

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 8-K/A
AMENDMENT NO. 1

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 5, 1997

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

Commission File Number - 0-21104

Florida
(State or other jurisdiction of
incorporation)

59-2417093
(IRS Employer Identification No.)

1655 Roberts Boulevard, N.W.
Kennesaw, Georgia
(Address of principal executive offices)

30144
(Zip Code)

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

(Former name or former address, if changed since last report) Not Applicable

EXPLANATORY NOTE: On March 19, 1997, CryoLife, Inc. (the "Registrant") filed with the Securities and Exchange Commission (the "Commission") a Report on Form 8-K (the "Initial 8-K Report") with respect to the Registrant's merger of Ideas for Medicine, Inc., a Florida corporation ("IFM") with and into CryoLife Acquisition Corporation, a Florida corporation wholly-owned by the Registrant.

In accordance with Item 7(a)(4) of Form 8-K, the Initial 8-K Report did not include the historical IFM financial statements and the condensed consolidated pro forma financial information of the Registrant (the "Financial Information") and instead contained an undertaking to file the Financial Information with the Commission in an amendment to the Initial 8-K Report as soon as practicable, but not later than 60 days after March 20, 1997. This amendment is being filed for the purpose of satisfying the Registrant's undertaking to file the Financial Information, and this amendment should be read in conjunction with the Initial 8-K Report.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements.

The balance sheet of IFM as of December 31, 1996, and the related statements of income and retained earnings, and cash flows for the year ended December 31, 1996, together with the related notes and audit report of Ernst & Young LLP, are included herein.

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Report of Independent Auditors

Board of Directors and Shareholders
Ideas for Medicine, Inc.

We have audited the accompanying balance sheet of Ideas for Medicine, Inc. as of December 31, 1996, and the related statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ideas for Medicine, Inc. at December 31, 1996, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

February 5, 1997

ERNST & YOUNG LLP

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IDEAS FOR MEDICINE, INC.
BALANCE SHEET
DECEMBER 31, 1996

ASSETS

Current assets:

Cash	\$	180,408
Accounts receivable, net of allowance for doubtful accounts of \$10,590		741,352
Inventories		651,882
Prepaid expenses		47,311

Total current assets 1,620,953

Property and equipment, net 200,065

Other assets, net		6,586

	\$	1,827,604
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$	220,240
Accrued liabilities		64,020

Total current liabilities		284,260
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$.01 par value; 150,000 shares authorized; 105,590 shares issued and outstanding		1,056
Additional paid-in capital		642,768
Retained earnings		899,520

Total shareholders' equity		1,543,344

	\$	1,827,604
		=====

See accompanying notes.
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IDEAS FOR MEDICINE, INC.

STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1996

Net sales	\$	6,344,114
Cost of sales		3,331,669

Gross profit		3,012,445
Selling, general and administrative expenses		2,660,051

Operating income		352,394
Other income, net		1,805

Net income		354,199
Retained earnings at beginning of year		1,095,321

		1,449,520
Less distributions paid		550,000

Retained earnings at end of year	\$	899,520
		=====

See accompanying notes.

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IDEAS FOR MEDICINE, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 1996

OPERATING ACTIVITIES		
Net income	\$	354,199
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		153,952
Provision for doubtful accounts		11,272
Loss on disposal of assets		5,181
Changes in operating assets and liabilities:		
Accounts receivable		61,023
Inventories		(35,856)
Other assets		16,046
Accounts payable and accrued liabilities		93,029

Net cash provided by operating activities		658,846
INVESTING ACTIVITIES		
Purchases of property and equipment		(107,579)
Net cash used in investing activities		(107,579)
FINANCING ACTIVITIES		
Payments of note		(12,398)
Distributions paid		(550,000)

Net cash used in financing activities		(562,398)

Net decrease in cash		(11,131)
Cash at beginning of year		191,539

Cash at end of year	\$	180,408
		=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$	157
		=====

See accompanying notes.

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IDEAS FOR MEDICINE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1996

1. NATURE OF BUSINESS

Ideas for Medicine, Inc. (the "Company") is a closely-held Florida corporation. The Company designs and manufactures a variety of surgical devices. The devices are marketed primarily to hospitals in the United States and throughout the world through stocking and non-stocking distributors. The Company's corporate offices and manufacturing facilities are located in Clearwater, Florida.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION

Sales are recorded when the related goods are shipped.

INVENTORIES

Inventories are stated at the lower of average cost or market.

PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost. Depreciation is computed primarily using accelerated methods over the following useful lives:

Manufacturing Equipment	5-7 years
Office furniture and equipment	5-7 years
Leasehold improvements	Life of lease

PATENTS

Patent costs are expensed in the period in which they are incurred.

INCOME TAXES

The Company operates as an "S" Corporation under the Internal Revenue Code and, consequently, is not subject to federal income tax. The Company's shareholders include their proportionate shares of the Company's income in their individual income tax returns.

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IDEAS FOR MEDICINE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. INVENTORIES

Inventories consist of the following at December 31, 1996:

Finished Goods	\$	317,757
Work-in-process		53,663
Raw Materials		280,462
	\$	651,882

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 1996:

Manufacturing equipment	\$	450,390
Office furniture and equipment		215,334
Leasehold improvements		101,750
		767,474
Less accumulated depreciation and amortization		567,409
	\$	200,065

5. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses, aggregating \$260,000 in 1996 are expensed as incurred.

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IDEAS FOR MEDICINE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. CREDIT ARRANGEMENTS

Under a revolving line of credit arrangement dated September 27, 1996 with a bank, the Company may borrow up to \$250,000 with borrowings due and payable on demand. No amounts were borrowed under such line during 1996.

7. COMMITMENTS AND CONTINGENCIES

During 1996 the Company leased its facilities under a non-cancelable operating lease which expired December 31, 1996. Rent expense for 1996 totaled \$172,000. Effective January 1, 1997, the Company leases its manufacturing facilities on a month-to-month basis (see Note 8) and its office facility is leased under a non-cancelable operating lease expiring on December 31, 1997. Minimum rent payments under this one-year lease total \$20,000.

8. RELATED PARTY TRANSACTIONS

The Company leases its manufacturing facilities from shareholders of the Company under month-to-month leases for \$7,000 per month.

9. CONCENTRATION OF CREDIT RISK

The Company maintains the majority of its cash balances at one financial institution. These balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. The uninsured balance on deposit at the financial institution totaled \$220,000 at December 31, 1996.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported in the balance sheet for cash, accounts receivable, and accounts payable approximate their fair values.

11. LEGAL COSTS

During 1996 the Company incurred legal expenses aggregating \$117,000 relating to the settlement of three separate lawsuits.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. GEOGRAPHIC AREA

The Company produces surgical devices for hospitals in the United States and throughout the World. All sales are to unaffiliated customers. Sales to international distributors aggregated \$1,304,000 in 1996.

13. PROPOSED MERGER

The Company is involved in negotiations with a third-party corporation for a proposed merger of the Company with and into a wholly-owned subsidiary of CryoLife, Inc. The accompanying financial statements do not include any adjustments which may be required upon the successful completion of such a merger.

14. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT

On March 5, 1997 CryoLife, Inc. acquired the stock of the Company for consideration of approximately \$4.5 million in cash and approximately \$5 million in convertible debentures plus related expenses. The acquisition was accounted for as a purchase.

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(b) Unaudited Pro Forma Condensed Consolidated Financial Information.

Set forth below are the following unaudited pro forma condensed consolidated financial statements:

1. Introduction to Condensed Consolidated Pro Forma Financial Statements.
2. Pro Forma Condensed Consolidated Statement of Income for the Year Ended December 31, 1996.
3. Pro Forma Condensed Consolidated Balance Sheet as of December 31, 1996.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

INTRODUCTORY NOTE: The following unaudited pro forma condensed consolidated balance sheet and statement of income reflect the financial position at December 31, 1996 and results of operations for the year ended December 31, 1996 of CryoLife, Inc. (the "Registrant") as if the acquisition of Ideas for Medicine (IFM) on March 5, 1997 had occurred on December 31, 1996 and January 1, 1996, respectively.

The unaudited pro forma condensed consolidated balance sheet and statement of income do not purport to represent the Registrant's financial position or results of operations had the transactions actually occurred on December 31, 1996 or January 1, 1996, respectively, or to project the Registrant's consolidated results of operations for any future periods.

The pro forma adjustments are based upon available information. These adjustments are directly attributable to the transaction referred to above, and are expected to have a continuing impact on the Registrant's business, results of operations, and financial position. The following unaudited pro forma condensed consolidated financial statements should be read in conjunction with the historical financial statements of the Registrant, which are included in its Form 10-K for the year ended December 31, 1996, and Ideas for Medicine, Inc., which are included elsewhere herein.

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CRYOLIFE, INC.
PROFORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1996
(UNAUDITED)

	CRYOLIFE, INC. YEAR ENDED 12/31/96	IDEAS FOR MEDICINE YEAR ENDED 12/31/96	PRO FORMA ADJUSTMENTS	PRO FORMA CONSOLIDATED YEAR ENDED 12/31/96
	-----	-----	-----	-----
REVENUES:				
Cryopreservation and product	\$ 36,678,000	\$ 6,344,000		\$ 43,022,000
Grants, licenses and other	361,000			361,000
Interest income	189,000	2,000		191,000
	-----	-----		-----
Total revenues	37,228,000	6,346,000		43,574,000
COST AND EXPENSES:				
Preservation costs and cost of products sold	12,593,000	3,332,000		15,925,000
General and administrative	15,673,000	2,510,000	\$ 200,000 (A)	18,531,000
			10,000 (B)	
			488,000 (C)	
			(350,000) (D)	
Research and development	2,807,000	150,000		2,957,000
Interest expense	72,000		733,000 (E)	805,000
	-----	-----	-----	-----
Total costs and expenses	31,145,000	5,992,000	1,081,000	38,218,000
Income before income taxes	6,083,000	354,000	(1,081,000)	5,356,000
Income tax expense (benefit)	2,156,000		(240,000) (F)	1,916,000
Net income	\$ 3,927,000	\$ 354,000	\$ (841,000)	\$ 3,440,000
	=====	=====	=====	=====
Earnings per share of common stock	\$ 0.40			\$ 0.35
	=====			=====
Weighted average common and common equivalent shares outstanding	9,906,000			9,906,000
	=====			=====

- (A) Represents consulting agreement with former principal owner of Ideas for Medicine.
- (B) Represents automobile allowance with former principal owner of Ideas for Medicine.
- (C) Represents amortization associated with intangible assets recorded in connection with the acquisition.
- (D) Adjustments for the salary of personnel who are no longer with the Registrant.
- (E) Adjustments of interest expense for borrowings and indebtedness related to the acquisition.
- (F) Income tax benefit related to additional expenses and IFM subchapter S

pretax income.

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CRYOLIFE, INC.
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1996

	CryoLife, Inc. December 31, 1996	Ideas for Medicine December 31, 1996	Pro Forma Adjustments	Consolidated Pro Forma December 31, 1996
ASSETS:				
Cash	\$ 1,370,000	\$ 181,000		\$ 1,551,000
Marketable Securities	43,000			43,000
Receivables, net	8,197,000	741,000	\$ (23,000) (A)	8,915,000
Deferred preservation costs	7,178,000			7,178,000
Inventories	260,000	652,000	84,000 (B)	996,000
Prepaid expenses	846,000	47,000		893,000
Deferred income taxes	287,000			287,000
Total current assets	18,181,000	1,621,000	61,000	19,863,000
Property and equipment	11,567,000	200,000	(100,000) (C)	11,667,000
Goodwill	1,846,000		6,873,000 (D)	8,719,000
Other intangibles	3,379,000	7,000	1,697,000 (D)	5,083,000
Total assets	\$ 34,973,000	\$ 1,828,000	\$ 8,531,000	\$ 45,332,000
LIABILITIES				
Accounts payable	\$ 3,696,000	\$ 220,000		\$ 3,916,000
Accrued expenses	934,000	64,000	\$ 575,000 (E)	1,573,000
Accrued procurement fees	1,210,000			1,210,000
Current maturities of debt	527,000			527,000
Accrued compensation	878,000			878,000
Total current liabilities	7,245,000	284,000	575,000	8,104,000
Bank line of credit	1,250,000		4,500,000 (F)	5,750,000
Long-term debt	1,549,000		5,000,000 (F)	6,549,000
Shareholders' equity				
Common Stock	101,000	1,000	(1,000) (G)	101,000
APIC	17,128,000	643,000	(643,000) (G)	17,128,000
Retained earnings	7,902,000	900,000	(900,000) (G)	7,902,000
Treasury stock	(1,000)			(1,000)
Shareholder notes receivable	(180,000)			(180,000)
Unrealized loss	(21,000)			(21,000)
Total liabilities and shareholders' equity	\$ 34,973,000	\$ 1,828,000	\$ 8,531,000	\$ 45,332,000

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CRYOLIFE, INC.
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1996

- (A) To adjust accounts receivable to net realizable value.
- (B) To write up finished goods inventory to net realizable value.
- (C) To adjust property and equipment to net realizable value as a result of the Registrant's intentions to replace certain equipment in connection with construction of IFM's new office/manufacturing facilities.
- (D) To record goodwill and other intangible assets resulting from the acquisition of IFM. The expected useful lives of such assets range from 5

to 20 years.

- (E) To accrue expenses associated with the acquisition.
- (F) To record borrowings on the line of credit and the issuance of the convertible subordinated debenture in connection with the acquisition of IFM. The former stockholders of IFM received an aggregate consideration of \$9.5 million, consisting of \$4.5 million in cash and a convertible subordinated debenture in the principal amount of \$5 million.
- (G) To eliminate the equity of IFM.

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(c) Exhibits.

Exhibit Number	Description
- -----	-----
2.1*	Agreement and Plan of Merger dated as of March 5, 1997 among the Registrant, Ideas For Medicine, Inc. ("IFM") and Stockholders of IFM.
23.1	Consent of Ernst & Young LLP

 * PREVIOUSLY FILED.

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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 hereunto duly authorized.

CRYOLIFE, INC.

Date: May 15, 1997 By: /s/ Edwin B. Cordell, Jr.

 Edwin B. Cordell, Jr., Vice President and
 Chief Financial Officer

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EXHIBIT INDEX

Exhibit

Number Description

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23.1 Consent of Ernst & Young LLP

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* PREVIOUSLY FILED.

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EXHIBIT 23.1

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CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statement No. 333-16581 on Form S-3 and Registration Statement Nos. 33-83996, 33-84048, 333-03513 and 333-06141 on Forms S-8 pertaining to CryoLife, Inc., of our report dated February 5, 1997, with respect to the financial statements of Ideas for Medicine, Inc., included in CryoLife, Inc.'s Form 8-K/A (Amendment No. 1) dated March 5, 1997.

Ernst & Young LLP

Atlanta, Georgia
May 13, 1997

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