he executed the same for the uses and purposes therein expressed.

WITNESS my hand and office seal in the County and State last aforesaid this 4th day of November, 1996.

/s/ Suzanne K. Gabbert

NOTARY PUBLIC, STATE OF
GEORGIA AT LARGE.

MY COMMISSION EXPIRES:

_____[seal]_____

STATE OF FLORIDA
COUNTY OF HILLSBOROUGH

BEFORE ME, the undersigned authority, an officer duly qualified to take acknowledgements, personally appeared RONALD D. McCALL, as Secretary of CRYOLIFE, INC., to me known to be the person described in and who signed the foregoing Restated Articles of Incorporation with Amendments, and acknowledged that he executed the same for the uses and purposes therein expressed.

WITNESS my hand and official seal in the County and State last aforesaid this 4th day of November, 1996.

/s/ Joyce A. Clark

NOTARY PUBLIC, STATE OF
FLORIDA AT LARGE.

MY COMMISSION EXPIRES:

_____[seal]_____

EXHIBIT 3.2

BY-LAWS

OF

CRYOLIFE, INC.

ARTICLE I

Offices

The principal Office shall be in the City of Tampa, County of Hillsborough, and State of Florida.

The corporation may also have offices at such other places both within and without the State of Florida as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II

Stockholders

Section 1. Annual Meeting. The annual meeting of the stockholders shall be held within the seven (7) month period beginning with the first day of the last month of the fiscal year of the corporation for the purpose of electing Directors and for the transaction of such other business as may come before the meeting, the actual day thereof to be set forth in the Notice of Meeting or in the Call and Waiver of Notice of Meeting. If the election of Directors shall not be held at any such annual meeting of the stockholders or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the stockholders as soon thereafter as may be convenient.

Section 2. Special Meetings. Special meetings of the stockholders for any purposes, unless otherwise prescribed by law or by the Articles of Incorporation, may be called by the President or Secretary at the request in writing of a majority of the Board of Directors then in office, or at the request in writing of stockholders owning not less than one-tenth (1/10) of the entire capital stock of the corporation issued and outstanding and entitled to vote thereat. Such request shall state the purpose or purposes of the proposed meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice thereof.

REVISED AND ADOPTED 4/29/03

Section 3. Place of Meeting. The Board of Directors may designate any place, whether within or without the State of Florida unless otherwise prescribed by law or by the Articles of Incorporation, as the place of meeting for any annual meeting or for any special meeting of the stockholders. In the absence of any such designation, the meeting shall be held at an office of the company or at any place near an office of the company. A waiver of notice signed by all stockholders entitled to vote at a meeting may designate any place, either within or without the State of Florida unless otherwise prescribed by law or by the Articles of Incorporation, as the place for the holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be at any office of the corporation.

Section 4. Notice of Meeting. Written or printed notice stating the place, day and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting, either personally or by first-class mail, by or at the direction of the President or the Secretary, or the officer or persons that called the meeting, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the stockholder at his address as it appears on the stock transfer books of the corporation, with postage thereon prepaid.

Section 5. Waiver of Notice of Meeting. When stockholders who hold four-fifths (4/5) of the voting stock having the right and entitled to vote at any meeting, shall be present at such meeting, however called or notified, and shall sign a written consent thereto on the record of the meeting, the acts of such meeting shall be as valid as if legally called and notified.

Section 6. Voting Lists. The officer or agent having charge of the stock transfer books for shares of the corporation shall make, at least ten (10) days before each meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order, with the address and the number and class and series of shares held by each, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the principal office of the corporation and shall be subject to inspection by any stockholder during the whole time of the meeting. The original stock transfer book shall be prima facie evidence as to who are the stockholders entitled to examine such list or transfer books or to vote at any meeting of the stockholders.

Section 7. Quorum. A majority of the outstanding shares of the corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders, unless otherwise provided in the Articles of Incorporation, but in no event shall a quorum consist of less than one-third (1/3) of the shares entitled to vote at the meeting. If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding quorum.

Section 8. Voting of Shares. Each stockholder entitled to vote shall at every meeting of the stockholders be entitled to one vote in person for each share of voting stock held by him. Such right to vote shall be subject to the right of the Board of Directors to close the transfer books or to fix a record date for voting stockholders as hereinafter provided, and if such Directors shall not have exercised such right, no share of stock shall be voted on at any election for Directors which shall have been transferred on the books of the corporation within twenty (20) days next preceding such election. No stockholder shall enter into a voting trust agreement or any other type agreement vesting another person with the authority to exercise the voting power of any or all of his stock.

Section 9. Proxies. At all meetings of stockholders, a stockholder may vote by proxy, executed in writing by the stockholder or by his duly authorized attorney-in-fact; but no proxy shall be valid after eleven (11) months from its date, unless the proxy provides for a longer period. Such proxies shall be filed with the Secretary of the corporation before or at the time of the meeting.

ARTICLE III

Board of Directors

Section 1. General Powers. The business and affairs of the corporation shall be managed by its Board of Directors.

Section 2. Number, Tenure and Qualifications. The number of Directors of the corporation shall be not less than one (1) nor more the fifteen (15), the number of the same shall be fixed by the stockholders at any annual or special meeting. Each Director shall hold office until the next annual meeting of stockholders and until his successor has been qualified, unless sooner removed by the stockholders at any general or special meeting. None of the Directors need be residents of the State of Florida.

Section 3. Annual Meeting. After each annual meeting of stockholders, the Board of Directors shall hold its annual meeting at the same place as and immediately following such annual meeting of stockholders for the purpose of the election of officers and the transaction of such other business as may come before the meeting; and, if a majority of the Directors be present at such place and time, no prior notice of such meeting shall be required to be given to the

Directors. The place and time of such meeting may also be fixed by written consent of the Directors.

Section 4. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall be determined from time to time by the Board of Directors.

Section 5. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, if there be one, or the President or any two (2) Directors. The persons authorized to call special meetings of the Board of Directors may fix the place for holding any special meetings of the Board of Directors called by them.

Section 6. Notice. Notice of any special meeting shall be given at least three (3) days prior thereto by written notice delivered personally or mailed to each Director at his business address, or by telegram. If mailed, such notice shall be deemed to be delivered when deposited in United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any Director may waive notice of such meeting, either before, at or after such meeting. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 7. Quorum. A majority of the Directors shall constitute a quorum, but a smaller number may adjourn from time to time, without further notice, until a quorum is secured.

Section 8. Manner of Acting. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 9. Vacancies. Any vacancy occurring in the Board of Directors, including any vacancy created by reason of an increase in the number of directors, may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

Section 10. Compensation. By resolution of the Board of Directors, the Directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors, and may be paid a fixed sum for attendance at each meeting of the Board of Directors, or a stated salary as Directors. No payment shall preclude any Director from serving the corporation in any other capacity and receiving compensation therefor.

Section 11. Presumption of Assent. A director of the corporation who is present at a meeting of its Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken, unless he votes against such action or abstains from voting in respect thereto because of an asserted conflict of interest.

Section 12. Informal Action by Board. Any action required or permitted to be taken by any provisions of law, of the Articles of Incorporation or of these By-Laws at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if, prior to such action, a written consent thereto is signed by all members of the Board or of such committee, as the case may be, setting forth the actions of the Board or of the committee.

Section 13. Telephonic Meetings. Members of the Board of Directors or an executive committee shall be deemed present at a meeting of such board or committee if a conference telephone, or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time, is used.

Section 14. Removal. Any director may be removed, with or without cause, by the stockholders at any general or special meeting of the stockholders whenever, in the judgment of the stockholders, the best interests of the corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person removed. This by-law shall not be subject to change by the Board of Directors.

ARTICLE IV

Officers

Section 1. Number and Qualifications. The officers of the corporation shall be a President, a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors. The Board of Directors may also elect a Chairman of the Board, one or more Vice Presidents, one or more Assistant Secretaries and Assistant Treasurers and such other officers as the Board of Directors shall deem appropriate. Two (2) or more offices may be held by the same person.

Section 2. Election and Term of Office. The officers of the corporation shall be elected annually by the Board of Directors at its first meeting after each annual meeting of the stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until his successor shall have been duly elected and shall have qualified, or until his death, or until he shall resign or shall have been removed in the manner hereinafter provided.

Section 3. Removal. Any officer elected or appointed by the Board of Directors may be removed by the board of Directors whenever in its judgment the best interests of the corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. Duties of Officers. The Chairman of the Board of the corporation, or the President if there shall not be a Chairman of the Board, shall preside at all meetings of the Board of Directors and of the stockholders which he shall attend. The President shall be the chief executive officer of the corporation. Subject to the foregoing, the officers of the corporation shall have such powers and duties as usually pertain to their respective offices and such additional powers and duties specifically conferred by law, by the Articles of Incorporation, by these By-Laws, or as may be assigned to them from time to time by the Board of Directors.

Section 6. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a Director of the corporation.

Section 7. Delegation of Duties. In the absence of or disability of any officer of the corporation or for any other reason deemed sufficient by the Board of Directors, the Board may delegate his powers or duties to any other officer or to any other Director for the time being.

ARTICLE V

Executive and Other Committees

Section 1. Creation of Committees. The Board of Directors may, by resolution passed by a majority of the whole Board, designate an Executive Committee and one or more other committees, each to consist of one (1) or more of the Directors of the corporation.

Section 2. Executive Committees. The Executive committee, if there shall be one, shall consult with and advise the officers of the corporation in the management of its business and shall have and may exercise, to the extent

provided in the resolution of the Board of Directors creating such Executive Committee, such powers of the Board of Directors as can be lawfully delegated by the Board.

Section 3. Other Committees. Such other committees shall have such functions and may exercise the powers of the Board of Directors as can be lawfully delegated and to the extent provided in the resolution or resolutions creating such committee or committees.

Section 4. Meetings of Committees. Regular meetings of the Executive Committee and other committees may be held without notice at such time and at such place as shall from time to time be determined by the Executive Committee or such other committees, and special meetings of the Executive Committee or such other committees may be called by any member thereof upon two (2) days notice to each of the other members of such committee, or on such shorter notice as may be agreed to in writing by each of the other members of such committee, given either personally or in the manner provided in Section 6 of Article III of these By-Laws (pertaining to notice for Directors' meetings).

Section 5. Vacancies on Committees. Vacancies on the Executive Committee or on such other committees may be filled by the Board of Directors then in office at any regular or special meeting.

Section 6. Quorum of Committees. At all meetings of the Executive Committee or such other committees, a majority of the committee's members then in office shall constitute a quorum for the transaction of business.

Section 7. Manner of Acting of Committee. The acts of a majority of the members of the Executive Committee, or such other committees, present at any meeting at which there is a quorum, shall be the act of such committee.

Section 8. Minutes of Committees. The Executive Committee, if there shall be one, and such other committees shall keep regular minutes of their proceedings and report the same to the Board of Directors when required.

Section 9. Compensation. Members of the Executive Committee and such other committees may be paid compensation in accordance with the provisions of Section 10 of Article III (pertaining to compensation of Directors).

ARTICLE VI

Indemnification of Director and Officers

If in the judgment of a majority of the entire Board of Directors (excluding from such majority any director under consideration for indemnification), the criteria set forth in Section 607.014(1) or (2) of the Florida General Corporation Act have been met, then the Company shall indemnify any officer or director, or former officer or director, his personal representatives, devisees or heirs, in the manner and to the extent contemplated by Section 607.014.

ARTICLE VII

Certificates of Stock

Section 1. Certificates for Shares. Every holder of stock in the corporation shall be entitled to have a certificate, signed by a President or a Vice President and the Secretary or an Assistant Secretary, exhibiting the holder's name and certifying the number of shares owned by him in the corporation. The certificates shall be numbered and entered in the books of the corporation as they are issued.

Section 2. Transfer of Shares. Transfers of shares of the corporation shall be made upon its books by the holder of the share in person or by his lawfully constituted representative, upon surrender of the certificate of stock for cancellation. The person in whose name shares stand on the books of the corporation shall be deemed by the corporation to be the owner thereof for all purposes and the corporation shall not be bound to recognize any equitable or

other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof, save as expressly provided by the laws of the State of Florida.

Section 3. Facsimile Signature. Where a certificate is manually signed on behalf of a transfer agent or a registrar other then the corporation itself or an employee of the corporation, the signature of any such President, Vice President, Secretary or Assistant Secretary may be a facsimile. In case any officer or officers who have signed, or whose facsimile signature or signatures have been used, shall cease to be such officer or officers of the corporation, such certificate or certificates may nevertheless be adopted by the corporation and be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been

used thereon had not ceased to be such officer or officers of the corporation.

Section 4. Lost Certificate. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming their certificate of stock to be lost or destroyed. When authorizing such issue of new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost or destroyed.

ARTICLE VIII

Record Date

The Board of Directors is authorized, from time to time, to fix in advance a date, not more than sixty (60) nor less than ten (10) days before the date of any meeting of stockholders, or not more than sixty (60) days prior to the date for the payment of any dividend or the date for the allotment of rights, or the date when any change or conversion or exchange of stock shall go into effect, or a date in connection with the obtaining of the consent of stockholders for any purpose, as a record date for the determination of the stockholders entitled to notice of and to vote at any such meeting and any adjournment thereof, or entitled to receive payment of any such dividend or to any such allotment, or to exercise the rights in respect of any such change, conversion or exchange of stock; or to give such consent, as the case may be; and, in such case, such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

ARTICLE IX

Dividends

The Board of Directors may from time to time declare, and the corporation may pay, dividends on its outstanding shares of capital stock in the manner upon the terms and conditions provided by the Articles of Incorporation and by-laws. Dividends may be paid in cash, in property, or in shares of stock, subject to the provisions of the Articles of Incorporation and by-laws.

ARTICLE X

Fiscal Year

The fiscal year of the corporation shall be the twelve (12) month period selected by the Board of Directors as the taxable year of the corporation for federal income tax purposes

ARTICLE XI

Seal

The corporate seal shall bear the name of the corporation, which shall be between two concentric circles, and in the inside of the inner circle shall be the calendar year of incorporation, an impression of said seal appearing in the margin hereof.

ARTICLE XII

Stock in Other Corporations

Shares of stock in other corporations held by this corporation shall be voted by such officer or officers of this corporation as the Board of Directors shall from time to time designate for the purpose or by a proxy thereunto duly authorized by said Board.

ARTICLE XIII

Amendments

These By-Laws may be altered, amended or repealed and new by-laws may be adopted by the Board of Directors; provided that any by-law or amendment thereto as adopted by the Board of Directors may be altered, amended or repealed by vote of the stockholders entitled to vote thereon, or a new by-law in lieu thereof may be adopted by the stockholders. No by-law which has been altered, amended or adopted by such a vote of the stockholders may be altered, amended or repealed by a vote of the Directors until two (2) years shall have expired since such action by vote of such stockholders.

ARTICLE XIV

Reimbursement of Disallowed Expenses

Any payments made to an officer of the corporation such as salary, commission, bonus, interest or rent, or for entertainment expenses incurred by him, which shall be disallowed in whole or in part as a deductible expense by the Internal Revenue Service, shall be reimbursed by such officer to the

corporation to the full extent of such disallowance. It shall be the duty of the Directors, as a Board, to enforce payment of each such amount disallowed. Reimbursement of such disallowed amounts may, subject to the determination of the directors, be withheld in proportionate amounts from the future compensation payments of the officer until the amount owed to the corporation has been recovered.

ARTICLE XV

Advance Notice of Shareholder Nominations and Proposals

Section 1 Nominations and Proposal Requirements. Nominations of persons for election to the Board of Directors and proposals of business to be transacted by the shareholders may be made at an annual meeting of shareholders (a) pursuant to the Corporation's notice with respect to such meeting, (b) by or at the direction of the Board of Directors, or (c) by any shareholder of record of the Corporation who (1) was a shareholder of record at the time of the giving of the notice provided for in the following paragraph, (2) is entitled to vote at the

meeting and (3) has complied with the notice procedures set forth in this Article.

For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (c) of the foregoing paragraph, (1) the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation, (2) such business must be a proper matter for shareholder action under the Florida Business Corporation Code, (3) if the shareholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the Corporation with a Solicitation Notice, as that term is defined in this paragraph, such shareholder or beneficial owner must, (i) in the case of a proposal, have delivered a proxy statement and form of proxy to holders of at least the percentage of the Corporation's voting shares required under applicable law to carry any such proposal, or, (ii) in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the Corporation's voting shares reasonably believed by such shareholder or beneficial holder to be sufficient to elect the nominee or nominees proposed to be nominated by such shareholder, and must, in either case, have included in the materials accompanying such notice to the Corporation, the Solicitation Notice and any proxy statement and form of proxy utilized or to be utilized by such person, and (4) if no Solicitation Notice relating thereto has been timely provided pursuant to this Article, the shareholder or beneficial owner proposing such business or nomination must not have solicited, and must represent that he, she or it will not solicit, a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this Article. To be timely, a stockholder's notice and the required accompanying materials shall be delivered to the Secretary at the principal executive offices of the Corporation not less than ninety (90) nor more than one hundred eighty (180) days prior to the first anniversary (the "Anniversary") of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of shareholders; provided, however, that if the date of the annual meeting is advanced more than thirty (30) days prior to or delayed by more than thirty (30) days after the anniversary of the preceding year's annual meeting, notice by the shareholder to be timely must be so delivered not later than the close of business on the later of (i) the 90th day prior to such annual meeting or (ii) the 10th day following the day on which public announcement of the date of such meeting is first made. Such

stockholder's notice shall set forth (a) as to each person whom the shareholder proposes to nominate for election or reelection as a director all information relating to such person as would be required to be disclosed in solicitations of proxies for the election of such nominees as directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and shall contain such person's written consent to serve as a director if elected; (b) as to any other business that the shareholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made; (c) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nominations or proposal is made (i) the name and address of such shareholder, and of such beneficial owner, as they appear on the Corporation's books, (ii) the class and number of shares of the Corporation that are owned beneficially and of record by such shareholder and such beneficial owner, and (iii) whether such shareholder or beneficial owner has delivered or intends to deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of the Corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the Corporation's voting shares to elect such nominee or nominees (the notice described in this sentence, a "Solicitation Notice").

Section 2. Increase in Number of Directors. Notwithstanding anything in the second sentence of the second paragraph of Section 1 of this Article XV to the contrary, in the event that the number of directors to be elected to the Board is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board made by the Corporation at least fifty-five (55) days prior to the Anniversary, a stockholder's notice required by this Article shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which

such public announcement is first made by the Corporation.

Section 3. Compliance with Procedures. Only persons nominated in accordance with the procedures set forth in this Article XV shall be eligible to serve as directors and only such business shall be conducted at an annual meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Article. The chairman of the meeting shall have the power and the duty to determine whether a nomination or any business proposed to be brought before the meeting has been made in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposed business or nomination shall not be presented for shareholder action at the meeting and shall be disregarded.

Section 4. Nominations at Special Meetings. Nominations of persons for election to the Board of Directors may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board or (b) by any shareholder of record of the Corporation who is a shareholder of record at the time of giving of notice provided for in this paragraph, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in

this Article XV. Nominations by shareholders of persons for election to the Board may be made at such a special meeting of shareholders if the stockholder's notice required by the second paragraph of this Article XV shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the later of 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting.

Section 5. General. For purposes of this Article, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

Notwithstanding the foregoing provisions of this Article XV, a shareholder must also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Article XV. Nothing in this Article XV shall be deemed to affect any rights of shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

EXHIBIT 10.1

[DHHS Logo]

DEPARTMENT OF HEALTH AND HUMAN SERVICES — Food and Drug Administration

Atlanta District Office
60 Eighth Street, N.E.
Atlanta, GA 30309

Telephone: 404-253-1161
FAX: 404-253-1202

Steven G. Anderson
President and CEO
CryoLife, Inc.
1655 Roberts Blvd., NW
Kennesaw, GA 30144

Dear Mr. Anderson:

FDA and CryoLife agree to extend the Agreement dated September 5, 2002, copy attached, for 60 (sixty) more working days ending on June 13, 2003.

/s/ Mary H. Woleske — 3/17/03

Mary H. Woleske — Date
Director
Atlanta District Office

/s/ Steven G. Anderson — 3/18/03

Steven G. Anderson — Date
President and CEO
CryoLife, Inc.

Attachment

[DHHS Logo]

DEPARTMENT OF HEALTH AND HUMAN SERVICES — Food and Drug Administration

Atlanta District Office
60 Eighth Street, N.E.
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Telephone: 404-253-1161
FAX: 404-253-1202

Steven G. Anderson
President and CEO
CryoLife, Inc.
1655 Roberts Blvd., NW
Kennesaw, GA 30144

Dear Mr. Anderson:

This letter sets forth the entire agreement between CryoLife, Inc. (CryoLife),

and the Food and Drug Administration (FDA) pertaining to the disposition of certain human allograft tissues, which are subject to the August 13, 2002, FDA Order for Retention, Recall, and/or Destruction. FDA and CryoLife agree that for the next 45 working days the tissues specified below may be distributed for medically urgent use when all alternative treatments have been exhausted or are unavailable and the conditions specified below have been fulfilled. FDA and CryoLife agree that only the following human allograft tissues will be distributed for the specified medically urgent uses when alternative therapies are exhausted or unavailable:

- Non-valved cardiac conduits and patches procured from the ascending aorta and pulmonary trunk and branch for use in neonates and pediatric patients.
- Saphenous veins used for peripheral vascular bypass when no alternative materials are available.
- Femoral veins and arteries used for dialysis access when synthetic access device becomes infected and when external bridging is not possible.
- Aorto-iliac artery for infected abdominal grafts:
  - femoral veins and arteries for iliac extension.
- Saphenous veins used for cardiac bypass when no suitable autologous tissue is available, including internal mammary, saphenous and other sites.

CryoLife and FDA agree that the specified tissues will be released for distribution only after CryoLife completes the following steps:

1. CryoLife will obtain a prescription from the surgeon for the tissue requested, including its specific use. The prescription will include the surgeon's tissue requirements for the patient. CryoLife will obtain from the surgeon a written certification that all other alternatives have been exhausted or are unavailable and that there is an urgent medical need for the tissue requested. For non-valved cardiac conduits and patches, CryoLife will obtain from each pediatric surgical center, in addition to the information described above, a request for the number of tissues that the center estimates it may use during the 45 day period for which this agreement is in effect.

2. CryoLife will inform surgeons that patients should be notified that the tissue is subject to an FDA recall, that there is a risk of infection associated with these tissue implants, and that alternative, approaches, including non-surgical, should be exhausted or unavailable before using this tissue. CryoLife will obtain from the surgeon either a written acknowledgement that he has or will inform the patient of the above factors or, if this is contained in the informed consent, a copy of that document. CryoLife will also request immediate feedback from surgeons of any suspected infections after use of the tissue.

3. CryoLife will contact Tissue and Organ Procurement Organizations (TOPOs or OPOs) or other facilities that procured the tissues described above to ascertain if microbial cultures were performed during or after procurement; if cultures were performed, CryoLife will obtain documentation of the results of that testing. Any tissues shown by these tests to have been obtained from a donor whose tissue has cultured positive for microorganisms that have been associated with infection, or could be indicative of other microorganisms that have been associated with infections, including but not limited to, Clostridium, Candida and Escherichia coli (hereafter referred to as indicator organisms), will not be released. If there are no microbial records available from the procurement site, CryoLife will include additional labeling as described in paragraph number 6 below.

4. CryoLife will perform a retrospective review of its own pre-packaging microbiological testing records for all associated donor tissue. If indicator microorganisms were isolated, the tissue will not be released.

5. CryoLife will perform a search of its complaint files to ascertain if there are any complaints regarding infections for all associated donor tissue. If there are any such complaints with regard to any associated donor tissue, no tissue from the same donor will be released.

6. CryoLife will provide the following information in addition to its routine labeling for tissue for distribution: in bold, red caps, in at least

12-point, "BIOHAZARD: THIS TISSUE IS SUBJECT TO AN FDA ORDER FOR RECALL AND RETENTION BASED ON FDA CONCERNS OVER THE VALIDATION OF THE METHODS USED TO PREVENT INFECTIOUS DISEASE CONTAMINATION AND CROSS-CONTAMINATION. IT IS BEING RELEASED DUE TO URGENT MEDICAL NEED AND IS ONLY FOR USE FOR THE INTENDED RECIPIENT."

For tissue not tested at procurement, CryoLife will further label the tissue as, "PROCUREMENT CULTURES WERE NOT PERFORMED PRIOR TO RECEIPT AND PROCESSING BY CRYOLIFE."

7. CryoLife will document and maintain records of its actions under this agreement, and make such records available for FDA review. For non-valved cardiac conduits and patches, CryoLife will also track and document all tissue that is released pursuant to this agreement.

In addition, CryoLife agrees to implement the following interim procedures to help prevent infectious disease contamination or cross-contamination of tissue during processing:

1. CryoLife will perform pre-processing cultures on all incoming tissues prior to antibiotics, disinfectants, or sterilizing agents that would include either 100% swabbing or 10% destructive testing. All testing of pre-processing samples will be performed by a contract laboratory with validated methods, until such time as CryoLife's test methods are adequately validated. Tissues contaminated with indicator microorganisms that cannot be reliably cleared by CryoLife's processing system will be discarded.

2. CryoLife will perform pre-packaging cultures on all tissue made available for distribution, using either 100% swabbing or 10% destructive sterility testing. All testing of pre-packaging samples will be performed by a contract laboratory with validated methods, until such time as CryoLife's test methods are adequately validated. All tissue from a donor will be discarded if indicator microorganisms are found in any tissue from that donor. In lieu of 100% swabbing or 10% destructive sterility testing, CryoLife will demonstrate that the current practice of processing companion tissue for the purpose of pre-packaging cultures adequately represents the tissue being processed through validation of this process.

3. CryoLife will establish a corrective action plan within 30 days that will include steps to validate its processing procedures to prevent infectious disease contamination and cross-contamination of tissue during processing, including any procedures to ensure that tissue distributed by CryoLife is free, or reasonably free, from microbial contamination. This corrective action plan will include specific and prompt timeframes for completion of each step. CryoLife agrees to engage a consultant/third party reviewer to assist CryoLife in this validation.

4. CryoLife agrees to replace tissue subject to the FDA Order and specified in this agreement with tissue that has been processed using the interim procedures above as soon as such tissue is available. As such newly processed tissue becomes available, CryoLife agrees not to release tissue subject to the Order and this agreement pending further arrangements for ensuring the proper disposition of such tissues. Any further arrangements must be agreed upon in writing between CryoLife and an authorized official of the FDA.

This agreement will remain in effect for forty-five (45) working days from the date of signature by all parties. FDA will review records and other relevant information related to CryoLife's release of tissue under this agreement, as well as the status of CryoLife's corrective action plan, before determining whether this agreement should be renewed or modified to provide for any further release of tissue subject to the Order of Retention, Recall, and/or Destruction. FDA has encouraged CryoLife, and CryoLife has agreed, to implement adequate corrective actions as rapidly as possible and to replace tissue subject to the Order with tissue processed subsequently under the interim procedures. This agreement supplements the August 13, 2002, FDA Order for Retention, Recall, and/or Destruction and, except to the limited extent provided herein, does not in any way supercede, limit, or modify that Order.

/s/ Barbara A. Wood — 9/5/02

Barbara A. Wood — Date
Acting Director
Atlanta District Office

/s/ Steven G. Anderson — 9/5/02

Steven G. Anderson — Date
President and CEO
CryoLife, Inc.

EXHIBIT 10.2

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment to Employment Agreement (the "Amendment") dated as of the 1st day of May, 2003 amends that certain Employment Agreement (the "Agreement") dated September 3, 2002 between CryoLife, Inc., a Florida corporation ("CryoLife") and Steven G. Anderson (the "Employee").

W I T N E S S E T H:

WHEREAS, the parties inadvertently failed to include certain agreements respecting major medical and life insurance benefits they intended to include in the Agreement when they prepared and executed the Agreement; and

WHEREAS, in order to correct this mistake, the parties have entered into this Amendment.

NOW, THEREFORE, in consideration of the premises, the promises hereinafter set forth and other good and valuable consideration, and in order to amend the Agreement so that it correctly contains all of the agreements and understandings of the parties, the Agreement is hereby amended as follows effective as of September 3, 2002:

1. Paragraph 6(b) of the Agreement is hereby deleted in its entirety and replaced with the following:

(b) Death. If the Employee's employment is terminated by reason of the Employee's death during the Employment Period, this Agreement shall terminate without further obligation to the Employee's legal representatives under this Agreement, other than for (i) payment of obligations occurring through the Date of Termination plus one year's salary and (ii) for the provision of health insurance to Employee's wife, Ann B. Anderson. In the event of Employee's demise prior to the termination of this Agreement, CryoLife agrees to continue the major medical insurance described in the schedules attached to this Agreement for Employee's wife, Ann B. Anderson, for the duration of her life.

2. The following paragraph is added to Exhibit A of the Agreement:

Life Insurance. The life insurance benefits described in the attached pages from the CryoLife Employee Handbook but without the maximum benefit limitation of $350,000.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

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

/s/ Steven G. Anderson

Steven G. Anderson

CRYOLIFE, INC.

By: /s/ Ronald D. McCall

Ronald D. McCall, Esq.
Director, Compensation Committee
Member

EXHIBIT 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CryoLife Inc. (the "Company") on Form 10-Q for the quarter ending March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of Steven G. Anderson, the Chairman, President, and Chief Executive Officer of the Company, and David Ashley Lee, the Vice President, Treasurer, and Chief Financial Officer of the Company, hereby certifies, pursuant to and for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ STEVEN G. ANDERSON	/s/ DAVID ASHLEY LEE
STEVEN G. ANDERSON	DAVID ASHLEY LEE
Chairman, President, and	Vice President, Treasurer, and
Chief Executive Officer	Chief Financial Officer
May 5, 2003	May 5, 2003