AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 19, 1998

REGISTRATION NO. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CRYOLIFE, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

FLORIDA	58-2417093
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

1655 ROBERTS BOULEVARD, N.W.
KENNESAW, GEORGIA 30144
(770) 419-3355
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

STEVEN G. ANDERSON
CHIEF EXECUTIVE OFFICER
CRYOLIFE, INC.
1655 ROBERTS BOULEVARD, N.W.
KENNESAW, GEORGIA 30144
(770) 419-3355
(NAME, ADDRESS, INCLUDING ZIP CODE AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES OF COMMUNICATIONS TO:

B. JOSEPH ALLEY, JR., ESQ.	WILLIAM T. WHELAN, ESQ.
ARNALL GOLDEN & GREGORY, LLP	PALMER & DODGE LLP
2800 ONE ATLANTIC CENTER	ONE BEACON STREET
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ATLANTA, GEORGIA 30309	(617) 573-0100
(404) 873-8500	

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [_]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [_]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.^[_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [_]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE(1)
Common Stock, $.01 par value.....	2,875,000 Shares	$14.44	$41,507,812.50	$12,245

(1) Calculated pursuant to Rule 457(c) and based on the average of the high and low prices of the Company's Common Stock on February 18, 1998, as reported on the New York Stock Exchange.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

+INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAW OF ANY SUCH STATE.+

PROSPECTUS Subject to completion, dated February 19, 1998

2,500,000 Shares

[CRYOLIFE LOGO]

CRYOLIFE, INC.

Common Stock

Of the 2,500,000 shares of Common Stock, par value $.01 per share (the "Common Stock"), offered hereby (this "Offering"), 2,263,000 shares are being offered by CryoLife, Inc. ("CryoLife" or the "Company"), and 237,000 shares are being offered by certain shareholders of the Company (the "Selling Shareholders"). The Company will not receive any net proceeds from the sale of the shares of Common Stock offered by the Selling Shareholders.

The Common Stock is quoted on the New York Stock Exchange ("NYSE") under the symbol "CRY." On February 18, 1998, the last reported sale price of the Common

Stock on the NYSE was $14 per share. See "Price Range of Common Stock."

FOR A DISCUSSION OF CERTAIN RISKS OF AN INVESTMENT IN THE SHARES OF COMMON STOCK OFFERED HEREBY, SEE "RISK FACTORS" ON PAGES 7-12.

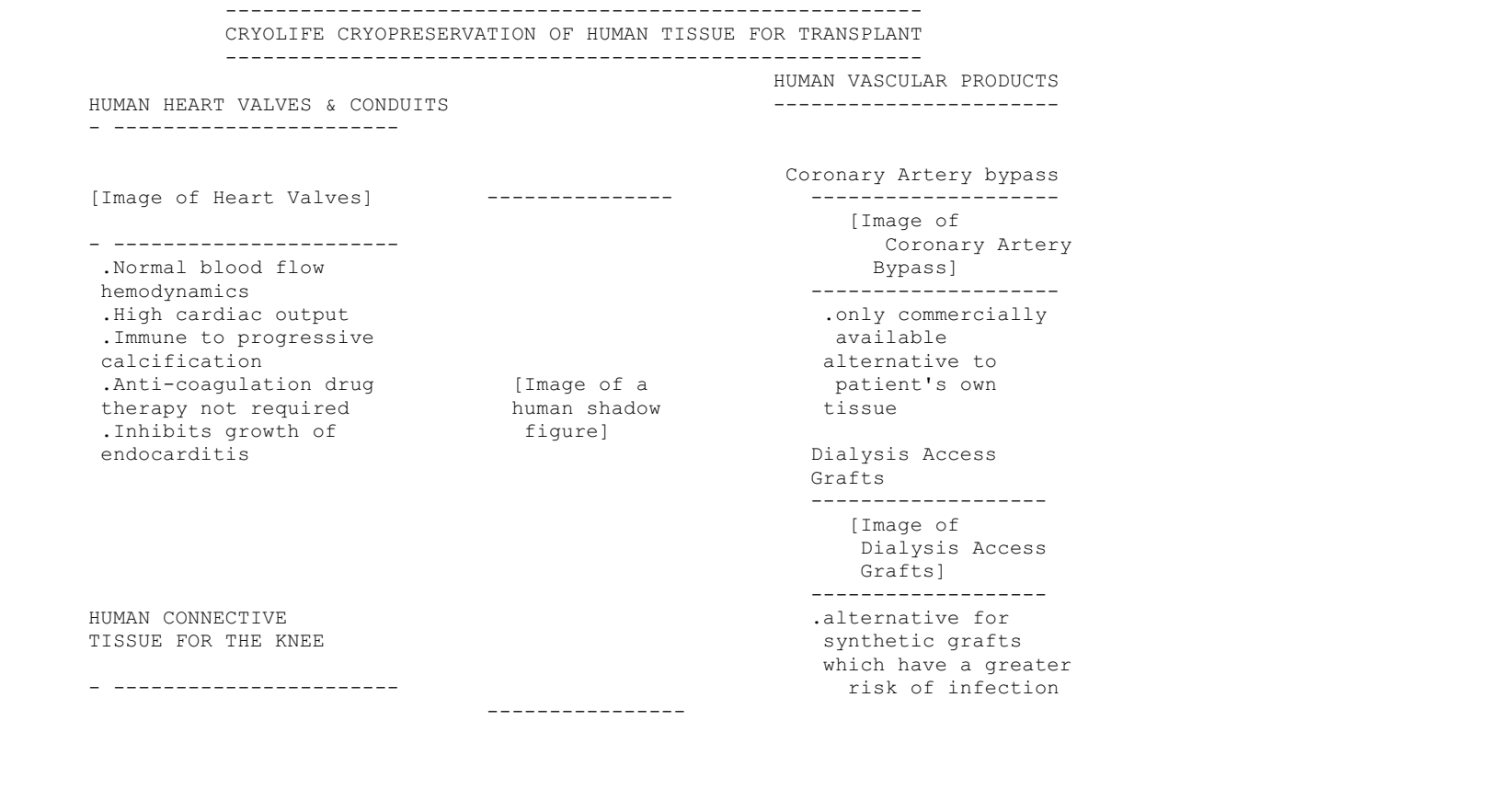
THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions(/1/)	Proceeds to Company(/2/)	Proceeds to Selling Shareholders
Per Share	$	$	$	$
Total(3)	$	$	$	$

(1) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
(2) Before deducting expenses of this Offering payable by the Company estimated to be $700,000.
(3) The Company has granted the Underwriters a 30-day option to purchase up to 375,000 additional shares of Common Stock on the same terms per share solely to cover over-allotments, if any. If such option is exercised in full, the total Price to Public will be $, total Underwriting Discounts and Commissions will be $ and the total Proceeds to the Company will be $. See "Underwriting."

The Common Stock is being offered by the Underwriters as set forth under "Underwriting" herein. It is expected that the delivery of the certificates therefor will be made at the offices of SBC Warburg Dillon Read Inc., New York, New York, on or about , 1998. The Underwriters include:

SBC WARBURG DILLON READ INC. PIPER JAFFRAY INC.



[Image of Orthopaedic Tissue]

.Only provider of meniscal tissue

Peripheral Vascular Reconstruction

[Image of Peripheral Vascular Reconstruction]

.only commercially available small diameter conduit product for below-the-knee vascular reconstruction

Venous Valve Transplant

[Image of Venous Valve Transplant]

.only commercially available surgical alternative to chronic drug therapy

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK, INCLUDING OVER-ALLOTMENT, STABILIZING AND SHORT COVERING TRANSACTIONS AND THE IMPOSITION OF A PENALTY BID, DURING AND AFTER THIS OFFERING. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

The Company's logo, CryoLife(R), BioGlue(R), FibRx(R) and SynerGraft(R) are registered trademarks of the Company, and CryoLife-O'Brien(TM), CryoLife-O'Brien SG(TM), CryoLife-Ross(TM) and CryoLife-Ross SG(TM) are trademarks of the Company. All other trademarks, service marks and trade names referred to in this Prospectus are the property of their owners.

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CRYOLIFE BIOPROSTHETIC CARDIOVASCULAR DEVICES

Stentless Porcine Heart Valves

CryoLife-O'Brien(TM) Aortic Valve

[Image of CryoLife-O'Brien(TM) Aortic Valve]

.Matched Composite leaflet design approximates human blood flow characteristics

.Single suture line simplifies surgical implantation techniques

Absence of synthetic material reduces the risk of bacterial infection.

Synergraft(R) Technology

CryoLife-Ross(TM) Pulmonary Valve

[Image of CryoLife-Ross(TM) Pulmonary Valve]

Attached conduit of porcine tissue mimics structure of human heart valve simplifying implantation procedure

Cryopreserved Depopulated Stentless Porcine Valve

[Image of Cryopreserved Depopulated Stentless Porcine Valve]

.reduces the transplant recipient's immune response and resulting calcification

.provides platform for patient's own cells to naturally populate the implant

Cryopreserved Repopulated

Stentless Porcine Valve

Reseeds animal tissues with viable human cells prior to implantation

[Image of reseeded stentless porcine valve]

The products above, with the exception of the Ideas for Medicine products, are under development and have not been approved by the FDA for commercial sale in the U.S. The process of obtaining FDA clearance or approval may be lengthy, and there can be no assurance that the products will be approved by the FDA.

[art appears here]

CRYOLIFE IMPLANTABLE BIOMATERIALS

BIOGLUE(R) SURGICAL ADHESIVE

[Image of BioGlue]

Designed to be used for vascular repair
.double syringe mixing
.CE Mark approval

FIBRX(R) SURGICAL SEALANT

[Image of FibRx]

Designed to be used for hemostasis and adhesion applications
.Light-activated
.Single syringe or spray applicator

CRYOLIFE SINGLE USE MEDICAL DEVICES

Pruitt-Inahara Shunt

[Image of IFM product line]

Dual Lumen Embolectomy Catheters

[Image of Pruitt-Inahara shunt]

.Barrier feature reduces migration of plaque

[Image of Dual Lumen Embolectomy Catheters]

.Water irrigation mechanism enhances physician's ability to remove whole blood clots

The products above, with the exception of the Ideas for Medicine products, are under development and have not been approved by the FDA for commercial sale in the U.S. The process of obtaining FDA approval may be lengthy, and there can be no assurance that the products will be cleared or approved by the FDA.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and the Consolidated Financial Statements and Notes thereto appearing elsewhere in this Prospectus or incorporated herein by reference, including the information under "Risk Factors." Unless otherwise indicated, all information in this Prospectus assumes that the Underwriters' over-allotment option is not exercised and that the Selling Shareholders sell 237,000 shares. See Glossary on page 58 for definitions of certain terms used herein.

THE COMPANY

CryoLife is the leader in the cryopreservation of viable human tissues for cardiovascular, vascular and orthopaedic transplant applications, and develops and commercializes additional implantable products and single-use medical devices. The Company estimates that it provided approximately 80% of the cryopreserved human tissue implanted in the U.S. in 1997. The Company uses its

expertise in biochemistry and cell biology, and its understanding of the needs of the cardiovascular, vascular and orthopaedic surgery medical specialties, to continue expansion of its core cryopreservation business and to develop or acquire complementary implantable products and technologies for these fields. The Company develops bioprosthetic cardiovascular devices including a novel design stentless porcine heart valve currently marketed in the European Community and a proprietary process for non-viable animal tissue designed to improve human biocompatibility. The Company also develops proprietary implantable surgical bioadhesives, including BioGlue surgical adhesive, which it has begun commercializing for vascular applications within the European Community. In addition, the Company manufactures and distributes, through its Ideas For Medicine, Inc. ("IFM") subsidiary, single-use medical devices for use in vascular surgical procedures. The Company has generated compound annual growth rates in revenues and earnings per share, including contributions from acquisitions, of 24% and 68%, respectively, since 1993.

CryoLife processes and distributes for transplantation cryopreserved human heart valves and conduits, human vascular tissue and human connective tissue for the knee. Revenues from these services, which were $44.2 million, or 87%, of the total revenues in 1997, have grown at a compound annual growth rate of 24% since 1993. Based on detailed follow-up data available from approximately 1,700 documented implant procedures performed with the Company's cryopreserved human heart valves and conduits, management believes that cryopreserved human heart valves and conduits offer certain advantages over mechanical, synthetic and animal-derived alternatives. Depending on the alternative, these advantages include more natural functionality, elimination of a chronic need for anti-coagulation drug therapy, reduced incidence of reoperation and reduced risk of catastrophic failure, thromboembolism (stroke) or calcification. The U.S. market for implantable products targeting indications addressed by the Company's cryopreserved tissues was approximately $950 million in 1997. Since 1993, cryopreserved human tissues have captured an increasing share of this market. For example, since 1993, the total U.S. replacement heart valve market grew at a compound annual growth rate of approximately 7%, while CryoLife's revenues from cryopreservation of human heart valves and conduits grew at a compound annual growth rate of approximately 21%. The Company seeks to expand the availability of human tissue through its established relationships with over 250 tissue banks and organ procurement agencies nationwide.

CryoLife develops and markets outside the U.S. bioprosthetic cardiovascular devices for transplantation, currently consisting of fixed stentless porcine heart valves. Fixed porcine heart valves are often preferred by surgeons for procedures involving elderly patients because they eliminate the risk of patient non-compliance with long-term anti-coagulation drug therapy associated with mechanical valves, are less expensive than human heart valves and their shorter longevity is more appropriately matched with these patients' life expectancies. Fixed porcine heart valves address a worldwide target market estimated to have been $175 million in 1997. Unlike most other available porcine heart valves, the Company's stentless porcine heart valves do not contain synthetic materials which increase the risk of endocarditis, a debilitating and potentially deadly bacterial infection. The

Company's CryoLife-O'Brien aortic heart valve, currently marketed in the European Community and certain other territories outside the U.S., is a stentless porcine heart valve which contains a matched composite leaflet design that approximates human heart valve blood flow characteristics and requires only a single suture line which simplifies surgical implantation. The Company intends to submit a CE Mark application for the CryoLife-Ross pulmonary heart valve, another of the Company's fixed stentless porcine valves, for marketing in the European Community. The Company plans to apply its proprietary SynerGraft technology to its stentless porcine heart valves. SynerGraft involves the depopulation of living cells from the structure of non-viable animal heart tissue and the repopulation of such tissue with human cells. This process is designed to reduce calcification of porcine heart valves, thereby increasing longevity, and more generally to improve the biocompatibility and functionality of such tissue. The Company believes that its porcine heart valves, when treated with SynerGraft technology, will expand its opportunity to address the broader international and U.S. heart valve markets, estimated to be $348 million and $395 million, respectively, in 1997.

CryoLife is developing implantable biomaterials for use as surgical adhesives and sealants. The Company's patent protected BioGlue surgical adhesive, designed for cardiovascular and peripheral vascular applications, is a polymer

based on a derivative of a blood protein and a cross-linking agent. The Company's patent protected FibRx surgical sealant, designed for tissue hemostasis and suture line sealing, is a light-activated, biodegradable surgical sealant under development which is based on a derivative of the human blood factors fibrinogen and thrombin. Both of these products may be used with or without sutures or staples, and may offer advantages over sutures and staples, including more effective sealing and easier application. The Company estimates that the annual worldwide market for surgical sutures and staples in 1997 was in excess of $2 billion. The Company recently received CE Mark Certification for its BioGlue surgical adhesive which permits the Company to begin marketing this product in the European Community for vascular applications.

CryoLife manufactures and distributes, through its IFM subsidiary, single-use medical devices including endarterectomy surgical instruments, intravascular shunts, infusion ports, accessories utilized in laparoscopic procedures and a wide range of single and dual lumen balloon catheters. The Company believes that many of its existing single-use medical devices have novel proprietary features that offer clinical advantages over competing products. For example, the Company's Pruitt-Inahara Shunt was the first endarterectomy shunt available to surgeons which contains a barrier feature designed to reduce migration of plaque particles to the brain during surgery. Another example is the Company's dual lumen embolectomy catheter incorporating a novel water irrigation mechanism which enables physicians to remove whole blood clots more effectively than with single lumen embolectomy catheters. The Company is benefiting from, and intends to utilize, its design and manufacturing expertise to develop single-use medical devices for use in conjunction with its cryopreserved human tissue and biomaterial products. Examples of such devices under development include a family of balloon catheters designed to assist in applying the BioGlue surgical adhesive and a human heart valve holder designed to provide physicians greater control in implantation procedures.

In the U.S., the Company markets its cryopreservation services for human heart valves and conduits and human vascular tissue through its in-house technical service representatives and relies on independent orthopaedic sales representatives to market its cryopreservation services for human connective tissue for the knee. Also in the U.S., the Company markets its single-use medical devices through its in-house technical service representatives. Internationally, cryopreserved human tissues, bioprosthetic cardiovascular devices and single-use medical devices are distributed through independent representatives located in several countries in Europe, South America and Asia. The Company plans to market and distribute its BioGlue surgical adhesive internationally through its existing independent representatives and, if approved for sale in the U.S., through its in-house technical service representatives.

The Company's primary objective is to continue its consistent growth in revenues and profitability. The Company has generated compound annual growth rates in revenues and net income of approximately 21% and 71%, respectively, since 1993, excluding revenues and net income from IFM, which the Company acquired in March 1997. The Company's strategy to generate continued growth is based on increasing the use of cryopreserved tissues

as an alternative to mechanical and synthetic implantable products, developing new markets for existing products and technologies and developing new products and technologies for new and existing markets. The Company also selectively considers strategic acquisitions of complementary technologies to supplement its internal growth.

The Company was incorporated in Florida in 1984. The Company's principal executive offices are located at 1655 Roberts Boulevard, N.W., Kennesaw, Georgia 30144. Its telephone number is (770) 419-3355 and its fax number is (770) 590-3754.

THE OFFERING

Common Stock offered by the Company	2,263,000 shares(1)
Common Stock offered by the	

Selling Shareholders	237,000 shares(1)
Total Offering	2,500,000 shares(1)
Common Stock to be outstanding after this Offering	12,021,791 shares(1)(2)
Use of Proceeds	For repayment of indebtedness, expansion of facilities, general corporate purposes and potential acquisitions.
New York Stock Exchange Symbol	CRY

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(1) The Selling Shareholders may elect not to sell any or all of the shares to be sold by them in this Offering. In such event, the Company has agreed to increase the number of shares it is selling in this Offering by the number of shares not sold by Selling Shareholders. See "Principal and Selling Shareholders."

(2) Based on the number of outstanding shares at February 1, 1998. Excludes an aggregate of 745,000 shares of Common Stock issuable upon exercise of stock options outstanding on that date. See "Description of Capital Stock" and the Notes to the Consolidated Financial Statements. Includes 50,000 shares of Common Stock issuable upon conversion by a Selling Shareholder of $607,000 of a convertible debenture and 2,000 shares to be issued to a Selling Shareholder pursuant to the exercise of outstanding options.

SUMMARY CONSOLIDATED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER 31,				
	1993	1994	1995	1996(1)	1997(1)
INCOME STATEMENT DATA:					
Revenues	$21,341	$23,810	$29,226	$37,228	$50,869
Cost and expenses	20,448	22,046	25,930	31,145	43,236
Income before income taxes	893	1,764	3,296	6,083	7,633
Income tax expense	339	498	1,094	2,156	2,908
Net income	$ 554	$ 1,266	$ 2,202	$ 3,927	$ 4,725
Earnings per share of common stock:					
Basic	$ .06	$ .14	$ .23	$ .41	$ .49
Diluted	$ .06	$ .14	$ .23	$ .40	$ .48
Weighted average number of shares of common stock outstanding:					
Basic	9,018	9,312	9,379	9,505	9,642
Diluted	9,114	9,373	9,568	9,906	9,942

	DECEMBER 31, 1997	
	ACTUAL	AS ADJUSTED(2)
BALANCE SHEET DATA:		
Cash and cash equivalents	$ 111	$17,415
Total assets	53,749	71,053
Long-term debt, including current maturities	18,362	5,978
Retained earnings	12,627	12,627
Total shareholders' equity	30,227	59,915

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(1) Includes United Cryopreservation Foundation Inc. ("UCFI") and IFM from their dates of acquisition, September 11, 1996 and March 5, 1997, respectively.

(2) Adjusted to give effect to (i) the receipt of the net proceeds from the sale of 2,263,000 shares of Common Stock offered by the Company hereby (at an assumed offering price of $14 per share) after deduction of underwriting discounts and commissions and estimated expenses payable by the Company in connection with this Offering, (ii) the repayment of the $11,777,000 outstanding principal balance under the Company's credit facility, (iii) the conversion of $607,000 of a convertible debenture into 50,000 shares of Common Stock and (iv) the issuance of 2,000 shares to be sold by a Selling Shareholder pursuant to the exercise of outstanding options. See "Use of Proceeds," "Principal and Selling Shareholders" and "Description of Capital Stock--Convertible Debenture."

RISK FACTORS

Prospective investors in the shares of Common Stock offered hereby should carefully consider the following risk factors, as well as the other information contained in this Prospectus, or incorporated by reference herein, before purchasing any of the Common Stock offered hereby.

DEPENDENCE ON CRYOPRESERVATION OF HUMAN TISSUE

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

INTENSE COMPETITION

The Company faces competition from other companies that cryopreserve human tissue, as well as companies that market mechanical valves and synthetic and animal tissue for implantation. Management believes that at least three tissue banks offer cryopreservation services for human heart valves and many companies offer processed porcine heart valves and mechanical heart valves. A few companies dominate portions of the mechanical and porcine heart valve markets, including St. Jude Medical, Inc., Medtronic, Inc. and Baxter International Inc. The Company also faces competition from a number of competitors in the area of single-use medical devices and is aware that several companies have surgical adhesive products under development. Competitive products may also be under development by other large medical device, pharmaceutical and biopharmaceutical companies. Many of the Company's competitors have greater financial, technical, manufacturing and marketing resources than the Company and are well established in their markets. There can be no assurance that the Company's products and services will be able to compete successfully with the products of these or other companies. Any products developed by the Company that gain regulatory clearance or approval will have to compete for market acceptance and market share. Failure of the Company to compete effectively could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Competition."

RAPID TECHNOLOGICAL CHANGE

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

UNCERTAINTIES REGARDING PRODUCTS IN DEVELOPMENT

The Company's growth and profitability will depend, in part, upon its ability to complete development of and successfully introduce new products. The Company may be required to undertake time consuming and costly development activities and seek regulatory clearance or approval for new products. See "--Extensive Government Regulation." Although the Company has conducted pre-clinical studies on many of its products under development which indicate that such products may be effective in a particular application, there can be no assurance that the results obtained from expanded clinical studies will be consistent with earlier trial results or be sufficient for the Company to obtain any required regulatory approvals or clearances. There can be no assurance that the Company will not experience difficulties that could delay or prevent the successful development, introduction and marketing of new products, that regulatory clearance or approval of these or any new products will be granted on a timely basis, if ever, or that the new products will adequately meet the requirements of the applicable market or achieve market acceptance. The completion of the development of any of the Company's products remains subject to all of the risks associated with the commercialization of new products based on innovative technologies, including unanticipated technical or other problems, manufacturing difficulties and the possible insufficiency of the funds allocated for the completion of such development. Consequently, there can be no assurance that any of the Company's products under development will be successfully developed or manufactured or, if developed and manufactured, that such products will meet price or performance objectives, be developed on a timely basis or prove to be as effective as competing products. The inability to complete successfully the development of a product or application, or a determination by the Company, for financial, technical or other reasons, not to complete development of any product or application, particularly in instances in which the Company has made significant capital expenditures, could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's porcine heart valve products are currently only offered for sale outside of the U.S., and beginning in the second quarter of 1998, the Company expects to begin shipping its BioGlue surgical adhesive for distribution in the European Community. The Company's porcine heart valves and BioGlue surgical adhesive are subject to the risk that the Company may be unable to obtain regulatory approval necessary to permit commercial distribution of these products in the U.S.

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

EXTENSIVE GOVERNMENT REGULATION

Government regulation in the U.S., the European Community and other jurisdictions represents a potentially determinative factor in the success of the Company's efforts to market and develop its products. See "Business--Government Regulation." The human heart valves to which the Company applies its cryopreservation services are currently regulated as Class II medical devices by the U.S. Food and Drug Administration ("FDA") and are subject to significant regulatory requirements, including Quality System Regulations and

recordkeeping requirements. There can be no assurance that changes in regulatory treatment or the adoption of new statutory or regulatory requirements will not occur, which could adversely impact the marketing or development of these products or could adversely affect market demand for these products.

Other allograft tissues processed and distributed by the Company are currently regulated as "human tissue" under a rule promulgated by the FDA pursuant to the Public Health Services Act. This rule establishes requirements for donor testing and screening of human tissue and recordkeeping relating to these activities. Although the Company's other human tissue allografts are not currently regulated as medical devices, such tissue

may in the future become subject to more extensive FDA regulation, which could include premarket approval ("PMA") or product licensing requirements.

Although the regulatory status of the Company's BioGlue surgical adhesive and FibRx surgical sealant is not certain, the Company believes that FibRx surgical sealant will be regulated as a biologic and anticipates that BioGlue surgical adhesive will be regulated as a Class III medical device, as a biologic or in some other capacity by the FDA. These products have not been approved for distribution within the U.S. To date, the FDA has never approved for sale in the U.S. a surgical adhesive or sealant which, like FibRx surgical sealant, is composed of human blood components. Management believes that concerns over viral transmission may have hindered FDA approval of such products. There can be no assurance that CryoLife's quality control protocols will sufficiently address FDA concerns or that CryoLife will be able to develop viral inactivation processes acceptable to the FDA or license such processes at an acceptable cost. Fixed porcine heart valve products are classified as Class III medical devices. There can be no assurance that the Company will be able to obtain the FDA approval required to distribute its surgical adhesives, surgical sealants or porcine heart valve products in the U.S. Distribution of these products within the European Community is dependent upon the Company maintaining its CE Mark and ISO 9001 certifications, of which there can be no assurance.

Most of the Company's products in development, if successfully developed, will require regulatory approvals from the FDA and perhaps other regulatory authorities before they may be commercially distributed. The process of obtaining required regulatory approvals from the FDA normally involves clinical trials and the preparation of an extensive PMA application and often takes many years. The process is expensive and can vary significantly based on the type, complexity and novelty of the product. There can be no assurance that any products developed by the Company, independently or in collaboration with others, will receive the required approvals for manufacturing and marketing. Delays in obtaining U.S. or foreign approvals could result in substantial additional cost to the Company and adversely affect the Company's competitive position. The FDA may also place conditions on product approvals that could restrict commercial applications of such products. Product marketing approvals or clearances may be withdrawn if compliance with regulatory standards is not maintained or if problems occur following initial marketing. Delays imposed by the governmental clearance process may materially reduce the period during which the Company has the exclusive right to commercialize patented products. Also, delays or rejections may be encountered during any stage of the regulatory approval process based upon the failure of the clinical or other data to demonstrate compliance with, or upon the failure of the product to meet, the regulatory agency's requirements for safety, efficacy and quality, and those requirements may become more stringent due to changes in applicable law, regulatory agency policy or the adoption of new regulations. Clinical trials may also be delayed due to unanticipated side effects, inability to locate, recruit and qualify sufficient numbers of patients, lack of funding, the inability to locate or recruit scientists, the redesign of clinical trial programs, the inability to manufacture or acquire sufficient quantities of the particular product candidate or any other components required for clinical trials, changes in the Company's or its collaborative partners' development focus and a disclosure of trial results by competitors. To date, the Company has never had to submit clinical trials for any of its products. In the event that it should be required to perform clinical trials, there can be no guarantee that it will be able to do so effectively and efficiently. Even if regulatory approval is obtained for any of the Company's products or services, the scope of the approval may significantly limit the indicated usage for which such products or services

may be marketed.

Products marketed by the Company pursuant to FDA or foreign oversight or approval are subject to pervasive and continuing regulation. In the U.S., devices and biologics must be manufactured in registered, and in the case of biologics, licensed, establishments and must be produced in accordance with Quality System Regulations. Manufacturing facilities and processes are subject to periodic FDA inspection. Labeling and promotional activities are also subject to scrutiny by the FDA and, in certain instances, by the Federal Trade Commission. The export of devices and biologics is also subject to regulation and may require FDA approval. From time to time, the FDA may modify such regulations, imposing additional or different requirements. Failure to comply with any applicable FDA requirements, which may be ambiguous, could result in civil and criminal enforcement actions, product recalls or detentions and other penalties and could have a material adverse effect on the

Company's business, financial condition and results of operations. In addition, the National Organ Transplant Act ("NOTA") prohibits the acquisition or transfer of human organs for "valuable consideration" for use in human transplantation. NOTA permits the payment of reasonable expenses associated with the removal, transportation, processing, preservation, quality control and storage of human organs. There can be no assurance that restrictive interpretations of NOTA will not be adopted in the future that will challenge one or more aspects of the Company's methods of charging for its cryopreservation services. The Company's laboratory operations are subject to the U.S. Department of Labor, Occupational Safety and Health Administration and Environmental Protection Agency requirements for prevention of occupational exposure to infectious agents and hazardous chemicals and protection of the environment. Some states have enacted statutes and regulations governing the processing, transportation and storage of human organs and tissue. While management believes that the Company is presently in compliance in all material respects with all such applicable statutes and regulations, there can be no assurance that more restrictive state laws or regulations will not be adopted in the future that could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Government Regulation."

UNCERTAINTIES RELATED TO PATENTS AND PROTECTION OF PROPRIETARY TECHNOLOGY

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

UNCERTAINTIES REGARDING FUTURE HEALTH CARE REIMBURSEMENT

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

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

payors for uses of the Company's new products and services, market acceptance of these products would be adversely affected, which could have a material adverse effect on the Company's business, financial condition and results of operations.

DEPENDENCE ON KEY PERSONNEL

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

PRODUCT LIABILITY AND INSURANCE

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

MANAGEMENT DISCRETION IN USE OF PROCEEDS

The Company will have broad discretion as to the use of the net proceeds to the Company of this Offering, including approximately 60% of such net proceeds not designated for the repayment of indebtedness (assuming an offering price

of $14). As a result of such discretion, the Company's management could allocate the net proceeds to the Company of this Offering for uses that the shareholders may not deem desirable. In addition, there can be no assurance that the net proceeds can or will be invested to yield an acceptable return. See "Use of Proceeds."

USE AND DISPOSAL OF HAZARDOUS MATERIAL

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

VOLATILITY OF SECURITIES PRICES

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

ANTI-TAKEOVER PROVISIONS

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

SHARES ELIGIBLE FOR FUTURE SALE

Substantially all of the Company's outstanding Common Stock is available for sale in the public marketplace. As of January 31, 1998, there were also outstanding stock options to purchase an aggregate of 747,000 shares of Common Stock at various exercise prices per share. The majority of the shares to be received upon exercise of these options will be available for immediate resale in the public markets. No prediction can be made as to the effect, if any, that sales of shares of Common Stock or the availability of such shares for sale will have on the market prices prevailing from time to time. The possibility exists that substantial amounts of Common Stock may be sold in the public market, which may adversely affect prevailing market prices for the Common Stock and could impair the Company's ability to raise capital through

the sale of its equity securities. See "Shares Eligible for Future Sale."

ABSENCE OF DIVIDENDS

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

FORWARD-LOOKING STATEMENTS

This Prospectus includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included or incorporated by reference in this Prospectus which address activities, events or developments which the Company expects or anticipates will or may occur in the future, including statements regarding the Company's competitive position, the timing of the application to the FDA for approval of the stentless CryoLife-O'Brien porcine heart valves, BioGlue surgical adhesive and FibRx surgical sealant, other estimated dates relating to the Company's proposed regulatory submissions, estimates regarding 1998 research and development expenditures, the Company's expectations regarding the adequacy of current financing arrangements, product demand and market growth, and other statements regarding future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the Company's expectations and predictions is subject to a number of risks and uncertainties which could cause actual results to differ materially from the Company's expectations, including the risk factors discussed in this Prospectus and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this Prospectus 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.

USE OF PROCEEDS

The net proceeds to the Company from the sale of shares of Common Stock offered by the Company hereby are estimated to be approximately $29,081,000 ($34,016,000 if the Underwriters' over-allotment option is exercised in full and $37,135,000 if the Underwriters' over-allotment option is exercised in full and the Selling Shareholders sell no shares), based on an assumed public offering price of $14 per share, and after deduction of the underwriting discounts and commissions and estimated offering expenses payable by the Company. The Company will not receive any proceeds from the sale of shares of Common Stock offered hereunder by the Selling Shareholders. The Company has, however, agreed to offer for sale all or any portion of the 237,000 shares not sold hereunder by the Selling Shareholders.

The Company anticipates that a portion of the net proceeds will be used to repay all outstanding indebtedness under its credit facility (the "Credit Facility") with NationsBank N.A. This indebtedness was incurred pursuant to a term note and revolving note, and was used, in part, to finance the Company's new headquarters facility and its new IFM manufacturing facility. At January

31, 1998, approximately $11.9 million in principal and accrued and unpaid interest was outstanding under the Credit Facility at interest rates ranging from approximately 7.4% to 8.5% per annum. See Note 4 to the Consolidated Financial Statements as contained elsewhere in this Prospectus. Such borrowings under the Credit Facility are repayable in varying amounts with the final payment due December 31, 2004. The balance of the net proceeds will be used for manufacturing facilities expansion and general corporate purposes, including working capital, and may be used for potential acquisitions. The Company selectively considers strategic acquisitions of complementary technologies, but it currently has no specific plans for any such acquisition. See "Business--Manufacturing and Operations." Pending such use, the Company expects to invest the net proceeds in short-term, interest-bearing, investment grade securities.

The Company anticipates that its current resources, together with the net proceeds of this Offering and continued revenue from sales of its products and services at present levels will be sufficient to meet the Company's operating and capital requirements for the next 12 months. However, there can be no assurance that the Company will not need to obtain additional financing prior to such time, or that such financing will be available on terms acceptable to the Company, or at all. The Company's actual cash requirements may vary materially from those now planned, and will depend upon numerous factors, including the Company's results of operations, the results of the Company's development and commercialization programs, the timing and results of pre-clinical and clinical trials, the timing and costs of obtaining regulatory approvals, the level of resources that the Company commits to the development of manufacturing, marketing and sales capabilities, the technological advances and activities of competitors and other factors. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Risk Factors--Management Discretion in Use of Proceeds."

PRICE RANGE OF COMMON STOCK

The Company's Common Stock is traded on the NYSE under the symbol "CRY." Prior to July 15, 1997, the Company's Common Stock was traded on the Nasdaq National Market under the symbol "CRYL." The following table sets forth, for the periods indicated, the intra-day high and low sale prices per share of Common Stock on the NYSE or the Nasdaq National Market, as applicable:

	HIGH	LOW
1998		
First Quarter (through February 18, 1998)	$17 15/16	$13 3/4
1997		
Fourth Quarter	19	13
Third Quarter	16 1/8	11 1/4
Second Quarter	13 1/4	7 5/8
First Quarter	14 1/4	8
1996		
Fourth Quarter	15 3/4	12 3/16
Third Quarter	20 1/2	11 1/4
Second Quarter	20 3/4	10 4/5
First Quarter	12 5/8	7
1995		
Fourth Quarter	9 1/16	6 1/8
Third Quarter	9 1/8	5 3/8
Second Quarter	5 5/8	3 3/8
First Quarter	4 1/4	3 1/8

The last reported sales price per share for the Common Stock on the NYSE on February 18, 1998 was $14. As of February 1, 1998, there were approximately 410 holders of record, and approximately 7,000 beneficial holders, of the Company's Common Stock.

DIVIDEND POLICY

The Company has never declared or paid any cash dividends on its Common Stock. The Company currently intends to retain any future earnings for funding growth and therefore, does not anticipate paying any cash dividends on its Common Stock in the foreseeable future. The holders of any shares of Preferred Stock issued by the Company will have a preference as to the payment of dividends over the holders of shares of Common Stock. No shares of Preferred Stock are currently issued and outstanding. See "Description of Capital Stock." The Credit Facility contains, and future credit agreements may contain, financial covenants, including covenants to maintain certain levels of net worth and certain leverage ratios, which could have the effect of restricting the amount of dividends that the Company may pay.

CAPITALIZATION

The following table sets forth as of December 31, 1997 (i) the actual capitalization of the Company and (ii) the capitalization as adjusted to give effect to (a) the receipt of the net proceeds from the sale of 2,263,000 shares of Common Stock offered by the Company hereby (at an assumed offering price of $14 per share) after deduction of underwriting discounts and commissions and estimated expenses payable by the Company in connection with this Offering, (b) the repayment of $11,777,000 in principal under the Credit Facility, (c) the conversion of $607,000 of the convertible debenture into 50,000 shares of Common Stock and (d) the issuance of 2,000 shares to be sold by a Selling Shareholder pursuant to the exercise of outstanding options. This table should be read in conjunction with the Consolidated Financial Statements of the Company and Notes thereto included elsewhere in this Prospectus:

	DECEMBER 31, 1997	
	ACTUAL	AS ADJUSTED
Current maturities of long-term debt	$ 1,496,000	$ 496,000
Long-term debt:		
Bank loans	10,777,000	--
Convertible debenture	5,000,000	4,393,000
Other long-term debt	1,089,000	1,089,000
Shareholders' equity:		
Preferred stock, $.01 par value per share; authorized 5,000,000 shares including 2,000,000 shares of Series A junior participating preferred stock; no shares issued	--	--
Common stock, $.01 par value per share; authorized 50,000,000 shares; 10,242,961 shares issued; 12,564,791 shares issued as adjusted(1)	102,000	125,000
Additional paid-in capital	17,694,000	47,359,000
Treasury stock, 543,000 shares, at cost	(180,000)	(180,000)
Retained earnings	12,627,000	12,627,000
Notes receivable from shareholder	(16,000)	(16,000)
Total shareholders' equity	30,227,000	59,915,000
Total capitalization	$48,589,000	$65,893,000

(1) Excludes an aggregate of 754,000 Shares of Common Stock issuable upon exercise of options outstanding as of December 31, 1997 at a weighted average exercise price of $8.95 per share, of which options to purchase 308,000 shares were exercisable. See "Shares Eligible for Future Sale."

SELECTED CONSOLIDATED FINANCIAL DATA

The following Selected Consolidated Financial Data should be read in

conjunction with the Company's Consolidated Financial Statements and the Notes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial information included elsewhere in this Prospectus or incorporated herein by reference. The data set forth below with respect to the Company's Consolidated Income Statements and Balance Sheets for, and as of the end of, the years ended December 31, 1996 and 1997 are derived from the Company's Consolidated Financial Statements which have been audited by Ernst & Young LLP, independent auditors, and which are included elsewhere in this Prospectus and are qualified by reference to such Consolidated Financial Statements and Notes thereto.The selected data presented below for, and as of the end of, each of the years in the three-year period ended December 31, 1995, are derived from the Consolidated Financial Statements of the Company, which Consolidated Financial Statements have been audited by KPMG Peat Marwick LLP, independent auditors. The Consolidated Income Statement for the year ended December 31, 1995, and the report thereon, are included elsewhere in this Prospectus. The historical results are not necessarily indicative of future results of operations.

	YEAR ENDED DECEMBER 31,				
	1993	1994	1995	1996	1997
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
INCOME STATEMENT DATA:					
Revenues:					
Cryopreservation	$18,938	$22,818	$27,994	$36,293	$44,242
Bioprosthetic cardiovascular devices	933	414	263	385	576
Single-use medical devices	--	--	--	--	5,591
Other income	1,470	578	969	550	460
Total Revenues	21,341	23,810	29,226	37,228	50,869
Expenses:					
Cost of cryopreservation and products	8,759	8,965	10,485	12,593	17,764
Research and development	1,384	1,975	2,634	2,807	3,946
General, administrative and marketing	10,282	11,085	12,807	15,673	20,548
Interest expense	23	21	4	72	978
Total Expenses	20,448	22,046	25,930	31,145	43,226
Income before income taxes	893	1,764	3,296	6,083	7,633
Income tax expense	339	498	1,094	2,156	2,908
Net income	$ 554	$ 1,266	$ 2,202	$ 3,927	$ 4,725
Earnings per share of common stock:					
Basic	$ .06	$ .14	$ .23	$ .41	$ .49
Diluted	$ .06	$ .14	$ .23	$ .40	$ .48
Weighted average number of shares of common stock outstanding:					
Basic	9,018	9,312	9,379	9,505	9,642
Diluted	9,114	9,373	9,568	9,906	9,942

	DECEMBER 31,					AS ADJUSTED DECEMBER 31,
	1993	1994	1995	1996	1997	1997(1)
BALANCE SHEET DATA:						
Cash, cash equivalents and marketable securities	$ 5,079	$ 6,366	$ 6,182	$ 1,370	$ 111	$17,415

Total assets.....	20,075	21,417	24,132	34,973	53,749	71,053
Long-term debt, including current maturities.....	--	--	--	3,326	18,362	5,978
Retained earnings.....	506	1,773	3,975	7,902	12,627	12,627
Total shareholders' equity.....	16,615	17,933	20,465	24,929	30,227	59,915

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(1) Adjusted to give effect to (a) the receipt of the net proceeds from the sale of 2,263,000 shares of Common Stock offered by the Company hereby (at an assumed offering price of $14 per share) after deduction of underwriting discounts and commissions and estimated expenses payable by the Company in connection with this Offering, (b) the repayment of $11,777,000 in principal under the Credit Facility, (c) the conversion of $607,000 of the convertible debenture into 50,000 shares of Common Stock and (d) the issuance of 2,000 shares to be sold by a Selling Shareholder pursuant to the exercise of outstanding options.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the financial condition and results of operations of CryoLife should be read in conjunction with the Company's Consolidated Financial Statements and the Notes thereto included elsewhere in the Prospectus. See Glossary on page 58 for definitions of certain terms used herein.

OVERVIEW

The Company was organized in 1984 to address market opportunities in the area of biological implantable products and materials, and today is the leader in the cryopreservation of viable human tissue for cardiovascular, vascular and orthopaedic applications. A majority of the Company's current revenues are derived from the cryopreservation of human heart valves and conduits, reflecting CryoLife's initial exclusive focus on this area. The Company began cryopreserving aortic heart valves in 1984, pulmonary heart valves in 1986 and mitral heart valves in 1995. CryoLife has also expanded into the cryopreservation of other human tissue, including vascular tissue and connective tissue for the knee.

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

The Company has expanded, and intends to continue to expand, its portfolio of products and services. Much of this expansion has been accomplished through acquisitions of intellectual property and companies. In 1992, the Company purchased for $730,000 the exclusive distribution rights for a line of stentless porcine heart valves which the Company currently markets in the European Community. In 1996, the Company purchased for $275,000 a patent for an advanced design stentless pulmonary porcine heart valve. Also in 1996, the Company acquired the assets of UCFI, a tissue processor, for $750,000 in cash and a $1.3 million note. In 1997, the Company acquired IFM and its line of single-use medical devices for $4.5 million in cash, a $5.0 million convertible debenture and a commitment to pay additional cash consideration (not to exceed $1.8 million) if certain target net revenues of IFM are exceeded.

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

The following table outlines product shipment and revenue data for the Company's major product lines from 1995 to 1997:

UNITS SHIPPED AND REVENUES BY MAJOR PRODUCT LINE	YEAR ENDED DECEMBER 31, 1995	1996	1997
	(DOLLARS IN THOUSANDS)		
Human Heart Valves and Conduits:			
Units shipped	3,499	4,528	5,244
Revenues	$19,767	$24,763	$29,046
Human Vascular Tissue:			
Units shipped	1,765	2,147	2,621
Revenues	$ 6,771	$ 8,172	$10,469
Human Connective Tissue for the Knee:			
Units shipped	573	1,562	1,859
Revenues	$ 1,456	$ 3,358	$ 4,727
Bioprosthetic Cardiovascular Devices:			
Units shipped	198	256	532
Revenues	$ 263	$ 385	$ 576

RESULTS OF OPERATIONS

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

Revenues increased 37% to $50.9 million in 1997 from $37.2 million in 1996. The increase in revenues was primarily due to the growing acceptance in the medical community of cryopreserved tissues, the Company's ability to procure greater amounts of tissue, price increases for certain cryopreservation services and revenues attributable to the Company's line of single-use medical devices following the IFM acquisition in March 1997. Revenues attributable to IFM were $5.6 million in 1997.

Revenues from human heart valve and conduit cryopreservation services increased 17% to $29.0 million in 1997 from $24.8 million in 1996, representing 57% and 67%, respectively, of total revenues during such years. This increase in revenues was primarily due to a 16% increase in the number of heart allograft shipments.

Revenues from human vascular tissue cryopreservation services increased 28% to $10.5 million in 1997 from $8.2 million in 1996, representing 21% and 22%, respectively, of total revenues during such years. This increase in revenues was primarily due to a 22% increase in the number of vascular allograft shipments resulting from the introduction of cryopreserved tissues for new procedures and an increased demand for the Company's existing cryopreservation services.

Revenues from human connective tissue for the knee cryopreservation services increased 38% to $4.7 million in 1997 from $3.4 million in 1996, representing 9% of total revenues during each year. This increase in revenues was primarily due to a 19% increase in the number of allograft shipments resulting from a greater proportion of the 1997 revenues being derived from the implantation of cryopreserved menisci, which have a significantly higher per unit revenue than the Company's cryopreserved tendons.

Revenues from the sale of bioprosthetic cardiovascular devices in 1997 were $576,000 compared to $385,000 in 1996, representing 1% of revenues during each year. Other revenues decreased to $460,000 in 1997 from $550,000 in 1996. Other revenues in 1997 consisted primarily of research grant award revenues related to the Company's SynerGraft technology.

Cost of cryopreservation services and products increased to $17.8 million in 1997 from $12.6 million in 1996. Cost of cryopreservation services and products

as a percentage of revenues increased to 35% in 1997 from 34% in 1996. This increase was primarily due to the increased overhead costs associated with the new corporate headquarters and the addition of the IFM product line, partially offset by efficiencies gained with the increase in the number of allografts processed.

General, administrative and marketing expenses increased 31% to $20.5 million in 1997 from $15.7 million in 1996, representing 40% and 42%, respectively, of total revenues during such years. The increased expenses of approximately $4.8 million were primarily attributable to increased costs associated with the Company's new corporate headquarters, increased fees paid to technical representatives and other related marketing expenses relating to the growth in revenues and increases in general overhead expenses to support the growth in revenues.

The Company has continued its commitment to research and development activity, spending approximately $3.9 million in 1997 and $2.8 million in 1996, representing 8% of total revenues during each year. The Company's research and development expenditures during 1997 were primarily for the development of bioadhesives for surgical applications and its SynerGraft technology.

Year Ended December 31, 1996 Compared to Year Ended December 31, 1995

Revenues increased 27% to $37.2 million in 1996 from $29.2 million in 1995. The increase in revenues was primarily due to growing acceptance in the medical community of cryopreserved tissues, the Company's ability to procure greater amounts of tissue and price increases for certain services.

Revenues from human heart valve and conduit cryopreservation services increased 25% to $24.8 million in 1996 from $19.8 million in 1995, representing 67% and 68%, respectively, of total revenues during such years. This increase in revenues was primarily due to a 29% increase in the number of heart allograft shipments.

Revenues from human vascular tissue cryopreservation services increased 21% to $8.2 million in 1996 from $6.8 million in 1995, representing 22% and 23%, respectively, of total revenues during such years. This increase in revenues was primarily due to a 22% increase in the number of vascular allograft shipments.

Revenues from human connective tissue for the knee cryopreservation services increased 127% to $3.4 million in 1996 from $1.5 million in 1995, representing 9% and 5%, respectively, of total revenues during each year. This increase in revenues was primarily due to a 173% increase in the number of allograft shipments partially offset by a decrease in the unit revenue of cryopreserved tendons.

Revenues from the sale of bioprosthetic cardiovascular devices in 1996 were $385,000 compared to $263,000 in 1995, representing 1% of revenues during each year. This increase in revenues was primarily due to a 29% increase in the number of units shipped.

Other revenues decreased to $550,000 in 1996 from $969,000 in 1995. Other revenues in 1996 consisted primarily of research grant award revenues and a fee from a terminated agreement with Bayer Corporation. Research grant award revenues in 1996 were primarily related to the development of bioadhesives for surgical application and the Company's SynerGraft technology. The decrease compared to 1995 was primarily attributable to the sale of the Company's patented Viral Inactivation Process ("VIP") technology to Osteotech, Inc. for approximately $450,000 in 1995. The Company had developed its VIP technology to eliminate potential viruses from human bone processed by the Company. The Company sold its bone processing business in 1993.

Costs of cryopreservation services and products increased to $12.6 million in 1996 from $10.5 million in 1995. Cost of cryopreservation services and products as a percentage of cryopreservation revenues decreased to 34% in 1996 from 36% in 1995. This decrease was primarily due to an increase in the volume of processed tissue and more efficient processing methods.

General, administrative and marketing expenses increased 23% to $15.7 million in 1996 from $12.8 million in 1995, representing 42% and 44%, respectively, of

total revenues during such years. The increased expenses of approximately $2.9 million were primarily attributable to additional regulatory and quality assurance costs related to the Company's CE Mark and ISO 9001 certifications, increased fees paid to technical representatives and other related marketing expenses resulting from the growth in revenues and increases in general overhead expenses to support the growth in revenues.

The Company continued its commitment to research and development activity, spending approximately $2.8 million and $2.6 million in 1996 and 1995, representing 8% and 9%, respectively, of total revenues during such years. The Company's research and development expenditures during 1996 were primarily for the development of bioadhesives for surgical applications and the SynerGraft technology.

Seasonality

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

Quarterly Results

The Company achieved record revenues and earnings in both the year and three months ended December 31, 1997, as compared to comparable prior periods, with the fourth quarter of 1997 being the Company's tenth consecutive quarter of record revenues and earnings as compared to the same quarter for prior years. In the opinion of management, the information set forth in the table below has been prepared on a basis consistent with the Company's audited Consolidated Financial Statements appearing elsewhere in the Prospectus, and all necessary adjustments (consisting only of normal recurring adjustments) have been included to present fairly the unaudited quarterly results in accordance with generally accepted accounting principles ("GAAP"). The results for any quarter are not necessarily indicative of results to be expected in any future period.

The following table presents selected unaudited quarterly income statement data for each of the eight quarters in the period ended December 31, 1997:

	QUARTER ENDED							
	1996				1997			
	MARCH 31	JUNE 30	SEPT. 30	DEC. 31	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
	(IN THOUSANDS EXCEPT PER SHARE DATA)							
REVENUES:								
Cryopreservation services	$8,103	$9,544	$10,067	$8,579	$9,725	$10,910	$12,689	$10,918
Bioprosthetic cardiovascular devices	157	75	71	82	104	135	177	160
Single-use medical devices	--	--	--	--	554	1,596	1,703	1,738
Interest and other income	174	79	273	24	30	82	72	276
Total Revenues	8,434	9,698	10,411	8,685	10,413	12,723	14,641	13,092
EXPENSES:								

Cost of cryopreservation services and products	2,879	3,289	3,563	2,862	3,426	4,550	5,112	4,676
Research and development	690	701	616	800	849	857	1,243	997
General, administrative and marketing	3,626	4,181	4,239	3,627	4,479	5,165	5,620	5,284
Interest expense	--	--	39	33	132	296	317	233
Total Expenses	7,195	8,171	8,457	7,322	8,886	10,868	12,292	11,190
INCOME BEFORE INCOME TAXES	1,239	1,527	1,954	1,363	1,527	1,855	2,349	1,902
Income tax expense	457	539	693	467	575	695	891	747
NET INCOME	$ 782	$ 988	$ 1,261	$ 896	$ 952	$ 1,160	$ 1,458	$ 1,155
EARNINGS PER SHARE OF COMMON STOCK:								
Basic	$ .08	$ .11	$ .13	$ .09	$ .10	$ .12	$ .15	$ .12
Diluted	$ .08	$ .10	$ .13	$ .09	$ .10	$ .12	$ .15	$ .12
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING:								
Basic	9,433	9,491	9,529	9,575	9,581	9,615	9,670	9,694
Diluted	9,756	9,933	9,925	9,943	9,877	9,889	9,978	10,023

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1997, net working capital was $18.8 million, compared to $10.8 million at December 31, 1996, with a current ratio of 4 to 1 at December 31, 1997. The Company's primary capital requirements arise out of general working capital needs, capital expenditures for facilities and equipment and funding of research and development projects. The Company historically has funded these requirements through bank credit facilities, cash generated by operations and equity offerings.

Net cash used in operating activities was $2.2 million for the year ended December 31, 1997, as compared to net cash provided by operating activities of $3.2 million for the year ended December 31, 1996. This decrease resulted from an increase in deferred cryopreservation costs to support the growing acceptance of the Company's existing cryopreserved tissues as well as new cryopreserved tissue offerings in 1997.

Net cash used in investing activities was $9.6 million for the year ended December 31, 1997, as compared to $4.2 million for the year ended December 31, 1996. This increase primarily resulted from the Company's acquisition of IFM.

Net cash provided by financing activities was $10.6 million for the year ended December 31, 1997, as compared to $1.8 million for the year ended December 31, 1996. This increase was primarily attributable to borrowings under the Company's credit facility in connection with the acquisition of IFM and the construction of the new Company and IFM facilities and increased deferred cryopreservation costs.

The Company anticipates that the net proceeds from this Offering, together with borrowings under its existing credit agreements and cash generated from operations will be sufficient to meet its operating and development needs for the next 12 months. However, the Company's future liquidity and capital requirements beyond that period will depend upon numerous factors, including the timing of the Company's receipt of FDA approvals to begin clinical trials for its products currently in development, the resources required to further develop its marketing and sales capabilities if, and when, those products gain approval, the resources required to expand manufacturing capacity and the extent to which the Company's products generate market acceptance and demand. There can be no assurance that the Company will not require additional financing or will not seek to raise additional funds through bank facilities, debt or equity offerings or other sources of capital to meet future requirements. These additional funds may not be available when needed or on terms acceptable to the Company, which could have a material adverse effect on

the Company's business, financial condition and results of operations.

INFLATION

Although the Company cannot determine the precise effects of inflation, management does not believe it has had a significant effect on revenues or results of operations and does not expect it to have a significant effect in the near future.

YEAR 2000

The Company is aware of the issues that many computer systems will face as the millennium (year 2000) approaches. The Company, however, believes that its own internal software and hardware is year 2000 compliant. The Company believes that any year 2000 problems encountered by procurement agencies, hospitals and other customers and vendors are not likely to have a material adverse effect on the Company's operations. The Company anticipates no other year 2000 problems which are reasonably likely to have a material adverse effect on the Company's operations. There can be no assurance, however, that such problems will not arise.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement No. 130, Reporting Comprehensive Income ("Statement 130"). Statement 130 establishes new standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. These new standards require that all items recognized as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Statement 130 is effective for fiscal years beginning after December 15, 1997. The adoption of Statement 130 will not have a significant impact on the Company's Consolidated Financial Statements.

In June 1997, the FASB issued Statement 131, Disclosures About Segments of an Enterprise and Related Information ("Statement 131"). Statement 131 changes the way public companies report segment information in annual financial statements and also requires those companies to report selected segment information in interim financial reports. Statement 131 is effective for years beginning after December 15, 1997. The adoption of Statement 131 will not have a significant impact on the Company's consolidated financial position and results of operations, but will require additional disclosure in the notes to the Company's Consolidated Financial Statements.

BUSINESS

See Glossary on page 58 for definitions of certain terms used herein.

OVERVIEW

CryoLife is the leader in the cryopreservation of viable human tissues for cardiovascular, vascular and orthopaedic transplant applications, and develops and commercializes additional implantable products and single-use medical devices. The Company estimates that it provided approximately 80% of the cryopreserved human tissue implanted in the U.S. in 1997. The Company uses its expertise in biochemistry and cell biology, and its understanding of the needs of the cardiovascular, vascular and orthopaedic surgery medical specialties, to continue expansion of its core cryopreservation business and to develop or acquire complementary implantable products and technologies for these fields. The Company develops bioprosthetic cardiovascular devices including a novel design stentless porcine heart valve currently marketed in the European Community and a proprietary process for non-viable animal tissue designed to improve human biocompatibility. The Company also develops proprietary implantable surgical bioadhesives, including BioGlue surgical adhesive, which it has begun commercializing for vascular applications within the European Community. In addition, the Company manufactures and distributes, through its Ideas For Medicine, Inc. ("IFM") subsidiary, single-use medical devices for use in vascular surgical procedures. The Company has generated compound annual growth rates in revenues and earnings per share, including contributions from acquisitions, of 24% and 68%, respectively, since 1993.

CryoLife processes and distributes for transplantation cryopreserved human heart valves and conduits, human vascular tissue and human connective tissue for the knee. Revenues from these services, which were $44.2 million or 87% of the total revenues in 1997, have grown at a compound annual growth rate of 24% since 1993. Based on detailed follow-up data available from approximately 1,700 documented implant procedures performed with the Company's cryopreserved human heart valves and conduits, management believes that cryopreserved human heart valves and conduits offer certain advantages over mechanical, synthetic and animal-derived alternatives. Depending on the alternative, these advantages include more natural functionality, elimination of a chronic need for anti-coagulation drug therapy, reduced incidence of reoperation and reduced risk of catastrophic failure, thromboembolism (stroke) or calcification. The U.S. market for implantable products targeting indications addressed by the Company's cryopreserved tissues was approximately $950 million in 1997. Since 1993, cryopreserved human tissues have captured an increasing share of this market. For example, since 1993, the total U.S. replacement heart valve market grew at a compound annual growth rate of approximately 7%, while CryoLife's revenues from cryopreserved human heart valves and conduits grew at a compound annual growth rate of approximately 21%. The Company seeks to expand the availability of human tissue through its established relationships with over 250 tissue banks and organ procurement agencies nationwide.

CryoLife develops and markets outside the U.S. bioprosthetic cardiovascular devices for transplantation, currently consisting of fixed stentless porcine heart valves. Fixed porcine heart valves are often preferred by surgeons for procedures involving elderly patients because they eliminate the risk of patient non-compliance with long-term anti-coagulation drug therapy associated with mechanical valves, are less expensive than human heart valves and their shorter longevity is more appropriately matched with these patients' life expectancies. Fixed porcine heart valves address a worldwide target market estimated to have been $175 million in 1997. Unlike most other available porcine heart valves, the Company's stentless porcine heart valves do not contain synthetic materials which increase the risk of endocarditis, a debilitating and potentially deadly bacterial infection. The Company's CryoLife-O'Brien aortic heart valve, currently marketed in the European Community and certain other territories outside the U.S., is a stentless porcine heart valve which contains a matched composite leaflet design that approximates human heart valve blood flow characteristics and requires only a single suture line which simplifies surgical implantation. The Company intends to submit a CE Mark application for the CryoLife-Ross pulmonary heart valve, another of the Company's fixed stentless porcine valves, for marketing in the European Community. The Company plans to apply its proprietary SynerGraft technology to its

stentless porcine heart valves. SynerGraft involves the depopulation of living cells from the structure of non-viable animal heart tissue and the repopulation of such tissue with human cells. This process is designed to reduce calcification of porcine heart valves, thereby increasing longevity, and more generally to improve the biocompatibility and functionality of such tissue. The Company believes that its porcine heart valves, when treated with SynerGraft technology, will expand its opportunity to address the broader international and U.S. heart valve markets, estimated to be $348 million and $395 million, respectively, in 1997.

CryoLife is developing implantable biomaterials for use as surgical adhesives and sealants. The Company's patent protected BioGlue surgical adhesive, designed for cardiovascular and peripheral vascular applications, is a polymer based on a derivative of a blood protein and a cross-linking agent. The Company's patent protected FibRx surgical sealant, designed for tissue hemostasis and suture line sealing, is a light activated, biodegradable surgical sealant under development which is based on a derivative of the human blood factors fibrinogen and thrombin. Both of these products may be used with or without sutures or staples, and may offer advantages over sutures and staples, including more effective sealing and easier application. The Company estimates that the annual worldwide market for surgical sutures and staples in 1997 was in excess of $2 billion. The Company recently received CE Mark Certification for its BioGlue surgical adhesive which permits the Company to begin marketing this product in the European Community for vascular applications.

CryoLife manufactures and distributes, through its IFM subsidiary, single-use medical devices including endarterectomy surgical instruments, intravascular shunts, infusion ports, accessories utilized in laparoscopic procedures and a wide range of single and dual lumen balloon catheters. The Company believes that many of its existing single-use medical devices have novel proprietary features that offer clinical advantages over competing products. For example, the Company's Pruitt-Inahara Shunt was the first endarterectomy shunt available to surgeons which contains a barrier feature designed to reduce migration of plaque particles to the brain during surgery. Another example is the Company's dual lumen embolectomy catheter incorporating a novel water irrigation mechanism which enables physicians to remove whole blood clots more effectively than with single lumen embolectomy catheters. The Company is benefiting from, and intends to utilize, its design and manufacturing expertise to develop single-use medical devices for use in conjunction with its cryopreserved human tissue and biomaterial products. Examples of such devices under development include a family of balloon catheters designed to assist in applying the BioGlue surgical adhesive and a human heart valve holder designed to provide physicians greater control in implantation procedures.

In the U.S., the Company markets its cryopreservation services for human heart valves and conduits and human vascular tissue through its in-house technical service representatives and relies on independent orthopaedic sales representatives to market its cryopreservation services for human connective tissue for the knee. Also in the U.S., the Company markets its single-use medical devices through its in-house technical service representatives. Internationally, cryopreserved human tissues, bioprosthetic cardiovascular devices and single-use medical devices are distributed through independent representatives located in several countries in Europe, South America and Asia. The Company plans to market and distribute its BioGlue surgical adhesive internationally through its existing independent representatives and, if approved for sale in the U.S., through its in-house technical service representatives.

GROWTH STRATEGY

The Company's primary objective is to continue its consistent growth in revenues and profitability. The Company has generated compound annual growth rates in revenues and net income of approximately 21% and 71%, respectively, since 1993, excluding revenues and net income from IFM, which the Company acquired in March 1997. The Company's strategy to generate continued growth is based on increasing the use of cryopreserved tissues as an alternative to mechanical and synthetic implantable products, developing new markets for existing products and technologies and developing new products and technologies for new and existing markets. The Company also selectively considers strategic acquisitions of complementary technologies to supplement its internal growth. The key elements of the Company's business and growth strategy are to:

- Continue Leadership in Cryopreservation of Human Heart Valves and Conduits. The Company intends to increase the market penetration of its cryopreserved human heart valves and conduits by

  (i) expanding awareness of clinical advantages of cryopreserved human tissues through continuing educational efforts directed to physicians, prospective heart valve and conduit recipients and tissue procurement agencies, (ii) expanding its relationships with the more than 250 tissue banks and procurement agencies across the U.S. which direct tissue to the Company for cryopreservation and (iii) expanding its physician training activities.

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

- Broaden Application of Cryopreservation Services. The Company will continue to collect, monitor and evaluate implant data to (i) develop expanded uses for the human tissues currently cryopreserved by the Company and (ii) identify new human tissues as candidates for cryopreservation. The Company has recently begun providing cryopreserved human vascular tissue to be used as dialysis access replacement grafts for patients undergoing long-term dialysis, and separately, as venous valve replacements for patients suffering from diseases of the venous system. The Company has ongoing projects for cryopreserving the posterior tibialis and anterior tibialis tendons for use in knee repairs. The Company is also investigating the use of cryopreserved human osteochondral grafts to repair articular defects, and the use of cryopreserved human endothelial cells, peripheral nerves and spinal disks in various surgical applications.

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

- Develop and Commercialize Biomaterials for Surgical Adhesive and Sealant Applications. In the second quarter of 1998, the Company plans to ship its patent protected BioGlue surgical adhesive for distribution in the European Community through its existing independent representatives and to file an application to conduct clinical trials for BioGlue surgical adhesive in the U.S. The Company also plans to continue development of its patent protected FibRx surgical sealant. In addition to the adhesive and sealant applications of these biomaterials, the Company intends to pursue, either directly or through strategic alliances, certain drug delivery applications of BioGlue surgical adhesive and FibRx surgical sealant, such as administering antibiotics, attaching chemotherapy drugs to tumors, delivering growth agents or delivering bone chips for orthopaedic bone repair.

- Leverage Existing Capability across Product Lines. The Company plans to expand sales of its single-use medical devices by leveraging its established cryopreservation services marketing and sales staff and by introducing new complementary products. The Company intends to apply its expertise with stentless human heart valves to expand commercialization of its stentless porcine heart valves and to use its stentless porcine heart valves as a platform for the development and commercialization of the Company's SynerGraft technology. New complementary products under development include a stentless human heart valve holder being designed to provide greater physician control in implantation procedures and modified single and dual lumen balloon catheters for use in delivering the Company's implantable bioadhesives.

SERVICES AND PRODUCTS

Cryopreservation of Human Tissue for Transplant/Living Biologic Devices

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

The transplant of human tissue that has not been preserved must be accomplished within extremely short time limits (not to exceed eight hours for transplants of the human heart). Prior to the advent of human tissue

cryopreservation, these time constraints resulted in the inability to use much of the tissue donated for transplantation. The application by the Company of its cryopreservation technologies to donated tissue expands the amount of human tissue available to physicians for transplantation. Cryopreservation also expands the treatment options available to physicians and their patients by offering alternatives to implantable mechanical, synthetic and animal-derived devices. The tissues presently cryopreserved by the Company include human heart valves and conduits, vascular tissue and connective tissue for the knee. The following table sets forth, for the types of tissues cryopreserved by the Company, the cumulative number of units shipped, the number of units shipped in 1997 and the total number of target market procedures performed annually in the United States:

	NUMBER OF CRYOLIFE UNITS SHIPPED		NUMBER OF TARGET MARKET PROCEDURES PERFORMED IN THE U.S. IN 1997
	SINCE INCEPTION	DURING 1997	
Human Heart Valves and Conduits	29,500	5,244	95,000
Human Vascular Tissue	9,300	2,621	34,000
Human Connective Tissue for the Knee	4,800	1,859	270,000

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

Human Heart Valves and Conduits. The Company's revenues have been primarily derived from the cryopreservation of human heart valves and conduits for use in reconstructive heart valve replacement surgery. CryoLife shipped approximately 29,500 cryopreserved human heart valves and conduits from 1984 to 1997. Based on CryoLife's records of documented implants, management believes that the Company's success in the allograft heart valve market is due in part to physicians' recognition of the longevity and natural functionality of the Company's cryopreserved human tissues as compared to mechanical and porcine heart valve alternatives in certain applications. The Company currently applies its cryopreservation services to human aortic, pulmonary and, more recently, mitral heart valves for implantation by cardiac surgeons. In addition, the Company provides cryopreserved conduit tissue, which is the only source of tissue available to surgeons who wish to perform certain specialized cardiac repair procedures. Each of these human heart valves and conduits maintains a viable tissue structure which more closely resembles and performs like the patient's own tissue than non-human tissue alternatives.

Based on available market data, the Company estimates that of all heart valve replacement surgeries performed in the U.S. in 1997, 69%, 30% and 1% involved the replacement of diseased or damaged aortic valves, mitral valves and pulmonary valves, respectively. Due to the success of a procedure known as the Ross Switch

Procedure, 53% of the valves which CryoLife shipped in 1997 were pulmonary valves. In the Ross Switch Procedure, the surgeon replaces the patient's damaged aortic valve with the patient's own pulmonary valve. The patient's pulmonary valve is then replaced with a cryopreserved pulmonary valve. The advantage of this procedure is the use of the patient's own valve in the more

stressful aortic position. The resulting benefit to CryoLife and the surgical community is a more even demand and distribution of the processed human aortic and pulmonary valves.

The Company estimates that the total heart valve and conduit replacement market in the U.S. in 1997 was approximately $395 million. Management believes that approximately 95,000 heart valve and conduit surgeries were conducted in the U. S. in 1997. Of the total number of heart valve and conduit surgeries, approximately 64,000, or 67%, involved mechanical heart valves, and approximately 31,500, or 33%, involved tissue heart valves or conduits, including porcine and cryopreserved human tissues. Of these tissue heart valve or conduit replacements, management believes that approximately 6,500, or 21%, involved cryopreserved human heart valve or conduit replacements. Over 5,200 human heart valves and conduits cryopreserved by the Company were shipped for implantation in 1997. Since 1993, the total U.S. replacement heart valve market grew at a compound annual growth rate of approximately 7%, while CryoLife's revenues from cryopreservation of human heart valves and conduits grew at a compound annual growth rate of approximately 21%.

Based on detailed follow-up data available from approximately 1,700 documented implant procedures performed with the Company's cryopreserved human heart valves and conduits, management believes cryopreserved human heart valves and conduits have characteristics that make them the preferred replacement for most patients. Specifically, human heart valves, such as those cryopreserved by the Company, allow for more normal blood flow hemodynamics and provide higher cardiac output than porcine and mechanical heart valves. Human heart valves are not subject to progressive calcification, or hardening, as are porcine heart valves, and do not require anti-coagulation drug therapy, as do mechanical valves. The synthetic sewing rings contained in mechanical and stented porcine valves are difficult to treat with antibiotics after they have become infected, a condition which usually necessitates the surgical removal of these valves at considerable cost, morbidity and risk of mortality. Consequently, human heart valves are the preferred alternative to mechanical and stented porcine valves for patients who have, or are at risk to contract, endocarditis.

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

		PORCINE			
	CRYOPRESERVED HUMAN	STENTED	STENTLESS(1)	MECHANICAL	BOVINE PERICARDIUM(2)
Materials:	human tissue	glutaraldehyde-fixed pig tissue and synthetic sewing ring	glutaraldehyde-fixed pig tissue	pyrolitic carbon bi-leaflet and synthetic sewing ring	glutaraldehyde-fixed cow tissue and synthetic sewing ring
Blood Flow Dynamics:	normal	moderate elevation	nearly normal	high elevation	high elevation
(Required Pressure) (3)	(0-5)	(10-20)	(5-15)	(10-25)	(10-30)
Mode of Failure:	gradual	gradual	expected to be gradual	catastrophic	gradual
Longevity:	20 years	7-10 years	expected to exceed stented porcine valves	20 years	10-15 years
Increased Risk of Thromboembolic Events (strokes or other clotting):	no	occasional	expected to be rare	yes	occasional
Anti-Coagulation Drug Therapy Required:	none	short-term	short-term	chronic	short-term
Responsiveness to Antibiotic Treatment of Endocarditis:	high	low	low	low	low
Average Valve Cost in U.S.:	$6,850	$4,228	$5,500	$4,100(4)	$4,500

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(1) Limited long-term clinical data is available since stentless porcine heart valves only recently became commercially available.
(2) Management believes that bovine pericardium heart valves have experienced mixed clinical results and are generally not considered a preferred alternative for most patients.
(3) Pressure measured in mm/Hg.
(4) Mechanical valves also require chronic anti-coagulation drug therapy at a cost of approximately $450 per year.

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

Human Vascular Tissues. The Company cryopreserves human saphenous and superficial femoral veins for use in vascular surgeries that require small diameter conduits (3mm to 6mm), such as coronary bypass surgery and peripheral vascular reconstructions. Failure to bypass or revascularize an obstruction in such cases may result in death or the loss of a limb. The Company believes it offers the only available small diameter conduit product for below-the-knee vascular reconstruction and shipped approximately 9,300 human vascular tissues from 1986 to 1997.

A surgeon's first choice for replacing diseased or damaged vascular tissue is generally the patient's own tissue. However, in cases of advanced vascular disease, the patient's own tissue is often unusable and the surgeon may consider using synthetic grafts or transplanted human vascular tissue. Synthetic small diameter vascular grafts are not available for below-the-knee surgeries and, in other procedures, have a tendency to shut down due to occlusion because the synthetic materials in these products attract cellular material from the blood stream which in turn closes off the vessel to normal blood flow. Cryopreserved vascular tissues tend not to occlude as quickly because of the presence of an endothelial cell lining in the donor vein which remains intact following the cryopreservation process. The Company's cryopreserved human vascular tissues are used for coronary artery bypass surgeries, peripheral vascular reconstruction, dialysis access graft replacement and venous valve transplantation.

In 1986, the Company began a program to cryopreserve saphenous veins for use in coronary artery bypass surgeries. Although the Company's cryopreserved human tissue was used in only a small percentage of the nearly 310,000 coronary artery bypass procedures performed in 1997, it is the only commercially available alternative to the patient's own tissue. Approximately 950 cryopreserved human saphenous veins for use in coronary artery bypass surgeries were shipped for this application in 1997, representing approximately 36% of all the human vascular tissue shipped by the Company during such period. The Company estimates that, in 1997, approximately 20,000 coronary artery bypass surgeries were performed in which human vascular tissues cryopreserved by the Company could have been used.

In 1989, the Company began a program to cryopreserve long segment saphenous veins for use in peripheral vascular reconstruction. In cases of peripheral arteriosclerosis, a cryopreserved saphenous vein can be implanted as a bypass graft for the diseased artery in order to improve blood flow and maintain a functional limb. Analysis of clinical data has shown that 80% of patients receiving CryoLife's preserved vascular tissues in this type of surgical procedure still have the use of the affected leg three years after surgery. The alternative for many of these patients was amputation. Approximately 1,570 cryopreserved human saphenous veins were shipped for this application in 1997. The Company estimates that, in 1997, approximately 22,000 peripheral vascular reconstruction surgeries were performed in which its cryopreserved human vascular tissues could have been used.

In 1996, the Company began a program for the cryopreservation of human superficial femoral veins for use in dialysis access graft replacement as an alternative for synthetic grafts which have a higher risk of infection than human tissue. The Company shipped less than 100 cryopreserved human

superficial femoral veins for this application in 1997. The Company estimates that, in 1997, approximately 30,000 dialysis access graft replacements were performed in which its cryopreserved human vascular tissues could have been used.

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

therapy or compression stockings. The Company shipped less than 100 cryopreserved human superficial femoral veins for this application in 1997. The Company estimates that, in 1997, approximately 20,000 patients with chronic venous insufficiency could have benefitted from venous valve transplant procedures using its cryopreserved human vascular tissues.

Human Connective Tissue for the Knee. The Company provides cryopreserved surgical replacements for the meniscus and the anterior and posterior cruciate ligaments, which are connective tissues critical to the proper operation of the human knee. CryoLife has shipped approximately 4,800 human connective tissues for the knee through 1997.

Human menisci cryopreserved by the Company provide orthopaedic surgeons with an alternative treatment in cases where a patient's meniscus has been completely removed. When a patient has a damaged meniscus, the current surgical alternatives are to repair, partially remove or completely remove the patient's meniscus, with partial removal being the most common procedure. Meniscal removal increases the risk of premature knee degeneration and arthritis and typically results in the need for knee replacement surgery at some point during the patient's life. Management believes that the Company is the only provider of cryopreserved meniscal tissue and that there are no synthetic menisci on the market. The Company estimates that in 1997 approximately 683,000 partial and total meniscectomies were performed in the U.S. The Company believes up to 30% of these patients could become candidates for meniscal replacement within five years.

Tendons cryopreserved by the Company are used for the reconstruction of anterior cruciate ligaments in cases where the patient's ligaments are irreparably damaged. Surgeons have traditionally removed a portion of the patient's patellar tendon from the patient's undamaged knee for use in repairing a damaged anterior cruciate ligament. Tendons cryopreserved by the Company provide an alternative to this procedure. Because surgeries using cryopreserved tissue do not involve the removal of any of the patient's own patellar tendon, the patient recovery period is typically shorter. The Company estimates that in 1997 approximately 175,000 cruciate ligament reconstruction surgeries were performed.

Based on its experience with human heart valves and conduits, management believes that as the body of clinical data builds regarding the use of cryopreserved human connective tissues for the knee, the use of such tissues will increase, although there can be no assurance that this will be the case.

Other Allograft Tissues Under Development. The Company currently has ongoing projects for cryopreserving the posterior and anterior tibialis tendons for use in the repair of anterior cruciate ligaments. The Company has other projects for using preserved osteochondral grafts to repair articular defects and for the use of cryopreserved human endothelial cells, peripheral nerves and spinal discs, in various surgical applications.

Bioprosthetic Cardiovascular Devices

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

contain synthetic materials which increase the risk of endocarditis, a debilitating and potentially deadly bacterial infection.

Fixed porcine heart valves are often preferred by surgeons for procedures involving elderly patients because they eliminate the risk of patient non-compliance with anti-coagulation drug therapy associated with mechanical valves, are less expensive than allograft valves and their shorter longevity is more appropriately matched with these patients' life expectancies. Fixed porcine heart valves address a worldwide target market estimated to have been $175 million in 1997.

The Company's SynerGraft technology involves the removal of living cells from the structure of non-viable animal tissue and the repopulation of such tissue with human cells. This process is designed to reduce

calcification of porcine heart valves, thereby increasing their longevity, and more generally to improve the biocompatibility and functionality of such tissue. The Company believes that its porcine heart valves, when treated with SynerGraft technology, will expand its opportunity to address the broader international and U.S. heart valve markets, estimated to be $348 million and $395 million, respectively, in 1997.

The following table sets forth the bioprosthetic cardiovascular devices currently marketed or under development by the Company, along with the product features and regulatory or market status for each:

	FEATURES	REGULATORY/MARKET STATUS
FIXED STENTLESS PORCINE VALVES:		
CryoLife-O'Brien	aortic valve of matched composite leaflet design; single suture line	currently marketed in Europe with regulatory approval under CE Mark
CryoLife-Ross	pulmonary valve with attached conduit	submission of application for CE Mark for European marketing approval anticipated in mid-1998
DEPOPULATED STENTLESS PORCINE VALVES:		
CryoLife-O'Brien S.G.	aortic valve, as above, with antigen reduction properties	submission of application for CE Mark for European marketing approval anticipated in fourth quarter 1998
CryoLife-Ross S.G.	pulmonary valve, as above, with antigen reduction properties	submission of application for CE Mark for European marketing approval anticipated in fourth quarter 1998
REPOPULATED STENTLESS PORCINE VALVES:		
CryoLife-O'Brien SynerGraft	aortic valve, as above, repopulated with human cells	pre-clinical
CryoLife-Ross SynerGraft	pulmonary valve, as above, repopulated with human cells	pre-clinical

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

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

heart valve which simplifies the surgical implantation procedure. The Company intends to submit a CE Mark application for marketing the Cryolife-Ross pulmonary heart valve, another of the Company's fixed stentless porcine valves, in the European Community.

The Company plans to apply its proprietary SynerGraft technology to its stentless porcine heart valves. The first of the SynerGraft technology applications involves developing depopulated stentless porcine heart valves with antigen reduction properties. This technology removes viable cells from animal tissues thereby reducing the transplant recipient's auto-immune response to the remaining depopulated tissues. The immune response typically deposits calcium which attaches to and hardens implanted porcine heart valve tissue, a process known as calcification, which reduces the useful life of the implant. By removing viable animal cells from the tissue while maintaining the underlying structural strength of the porcine heart valve, this SynerGraft application is designed to provide a platform for a patient's own cells to naturally populate the implant. This SynerGraft depopulation technology is being applied to both the CryoLife-O'Brien aortic heart valve and the CryoLife-Ross pulmonary heart valve for products under development anticipated to be known as the CryoLife-O'Brien S.G. and the CryoLife-Ross S.G.

The second of the SynerGraft technology applications involves developing stentless porcine heart valves repopulated with viable human cells prior to implantation. This technology uses porcine tissues that have been depopulated of viable animal cells as in the CryoLife-O'Brien S.G. and the CryoLife-Ross S.G. This SynerGraft repopulation technology is being applied to both the CryoLife-O'Brien aortic heart valve and the CryoLife-Ross pulmonary heart valve for products anticipated to be known as the CryoLife-O'Brien SynerGraft and the CryoLife-Ross SynerGraft.

Implantable Biomaterials for Use as Surgical Adhesives and Sealants

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

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

In order to address the inherent limitations of sutures and staples, the Company is developing and commercializing its BioGlue surgical adhesive and is developing its FibRx surgical sealant. The BioGlue surgical adhesive is a polymeric surgical bioadhesive based on a derivative of a blood protein and a cross-linking agent. BioGlue surgical adhesive is nonbiodegradable and has a tensile strength that is four to five times that of FibRx surgical sealant. Target clinical applications for BioGlue surgical adhesive include cardiovascular and vascular peripheral repair. FibRx surgical sealant is a light-activated surgical sealant based on a derivative of the human blood factors fibrinogen and thrombin. The Company believes that FibRx is the only surgical sealant under development offering ease of use to the surgeon through either single-syringe or spray applicators.

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

	BIOGLUE SURGICAL ADHESIVE	FIBRX SURGICAL SEALANT
COMPOSITION:	animal albumin and glutaraldehyde	thrombin, fibrinogen and a thrombin inhibitor
METHOD OF APPLICATION:	double syringe; mixing device provided	light activated single syringe; or light activated spray applicator
TARGETED CLINICAL APPLICATIONS:	vascular repair; anastomotic sealing; aortic dissection repair; carotid endarterectomy patching; tissue bonding	hemostasis in cardiovascular procedures, skin grafts and breast reconstruction; adhesion for skin grafts and breast reconstruction
PERFORMANCE CHARACTERISTICS:	high tensile strength; non-biodegradable	strength of normal human blood clot; biodegradable; flexible, easily manipulated
REGULATORY/MARKET STATUS		
Europe:	CE Mark received for vascular repair applications; expect to commence marketing in Europe in second quarter 1998	regulatory pathway not determined; expected to be evaluated in 1998
United States:	submission of application with the FDA for approval to conduct clinical trials anticipated in second quarter 1998	submission of IND application with the FDA for approval to conduct U.S. clinical trials anticipated in third quarter 1998

The Company estimates that the worldwide market for surgical sutures and staples in 1997 was in excess of $2 billion. The Company intends to begin shipping BioGlue surgical adhesive for distribution in the European Community in the second quarter of 1998. FibRx surgical sealant is progressing through pre-clinical trials and is presently undergoing toxicology validation procedures mandated by the FDA prior to the commencement of clinical trials.

Single-Use Medical Devices

CryoLife manufactures and distributes, through its IFM subsidiary, single-use medical devices including endarterectomy surgical instruments, intravascular shunts, infusion ports, accessories utilized in laparoscopic procedures and a wide range of single and dual lumen balloon catheters. The Company believes that many of its existing single-use medical devices have novel proprietary features that offer clinical advantages over competing products. For example, the Company's Pruitt-Inahara Shunt was the first endarterectomy shunt available to surgeons which contains a barrier feature designed to reduce migration of plaque particles to the brain during surgery. Another example is the Company's dual lumen embolectomy catheter incorporating a novel water irrigation mechanism which enables physicians to remove whole blood clots more effectively than with single lumen embolectomy catheters. The Company is benefiting from, and intends to utilize, its design and manufacturing expertise in developing single-use medical devices for use in conjunction with its human tissue and biomaterial products. Examples of such single-use medical devices under development include a family of balloon catheters designed to assist in applying the BioGlue surgical adhesive and a stentless human heart valve holder designed to provide physicians greater control in implantation procedures.

The Company plans to expand sales of its single-use medical devices by leveraging its established cryopreservation services marketing and sales staff to market existing products and by introducing new products. New complementary products under development include a modified single and dual lumen balloon catheters to be used to deliver the Company's implantable bioadhesives. The Company is working to develop single-use medical devices for use with its BioGlue surgical adhesive. The Company believes that the introduction of BioGlue surgical adhesive in the European Community for vascular repair will create additional marketing opportunities for its single-use medical devices.

SALES, DISTRIBUTION AND MARKETING

Cryopreservation Services

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

Procurement of Tissue. Donated human tissue is procured from deceased human donors by organ procurement agencies and tissue banks. After procurement, the tissue is packed and shipped, together with certain information about the tissue and its donor, to the Company in accordance with the Company's protocols. The tissue is transported to the Company's laboratory facilities via commercial airlines pursuant to arrangements with qualified courier services. Timely receipt of procured tissue is important, as tissue that is not received promptly cannot be cryopreserved successfully. The procurement agency receives a fee for its services, which is paid by the Company. The procurement fee and related shipping costs are ultimately reimbursed to the Company by the hospital with which the implanting physician is associated. The Company has developed relationships with over 250 tissue banks and organ procurement agencies throughout the U.S. Management believes the establishment of these relationships is critical for a growing business in the cryopreservation services industry and that the breadth of these existing relationships provides the Company a significant advantage over potential new entrants to this market. As a result of its maintaining and developing these relationships, the Company has consistently increased its annual human heart valve procurement since its inception. The Company employs approximately 14 individuals in the area of tissue procurement, seven of whom are employed as procurement relations managers and are stationed throughout the country. The Company's central procurement office is staffed 24 hours per day, 365 days per year.

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

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

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

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

Marketing, Educational and Technical Support. The Company maintains active relationships with approximately 1,600 cardiovascular, vascular and orthopaedic surgeons who have active practices implanting cryopreserved human tissues and markets to a broader group of physicians within these medical specialties. Because the Company markets its cryopreservation services directly to physicians, an important aspect of increasing the distribution of the Company's cryopreservation services is educating physicians on the use of cryopreserved human tissue and on proper implantation techniques. Trained field support personnel provide back-up and support to implanting institutions and surgeons. The Company currently has approximately 98 independent technical service representatives and sub-representatives (who deal primarily with orthopaedic surgeons and who are paid on a commission basis) as well as 37 persons employed as technical service representatives (who deal primarily with cardiovascular and vascular surgeons and receive a base salary with a performance bonus) all of whom provide field support.

The Company sponsors physician training seminars where physicians teach other physicians the proper technique for handling and implanting cryopreserved human tissue. The Company conducted seven of these seminars in 1997. Physicians pay their own expenses to attend these seminars in addition to paying the Company a fee for attendance. The Company also produces educational videotapes for physicians. The Company coordinates live surgery demonstrations at various medical schools. The Company also coordinates laboratory sessions that utilize animal tissue to demonstrate the respective surgical techniques. Members of the Company's Medical Advisory Board often lead the surgery demonstrations and laboratory sessions. Management believes that these activities improve the medical community's acceptance of the cryopreserved human tissue processed by the Company.

In order to increase the Company's supply of human tissue for cryopreservation, the Company educates and trains procurement agency personnel in procurement, dissection, packaging and shipping techniques. The

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

Bioprosthetic Cardiovascular Devices

The Company markets the CryoLife-O'Brien stentless porcine heart valves in the European Community. The Company's European sales, distribution and marketing force consists of eight independent representatives, representing each of the Benelux countries, France, Germany, Greece, Scandinavia, Turkey and the United Kingdom. Each of these representatives is paid on a commission basis. Marketing efforts are directed almost exclusively toward cardiovascular and vascular surgeons, and the Company conducts educational seminars and conferences to train these surgeons and educate them with respect to the uses and benefits of its porcine stentless heart valves. In 1997, the Company conducted one workshop and participated in three European conferences. The Company intends to market its CryoLife-Ross stentless porcine heart valves, if CE Mark approval is obtained, through this same European sales force.

BioGlue Surgical Adhesive

The Company plans to market and distribute its BioGlue surgical adhesive internationally through its existing independent representatives, and if approved for sale in the U.S., through its in-house technical service representatives. The initial shipments of BioGlue surgical adhesive to CryoLife's European distributors, which are currently distributing the CryoLife-O'Brien stentless porcine heart valve and single-use medical devices product lines, are scheduled for the second quarter of 1998. The Company conducts training sessions for European doctors with respect to the application and administration of BioGlue surgical adhesive.

Single-Use Medical Devices

Following its acquisition of IFM in March 1997, the Company terminated the majority of IFM's sales representatives and began transitioning the sales and distribution of single-use medical devices to its in-house technical service representatives. The Company plans to expand sales of its single-use medical

devices by continuing new product development and leveraging its established cryopreservation services marketing and sales staff to market the products. The Company conducted two training seminars for these representatives during 1997.

RESEARCH AND DEVELOPMENT

The Company uses its expertise in biochemistry and cell biology, and its understanding of the needs of the cardiovascular, vascular and orthopaedic surgery medical specialties, to continue to expand its core cryopreservation business in the U.S. and to develop or acquire implantable products and technologies for these fields. The Company seeks to identify market areas that can benefit from preserved living tissues and other related technologies, to develop innovative techniques and products within these areas, to secure their commercial protection, to establish their efficacy, and then to market these techniques and products. The Company employs approximately 26 people in its research and development department. There are seven PhDs with specialties as diverse as immunology, molecular biology, protein chemistry, organic chemistry and vascular biology.

In order to expand the Company's service and product offerings, the Company is currently in the process of developing or investigating several technologies and products, including FibRx surgical sealant, SynerGraft and additional applications of BioGlue surgical adhesive. The Company is currently investigating certain drug delivery applications for BioGlue surgical adhesive and FibRx surgical sealant, such as administering antibiotics, attaching chemotherapy drugs to tumors, delivering growth agents or delivering bone chips for orthopaedic bone repair. To the extent the Company identifies additional applications for these products, the Company may attempt

to license these products to corporate partners for further development of such applications. The Company's research and development strategy is to allocate available resources among the Company's four core market areas of cryopreservation services, bioprosthetic cardiovascular devices, implantable biomaterials and single-use medical devices, based on the size of the potential market for any specific product candidate and the estimated development time and cost required to bring the product to market.

Research on these and other projects is conducted in the Company's research and development laboratory or at universities or clinics where the Company sponsors research projects. In 1995, 1996 and 1997, the Company spent approximately $2.6 million, $2.8 million and $3.9 million, respectively, on research and development activities on new and existing products. These amounts represented approximately 9%, 8% and 8% of the Company's revenues for those respective years. The Company's research and development program is overseen by its medical and scientific advisory boards. The Company's pre-clinical studies are conducted at universities and other locations outside the Company's facilities by third parties under contract with the Company. In addition to these efforts, the Company may, as situations develop, pursue other research and development activities.

MANUFACTURING AND OPERATIONS

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

Human Tissue Processing

The human tissue processing laboratory is responsible for the processing and cryopreservation of human tissue for transplant. This includes all processing of heart valves and conduits, vascular tissue and connective tissue for the knee supplied by CryoLife. This laboratory contains approximately 7,700 square feet with a suite of seven clean rooms. Currently there are 37 technicians

employed in this area, and the laboratory is staffed for two shifts, 365 days per year. In 1997, the laboratory processed approximately 14,000 human tissues for distribution and transplant. The current staffing level is estimated to be at about half of total capacity. Increasing this capacity could be accomplished by increasing employees and expanding to three shifts.

Bioprosthetic Cardiovascular Devices

The bioprosthesis laboratory is responsible for the manufacturing of the CryoLife-O'Brien stentless porcine aortic heart valve. This laboratory is located in Marietta, Georgia and contains approximately 13,000 square feet, with about 3,500 square feet of laboratory space and a suite of four clean rooms for tissue processing. The Company plans renovation to this facility in 1998 which would double the size of the processing area and plans to add the production of the CryoLife-Ross stentless porcine pulmonary heart valve to its product line this summer. Currently, this laboratory employs nine technicians and is scheduled to manufacture approximately 1,500 CryoLife-O'Brien valves in 1998. The planned renovation, with additional staffing, is expected to expand capacity at this facility to over 6,000 valves.

Implantable Biomedical Devices

The Company produces limited quantities of FibRx surgical sealant in the biomedical products laboratory, which is located in Marietta, Georgia and employs 11 technicians. This laboratory contains approximately 11,000 square feet, including 4,000 square feet of laboratory space and a suite of eight clean rooms. The Company is also planning an addition of about 8,000 to 15,000 square feet of laboratory and clean room space to support the

manufacture of BioGlue surgical adhesive. BioGlue surgical adhesive is presently manufactured at the Company's headquarters facility, which has an annual capacity of approximately 30,000 units. The facility expansion is expected to allow the manufacture of over 300,000 units of BioGlue surgical adhesive each year, with modest staff additions.

Single-Use Medical Devices

The manufacturing of single-use medical devices is conducted at the Company's IFM subsidiary located in St. Petersburg, Florida. IFM was purchased by CryoLife in 1997 and has recently moved to a renovated 30,000 square foot facility. The Company has 91 employees at this facility. At nearly full capacity in 1997, production was about 180,000 units. In the new facility, a single shift can produce approximately 300,000 units annually with full capacity expected to be nearly 800,000 units annually.

QUALITY ASSURANCE

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

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

Cryopreservation Services

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

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

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

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

Bioprosthetic, Bioadhesive and Single-Use Medical Device Manufacturing

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

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

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

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

PATENTS, LICENSES AND OTHER PROPRIETARY RIGHTS

The Company relies on a combination of patents, trade secrets, trademarks and confidentiality agreements to protect its proprietary products, processing technology, rights and know-how. The Company believes that its patents, trade

secrets, trademarks and technology licensing rights provide it with important competitive advantages. The Company owns or has licensed rights to 14 U.S. patents and three foreign patents, including but not limited to, patents relating to its technology for human heart valve and conduit, vascular tissue and connective tissue for the knee preservation; tissue revitalization prior to freezing; tissue transport; fibrin adhesive; organ storage solution; and packaging. Certain of the above patents relate to the Company's BioGlue surgical adhesive and FibRx surgical sealant. The Company has eight pending U.S. patent applications and in excess of 20 pending foreign applications that relate to areas including heart valve and tissue processing technology for transplantation and to delivery of bioadhesives for anastomosis and other uses. The Company holds six patents and has seven patents pending with respect to its single-use medical devices. There can be no assurance that any patents pending will result in issued patents. The Company also has exclusive licensing rights for technology relating to light-sensitive enzyme inhibitors. The remaining duration of the Company's issued patents ranges from 5 to 17 years. The Company has licensed from third parties certain technologies used in the development of its FibRx surgical sealant and SynerGraft technology. These licenses call for the payment of both development milestones and royalties based on product sales, when and if such products are approved for marketing. The loss of these licenses could adversely affect the Company's ability to successfully develop its FibRx surgical sealant and SynerGraft technology.

There can be no assurance that the claims allowed in any of the Company's existing or future patents will provide competitive advantages for the Company's products, processes and technologies or will not be successfully

challenged or circumvented by competitors. To the extent that any of the Company's products are not patent protected, the Company's business, financial condition and results of operations could be materially adversely affected. Under current law, patent applications in the U.S. are maintained in secrecy until patents are issued and patent applications in foreign countries are maintained in secrecy for a period after filing. The right to a patent in the U.S. is attributable to the first to invent, not the first to file a patent application. The Company cannot be sure that its products or technologies do not infringe patents that may be granted in the future pursuant to pending patent applications or that its products do not infringe any patents or proprietary rights of third parties. The Company may incur substantial legal fees in defending against a patent infringement claim or in asserting claims against third parties. In the event that any relevant claims of third-party patents are upheld as valid and enforceable, the Company could be prevented from selling certain of its products or could be required to obtain licenses from the owners of such patents or be required to redesign its products to avoid infringement. There can be no assurance that such licenses would be available or, if available, would be on terms acceptable to the Company or that the Company would be successful in any attempt to redesign its products or processes to avoid infringement. The Company's failure to obtain these licenses or to redesign its products could have a material adverse effect on the Company's business, financial condition and results of operations.

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

COMPETITION

Cryopreserved Human Tissues and Bioprosthetic Cardiovascular Devices

The Company faces competition from non-profit tissue banks that cryopreserve and distribute human tissue, as well as from companies that market mechanical, porcine and bovine heart valves for implantation. Many established companies, some with resources greater than those of the Company, are engaged in manufacturing, marketing and selling alternatives to cryopreserved human tissue. Management believes that it competes favorably with other entities that cryopreserve human tissue on the basis of technology, customer service and quality assurance. As compared to mechanical, porcine and bovine heart valves, management believes that the human heart valves cryopreserved by the Company compete on the factors set forth above, as well as by providing a tissue that is the preferred replacement alternative with respect to certain medical conditions, such as pediatric cardiac reconstruction, valve replacements for women in their child-bearing years and valve replacements for patients with endocarditis. Although human tissue cryopreserved by the Company is initially higher priced than are mechanical alternatives, these alternatives typically require that the patient take anti-coagulation drug therapy for the lifetime of the implant. As a result of the costs associated with anti-coagulants, mechanical valves are generally, over the life of the implant, more expensive than tissue cryopreserved by the Company. Notwithstanding the foregoing, management believes that, to date, price has not been a significant competitive factor.

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

Human and Stentless Porcine Heart Valves. Alternatives to human heart valves cryopreserved by the Company include mechanical valves, porcine valves and valves constructed from bovine pericardium. St. Jude Medical, Inc. is the leading supplier of mechanical heart valves, and has a marketing and distribution arrangement with a tissue bank for supplies of cryopreserved human heart valves and Baxter International Inc. is the leading supplier of porcine heart valves. In addition, management believes that at least three tissue banks offer cryopreservation services for human heart valves in competition with the Company. The Company presently distributes its stentless porcine heart valves only outside the U.S. These stentless porcine heart valves compete with mechanical valves, human heart valves and processed bovine pericardium. The Company is aware of at least two other companies that offer stentless porcine heart valves.

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

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

Implantable Biomedical Devices

The Company competes with many domestic and foreign medical device, pharmaceutical and biopharmaceutical companies. In the surgical adhesive and surgical sealant area, the Company will compete with existing methodologies, including traditional wound closure products such as sutures and staples, marketed by companies such as Johnson & Johnson, United States Surgical Corporation, Sherwood, Davis & Geck and others. Other products currently being marketed include fibrin glue, sold in Europe, and the Pacific Rim countries by Immuno AG, a subsidiary of Baxter Healthcare Corporation, Chemo-Sero

Therapeutic Research Institute, Hoechst GmbH and others, and management believes other products are under development by Baxter Healthcare Corporation, Bristol-Myers Squibb Company, V.I. Technologies, Inc. and others. Other competitors in the surgical sealant market include Closure Medical Corporation, B. Braun GmbH and Focal, Inc. Competitive products may also be under development by other large medical device, pharmaceutical and biopharmaceutical companies. Many of the Company's current and potential competitors have substantially greater financial, technological, research and development, regulatory and clinical, marketing and sales, and personnel resources than the Company.

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

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

Single-Use Medical Devices

The Company competes in this market with many larger companies such as Boston Scientific's SciMed Life Systems, Guidant Corporation's Advanced Cardiovascular Systems, C.R. Bard, Inc. and Baxter Healthcare Corporation. Many of these companies are larger and carry broader product lines than CryoLife which allows them to bundle products to hospitals. Bundling device products has become a cost-effective way of marketing several products in a line and of providing incentives for the customer to use several products in a product line. At present, CryoLife does not bundle its single-use medical devices but instead offers novel product enhancement.

GOVERNMENT REGULATION

U.S. Federal Regulation

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

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

If the product does not qualify for the 510(k) procedure (either because it is not substantially equivalent to a legally marketed device or because it is a

Class III device required by the FDCA and implementing regulations to have an approved application for PMA), the FDA must approve a PMA application before marketing can begin. PMA applications must demonstrate, among other matters, that the medical device is safe and effective. A PMA application is typically a complex submission, usually including the results of human clinical studies, and preparing an application is a detailed and time-consuming process. Once a PMA application has been submitted, the FDA's review may be lengthy and may include requests for additional data. By statute and regulation, the FDA may take 180 days to review a PMA application although such time may be extended. Furthermore, there can be no assurance that a PMA application will be reviewed within 180 days or that a PMA application will be approved by the FDA.

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

The FDCA requires all medical device manufacturers and distributors to register with the FDA annually and to provide the FDA with a list of those medical devices which they distribute commercially. The FDCA also requires manufacturers of medical devices to comply with labeling requirements and to manufacture devices in accordance with Quality System Regulations, which require that companies manufacture their products and maintain their documents in a prescribed manner with respect to good manufacturing practices, design, document production, process, labeling and packaging controls, process validaiton and other quality control activities. The

FDA's medical device reporting regulation requires that a device manufacturer provide information to the FDA on death or serious injuries alleged to have been associated with the use of its products, as well as product malfunctions that would likely cause or contribute to death or serious injury if the malfunction were to recur. The FDA's medical device tracking regulation requires the adoption of a method of device tracking by manufacturers of life-sustaining or implantable products, the failure of which would be reasonably likely to have serious adverse health consequences. The manufacturer must adopt methods to ensure that such devices can be traced from the manufacturing facility to the ultimate user, the patient. The FDA further requires that certain medical devices not cleared for marketing in the U.S. follow certain procedures before they are exported.

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

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

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

Other Tissue. Other than human and porcine heart valves, none of the Company's other tissue services or products are currently subject to regulation as medical devices under the FDCA or FDA regulation. Heart valves are one of a small number of processed human tissues over which the FDA has asserted medical device jurisdiction. In July 1997, the FDA published a final rule, which became effective in January 1998, regulating "human tissue." The rule clarifies and

modifies an earlier interim rule and defines human tissue as any tissue derived from a human body which is (i) intended for administration to another human for the diagnosis, cure, mitigation, treatment or prevention of any condition or disease and (ii) recovered, processed, stored or distributed by methods not intended to change tissue function or characteristics. The FDA definition excludes, among other things, tissue that currently is regulated as a human drug, biological product or medical device and excludes kidney, liver, heart, lung, pancreas or any other vascularized human organ. Human tissue is regulated by the FDA in a manner the agency has deemed necessary to protect the public health from the transmission of HIV infection and hepatitis infection through transplantation of tissue from donors with or at risk for these diseases. Unlike certain drugs, biologicals and medical devices, human tissue is not subject to premarket notification or approval by the FDA. It is likely, moreover, that the FDA will expand its regulation of processed human tissue in the future. For example, the FDA may determine that the veins and connective tissue that are currently processed by the Company are medical devices, or the FDA may determine to regulate human heart valves as "human tissue" rather than medical devices, but the FDA has not done so at this time. Complying with FDA regulatory requirements or obtaining required FDA approvals or clearances may entail significant time delays and expenses or may not be possible, any of which may have a material adverse effect on the Company. In addition, the U.S. Congress is expected to consider legislation that would regulate human tissue for transplant or the FDA could impose a separate regulatory scheme for human tissue. Such legislation or regulation could have a material adverse effect on the Company.

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

Single-Use Medical Devices. The products offered by the Company through IFM are regulated as Class I and Class II medical devices by the FDA. These products require clearance under a 510(k) procedure. All products currently marketed by IFM have received a 510(k) clearance from the FDA. In addition, the IFM facilities are subject to periodic review by the FDA, as are the Company's records on returned products and reported problems.

BioGlue Surgical Adhesive. It is anticipated that BioGlue surgical adhesive will be regulated as a Class III medical device, as a biologic or in some other capacity by the FDA. The Company is currently preparing to submit an application with the FDA for approval to conduct clinical trials for BioGlue surgical adhesive. There can be no assurance that approval of this application will be obtained.

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

NOTA Regulation. The Company's activities in processing and transporting human hearts and certain other organs are also subject to federal regulation under the NOTA, which makes it unlawful for any person to knowingly acquire, receive or otherwise transfer any human organ for valuable consideration for use in human transplantation if the transfer affects interstate commerce. NOTA excludes from the definition of "valuable consideration" reasonable payments associated with the removal, transportation, implantation, processing, preservation, quality control and storage of a human organ. The purpose of this statutory provision is to allow for compensation for legitimate services. The Company believes that to the extent its activities are subject to NOTA, it meets this statutory provision relating to the reasonableness of its charges. There can be no assurance, however, that restrictive interpretations of NOTA

will not be adopted in the future that would call into question one or more aspects of the Company's methods of charging for its preservation services.

State Licensing Requirements

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

Foreign Approval Requirements

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

surgical adhesive and IFM single-use medical devices by LRQA. The Company's porcine heart valves may be exported to specified developed nations, including countries in the European Community, Australia, Canada, Israel, Japan, New Zealand, South Africa and Switzerland if they comply with the laws of that country and have valid marketing authorization by the appropriate authority in that country. Beginning in July 1998, CE Mark Certification will be required to market porcine heart valves and other bioprosthetics in the European Community.

ENVIRONMENTAL MATTERS

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

EMPLOYEES

The Company presently has approximately 330 employees. These employees include nine persons with PhD degrees. None of the Company's employees is represented by a labor organization or covered by a collective bargaining agreement, and the Company has never experienced a work stoppage or interruption due to labor disputes. Management believes its relations with its employees are good.

LEGAL PROCEEDINGS

From time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. Management believes that no currently ongoing litigation, if determined adversely to the

Company, will have a material adverse effect on the Company's business, financial condition or results of operations.

MANAGEMENT

The following sets forth the name, age and position of executive officers and directors of the Company as of January 31, 1998.

NAME	AGE	POSITION
Steven G. Anderson.....	59	President, Chief Executive Officer and Chairman
Kirby S. Black, PhD.....	43	Vice President, Research and Development
Edwin B. Cordell, Jr., CPA.....	39	Vice President and Chief Financial Officer
Albert E. Heacox, PhD...	47	Vice President, Laboratory Operations
Gerald B. Seery.....	41	Vice President, Marketing
James C. Vander Wyk, PhD.....	53	Vice President, Regulatory Affairs and Quality Assurance
Ronald C. Elkins, MD....	61	Director
Benjamin H. Gray.....	47	Director
Virginia C. Lacy.....	56	Director
Ronald D. McCall, Esq...	61	Director, Secretary and Treasurer

STEVEN G. ANDERSON, a founder of the Company, has served as the Company's President, Chief Executive Officer and Chairman since its inception. Mr. Anderson has more than 30 years of experience in the implantable medical device industry. Prior to joining the Company, Mr. Anderson was Senior Executive Vice President and Vice President, Marketing, from 1976 until 1982 of Intermedics, Inc., a manufacturer and distributor of pacemakers and other medical devices. Mr. Anderson received his BA from the University of Minnesota.

KIRBY S. BLACK, PHD, has served as Vice President of Research and Development since July 1995. Dr. Black is responsible for the continued development of the Company's current products as well as the evaluation of new technologies. Dr. Black is listed on three patents and has authored 118 publications. Prior to joining the Company, Dr. Black was Director, Medical Information and Project Leader from July 1993 until July 1994 at Advanced Tissue Sciences, LaJolla, California. Dr. Black has also held a number of positions at the University of California at Irvine, including Director, Transplantation and Immunology Laboratories, Department of Surgery. Dr. Black received his BS degree from the University of California, Los Angeles, and his PhD degree from the University of California at Irvine.

EDWIN B. CORDELL, JR., CPA, has served as Vice President and Chief Financial Officer of the Company since November 1994. From August 1987 to November 1994, Mr. Cordell served as Controller and Chief Financial Officer of Video Display Corporation, a cathode ray tube remanufacturing and distribution company. Mr. Cordell received his BS in Accounting from the University of Tennessee.

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

GERALD B. SEERY has served as Vice President of Marketing since August 1995 and has been with the Company since July 1993. Mr. Seery is responsible for developing and implementing the Company's sales and marketing plans and supervising all tissue procurement activities. Prior to joining the Company, Mr. Seery held senior marketing management positions with Meadox Medicals from

1982 until 1985, Electro Catheter Corporation from 1985 until 1989 and Daig Corporation from 1992 until 1993, accumulating fifteen years of specialized

marketing experience in cardiovascular medical devices. Mr. Seery received his BA in International Economics at The Catholic University of America in Washington, D.C. in 1978 and completed his MBA at Columbia University in New York in 1980.

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

RONALD C. ELKINS, MD, has served as a Director of the Company since January 1994. Dr. Elkins is Professor and Vice Head of the Department of Surgery and Chief of Thoracic and Cardiovascular Surgery, University of Oklahoma Health Science Center. Dr. Elkins has been a physician at the Health Science Center since 1971, and has held his present position since 1975.

BENJAMIN H. GRAY has served as a Director of the Company since January 1991. Mr. Gray is Chief Financial Officer of Columbia Corporation, an operator of long-term care facilities. Prior to joining Columbia Corporation in 1997, Mr. Gray was a principal of Massey Burch Capital Corp. and Vice President of Massey Burch Investment Group, Inc., a Nashville-based venture capital firm specializing in the health care industry. Mr. Gray joined Massey Burch in 1987 and was responsible for evaluating and managing various investments in the portfolio. Mr. Gray was previously with Chemical Bank of New York from 1973 to 1987.

VIRGINIA C. LACY has served as a Director of the Company since August 1997. Mrs. Lacy is President and a Director of American Industries, a company she co-founded with her husband in 1986. American Industries, located in West Chicago, Illinois, is a manufacturer and distributor of personal identification cards used by a variety of industries, both domestically and internationally. Mrs. Lacy has served as Chairman of the Board of Directors of Precision Devices Corporation, a distributor of pacemakers and other implantable medical devices, since its founding in 1974. Mrs. Lacy received her BA degree from Northwestern University in 1963.

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

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock as of February 13, 1998, and as adjusted to reflect the sale by the Selling Shareholders of the shares of Common Stock offered hereby, by (a) each person who is known by the Company to own beneficially more than five percent of the outstanding shares of Common Stock, (b) each Director of the Company, (c) each executive officer of the Company, (d) all executive officers and Directors of the Company as a group and (e) each Selling Shareholder. Except as otherwise indicated, the Company believes that the beneficial owners of the Common Stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares.

BENEFICIAL OWNERS	SHARES BENEFICIALLY OWNED PRIOR TO OFFERING (1) NUMBER	PERCENT	NUMBER OF SHARES OFFERED	SHARES BENEFICIALLY OWNED AFTER OFFERING (1) NUMBER	PERCENT(2)
Steven G. Anderson(3)(4).....	1,194,703	12.2%	50,000	1,144,703	9.5%
Kirby S. Black, PhD(5).....	12,507	*	0	12,507	*
Edwin B. Cordell, Jr(6).....	20,300	*	5,000	15,300	*
Albert E. Heacox, PhD(7).....	78,000	*	5,000	73,000	*
Gerald G. Seery(8).....	16,200	*	3,000	13,200	*
James C. Vander Wyk, PhD(9).....	12,000	*	0	12,000	*
Ronald C. Elkins, MD(3)(10).....	47,200	*	0	47,200	*
Benjamin H. Gray(3)(11).....	61,312	*	0	61,312	*
Virginia C. Lacy(3)(12).....	395,086	4.1	30,000	365,086	3.0
Ronald D. McCall, Esq(3)(13).....	119,792	1.2	20,000	99,792	*
All executive officers and Directors as a group (10 people)(14).....	1,957,100	19.7	113,000	1,844,100	15.1
Dr. J. Crayton Pruitt(15).....	413,907	4.1	50,000	363,907	2.9
Robert T. McNally, PhD(16).....	180,000	1.9	74,000	106,000	*
Total shares offered by Selling Shareholders.....			237,000		

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*Less than 1%.

(1) Shares of Common Stock which were not outstanding but which could be acquired by a person upon exercise of an option within 60 days of February 17, 1998, are deemed outstanding for the purpose of computing the percentage of outstanding shares beneficially owned by such person. Such shares, however, are not deemed to be outstanding for the purpose of computing the percentage of outstanding shares beneficially owned by any other person.

(2) Assumes no exercise of the Underwriters' over-allotment option. The number of shares of Common Stock deemed outstanding after this Offering assumes 2,263,000 shares of Common Stock are sold by the Company in this Offering. The Selling Shareholders may elect not to sell all or any of the shares proposed to be sold in this Offering. In such event, the Company has agreed to increase the number of shares it is selling in this Offering by the number of shares not sold by such Selling Shareholders.

(3) The shareholders' address is 1655 Roberts Boulevard, N.W., Kennesaw, GA 30144.

(4) Includes 105,133 shares held of record by Ms. Ann B. Anderson, Mr. Anderson's spouse. Also includes 46,000 shares subject to options which are presently exercisable or will become exercisable within 60 days after the date of this Prospectus.

(5) Includes 270 shares held by minor children and 12,000 shares subject to options which are either presently exercisable or will become exercisable within 60 days after the date of this Prospectus.

(6) Includes 2,300 shares in a trading account as to which Mr. Cordell has signature authority and 6,000 shares subject to options which are either presently exercisable or will become exercisable within 60 days after the date of this Prospectus.

(7) Includes 12,000 shares subject to options which are either presently exercisable or will become exercisable within 60 days after the date of this Prospectus.

(8) Includes 15,000 shares subject to options which are either presently exercisable or will become exercisable within 60 days after the date of

this Prospectus.

(9) Includes 12,000 shares subject to options which are presently exercisable or will become exercisable within 60 days after the date of this Prospectus.

(10) Includes 28,170 shares subject to options which are presently exercisable or will become exercisable within 60 days after the date of this Prospectus.

(11) Includes 55,000 shares subject to options which are presently exercisable or will become exercisable within 60 days after the date of this Prospectus.

(12) Includes 215,500 shares held as beneficiary of a trust, and 110,586 shares held as beneficiary of an IRA, of Ms. Lacy's deceased spouse. Includes 30,000 shares held as administrator of a pension plan. Includes 15,000 shares subject to options which are presently exercisable or will become exercisable within 60 days after the date of this Prospectus.

(13) Includes 10,000 shares of Common Stock owned of record by Ms. Marilyn B. McCall, Mr. McCall's spouse. Includes 35,000 shares of subject to options which are presently exercisable or will become exercisable within 60 days after the date of this Prospectus.

(14) Includes 236,170 shares subject to options which are presently exercisable or will become exercisable within 60 days after the date of this Prospectus. Includes 2,300 shares held by the parents of an executive officer for which such executive officer has shared voting control. Includes 270 shares held as trustee by an executive officer. Includes 215,500 shares held as beneficiary of a trust, and 110,586 shares held as beneficiary of an IRA, of Ms. Lacy's deceased spouse. Includes 30,000 shares held as administrator of a pension plan. Includes 115,133 shares held of record by the spouses of executive officers and Directors.

(15) Represents shares issuable upon conversion of $607,000 of the convertible debenture. Dr. Pruitt was the sole stockholder of IFM, which was acquired by the Company in March 1997. In connection with the acquisition, the Company issued a convertible debenture to Dr. Pruitt. See "Description of Capital Stock--Convertible Debenture." Dr. Pruitt serves a consultant to the Company pursuant to a consulting agreement.

(16) Includes 25,000 shares held of record by Ms. Gertrude McNally, Dr. McNally's spouse. Includes 24,000 shares subject to options which are presently exercisable. Mr. McNally retired as an executive officer of the Company, and entered into a consulting agreement with the Company, effective as of January 2, 1998.

DESCRIPTION OF CAPITAL STOCK

The Company is authorized to issue up to 50,000,000 shares of Common Stock, $.01 par value, and 5,000,000 shares of Preferred Stock, $.01 par value. As of February 11, 1998, there were 9,706,791 shares of Common Stock outstanding held by approximately 410 shareholders of record and no shares of Preferred Stock outstanding.

The following summary is qualified in its entirety by reference to the Company's Amended and Restated Articles of Incorporation, the Company's Bylaws, as amended, and the Florida Business Corporation Act (the "FBCA").

COMMON STOCK

Holders of Common Stock are entitled to one vote per share of Common Stock held of record on all matters to be voted upon by the Company's shareholders generally. Holders of Common Stock are not entitled to cumulative voting rights. As a result, the holders of a majority of the shares of Common Stock voting for the election of directors may elect all of the Company's directors if they choose to do so, and, in such event, the holders of the remaining shares of Common Stock will not be able to elect any person or persons to the Board of Directors. See "Principal and Selling Shareholders."

Holders of Common Stock are entitled to receive, on a pro rata basis, such dividends and distributions, if any, as may be declared from time to time by the Board of Directors out of funds legally available therefor, subject to any preferential dividend right of any issued and outstanding shares of Preferred Stock. In the event of liquidation, dissolution or winding up of the Company, after payment of creditors, holders of Common Stock are entitled to share ratably in all assets, subject to the payment of any liquidation preference of any issued and outstanding shares of Preferred Stock. The shares of Common

Stock currently outstanding are, and the shares of Common Stock to be issued upon the completion of this Offering will be, validly issued, fully paid and non-assessable.

PREFERRED STOCK

The Board of Directors of the Company is empowered, without approval of the Company's shareholders, to cause shares of Preferred Stock (the "Preferred Stock") to be issued in one or more series and to fix and determine the relative rights and preferences of the shares of any such series, subject to the limits of Florida law. Because the Board of Directors has the power to establish the preferences and rights of each series, it may afford the holders of any series of Preferred Stock preferences, powers and rights, voting or otherwise, senior to the rights of holders of Common Stock. The issuance of Preferred Stock could have the effect of delaying or preventing a change in control of the Company. The Board of Directors has no present plans to issue any shares of Preferred Stock.

CONVERTIBLE DEBENTURE

In connection with the acquisition of IFM, the Company issued a 7%, Five-Year Subordinated Convertible Debenture dated March 5, 1997 (the "Debenture") in the original principal amount of $4,999,999 in favor of J. Clayton Pruitt, the former sole stockholder of IFM. The Debenture is convertible, at any time between March 5, 1998 and March 5, 2002, into 413,907 shares of Common Stock ("Conversion Shares"). The conversion feature is subject to customary anti-dilution provisions for stock splits or dividends. Dr. Pruitt has registration rights with respect to the Conversion Shares. See "Shares Eligible For Future Sale--Registration Rights."

STOCK OPTIONS

As of February 1, 1998, the Company has issued and outstanding options to purchase an aggregate of 747,000 shares of Common Stock (net of forfeitures, expirations and cancellations) pursuant to its Stock Option Plans, at exercise prices between $3.00 and $18.43. Of such options, 301,000 were exercisable as of February 1, 1998.

ARTICLES OF INCORPORATION AND BYLAWS

Certain provisions of the Articles of Incorporation and Bylaws of the Company, which are summarized below, could have the effect of making it more difficult to change the composition of the Company's Board of Directors or for any person or entity to acquire control of the Company.

Special Meetings

Pursuant to the Company's Articles of Incorporation and Bylaws, special meetings of the shareholders may be called only 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 shareholders owning not less than 50% of all votes entitled to be cast at the special meeting.

Prohibition of Shareholder Action without Meeting

Under the Company's Articles of Incorporation, the shareholders may not take action by written consent. Any and all action by the shareholders is required to be taken at the annual shareholders' meeting or at a special shareholders' meeting. See "Risk Factors--Anti-Takeover Provisions."

ANTI-TAKEOVER STATUTES

The Company is subject to several anti-takeover provisions of the FBCA that apply to a public corporation organized under Florida law unless the corporation has elected to opt out of such provision in its Articles of Incorporation or (depending on the provision in question) its Bylaws. The Company has not elected to opt out of these provisions. The Common Stock of the Company is subject to the "affiliated transaction" and "control-share acquisition" provisions of the FBCA, which are Sections 607.0901 and 607.0902, respectively. These provisions provide that, subject to certain exceptions, an "affiliated transaction" must be approved by the holders of two-thirds of the voting shares other than those beneficially owned by an "interested

shareholder" and that "control shares" acquired in specified shareholders, excluding holders of shares defined as "interested shares." These provisions of the FBCA may have the effect of making it more difficult for any person or group to acquire the Company or substantial amounts of the Company's Common Stock. See "Risk Factors--Anti-Takeover Provisions."

ABILITY TO CONSIDER OTHER CONSTITUENCIES

The Directors of the Company are subject to the "general standards for Directors" provisions set forth in Section 607.0830 of the FBCA. These provisions provide that, among other things, in discharging his or her duties and determining what is in the best interests of the Company, a Director may consider such factors as the Director deems relevant, including the long-term prospects and interests of the Company and its shareholders, and the social, economic, legal or other effects of any proposed action on the employees, suppliers or customers of the Company, the communities in which the Company operates and the economy in general. Consequently, in connection with any proposed corporate action, the Board of Directors is empowered to consider interests of other constituencies in addition to the interests of the Company's shareholders. Shareholders should be aware that Directors who take into account these other factors may make decisions which are less beneficial to the shareholders than if the law did not permit consideration of such other factors.

SHAREHOLDER RIGHTS PLAN

In November 1995, the Board of Directors of the Company established a rights plan, pursuant to which one preferred share purchase right (a "Right") is attached to each outstanding share of Common Stock. Each Right entitles the registered holder to purchase from the Company one one-tenth of a share of Series A Junior Participating Preferred Stock, par value $.01 per share (the "Preferred Stock"), of the Company at a price of $100.00 per one-tenth of a share of Preferred Stock (the "Purchase Price"), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement dated as of November 27, 1995, as

amended as of May 30, 1997 (the "Rights Agreement") between the Company and American Stock Transfer & Trust Company as Rights Agent (the "Rights Agent").

Until the earlier to occur of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") have acquired beneficial ownership of 15% or more of the outstanding Common Stock or (ii) 10 business days (or such later date as may be determined by action of the Board of Directors prior to such time as any person or group of affiliated persons becomes an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 15% or more of the outstanding Common Stock (the earlier of such dates being called the "Distribution Date"), the Rights will be evidenced by Common Stock certificates.

The Rights Agreement provides that, until the Distribution Date (or earlier redemption or expiration of the Rights), the Rights will be transferred with and only with the Common Stock. Until the Distribution Date (or earlier redemption or expiration of the Rights), new Common Stock certificates issued after the Record Date upon transfer or new issuance of Common Stock will contain a notation incorporating the Rights Agreement by reference. Until the Distribution Date (or earlier redemption or expiration of the Rights), the surrender for transfer of any certificates for Common Stock, even without such notation or a copy of a summary of Rights being attached thereto, will also constitute the transfer of the Rights associated with the Common Stock represented by such certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Common Stock as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on November 27, 2005 (the "Expiration Date"), unless the Expiration Date is extended or unless the Rights are earlier redeemed or exchanged by the Company, in each case, as described below.

The Purchase Price payable, and the number of shares of Preferred Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Stock, (ii) upon the grant to holders of the Preferred Stock of certain rights or warrants to subscribe for or purchase Preferred Stock at a price, or securities convertible into Preferred Stock with a conversion price, less than the then-current market price of the Preferred Stock or (iii) upon the distribution to holders of the Preferred Stock of evidences of indebtedness or assets (excluding regular periodic cash dividends paid out of earnings or retained earnings or dividends payable in Preferred Stock) or of subscription rights or warrants (other than those referred to above).

The number of outstanding Rights and the number of shares of Preferred Stock issuable upon exercise of each Right (presently one-tenth of a share) are also subject to adjustment in the event of a stock split of the Common Stock or a stock dividend on the Common Stock payable in Common Stock or subdivisions, consolidations or combinations of the Common Stock occurring, in any such case, prior to the Distribution Date.

Shares of Preferred Stock purchasable upon exercise of the Rights will not be redeemable. The Preferred Stock will be entitled to a minimum preferential quarterly dividend payment of $.01 per share but will be entitled to an aggregate dividend of 10 times the dividend declared per share of Common Stock. In the event of liquidation, the holders of the Preferred Stock will be entitled to a minimum preferential liquidation payment of $10.00 per share but will be entitled to an aggregate payment of 10 times the payment made per share of Common Stock. The Preferred Stock will have one vote, voting together with the Common Stock. Finally, in the event of any merger, consolidation or other transaction in which Common Stock is exchanged, the Preferred Stock will be entitled to receive 10 times the amount received per share of Common Stock. These Rights are protected by customary antidilution provisions.

Because of the nature of the Preferred Stock, dividend, liquidation and voting rights, the value of the one-tenth interest in the Preferred Stock purchasable upon exercise of each Right should approximate the value of one share of Common Stock.

In the event that the Company is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold after a person or group has become an Acquiring Person, proper provision will be made so that each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereafter be void), will thereafter have the right to receive, upon the exercise thereof at the then current exercise price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the exercise price of the Right. In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, proper provision shall be made so that each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereafter be void), will thereafter have the right to receive upon exercise the number of shares of Common Stock having a market value of two times the exercise price of the Right.

At any time after any person or group becomes an Acquiring Person and prior to the acquisition by such person or group of 50% or more of the outstanding Common Stock, the Board of Directors of the Company may exchange the Rights (other than Rights owned by such person or group which will have become void), in whole or in part, at an exchange ratio of one share of Common Stock, or one-tenth of a share of Preferred Stock (or of a share of a class or series of the Company's Preferred Stock having equivalent rights, preferences and privileges), per Right (subject to adjustment).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price.

No fractional shares of Preferred Stock will be issued (other than fractions which are integral multiples of one-tenth of a share of Preferred Stock, which may, at the election of the Company, be evidenced by depository receipts) and in lieu thereof, an adjustment in cash will be made based on the market price

of the Preferred Stock on the last trading day prior to the date of exercise.

At any time prior to the acquisition by a person or group of affiliated or associated persons of beneficial ownership of 15% or more of the outstanding Common Stock, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of $.001 per Right (the "Redemption Price"). The redemption of the Rights may be made effective at such time on such basis with such conditions as the Board of Directors in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

The terms of the Rights may be amended by the Board of Directors of the Company without the consent of the holders of the Rights, including an amendment to lower certain thresholds described above to not less than the sum of .001% and the largest percentage of the outstanding Common Shares then known to the Company to be beneficially owned by any person or group of affiliated or associated persons, except that from and after such time as any person or group of affiliated or associated persons becomes an Acquiring Person no such amendment may adversely affect the interests of the holders of the Rights.

Until a Right is exercised, the holder thereof, as such, will have no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends.

The description of the Rights contained herein is qualified in its entirety by reference to the Rights Agreement which is incorporated by reference into the registration statement of which this Prospectus forms a part.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the Common Stock is American Stock Transfer & Trust Company. It is located at 40 Wall Street, 46th Floor, New York, NY 10005, and its telephone number is (718) 921-8200.

SHARES ELIGIBLE FOR FUTURE SALE

Upon the completion of this Offering, the Company will have 12,021,791 shares of Common Stock outstanding. Substantially all of these shares will be transferable without restriction or registration under the Securities Act or pursuant to the volume and other limitations of Rule 144 promulgated under the Securities Act as described below.

SALE OF RESTRICTED SHARES

Holders of approximately shares 1,785,125 ("Restricted Shares") are entitled to sell their shares in the public securities markets without registration under the Securities Act to the extent permitted by Rule 144 as promulgated thereunder. In general, under Rule 144, a person (together with persons whose shares are aggregated with that person pursuant to Rule 144) who has held Restricted Shares for at least one year, but less than two years, or who may be deemed an affiliate may sell within any three-month period a number of shares that does not exceed the greater of (i) one percent of the then outstanding shares of Common Stock or (ii) the average weekly trading volume during the four calendar weeks preceding the date on which notice of the sale is filed with the Securities and Exchange Commission. The one-year holding period with respect to 83,700 of the currently outstanding shares of Common Stock will expire within 180 days of the date of this Prospectus. Rule 144 also permits the sale of Restricted Shares, without the quantity limitation or other restrictions, by a person who (i) is not an affiliate of the Company, (ii) has not been an affiliate for at least three months and (iii) has satisfied a two-year holding period. Pursuant to these provisions, approximately 187,123 of the Restricted Shares may be sold immediately.

Approximately 1,962,000 shares are subject to lock-up agreements between the holders thereof and the Representatives of the Underwriters, pursuant to which the holders of these shares (the "Lock-up Shares") have agreed not to offer, sell, contract to sell or grant any option to purchase or otherwise dispose of Common Stock until 90 days after the date of this Prospectus (the "Lock-up

Period") without the prior written consent of SBC Warburg Dillon Read Inc., subject to limited exceptions. See "Underwriting." Following the expiration of the Lock-up Period, substantially all of the Lock-up Shares will become available for immediate resale in the public market subject to the volume and other limitations of Rule 144.

OPTIONS

At February 1, 1998, options to purchase a total of 747,000 shares of Common Stock pursuant to the Company's stock option plans were outstanding, of which 301,000 were exercisable. Of the shares subject to options, 616,000 are subject to lock-up agreements. The Company has filed registration statements with the Commission with respect to substantially all of these shares.

STOCK PURCHASE PLAN

In July 1996, the Company adopted the Stock Purchase Plan. The aggregate number of shares of Common Stock that may be purchased by all participants under the Stock Purchase Plan may not exceed 600,000, subject to certain adjustments. The Company has filed a registration statement with the Commission with respect to the shares subject to the Stock Purchase Plan. Under the terms of the Stock Purchase Plan, participants may sell shares of Common Stock without restriction.

REGISTRATION RIGHTS

The Massey Burch Investment Group, Inc. and certain other investors (collectively, the "Massey Burch Investors") and the Company are parties to a securities purchase agreement dated December 17, 1985, pursuant to which the Company is required to give the Massey Burch Investors notice of any proposed registration by the Company of shares of its Common Stock pursuant to a registration statement to be filed under the Securities Act and to permit the Massey Burch Investors, subject to certain restrictions, to sell shares of Common Stock pursuant to any such registration statement. The Massey Burch Investors hold approximately 118,000 shares of Common Stock. All of the expenses of such registration under the securities purchase agreement, other than the fees and expenses of counsel for the Massey Burch Investors, underwriting discounts and selling commissions, will be paid by the Company.

In connection with the acquisition of IFM, the Company issued a subordinated convertible debenture convertible into 413,907 shares of the Company's Common Stock to Dr. Pruitt. Dr. Pruitt has registration rights with respect to the Conversion Shares. Dr. Pruitt is selling 50,000 of the Conversion Shares in this Offering. See "Principal and Selling Shareholders." The Company is required upon request by the holder of the Debenture to use its best efforts to file a registration statement to register up to one-third of the Conversion Shares. The holder of the Conversion Shares may request up to three such registrations. Generally, the Company is required to bear the expenses of all such registrations, except that the holder will be required to bear his pro rata share of the underwriters' discounts and filing fees related to the inclusion of such Registrable Securities in such registration statement. See "Description of Capital Stock--Convertible Debentures."

In connection with the retirement of Robert McNally, former Senior Vice President Clinical Research, the Company entered into a Consulting Agreement dated January 1, 1998 with Dr. McNally. The Consulting Agreement provides that the Company will use its best efforts to enable Dr. McNally to sell up to 24,000 shares of Common Stock through May 15, 1998 either on the open market or through participation in an underwritten public offering. Dr. McNally is selling 74,000 shares in this Offering. Assuming at least 24,000 of these shares are sold, the Company will have fullfilled these obligations under the Consulting Agreement. See "Principal and Selling Shareholders."

UNDERWRITING

The names of the Underwriters of the shares of Common Stock offered hereby and the aggregate number of shares of Common Stock which each has severally agreed

to purchase from the Company, subject to the terms and conditions specified in the Underwriting Agreement, are as follows:

UNDERWRITERS	NUMBER OF SHARES
SBC Warburg Dillon Read Inc.	
Piper Jaffray Inc.	
Total	2,500,000

The Managing Underwriters are SBC Warburg Dillon Read Inc. and Piper Jaffray Inc.

If any shares of Common Stock offered hereby are purchased by the Underwriters, all such shares will be so purchased. The Underwriting Agreement contains certain provisions whereby if any Underwriter defaults in its obligation to purchase such shares and if the aggregate obligations of the Underwriters so defaulting do not exceed ten percent of the shares offered hereby, the remaining Underwriters, or some of them, must assume such obligations.

The Underwriters propose to offer the shares of Common Stock to the public initially at the offering price set forth on the cover page of this Prospectus, and to certain dealers at such price less a concession not to exceed $ per share. The Underwriters may allow, and such dealers may reallow, a concession not to exceed $ per share on sales to certain other dealers. The offering of the shares of Common Stock is made for delivery when, as and if accepted by the Underwriters and subject to prior sale and withdrawal, cancellation or modification of the offer without notice. The Underwriters reserve the right to reject any order for the purchase of the shares. After the shares are released for sale to the public, the public offering price, the concession and the reallowance may be changed by the Managing Underwriters.

The Company has granted to the Underwriters an option to purchase up to an additional 375,000 shares of Common Stock at the offering price less the underwriting discount set forth on the cover page of this Prospectus. Such option is exercisable during the 30 days beginning on the date of the Underwriting Agreement. The Underwriters may exercise such option only to cover over-allotments made of the shares in connection with the Offering. To the extent the Underwriters exercise this option, each of the Underwriters will be obligated, subject to certain conditions, to purchase the number of additional shares proportionate to such Underwriter's initial commitment.

The Company, each of its Directors and officers and certain of its shareholders have agreed that they will not sell, contract to sell, grant any option to sell or otherwise dispose of, directly or indirectly, any shares of the Common Stock or any securities convertible into or exchangeable for Common Stock or warrants or other rights to purchase Common Stock, for a period of at least 90 days after the date of this Prospectus, without the prior written consent of SBC Warburg Dillon Read Inc., except for (i) the issuance of shares of Common Stock by the Company upon the purchase of outstanding warrants or the exercise of outstanding options, provided that the Company shall have obtained an agreement substantially to the effect set forth in this paragraph from each such person to whom such shares of Common Stock are issued and (ii) the grant of options and other rights by the Company to purchase up to an aggregate of 161,900 shares of Common Stock to the Company's employees, officers and Directors pursuant to the Stock Plans.

The Company has agreed to indemnify the Underwriters against certain liabilities, including any liabilities under the Securities Act, or to contribute to payments the Underwriters may be required to make in respect thereof.

In connection with this Offering, the Managing Underwriters, on behalf of the Underwriters, may engage in transactions that stabilize, maintain or otherwise affect the price of the Common Stock. Specifically, the Managing Underwriters may over-allot this Offering, creating a syndicate short position. In addition,

the Managing Underwriters may bid for and purchase shares of Common Stock in the open market to cover syndicate short positions or to stabilize the price of the Common Stock. Finally, the Managing Underwriters may reclaim selling concessions from syndicate members in this Offering if the syndicate repurchases previously distributed Common Stock in syndicate covering transactions, in stabilizing transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Common Stock above independent market levels. The Managing Underwriters are not required to engage in these activities, and may end any of these activities at any time.

LEGAL MATTERS

The validity of the Common Stock offered hereby is being passed upon for the Company by Arnall Golden & Gregory, LLP, Atlanta, Georgia. Certain legal matters in connection with this Offering are being passed upon for the Underwriters by Palmer & Dodge LLP, Boston, Massachusetts.

EXPERTS

The consolidated financial statements of CryoLife, Inc. as of December 31, 1997 and 1996, and for the years then ended, and the financial statements of IFM as of and for the year ended December 31, 1996, have been included herein and in the Registration Statement in reliance upon the reports of Ernst & Young LLP, independent auditors, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of CryoLife, Inc. for the year ended December 31, 1995 have been included herein and in the Registration Statement in reliance upon the report of KPMG Peat Marwick LLP, independent auditors, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company has filed with the Commission, through the Electronic Data Gathering, Analysis and Retrieval System ("EDGAR"), a Registration Statement on Form S-3 under the Securities Act with respect to the Common Stock offered hereby (the "Registration Statement"). This Prospectus, filed as part of the Registration Statement, does not contain all of the information included in the Registration Statement and the exhibits and schedules thereto, certain portions of which have been omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and the Common Stock offered hereby, reference is hereby made to the Registration Statement and the exhibits and schedules filed therewith or incorporated by reference thereto. Statements contained in this Prospectus as to the contents of any contract, agreement, or other document are not necessarily complete and in each such instance, reference is made to the copy of such contract, agreement or other document filed as an exhibit to the Registration Statement, including documents incorporated by reference, for a more complete description of the matters involved and each such statement shall be deemed qualified in its entirety by such reference. The Registration Statement, including the exhibits and schedules thereto, may be inspected without charge and copied at the offices of the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional

offices located at 7 World Trade Center, 13th Floor, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such materials may be obtained at the prescribed rates from the Commission's Public Reference Section at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Electronic registration statements filed through EDGAR may also be accessed electronically through the Commission's home page on the World Wide Web at http://www.sec.gov.

The Company is subject to the periodic reporting requirements of the Exchange Act, and in accordance therewith, it files reports, proxy statements, and other information required thereby to the Commission via EDGAR. Copies of such material may be inspected and copied at the offices of the Commission and accessed electronically through the Commission's home page on the World Wide Web. Reports, proxy statements, other required information statements, and

other information concerning the Company may also be inspected at the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company's Annual Report on Form 10-K for the year ended December 31, 1997, and the description of the Company's Common Stock contained in its registration statement on Form 8-A, File No. 001-13165, including any amendment or report filed for the purpose of updating such description, are hereby incorporated by reference in this Prospectus.

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to termination of this Offering shall be deemed to be incorporated in this Prospectus by reference and to be a part hereof from the respective dates of the filing of such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any subsequently filed document which also is, or is deemed to be, incorporated by reference herein, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Prospectus.

The Company will provide, upon written or oral request, without charge to each person to whom a copy of this Prospectus has been delivered, including any beneficial owner, a copy of any or all of the documents which have been or may be incorporated in this Prospectus by reference other than exhibits to such documents (unless such exhibits are specifically incorporated by reference into such documents). Requests for such copies should be directed to: Assistant Secretary, CryoLife, Inc., 1655 Roberts Boulevard, N.W., Kennesaw, Georgia 30144, (770) 419-3355.

GLOSSARY

Allograft--A graft of tissue taken from a donor of the same species as the recipient.

Albumin--Protein existing in blood plasma involved in the coagulation process.

Anastomosis--Surgical formation of a passage between two normally unconnected vessels.

Anti-Coagulant--Drug treatment to prevent blood from clotting.

Antigen Reduction--Reduction of protein or carbohydrate substances capable of stimulating an immune response.

Aortic Valve--The heart valve between the left ventricle and the ascending aorta.

Arteriosclerosis--A chronic disease characterized by abnormal thickening and hardening of the arterial walls with resulting loss of elasticity.

Bioadhesives--Glue or sealant composed of human or animal blood factors.

Bioprosthesis--A replacement, made of biological materials, for a limb, organ or other part of the body.

Calcification--Deposits of calcium which attach to body tissues and degenerate such tissues.

Catheter--A tubular surgical instrument for withdrawing from or introducing fluid to vessels.

Coronary Artery--A vessel which delivers oxygenated blood to the heart muscle.

Cruciate Ligament--A ligament that helps to stabilize the knee.

Cryopreservation--Preservation of tissue by use of special freezing

techniques.

Embolectomy--Surgical removal of a clot which impedes blood flow.

Endarterectomy--Surgical removal of the inner layer of an artery.

Endocarditis--Inflammation, caused by bacteria, of the lining of heart valve and surrounding tissue.

Endothelial Cells--A single layer of thin flattened cells that line the internal walls of veins, arteries and other internal body cavities.

Femoral Vein--The vein which accompanies the main artery in the thigh.

Fibrinogen--A component of plasma which is essential to the clotting process.

Fixed Porcine Valve--A porcine valve treated with glutaraldehyde in order to eliminate viable cells capable of producing an auto-immune response.

Glutaraldehyde--Chemical agent of the aldehyde group used in cross-linking proteins and fixing porcine valve tissues.

Heart Conduit--Portions of the aorta or other vessels which includes a heart valve within its walls.

Hemostasis--The stoppage of blood flow.

Infusion Port--A device with a catheter implanted under the skin through which therapeutic doses of medicine are administered and delivered to a diseased area.

Laparoscopy--Minimally invasive surgical technique designed to minimize the trauma of the operative site.

Lumen--The inner open space of a tubular organ.

Meniscus--A crescent-shaped, fibrous cartilage pad positioned within the knee between the surface of the femur and tibia.

Mitral Valve--The heart valve positioned between the left atrium and left ventricle.

Osteochondral Graft--Surgical implant relating to or composed of bone and cartilage.

Patellar Tendon--A tendon extending from the patella (kneecap) to the tibia (shin bone).

Peripheral Vascular--Refers to the blood vessels, or circulatory system, of the limbs.

Porcine--Of or related to pigs.

Pulmonary Valve--The heart valve separating the non-oxygenated, or pulmonary, trunk from the right ventricle.

Saphenous Vein--A vein that runs the full length of the leg.

Shunt--Surgical device to facilitate an anastomosis.

Stentless Heart Valve--Heart valve that does not contain a sewing ring to support the valve opening.

SynerGraft--Proprietary technology for depopulating animal tissue of its viable cells and repopulating it with viable human cells resulting in a reduced auto-immune response.

Thrombin--An enzyme that facilitates the clotting of blood.

Thrombin Inhibitor--An agent that slows or interferes with a chemical reaction associated with the clotting of blood.

Thromboembolism--Catastrophic blockage of blood flow caused when a particle is trapped in a vein or artery.

Tibialis Tendon--Tendon connecting the bones and muscles of the lower leg and foot.

Viable Tissue--Cells capable of living, growing or developing.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
CryoLife, Inc.

We have audited the accompanying consolidated balance sheets of CryoLife, Inc. as of December 31, 1997 and 1996, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The consolidated financial statements of CryoLife, Inc. for the year ended December 31, 1995 were audited by other auditors whose report dated February 14, 1996 expressed an unqualified opinion on those statements.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the 1997 and 1996 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CryoLife, Inc. at December 31, 1997 and 1996, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Atlanta, Georgia
February 9, 1998

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
CryoLife, Inc.

We have audited the accompanying consolidated statements of income, shareholders' equity and cash flows of CryoLife, Inc. and subsidiaries for the year ended December 31, 1995. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of CryoLife, Inc. and subsidiaries for the year ended December 31, 1995, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

Atlanta, Georgia
February 14, 1996

CRYOLIFE, INC.

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	1997	1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 111,000	$ 1,370,000
Receivables:		
Trade accounts, less allowance for doubtful accounts of $103,000 in 1997 and $94,000 in 1996	9,224,000	6,572,000
Income taxes	230,000	404,000
Other	311,000	1,518,000
Total receivables	9,765,000	8,494,000
Deferred preservation costs, less allowances of $152,000 in 1997 and $278,000 in 1996	12,257,000	7,178,000
Inventories	1,761,000	260,000
Prepaid expenses	1,260,000	697,000
Deferred income taxes	--	33,000
Total current assets	25,154,000	18,032,000
Property and equipment:		
Equipment	10,533,000	8,515,000
Furniture and fixtures	1,828,000	1,493,000
Leasehold improvements	8,247,000	7,495,000

Construction in progress	2,509,000	--
	23,117,000	17,503,000
Less accumulated depreciation and amortization	7,630,000	5,788,000
Net property and equipment	15,487,000	11,715,000
Other assets:		
Goodwill, less accumulated amortization of $468,000 in 1997 and $27,000 in 1996	9,809,000	1,846,000
Patents, less accumulated amortization of $531,000 in 1997 and $352,000 in 1996	2,196,000	2,081,000
Other, less accumulated amortization of $483,000 in 1997 and $289,000 in 1996	1,103,000	1,299,000
Total assets	$53,749,000	$34,973,000

See accompanying notes to consolidated financial statements.

CRYOLIFE, INC.

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	1997	1996
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,612,000	$ 3,696,000
Accrued expenses	222,000	720,000
Accrued compensation	1,122,000	878,000
Accrued fees to technical service representatives	312,000	214,000
Accrued procurement fees	1,565,000	1,210,000
Current maturities of long-term debt	1,496,000	527,000
Total current liabilities	6,329,000	7,245,000
Deferred income taxes	327,000	--
Bank loans	10,777,000	1,250,000
Convertible debenture	5,000,000	--
Other long-term debt	1,089,000	1,549,000
Total liabilities	23,522,000	10,044,000
Commitments and Contingencies		
Shareholders' equity:		
Preferred stock, $.01 par value per share; authorized 5,000,000 shares including 2,000,000 shares of series A junior participating preferred stock; no shares issued	--	--
Common stock, $.01 par value per share; authorized 50,000,000 shares; issued 10,242,961 shares in 1997 and 10,110,326 shares in 1996	102,000	101,000
Additional paid-in capital	17,694,000	17,128,000
Retained earnings	12,627,000	7,902,000
Unrealized gain (loss) on marketable securities	--	(1,000)
Treasury stock, 543,000 shares, at cost	(180,000)	(180,000)
Notes receivable from shareholders	(16,000)	(21,000)
Total shareholders' equity	30,227,000	24,929,000
Total liabilities and shareholders' equity	$53,749,000	$34,973,000

See accompanying notes to consolidated financial statements.

CRYOLIFE, INC.

CONSOLIDATED INCOME STATEMENTS

	DECEMBER 31,		
	1997	1996	1995
Revenues:			
Cryopreservation and products	$50,409,000	$36,678,000	$28,257,000
Research grants, licenses and other revenues	460,000	361,000	713,000
Interest income	--	189,000	256,000
	50,869,000	37,228,000	29,226,000
Costs and Expenses:			
Cryopreservation and products	17,764,000	12,593,000	10,485,000
General, administrative and marketing	20,548,000	15,673,000	12,807,000
Research and development	3,946,000	2,807,000	2,634,000
Interest expense	978,000	72,000	4,000
	43,236,000	31,145,000	25,930,000
Income before income taxes	7,633,000	6,083,000	3,296,000
Income tax expense	2,908,000	2,156,000	1,094,000
Net income	$ 4,725,000	$ 3,927,000	$ 2,202,000
Earnings per share:			
Basic	$ 0.49	$ 0.41	$ 0.23
Diluted	$ 0.48	$ 0.40	$ 0.23
Weighted average shares outstanding:			
Basic	9,642,000	9,505,000	9,379,000
Diluted	9,942,000	9,906,000	9,568,000

See accompanying notes to consolidated financial statements.

CRYOLIFE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	DECEMBER 31,		
	1997	1996	1995
Net cash flows from operating activities:			
Net income	$4,725,000	$3,927,000	$2,202,000
Adjustments to reconcile net income to net cash flows (used in) provided by operating activities:			
Depreciation and amortization of property and equipment	1,842,000	973,000	769,000
Amortization	814,000	383,000	211,000
Provision for doubtful accounts	46,000	167,000	266,000
Deferred income taxes	360,000	242,000	(107,000)

Changes in operating assets and liabilities:			
Trade and other receivables	(530,000)	(2,561,000)	(1,780,000)
Income taxes	174,000	(614,000)	106,000
Deferred preservation costs	(5,079,000)	(1,053,000)	379,000
Inventories	(864,000)	163,000	432,000
Prepaid expenses	(506,000)	(326,000)	(146,000)
Accounts payable	(2,756,000)	1,197,000	38,000
Accrued expenses	(468,000)	740,000	39,000
Net cash flows (used in) provided by operating activities	(2,242,000)	3,238,000	2,409,000
Net cash flows from investing activities:			
Capital expenditures	(5,059,000)	(8,481,000)	(1,573,000)
Cash paid for acquisitions, net of cash acquired	(4,418,000)	(722,000)	--
Other assets	(148,000)	(939,000)	(1,002,000)
Net sales (purchases) of marketable securities	--	5,942,000	(2,175,000)
Net cash flows used in investing activities	(9,625,000)	(4,200,000)	(4,750,000)
Net cash flows from financing activities:			
Principal payments of debt	(6,607,000)	(750,000)	--
Proceeds from debt issuance	16,643,000	2,000,000	--
Proceeds from exercise of options and issuance of stock	567,000	561,000	265,000
Net payments on notes receivable from shareholders	5,000	5,000	--
Net cash flows provided by financing activities	10,608,000	1,816,000	265,000
(Decrease) increase in cash	(1,259,000)	854,000	(2,076,000)
Cash and cash equivalents, beginning of year	1,370,000	516,000	2,592,000
Cash and cash equivalents, end of year	$ 111,000	$1,370,000	$ 516,000
Supplemental disclosures of cash flow information--cash paid during the year for:			
Interest	$ 920,000	$ 34,000	$ 4,000
Income taxes	$2,380,000	$2,529,000	$1,089,000
Noncash investing and financing activities:			
Purchases of property and equipment in accounts payable	$ 440,000	$ 888,000	
Note issued for patent		$ 826,000	
Fair value of assets acquired	$1,768,000	$ 534,000	
Cost in excess of assets acquired	8,541,000	1,873,000	
Liabilities assumed	(891,000)	(435,000)	
Notes issued for assets acquired	(5,000,000)	(1,250,000)	
Net cash paid for acquisition	$4,418,000	$ 722,000	

CRYOLIFE, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	DECEMBER 31,		
	1997	1996	1995

Common Stock:			
Balance, beginning of year, (9,567,000, 9,431,000 and 9,326,000 shares outstanding, at January 1, 1997, 1996 and 1995, respectively)	$ 101,000	$ 100,000	$ 99,000
Issuances of common stock:			
Employee stock purchase plan (30,000 and 2,000 shares in 1997 and 1996, respectively)	--	--	--
Purchase of other assets (10,000 shares in 1996)	--	--	--
Exercise of options (105,000, 124,000, and 105,000 shares in 1997, 1996 and 1995, respectively)	1,000	1,000	1,000
Balance, end of year	102,000	101,000	100,000
Additional Paid-in Capital:			
Balance, beginning of year	17,128,000	16,568,000	16,304,000
Issuances of common stock:			
Employee stock purchase plan	268,000	21,000	--
Purchase of other assets	--	130,000	--
Exercise of options	298,000	409,000	264,000
Balance, end of year	17,694,000	17,128,000	16,568,000
Retained Earnings:			
Balance, beginning of year	7,902,000	3,975,000	1,773,000
Net income	4,725,000	3,927,000	2,202,000
Balance, end of year	12,627,000	7,902,000	3,975,000
Unrealized Gain (Loss) on Marketable Securities:			
Balance, beginning of year	(1,000)	28,000	(38,000)
Unrealized gain (loss)	1,000	(29,000)	66,000
Balance, end of year	--	(1,000)	28,000
Treasury Stock:			
Balance, beginning and end of year	(180,000)	(180,000)	(180,000)
Notes Receivable From Shareholders:			
Balance, beginning of year	(21,000)	(26,000)	(26,000)
Additions to shareholder notes	(21,000)	--	--
Payments on shareholder notes	26,000	5,000	--
Balance, end of year	(16,000)	(21,000)	(26,000)
Total shareholders' equity, end of year	$30,227,000	$24,929,000	$20,465,000

See accompanying notes to consolidated financial statements.

CRYOLIFE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Founded in 1984, CryoLife, Inc. (the "Company") is the leader in the cryopreservation of viable human tissues for transplant, and is developing and commercializing additional implantable and single-use non-implantable devices for use in vascular, cardiovascular and orthopaedic applications. The Company

markets its viable human tissues in North and South America, Europe and Asia. The Company's bioprosthetic cardiovascular devices include fixed stentless porcine heart valves recently introduced into the European Community as well as a proprietary project to transplant human cells onto the structure of animal tissue. The Company also manufactures and distributes, principally through its recently acquired Ideas for Medicine, Inc. ("IFM") of Clearwater, Florida subsidiary, single-use medical devices for use in vascular surgical procedures. In addition, the Company is developing and commercializing within the European Community a proprietary surgical adhesive designed for vascular sealing.

Principles of Consolidation

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

Reclassifications

Certain prior year balances have been reclassified to conform to the 1997 presentation.

Use of Estimates

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

Cash Equivalents

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

Deferred Preservation Costs and Revenue Recognition

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

Inventories

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

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the assets, generally 5 to 10 years, on a straight-line basis. Leasehold improvements are amortized on a straight-line basis over the lease term or the estimated useful lives of the assets, whichever is shorter.

Intangible Assets

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

are being amortized over the expected useful lives of the related assets (primarily five years).

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

Income Taxes

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

Research Grant and License Revenues

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

Earnings Per Share and Stock Split

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

On May 16, 1996, the Board of Directors declared a two-for-one stock split, effected in the form of a stock dividend, payable on June 28, 1996 to shareholders of record on June 7, 1996. All share and per share information in the accompanying consolidated financial statements have been adjusted to reflect such split.

2. ACQUISITION OF IDEAS FOR MEDICINE

On March 5, 1997, the Company acquired the stock of IFM, a medical device company specializing in the manufacture and distribution of single-use medical devices, for approximately $9.5 million in cash ($4.5 million) and convertible debentures ($5.0 million) plus related expenses. The cash portion of the purchase price was financed by borrowings under the Company's loan agreement described in Note 4. Additional consideration equal to 10 percent of IFM's net revenues in excess of $7.5 million shall be payable each year for a 10 year period,

limited to $1.75 million in the aggregate. The acquisition has been accounted for as a purchase; accordingly, the results of operations are included in the accompanying 1997 consolidated income statement from the date of acquisition. Based on the allocation of the purchase price, the Company's unaudited condensed pro forma results of operations for the years ended December 31, 1997 and 1996, assuming consummation of the purchase as of January 1, 1997 and 1996, respectively, are as follows:

	1997	1996
Revenues	$52,082,000	$43,574,000
Net income	4,756,000	3,511,000

Earnings per share:		
Basic	$ 0.49	$ 0.37
Diluted	0.48	0.35

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

3. INVENTORIES

Inventories at December 31 are comprised of the following:

	1997	1996
Raw material	$ 262,000	$ --
Work-in-process	358,000	--
Finished goods	1,141,000	260,000
	$1,761,000	$260,000

4. LONG-TERM DEBT

Long-term debt at December 31 consists of the following:

	1997	1996
Bank loans:		
Revolving loan	$ 6,777,000	$1,250,000
Term loan due in equal monthly installments of $83,000 plus interest at prime through December 31, 2002	5,000,000	--
7% convertible debenture, due in March 2002	5,000,000	--
8.25% note payable due in equal annual installments of $250,000	1,000,000	1,250,000
Note payable due in 2000 with an effective interest rate of 8%, net of unamortized discount of $35,000 in 1997 and $84,000 in 1996	585,000	826,000
	18,362,000	3,326,000
Less current maturities	1,496,000	527,000
Total long-term debt	$16,866,000	$2,799,000

On August 30, 1996, the Company executed a loan agreement (the "Agreement") with a bank which, as amended on December 16, 1997, permits the Company to borrow up to $10,000,000 under a revolving loan and includes $5,000,000 under a term loan. Borrowings under the Agreement provide for interest at either the bank's prime rate (8.5% at December 31, 1997) or at Adjusted LIBOR, as defined, plus an applicable LIBOR margin. The Agreement expires on December 31, 1999; all borrowings outstanding on that date under the revolving loan

convert to a term loan to be paid in 60 equal monthly installments of principal plus interest computed as described above. The Agreement contains certain restrictive covenants including, but not limited to, maintenance of certain financial ratios and a minimum tangible net worth requirement. The Agreement is secured by substantially all of the Company's assets, including

IFM's stock but excluding intellectual property. Commitment fees are paid based on the unused portion of the revolving loan. At December 31, 1997 an additional $3,223,000 was available to be borrowed under the revolving loan.

In March 1997, the Company issued a $5,000,000 convertible debenture in connection with the IFM acquisition. The debenture is convertible into common stock of the Company at any time prior to the due date at $12.08 per common share.

On September 12, 1996, the Company acquired the assets of United Cryopreservation Foundation, Inc. ("UCFI"), a processor and distributor of cryopreserved human heart valves and saphenous veins for transplant. The Company issued a $1,250,000 note in connection with the acquisition. The note bears interest at prime, as adjusted annually on the anniversary date of the acquisition.

In April 1996 the Company issued a $910,000 non-interest bearing note in connection with the technology underlying its BioGlue surgical adhesive. The note is payable in four annual installments of $290,000, plus a final payment of $40,000 at maturity.

Scheduled maturities of long-term debt for the next five years and thereafter are as follows:

1998	$ 1,496,000
1999	1,516,000
2000	2,678,000
2001	2,605,000
2002	7,355,000
Thereafter	2,712,000
	$18,362,000

5. FAIR VALUES OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, Disclosures about Fair Value of Financial Instruments ("Statement 107"), requires the Company to disclose estimated fair values for its financial instruments. The carrying amounts of cash and cash equivalents, receivables and accounts payable approximate their fair values due to the short term maturity of these instruments.

The Company enters into short-term interest rate swap agreements with the lender under the Agreement which effectively fix the interest rate on $5,000,000 of borrowings. The estimated fair values of the Company's interest rate swap agreements (which expired in January 1998) and outstanding debt approximate their carrying amounts at December 31, 1997.

6. LEASES

The Company leases equipment and office space under various operating leases with terms of up to 15 years. Certain leases contain escalation clauses and renewal options for additional periods. Future minimum lease payments under noncancelable operating leases as of December 31, 1997 are as follows:

1998	$ 1,443,000
1999	1,361,000
2000	1,220,000
2001	1,237,000
2002	1,205,000

Thereafter	10,390,000
	$16,856,000

Total rental expense for operating leases amounted to $1,282,000, $714,000 and $740,000 for 1997, 1996 and 1995, respectively.

Commencing January 5, 1998, IFM leases office and manufacturing facilities under a capital lease for $28,500 per month through January 2008 from the former majority shareholder of IFM.

7. STOCK OPTION PLANS

The Company has stock option plans which provide for grants of options to employees and directors to purchase shares of the Company's Common Stock at exercise prices generally equal to the fair values of such stock at the dates of grant, which generally become exercisable over a five-year vesting period and expire within ten years of the grant dates. Under the 1993 Employee Incentive Stock Option Plan and the Non-employee Director's Plan, the Company has authorized the grant of options of up to 700,000 and 360,000 shares of Common Stock, respectively. A summary of stock option transactions under the plans follows:

	SHARES	EXERCISE PRICE	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at December 31, 1994	414,000	$ 2.25-4.13	
Granted	321,000	3.63-7.74	$ 4.90
Exercised	(105,000)	2.25-4.13	2.53
Canceled	(40,000)	2.25-4.13	3.10
Outstanding at December 31, 1995	590,000	2.25-7.74	4.21
Granted	247,000	8.5-18.43	15.70
Exercised	(124,000)	2.26-7.26	3.31
Canceled	(5,000)	2.25-3.75	3.68
Outstanding at December 31, 1996	708,000	2.25-18.43	7.36
Granted	201,000	10.25-15.88	11.97
Exercised	(105,000)	2.25-7.50	2.85
Canceled	(50,000)	2.25-16.75	10.06
Outstanding at December 31, 1997	754,000	3.00-18.43	8.95

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

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$ 3.00- 8.50	429,000	2.5	$ 4.93	248,000	$ 4.35

10.25-13.50.....	181,000	5.0	11.88	23,000	10.75
15.88-18.43.....	144,000	3.3	17.14	37,000	17.21

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

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

	1997	1996	1995
Expected dividend yield.....	0%	0%	0%
Expected stock price volatility.....	.591	.552	.515
Risk-free interest rate.....	6.13%	6.48%	5.91%
Expected life of options (years).....	4.3	4.8	4.0

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 option are amortized to expense over the options' vesting periods. The Company's pro forma information follows:

	1997	1996	1995
Net income--as reported.....	$4,725,000	$3,927,000	$2,202,000
Net income--pro forma.....	4,308,000	3,632,000	2,123,000
Earnings per share--as reported:			
Basic.....	$ 0.49	$ 0.41	$ 0.23
Dilutive.....	0.48	0.40	0.23
Earnings per share--pro forma:			
Basic.....	0.45	0.38	0.23
Dilutive.....	0.43	0.37	0.22

Other information concerning stock options follows:

	1997	1996	1995
Weighted average fair value of options granted during the year	$6.34	$7.97	$2.36
Number of shares as to which options are exercisable at end of year	308,000	157,000	74,000

Because Statement 123 is applicable only to options granted subsequent to December 31, 1994, its pro forma effect will not be fully reflected until 1999.

8. SHAREHOLDER RIGHTS PLAN

On November 27, 1995, the Board of Directors adopted a shareholder rights plan to protect long-term share value for the Company's shareholders. Under the plan, the Board declared a distribution of one Right for each outstanding share of the Company's Common Stock to shareholders of record on December 11, 1995. Each Right entitles the registered holder to purchase from the Company one-tenth of a share of a newly created Series A Junior Participating Preferred Stock, at an exercise price of $100. The rights, which expire on November 27, 2005, may be exercised only if certain conditions are met, such as the acquisition of 15 percent or more of the Company's Common Stock by a person or affiliated group ("Acquiring Person").

In the event the Rights become exercisable, each Right will enable the owner, other than the Acquiring Person, to purchase, at the Right's then current exercise price, that number of shares of Common Stock with a market value equal to twice the exercise price. In addition, unless the Acquiring Person owns more than 50% of the outstanding shares of Common Stock, the Board of Directors may elect to exchange all outstanding Rights (other than those owned by such Acquiring Person) at an exchange ratio of one share of Common Stock, or one-tenth of a Preferred Share per Right.

9. EMPLOYEE BENEFIT PLANS

The Company has a 401(k) savings plan (the "Plan") providing retirement benefits to all employees who have completed at least six months of service. The Company makes matching contributions of 50% of each participant's contribution up to 5% of each participant's salary. Total Company contributions approximated $139,000, $123,000 and $131,000 for 1997, 1996, and 1995, respectively. Additionally, the Company may make discretionary contributions to the Plan that are allocated to each participant's account. No such discretionary contributions were made in 1997, 1996 or 1995.

On May 16, 1996, the Company's shareholders approved the CryoLife, Inc. Employee Stock Purchase Plan (the "ESPP"). The ESPP allows eligible employees the right to purchase Common Stock on a quarterly basis at the lower of 85% of the market price at the beginning or end of each three-month offering period. As of December 31, 1997 and 1996 there were 568,000 and 598,000 shares of Common Stock reserved for the ESPP and there had been 32,000 and 2,000 shares issued under the plan, respectively.

10. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	1997	1996	1995
Numerator for basic and diluted earnings per share--income available to common shareholders	$4,725,000	$3,927,000	$2,202,000

Denominator for basic earnings per share--weighted-average basis	9,642,000	9,505,000	9,379,000
Effect of dilutive stock options	300,000	401,000	189,000
Denominator for diluted earnings per share--adjusted weighted-average shares	9,942,000	9,906,000	9,568,000
Basic earnings per share	$ 0.49	$ 0.41	$ 0.23
Diluted earnings per share	$ 0.48	$ 0.40	$ 0.23

11. INCOME TAXES

Income tax expense consists of the following:

	1997	1996	1995
Current:			
Federal	$2,145,000	$1,573,000	$1,012,000
State	403,000	341,000	189,000
	2,548,000	1,914,000	1,201,000
Deferred	360,000	242,000	(107,000)
	$2,908,000	$2,156,000	$1,094,000

Such amounts differ from the amounts computed by applying the U.S. Federal income tax rate of 34% to pretax income as a result of the following:

	1997	1996	1995
Tax expense at statutory rate	$2,593,000	$2,068,000	$1,121,000
Increase (reduction) in income taxes resulting from:			
Change in valuation allowance for deferred tax assets	(30,000)	(129,000)	(52,000)
Entertainment expenses	42,000	30,000	33,000
State income taxes, net of federal benefit	266,000	241,000	126,000
Non-taxable interest income	--	(50,000)	(74,000)
Other	37,000	(4,000)	(60,000)
	$2,908,000	$2,156,000	$1,094,000

The tax effects of temporary differences which give rise to deferred tax liabilities and assets at December 31 are as follows:

	1997	1996
Deferred tax liabilities:		

Depreciation	$399,000	$ 99,000
Other	80,000	44,000
	479,000	143,000
Deferred tax assets:		
Deferred preservation costs and inventory reserves	58,000	87,000
Intangible assets	38,000	62,000
Other	56,000	57,000
	152,000	206,000
Less valuation allowance	--	30,000
Net deferred tax assets	152,000	176,000
Net deferred tax liabilities (assets)	$327,000	$(33,000)

12. FDA REGULATION

Human heart valves historically have not been subject to regulation by the U.S. Food and Drug Administration (the "FDA"). However, in June 1991 the FDA published a notice stating that human heart valves for transplantation are medical devices subject to Premarket Approval (PMA) or an Investigational Device Exemption (IDE). In October 1994 the FDA announced in the Federal Register that neither an approved application for PMA nor an IDE is required for processors and distributors who had marketed heart valve allografts before June 1991. This action by the FDA has removed allograft heart valves from clinical trial status thus allowing the Company to distribute such valves to cardiovascular surgeons throughout the U.S.

13. EXECUTIVE INSURANCE PLAN

Pursuant to a supplemental life insurance program for certain executive officers of the Company, the Company and the executives share in the premium payments and ownership of insurance policies on the lives of such executives. The Company's aggregate premium contributions under this program were $38,000, $37,000 and $31,000 for 1997, 1996 and 1995, respectively.

14. EQUIPMENT ON LOAN TO IMPLANTING HOSPITALS

The Company consigns liquid nitrogen freezers with certain implanting hospitals for tissue storage. The freezers are the property of the Company. At December 31, 1997 freezers with a total cost of approximately $1,339,000 and related accumulated depreciation of approximately $781,000 were located at the implanting hospitals' premises. Depreciation is provided over the estimated useful lives of the freezers on a straight-line basis.

15. TRANSACTIONS WITH RELATED PARTIES

The Company expensed $65,000, $39,000 and $67,000 during 1997, 1996 and 1995, respectively, relating to services performed by a law firm whose sole proprietor is a member of the Company's Board of Directors and a shareholder of the Company.

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.

/s/ Ernst & Young LLP

Atlanta, Georgia
February 5, 1997

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.

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.

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.

IDEAS FOR MEDICINE, INC.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

Ideas for Medicine, Inc. ("IFM") is a closely-held Florida corporation. IFM designs and manufactures a variety of surgical devices. The devices are marketed primarily to hospitals in the U.S. and throughout the world through stocking and non-stocking distributors. IFM'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

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

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.

6. CREDIT ARRANGEMENTS

Under a revolving line of credit arrangement dated September 27, 1996 with a bank, IFM 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, IFM 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, IFM 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

IFM leases its manufacturing facilities from shareholders of IFM under month-to-month leases for $7,000 per month.

9. CONCENTRATION OF CREDIT RISK

IFM 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, IFM incurred legal expenses aggregating $117,000 relating to the settlement of three separate lawsuits.

12. GEOGRAPHIC AREA

IFM produces surgical devices for hospitals in the U.S. and throughout the World. All sales are to unaffiliated customers. Sales to international distributors aggregated $1,304,000 in 1996.

13. PROPOSED MERGER

IFM is involved in negotiations with a third-party corporation for a proposed merger of IFM 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 (UNAUDITED)

On March 5, 1997, CryoLife, Inc. acquired the stock of IFM 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. Following the acquisition, IFM became a wholly-owned subsidiary of CryoLife, Inc. and will be taxed as a C corporation.

CRYOLIFE, INC.

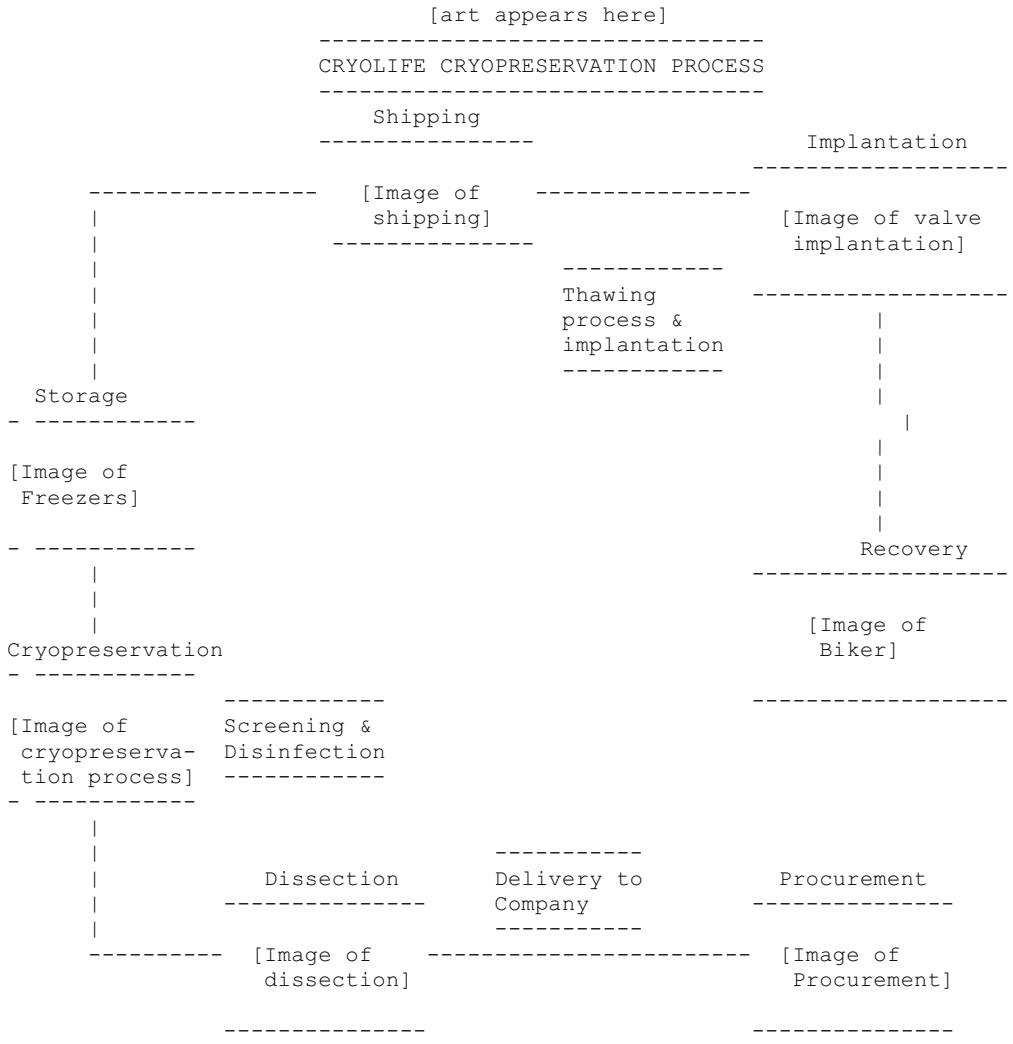
PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENT

YEAR ENDED DECEMBER 31, 1997
(UNAUDITED)

	CRYOLIFE YEAR ENDED 12/31/97	IDEAS FOR MEDICINE TWO MONTHS ENDED 2/28/97	PRO FORMA ADJUSTMENTS	PRO FORMA CONSOLIDATED YEAR ENDED 12/31/97
REVENUES:				
Cryopreservation and product	$50,409	$1,213		$51,622
Other	460			460
Total revenues	50,869	1,213		52,082
COST AND EXPENSES:				
Preservation costs and cost of goods sold	17,764	510		18,274
General and administrative	20,548	423	$ 35 (A) 81 (B) (58)(C)	21,029
Research and development	3,946	50		3,996
Interest expense	978		122 (D)	1,100
Total costs and expenses	43,236	983	180	44,399
Income before income taxes	7,633	230	(180)	7,683
Income tax expense	2,908		19 (E)	2,927
Net income	$ 4,725	$ 230	$(199)	$ 4,756
Earnings per share:				
Basic	$ 0.49			$ 0.49
Diluted	$ 0.48			$ 0.48
Weighted average shares outstanding:				
Basic	9,642			9,642
Diluted	9,942			9,942

- --------
(A) Represents costs associated with new consulting agreement with former principal owner of IFM.
(B) Represents amortization of intangible assets acquired in connection with the acquisition of IFM.
(C) Elimination of salary and related costs for IFM personnel who are no longer with CryoLife as a result of the acquisition of IFM.
(D) Adjustments to interest expense to reflect borrowings and indebtedness related to the acquisition of IFM.

(E) Income tax effects related to (A) through (D) above and IFM's change in status from an S corporation to a C corporation.



No dealer, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Prospectus in connection with the offer contained herein, and, if given or made, such information or representation must not be relied upon as having been authorized by the Company, any Selling shareholder or any Underwriter. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, shares of Common Stock in any jurisdiction to any person to whom it is not lawful to make such offer or solicitation in such jurisdiction or in which the person making such offer or solicitation is not qualified to do so. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to the date of this Prospectus.

TABLE OF CONTENTS

PROSPECTUS , 1998

[CRYOLIFE LOGO]

2,500,000 Shares

CRYOLIFE, INC.

Common Stock

SBC WARBURG DILLON READ INC.
PIPER JAFFRAY INC.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

A reasonable estimate of the costs to be incurred in connection with this Registration Statement and Prospectus, to be borne entirely by the Registrant, is as follows:

Securities and Exchange Commission Registration Fee	$12,245
NASD Filing Fee	4,875
Accounting Fees and Expenses	*
Legal Fees and Expenses	*
Printing and Publication Expenses	75,000
Transfer Agent's Fee	10,000
Miscellaneous Expenses	*
TOTAL	$ *

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* to be filed by amendment

ITEM 15. INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Company is a Florida corporation. The following summary is qualified in

its entirety by reference to the complete text of the Florida Business Corporation Act (the "FBCA"), the Company's Restated Articles of Incorporation, and the Company's Bylaws.

Under Section 607.0850(1) of the FBCA, a corporation may indemnify any of its directors and officers against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding (including any appeal thereof) (i) if such person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, and (ii) with respect to any criminal action or proceeding, he or she had no reasonable cause to believe his or her conduct was unlawful. In actions brought by or in the right of the corporation, however, Section 607.0850(2) provides that no indemnification shall be made in respect of any claim, issue or matter as to which the director or officer shall have been adjudged to be liable unless, and only to the extent that, the court in which such proceeding was brought, or any other court of competent jurisdiction, shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper. Article X of the Company's Restated Articles of Incorporation and Article VI of the Company's Bylaws require that, if in the judgment of the majority of the Board of Directors (excluding from such majority any director under consideration for indemnification) the criteria set forth under Section 607.0850 have been met, then the Company shall indemnify its directors and officers for certain liabilities incurred in the performance of their duties on behalf of the Company to the maximum extent allowed by Section 607.0850 of the FBCA (formerly Section 607.014 of the Florida General Corporation Act).

The Securities Purchase Agreement dated December 17, 1985 between the Company and certain shareholders of the Company provides that any investors exercising registration rights pursuant to such agreement must indemnify the officers and directors signing the registration statement against any liability arising from statements or omissions made in reliance upon information furnished by such investors to the Company for use in such registration statement.

The registration rights agreement dated August 22, 1991, among the Company, Galen Partners, L.P. ("Galen"), and Galen Partners International, L.P. ("Galen International") provides that if Galen or Galen International exercises its registration rights, then such prospective seller and any underwriter acting on its behalf shall have agreed to indemnify the Company and each officer and director signing such registration statement for any liability arising from any untrue statement or omission made in such registration statement in reliance upon

written information provided to the Company for use in such registration statement. The registration rights agreement further specifies that the indemnification rights granted therein shall be inoperative if, in connection with an underwritten public offering, an underwriting agreement is executed containing provisions covering indemnification among the partners thereto.

The Company has purchased insurance to insure (i) the Company's directors and officers against damages from actions and claims incurred in the course of their duties, and (ii) the Company against expenses incurred in defending lawsuits arising from certain alleged acts of its directors and officers.

Pursuant to the Underwriting Agreement entered into by the Company in connection with its initial public offering of Common Stock, the Underwriters thereunder have agreed to indemnify the directors and officers of the Company and certain other persons against certain civil liabilities.

ITEM 16. EXHIBITS

The following exhibits have been filed (except where otherwise indicated) as part of this Registration Statement:

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT

1.1	Form of Underwriting Agreement.
3.1	Restated Certificate of Incorporation of the Company, as amended. (Incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)
3.2	Amendment to Articles of Incorporation of the Company dated November 29, 1995. (Incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
3.3	Amendment to the Company's Articles of Incorporation to increase the number of authorized shares of common stock from 20 million to 50 million shares and to delete the requirement that all preferred shares have one vote per share. (Incorporated by reference to Exhibit 3.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996.)
3.4	ByLaws of the Company, as amended. (Incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
4.1	Form of Certificate for the Company's Common Stock. (Incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.)
4.2	Rights Agreement, dated as of November 27, 1995 among Registrant and Rights Agent. (Incorporated by reference to Exhibit (1) to the Registrant's Current Report on Form 8-K dated November 27, 1995).
5.1	Form of Opinion of Arnall Golden & Gregory, LLP.
23.1	Consents of Ernst & Young LLP.
23.2	Consent of KPMG Peat Marwick LLP.
*23.3	Consent of Arnall Golden & Gregory, LLP.

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* to be filed by Amendment

ITEM 17. UNDERTAKINGS

(a) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the Registration Statement shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant, or otherwise, the Securities and Exchange Commission has informed the Registrant that such indemnification is against public policy as expressed in the Act and is therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus

shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-3 AND HAS DULY CAUSED THIS REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF KENNESAW, STATE OF GEORGIA ON FEBRUARY 18, 1998.

Cryolife, Inc.

By: /s/ Steven G. Anderson
STEVEN G. ANDERSON
PRESIDENT, CHIEF EXECUTIVE OFFICER
AND
CHAIRMAN OF THE BOARD OF DIRECTORS

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

PRINCIPAL EXECUTIVE, FINANCIAL & ACCOUNTING OFFICERS AND DIRECTORS:

NAME	TITLE	DATE
/s/ Steven G. Anderson STEVEN G. ANDERSON	President, Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	February 18, 1998
/s/ Edwin B. Cordell, Jr. EDWIN B. CORDELL, JR.	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 18, 1998

NAME	TITLE	DATE
/s/ Ronald D. McCall RONALD D. MCCALL	Director	February 18, 1998
/s/ Benjamin H. Gray BENJAMIN H. GRAY	Director	February 16, 1998
/s/ Virginia C. Lacy VIRGINIA C. LACY	Director	February 18, 1998
/s/ Ronald Charles Elkins, M.D. RONALD CHARLES ELKINS, M.D.	Director	February 16, 1998

EXHIBIT INDEX

EXHIBIT

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* To be filed by Amendment

EXHIBIT 1.1

CRYOLIFE, INC.

2,500,000 Shares
Common Stock
($0.01 Par Value)

UNDERWRITING AGREEMENT

_____, 1998

UNDERWRITING AGREEMENT

_____, 1998

SBC WARBURG DILLON READ INC.
PIPER JAFFRAY INC.
as Managing Underwriters
c/o SBC WARBURG DILLON READ INC.
535 Madison Avenue
New York, New York 10022

Dear Sirs:

CryoLife Inc. (the "Company") proposes to issue and sell and the persons named in Schedule B annexed hereto (the "Selling Stockholders") propose to sell to the underwriters named in Schedule A annexed hereto (the "Underwriters") an aggregate of 2,500,000 shares (the "Firm Shares") of Common Stock, $0.01 par value per share (the "Common Stock"), of the Company, of which _____ shares are to be issued and sold by the Company and an aggregate of _____ shares are to be sold by the Selling Stockholders in the respective amounts set forth under the caption "Firm Shares" in Schedule B annexed hereto. In addition, solely for the purpose of covering over-allotments, the Company proposes to grant to the Underwriters the option to purchase from the Company up to an additional 375,000 shares of Common Stock (the "Additional Shares"). The Firm Shares and the Additional Shares are hereinafter collectively sometimes referred to as the Shares. The Shares are described in the Prospectus which is referred to below.

The Company has filed, in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations thereunder (collectively called the "Act"), with the Securities and Exchange Commission (the "Commission") a registration statement (the "initial registration statement") on Form S-3, including a prospectus, relating to the Shares, which incorporates by reference documents which the Company has filed or will file in accordance with the provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (collectively called the "Exchange Act"). All of the Shares have been duly registered under the Securities Act pursuant to such initial registration statement or, if an additional registration statement has been, or is proposed to be, filed pursuant to Rule 462(b) of the Act, all of the Shares have been or will be, on the date of this Agreement, duly registered under the Act pursuant to the initial registration statement and such additional registration statement. If an additional registration statement has been, or is proposed to be, filed with the Commission pursuant to Rule 462(b), such additional registration statement was or will be prepared by the Company in conformity with the requirements of the Act, has become or will become, on the date of this Agreement, effective under the Act and copies thereof have been or will be, prior to or concurrently with, filing with the Commission, delivered by the Company to you. As used in this Agreement, "Effective Time" means the date and the time as of which the initial registration statement, or the most recent post-effective amendment thereto, if any, was declared effective by the Commission or has become effective upon filing pursuant to Rule 462(c);

"Effective Date" means the date of the Effective Time; the "Initial Registration Statement" means the initial registration statement as amended as of the Effective Time, including any documents incorporated by reference therein at such time and including (i) all portions of any additional registration statement filed pursuant to Rule 462(b) under the Securities Act which are deemed to be a part of such initial registration statement and (ii) all information contained in any final prospectus filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations in accordance with Section 5(c)(ii) hereof and deemed to be a part of such initial registration statement as of the Effective Time pursuant to paragraph (b) of Rule 430A of the Rules and Regulations; the "Rule 462(b) Registration Statement" means the additional registration statement, if any, relating to the Common Stock and filed pursuant to Rule 462(b) under the Securities Act at the time it becomes effective pursuant to the Rules and Regulations, including (i) the contents of the Initial Registration Statement incorporated therein by reference and (ii) all information deemed to be a part of such additional registration statement pursuant to paragraph (b) of Rule 430A of the Rules and Regulations; and the "Registration Statements" means the Initial Registration Statement and the Rule 462(b) Registration Statement, if any. "Preliminary Prospectus" means each prospectus included in the initial registration statement, or amendments thereof, before it became effective under the Act and any prospectus filed with the Commission by the Company with your consent pursuant to Rule 424(a) of the Act, and "Prospectus" means such final prospectus, as first filed with the Commission pursuant to paragraph (1) or (4) of Rule 424(b) of the Act or, if no such filing is required, the form of final prospectus included in the Initial Registration Statement. Reference made herein to any Preliminary Prospectus or to the Prospectus shall be deemed to refer to and include any documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the date of such Preliminary Prospectus or the Prospectus, as the case may be, and any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any document filed under the Exchange Act after the date of such Preliminary Prospectus or the Prospectus, as the case may be, and incorporated by reference in such Preliminary Prospectus or the Prospectus, as the case may be; and any reference to any amendment to a Registration Statement shall be deemed to include any annual report of the Company filed with the Commission pursuant to Section 13(a) or 15(d) of the Exchange Act after the Effective Time that is incorporated by reference in such Registration Statement.

The Company, the Selling Stockholders and the Underwriters agree as follows:

1. Sale and Purchase. Upon the basis of the warranties and representations and the other terms and conditions herein set forth, the Company and each of the Selling Stockholders, severally and not jointly, agree to sell to the respective Underwriters and each of the Underwriters, severally and not jointly, agrees to purchase from the Company and each Selling Stockholder the respective number of Firm Shares (subject to such adjustment as you may determine to avoid fractional shares) which bears the same proportion to the number of Firm Shares to be sold by the Company or by such Selling Stockholders, as the case may be, as the number of Firm Shares set forth opposite the name of such Underwriter in Schedule A annexed hereto bears to the total number of Firm Shares to be sold by the Company and the Selling Stockholders, in each case at a purchase price of $_____ per Share. The Company and each Selling Stockholder is advised by you that the Underwriters intend (i) to make a public offering of their respective portions of the Firm Shares as soon after the effective date of the Registration Statement as in your judgment is advisable and (ii) initially to offer the Firm Shares upon the terms set forth in the Prospectus. You may from time to time increase or decrease the public offering price after the initial public offering to such extent as you may determine.

In addition, the Company hereby grants to the several Underwriters the option to purchase, and upon the basis of the warranties and representations and the other terms and conditions herein set forth, the Underwriters shall have the right to purchase, severally and not jointly, from the Company ratably in accordance with the number of Firm Shares to be purchased by each of them (subject to such adjustment as you shall determine to avoid fractional shares), all or a portion of the Additional Shares as may be necessary to cover over-allotments made in connection with the offering of the Firm Shares, at the same purchase price per share to be paid by the Underwriters to the Company for the Firm Shares. This option may be exercised at any time (but not more than once) on or before the thirtieth day following the date hereof, by written notice to

the Company. Such notice shall set forth the aggregate number of Additional Shares as to which the option is being exercised, and the date and time when the Additional Shares are to be delivered (such date and time being herein referred to as the "additional time of purchase"); provided, however, that the additional time of purchase shall not be earlier than the time of purchase (as defined below) nor earlier than the second business day* after the date on which the option shall have been exercised nor later than the tenth business day after the date on which the option shall have been exercised. The number of Additional Shares to be sold to each Underwriter shall be the number which bears the same proportion to the aggregate number of Additional Shares being purchased as the number of Firm Shares set forth opposite the name of such Underwriter on Schedule A hereto bears to the total number of Firm Shares (subject, in each case, to such adjustment as you may determine to eliminate fractional shares).

Pursuant to powers of attorney, which shall be satisfactory to counsel for the Underwriters, granted by each Selling Stockholder, _____ and _____ will act as representatives of the Selling Stockholders. The foregoing representatives (the "Representatives of the Selling Stockholders") are authorized, on behalf of each Selling Stockholder, to execute any documents necessary or desirable in connection with the sale of the Shares to be sold hereunder by each Selling Stockholder, to make delivery of the certificates of such Shares, to receive the proceeds of the sale of such Shares, to give receipts for such proceeds, to pay therefrom the expenses to be borne by each Selling Stockholder in connection with the sale and public offering of the Shares, to distribute the balance of such proceeds to each Selling Stockholder in proportion to the number of Shares sold by each Selling Stockholder, to receive notices on behalf of each Selling Stockholder and to take such other action as may be necessary or desirable in connection with the transactions contemplated by this Agreement.

2. Payment and Delivery. Payment of the purchase price for the Firm Shares shall be made to the Company and each of the Selling Stockholders by [wire transfer of immediately available funds], against delivery of the certificates for the Firm Shares to you for the respective accounts of the Underwriters. Such payment and delivery shall be made at 10:00 A.M., New York City time, on _____, 1998 (unless another time shall be agreed to by you, the Company and the Representatives of the Selling Stockholders or unless postponed in accordance with the provisions of Section 10 hereof). The time at which such payment and delivery are actually made is hereinafter sometimes called the time of purchase. Certificates for the Firm Shares shall be delivered to you in definitive form in such names and in such denominations as you shall specify on the second business day preceding the time of purchase. For the purpose of expediting the checking of the certificates for the Firm Shares by you, the Company and the Selling Stockholders agree to make such certificates available to you for such purpose at least one full business day preceding the time of purchase.

* As used herein "business day" shall mean a day on which the New York Stock Exchange is open for trading.

Payment of the purchase price for the Additional Shares shall be made at the additional time of purchase in the same manner as the payment for the Firm Shares. Certificates for the Additional Shares shall be delivered to you in definitive form in such names and in such denominations as you shall specify on the second business day preceding the additional time of purchase. For the purpose of expediting the checking of the certificates for the Additional Shares by you, the Company agrees to make such certificates available to you for such purpose at least one full business day preceding the additional time of purchase.

3. Representations and Warranties of the Company. The Company represents and warrants to, and agrees with, each of the Underwriters that:

(a) The Registration Statements and Prospectus, and any further amendments or supplements thereto, fully comply, or will fully comply, in all material respects with the provisions of the Act, no part of a Registration Statement as of its effective date will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Prospectus, as of its filing date, will not contain an untrue statement of a material fact or omit to state a material fact

required to be stated therein or neces sary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no warranty or representation
with respect to any statement contained in a Registration Statement or the Prospectus in reliance upon and in conformity with information concerning the Underwriters and furnished in writing by or on behalf of any Underwriter through you to the Company expressly for use in the Registration Statements or the Prospectus; the documents incorporated by reference in the Prospectus, at the time they were filed with the Commission, complied in all material respects with the requirements of the Exchange Act, and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; no document relating to the offering of the Shares has been filed, or transmitted for filing, with the Commission, unless previously delivered to you, and no document has been or will be prepared, distributed or filed in reliance on Rule 434 under the Act. The Company and the offering of the Shares meet the eligibility requirements for the use of Form S-3.

(b) As of the date of this Agreement, the Company has the capitalization set forth under the heading entitled ["Actual"] in the section of the Prospectus entitled ["Capitalization"] and, as of the time of purchase and the additional time of purchase, as the case may be, the Company shall have the capitalization set forth under the heading entitled ["As Adjusted"] in the section of the Prospectus entitled ["Capitalization"]; all of the issued and outstanding shares of capital stock including Common Stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable; the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Florida, with full power and authority to own its properties and conduct its business as described in the Prospectus, to execute and deliver this Agreement and to issue and sell the Shares as herein contemplated;

(c) The Company and each of its subsidiaries (the "Subsidiaries") are duly qualified or licensed by and are in good standing in each jurisdiction in which they conduct their respective businesses and in which the failure, individually or in the aggregate, to be so licensed or qualified could have a material adverse effect on the business, financial condition or results of operations of the Company and its Subsidiaries, taken as a whole; and the Company and each of its Subsidiaries are in compliance in all material respects with the laws, orders, rules, regulations and directives issued or administered by such jurisdictions;

(d) Neither the Company nor any of its Subsidiaries is in breach of, or in default under (nor has any event occurred which with notice, lapse of time, or both would constitute a breach of, or default under), its respective charter or by-laws or in the performance or observance of any obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, bank loan or credit agreement or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which any of them is bound, and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not conflict with, or result in any breach of or constitute a default under (nor constitute any event which with notice, lapse of time, or both would constitute a breach of, or default under), any provisions of the charter or by-laws, of the Company or any of its Subsidiaries or under any provision of any license, indenture, mortgage, deed of trust, bank loan or credit agreement or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which any of them or their respective properties may be bound or affected, or under any federal, state, local or foreign law, regulation or rule or any decree, judgment or order applicable to the Company or any of its Subsidiaries;

(e) This Agreement has been duly authorized, executed and delivered by the Company and is a legal, valid and binding agreement of the Company enforceable in accordance with its terms;

(f) The Shares have been duly and validly authorized, and, when the Shares are issued and delivered pursuant to this Agreement, such Shares will be duly and validly issued and fully paid and non-assessable; the Shares conform to the description thereof contained in the Registration

Statement and the Shares will conform to the description thereof contained in the Prospectus.

(g) The capital stock of the Company, including the Shares, conforms in all material respects to the description thereof contained in the Prospectus, and the certificates for the Shares are in due and proper form and the holders of the Shares will not be subject to personal liability by reason of being such holders;

(h) No approval, authorization, consent or order of or filing with any national, state or local governmental or regulatory commission, board, body, authority or agency is required in connection with the issuance and sale of the Shares as contemplated hereby other than registration of the Shares under the Act and any necessary qualification under the securities or blue sky laws of the various jurisdictions in which the Shares are being offered by the Underwriters;

(i) Except as disclosed in the Prospectus no person has the right, contractual or otherwise, to cause the Company to issue to it, or register pursuant to the Act, any shares of capital stock of the Company upon the issue and sale of the Shares to the Underwriters hereunder, nor does any person have preemptive rights, rights of first refusal or other rights to purchase any of the Shares;

(j) Ernst & Young LLP, whose reports on the consolidated financial statements of the Company and its Subsidiaries are filed with the Commission as part of the Initial Registration Statement and Prospectus, are independent public accountants as required by the Act and the applicable published rules and regulations thereunder;

(k) Each of the Company and its Subsidiaries has all necessary licenses, authorizations, consents and approvals and has made all necessary filings re quired under any federal, state, local or foreign law, regulation or rule, and has obtained all necessary authorizations, consents and approvals from other persons, in order to conduct its respective business; neither the Company nor any of its Subsidiaries is in violation of, or in default under, any such license, authorization, consent or approval or any federal, state, local or foreign law, regulation or rule or any decree, order or judgment applicable to the Company or any of its Subsidiaries the effect of which could have a material adverse effect on the business, financial condition or results of operations of the Company and its Subsidiaries taken as a whole;

(l) All legal or governmental proceedings, contracts or documents of a character required to be described in a Registration Statement or a Prospectus or to be filed as an exhibit to a Registration Statement have been so described or filed as required;

(m) There are no actions, suits or proceedings pending or threatened against the Company or any of its Subsidiaries or any of their respective properties, at law or in equity, or before or by any federal, state, local or foreign governmental or regulatory commission, board, body, authority or agency which could result in a judgment, decree or order having a material adverse effect on the business, financial condition or results of operations of the Company and its Subsidiaries taken as a whole;

(n) The financial statements included in the Initial Registration Statement and the Prospectus present fairly the consolidated financial position of the Company and its Subsidiaries as of the dates indicated and the consolidated results of operations and changes in financial position of the Company and its Subsidiaries for the periods specified; such financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis during the periods involved, except that unaudited financial statements do not contain footnotes and are subject to normal year-end adjustments;

(o) The pro forma financial statements and other pro forma financial information (including the notes thereto) included in the Registration Statements and the Prospectus have been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial statements and have been properly computed on the basis described therein. The assumptions used in the preparation of the pro forma financial statements and other pro forma information in the Registration Statements and the Prospectus are set forth therein and are believed to be

reasonable by the Company (based upon its consultations with its independent public accountants about each of its assumptions underlying the pro forma information), and the adjustments used therein are believed to be appropriate by the Company (based

upon its consultations with its independent public accountants about each of its assumptions underlying the pro forma information) to give pro forma effect to the transactions or circumstances referred to therein. The pro forma financial and operating information does not purport to represent what the Company's results of operations would have been if the transactions described had in fact occurred, nor does it purport to indicate the future financial position or results of future operations of the Company. The other financial and statistical information and data relating to the Company set forth in the Registration Statements and the Prospectus have been prepared on a basis consistent with the financial statements and books and records of the Company;

(p) Subsequent to the respective dates as of which information is given in the Registration Statements and Prospectus, and except as may be otherwise stated therein, there has not been (A) any material and unfavorable change, financial or otherwise, in the business, properties, prospects, regulatory environment, results of operations or condition (financial or otherwise), present or prospective, of the Company and its Subsidiaries taken as a whole, (B) any transaction, which is material to the Company and its Subsidiaries taken as a whole, contemplated or entered into by the Company or any of its Subsidiaries or (C) any obligation, contingent or otherwise, directly or indirectly incurred by the Company or any of its Subsidiaries which is materi al to the Company and its Subsidiaries taken as a whole;

(q) The Company has good title to all tangible properties and assets owned or leased by it, in each case, except as set forth in the Registration Statements and the Prospectus, free and clear of all pledges, liens, encumbrances, security interests, charges, mortgages and defects of title other than liens for taxes which taxes are not yet due and payable;

(r) The Company has not violated any foreign, federal, state or local law, regulation, decree, order, directive, requirement or judgment applicable to the Company relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), nor any federal or state law relating to discrimination in the hiring, promotion or pay of employees nor any applicable federal or state wages and hours laws, nor any provisions of the Employee Retirement Income Security Act or the rules and regulations promulgated thereunder, which violation could have a material adverse effect on the business, financial condition or results of operations of the Company and the Company has not received any notice which is pending alleging any violation thereof or liability thereunder;

(s) The Company has such material permits, licenses, consents, approvals, franchises and authorizations required by federal, state, local, foreign or other governmental or regulatory authorities ("Permits"), and has made all material filings required to own, lease and operate its properties and to conduct its business. The Company is not in material violation of, and has fulfilled and performed all of its material obligations with respect to its Permits, and the Company has not received notice from any governmental authority of the revocation or termination, or threatened revocation or termination, of any Permits or any other material impairment of the rights of the holder of any Permit; and, except as described in the Prospectus, the permits contain no restrictions that are materially burdensome to the Company;

(t) There is no claim pending or, to the best knowledge of the Company, threatened or contemplated under any Environmental Laws against the Company which, if adversely determined, individually or in the aggregate, could have a material adverse effect on the business, financial condition or results of operations of the Company; there are no past or present actions or conditions, including, without limitation, the release of any hazardous substance or waste regulated under any Environmental Law that are likely to form the basis of any such claim against the Company, if adversely determined, individually or in the aggregate could have a material adverse effect on the business, financial condition or results of operations of the Company;

(u) Neither the Company, nor to the best of the Company's knowledge, any employee of the Company has made any payment of funds of the Company prohibited by law, and no funds of the Company have been set aside to be used for any payment prohibited by law;

(v) The Company has filed all federal or state income and franchise tax returns required to be filed and has paid all taxes shown thereon as due, and there is no material tax deficiency which has been or might be asserted against the Company; all material tax liabilities of the Company are adequately provided for on the books of the Company;

(w) Neither the Company nor any of its affiliates has incurred any liability for any finder's fees or similar payments in connection with the transactions herein contemplated;

(x) Except as specifically disclosed in the Prospectus, the Company owns or possesses, or can acquire on terms which it believes will be commercially reasonable, adequate rights to use all patent, patent rights, inventions, trade secrets, know-how, trademarks, service marks, trade names and copyrights (collectively, "Intellectual Property Rights") which are necessary to conduct its businesses as described or contemplated in the Registration Statements and Prospectus; the Company has not received any notice of, and has no knowledge of, any infringement of or conflict with asserted rights of the Company by others with respect to any Intellectual Property Rights; the Company has not received any notice of, and has no knowledge of, any infringement of or conflict with asserted rights of others with respect to any Intellectual Property Rights which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, might have a material adverse effect on the business, financial condition or results of operations of the Company; and to the knowledge of the Company, none of the patents owned by the Company are unenforceable or invalid. The Company has duly and properly filed or caused to be filed with the United States Patent and Trademark Office (the "PTO") and applicable foreign and international patent authorities all patent applications described or referred to in the Prospectus, and believes its has complied with the PTO's duty of candor and disclosure for each of the United States patent applications described or referred to in the Prospectus; the Company is unaware of any facts which would preclude the grant of a patent from each of the patent applications described or referred to in the Prospectus; and the Company has no knowledge of any facts which would preclude it from having clear title to its patent applications described or referred to in the Prospectus;

(y) No labor disturbance by the employees of the Company exists or, to the Company's knowledge, is imminent which could be expected to have a material adverse effect on the business, financial condition or results of operations of the Company. No collective bargaining agreements exists with any of the Company's employees and, to the best of the Company's knowledge, no such agreement is imminent;

(z) The Company has made all material filings and received all material regulatory authorizations necessary to conduct the Company's business as it is currently conducted in any foreign countries, based on all available information provided to the Company through the date hereof by applicable regulatory authorities; the Company is not in violation of any such regulatory authorizations, any of which violation could have a material adverse effect on the business, financial condition or results of operations of the Company and the Company has no reason to believe that any party granting any such authorization is considering limiting, suspending or revoking the same and knows of no basis for any such limitation, suspension or revocation;

(aa) The Company has obtained the agreement of each of the Selling Stockholders and of each of its directors and officers and certain of its other stockholders not to sell, contract to sell, grant any option to sell or otherwise dispose of, directly or indirectly, any shares of Common Stock or securities convertible into or exchangeable for Common Stock or warrants or other rights to purchase Common Stock for a period of 90 days after the date of the Prospectus;

(ab) Neither the Company nor any of its subsidiaries is, or will be, after giving effect to the issuance and sale of the Shares by the Company, an "investment company" or a company "controlled" by an

"investment company" within the meaning of the Investment Company Act of 1940, as amended; and

(ac) The Shares have been approved for listing on the New York Stock Exchange subject to official notice of issuance.

4. Representations and Warranties of the Selling Stockholders. Each Selling Stockholder, severally and not jointly, represents and warrants to each Underwriter that:

(a) Such Selling Stockholder now is and at the time of delivery of such Shares (whether the time of purchase or additional time of purchase, as the case may be) will be, the lawful owner of the number of Shares to be sold by such Selling Stockholder pursuant to this Agreement and has and, at the time of delivery thereof, will have valid and marketable title to such Shares, and upon delivery of and payment for such Shares (whether at the time of purchase or the additional time of purchase, as the case may be), the Underwriters will acquire valid and marketable title to such Shares free and clear of any claim, lien, encumbrance, security interest, community property right, restriction on transfer or other defect in title;

(b) Such Selling Stockholder has and at the time of delivery of such Shares (whether the time of purchase or additional time of purchase, as the case may be) will have, full legal right, power and capacity, and any approval required by law (other than those imposed by the Act and the securities or blue sky laws of certain jurisdictions), to sell, assign, transfer and deliver such Shares in the manner provided in this Agreement;

(c) This Agreement and the Custody Agreement among _____, as custodian, and the Selling Stockholders (the "Custody Agreement") have been duly executed and delivered by such Selling Stockholder and each is a legal, valid and binding agreement of such Selling Stockholder enforceable in accordance with its terms;

(i) When each part of a Registration Statement became or will become effective and at all times subsequent thereto through the latest of the time of purchase, additional time of purchase or the termination of the offering of the Shares, the Registration Statements and Prospectus, and any supplements or amendments thereto will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading;

(d) Such Selling Stockholder has duly and irrevocably authorized the Representatives of the Selling Stockholders, on behalf of such Selling Stockholder, to execute and deliver this Agreement and any other document necessary or desirable in connection with the transactions contemplated thereby and to deliver the Shares to be sold by such Selling Stockholder and receive payment therefor pursuant hereto; and

(e) The sale of such Selling Stockholder's Shares pursuant to this Agreement is not prompted by any information concerning the Company which is not set forth in the Prospectus.

5. Certain Covenants of the Company. The Company hereby agrees:

(a) To furnish such information as may be required and otherwise to cooperate in qualifying the Shares for offering and sale under the securities or blue sky laws of such states as you may designate and to maintain such qualifications in effect so long as required for the distribution of the Shares, provided that the Company shall not be required to qualify as a foreign corporation or to consent to the service of process under the laws of any such state (except service of process with respect to the offering and sale of the Shares); and to promptly advise you of the receipt by the Company of any notification with respect to the suspension of the qualification of the Shares for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;

(b) To make available to you in New York City, as soon as practicable after the Initial Registration Statement becomes effective, and thereafter from time to time to furnish to the Underwriters, as many copies

of the Prospectus (or of the Prospectus as amended or supplemented if the Company shall have made any amend ments or supplements thereto after the Effective Date) as the Underwriters may request for the purposes contemplated by the Act;

(c) To advise you promptly and (if requested by you) to confirm such advice in writing, (i) when a Registration Statement has become effective and when any post-effective amendment thereto becomes effective and (ii) if Rule 430A under the Act is used, when the Prospectus is filed with the Commission pursuant to Rule 424(b) under the Act (which the Company agrees to file in a timely manner under the Act);

(d) To advise you promptly, confirming such advice in writing, of any request by the Commission for amendments or supplements to a Registration Statement or the Prospectus or for additional information with respect thereto, or of notice of institution of proceedings for, or the entry of a stop order suspending the effectiveness of a Registration Statement and, if the Commission should enter a stop order suspending the effectiveness of a Registration Statement, to make every reasonable effort to obtain the lifting or removal of such order as soon as possible; to advise you promptly of any proposal to amend or supplement a Registration Statement or the Prospectus including by filing any documents that would be incorporated therein by reference and to file no such amendment or supplement to which you shall object in writing;

(e) To furnish to you and, upon request, to each of the other Underwriters for a period of five years from the date of this Agreement (i) copies of any reports or other communications which the Company shall send to its stockholders or shall from time to time publish or publicly disseminate, (ii) copies of all annual, quarterly and current reports filed with the Commission on Forms 10-K, 10-Q and 8-K, or such other similar form as may be designated by the Commission and such other documents, if any, as may be incorporated by reference into a Registration Statement, and (iii) such other information as you may reasonably request regarding the Company or its Subsidiaries;

(f) To advise the Underwriters promptly of the happening of any event known to the Company within the time during which a prospectus relating to the Shares is required to be delivered under the Act which, in the judgment of the Company, would require the making of any change in the Prospectus then being used, or in the information incorporated therein by reference, so that the Prospectus would not include an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading, and, during such time, to prepare and furnish, at the Company's expense, to the Underwriters promptly such amendments or supplements to such Prospectus as may be necessary to reflect any such change and to furnish you a copy of such proposed amendment or supplement before filing any such amendment or supplement with the Commission;

(g) To make generally available to its security holders, and to deliver to you, an earnings statement of the Company (which will satisfy the provisions of Section 11(a) of the Act) covering a period of twelve months beginning after the Effective Date but not later than _____, 199__, as soon as is reasonably practicable after the termination of such twelve-month period;

(h) To furnish to you three manually signed copies of each Registration Statement, as initially filed with the Commission, and of all amendments thereto (including all exhibits thereto and documents incorporated by reference therein) and sufficient conformed copies of the foregoing (other than exhibits) for distribution of a copy to each of the other Underwriters; and to maintain in the Company's files manually signed copies of such documents for at least five years from the date of filing;

(i) To furnish to you as early as practicable prior to the time of purchase and the additional time of purchase, as the case may be, but not later than two

business days prior thereto, a copy of the latest available unaudited interim consolidated financial statements, if any, of the Company and its Subsidiaries which have been read by the Company's independent certified public accountants, as stated in their letter to be furnished pursuant to

Section 8(c) of this Agreement;

(j) To apply the net proceeds from the sale of the Shares in the manner set forth under the caption "Use of Proceeds" in the Prospectus;

(k) To furnish to you, before filing with the Commission subsequent to the Effective Date and during the period referred to in paragraph (f) above, a copy of any document proposed to be filed pursuant to Sections 13, 14 or 15(d) of the Exchange Act;

(l) Not to sell, contract to sell, grant any option to sell or otherwise dispose of, directly or indirectly, any shares of Common Stock or securities convertible into or exchangeable for Common Stock or warrants or other rights to purchase Common Stock or permit the registration under the Act of any shares of Common Stock, except for the registration of the Shares and the sales to the Underwriters pursuant to this Agreement and except for issuances of Common Stock upon the exercise of outstanding options, warrants and debentures, for a period of 90 days after the date hereof, without the prior written consent of the Managing Underwriters; and

(m) To use its best efforts to cause the Shares to be listed on the New York Stock Exchange.

6. Certain Covenants of the Company and the Selling Stockholders.

The Company and each of the Selling Stockholders agree with each Underwriter as follows:

(a) The Company and the Selling Stockholders, in such proportions (aggregating 100%) as the number of Shares to be sold by the Company and by each such Selling Stockholder bears to the total number of Shares or as they otherwise may determine among themselves, will pay all expenses, fees and taxes (other than any transfer taxes and fees and disbursements of counsel for the Underwriters except as set forth under Section 7 hereof or (iii) or (iv) below) in connection with (i) the preparation and filing of the Registration Statement, each Preliminary Prospectus, the Prospectus, and any amendments or supplements thereto, and the printing and furnishing of copies of each thereof to the Underwriters and to dealers (including costs of mailing and shipment), (ii) the issuance, sale and delivery of the Shares by the Company and the Selling Stockholders, (iii) the word processing and/or printing of this Agreement, any Agreement Among Underwriters, any dealer agreements, any Statements of Information, the Custody Agreement and the Powers of Attorney and the reproduction and/or printing and furnishing of copies of each thereof to the Underwriters and to dealers (including costs of mailing and shipment), (iv) the qualification of the Shares for offering and sale under state laws and the determination of their eligibility for investment under state law as aforesaid (including the legal fees and filing fees and other disbursements of counsel to the Underwriters) and the printing and furnishing of copies of any blue sky surveys or legal investment surveys to the Underwriters and to dealers, (v) any listing of the Shares on any securities exchange or qualification of the Shares for quotation on NASDAQ and any registration thereof under the Exchange Act, (vi) the filing for review of the public offering of the Shares by the National Association of Securities Dealers, Inc. (the "NASD"), and (vii) the performance of the Company's and the Selling Stockholders' other obligations hereunder; and

(b) The Company and the Selling Stockholders will not issue, sell, grant any option to sell or otherwise dispose of, directly or indirectly, any shares of Common Stock or securities convertible into or exchangeable for Common Stock or warrants or other rights to purchase Common Stock or, in the case of the Company, permit the registration under the Act of any shares of Common Stock, except for the registration of the Shares and the sales to the Underwriters pursuant to this Agreement and except for issuances of Common Stock upon the exercise of outstanding options, warrants and debentures, for a period of 90 days after the date of the Prospectus, without the prior written consent of the Managing Underwriters.

7. Reimbursement of Underwriters' Expenses. If the Shares are not delivered for any reason other than the termination of this Agreement pursuant to the first two paragraphs of Section 10 hereof or the default by one or more of the Underwriters in its or their respective obligations hereunder, the

Company shall reimburse the Underwriters for all of their out-of-pocket expenses, including the fees and disbursements of their counsel.

8. Conditions of Underwriters' Obligations. The several obligations of the Underwriters hereunder are subject to the accuracy of the representations and warranties on the part of the Company and the Selling Stockholders on the date hereof and at the time of purchase (and the several obligations of the Underwriters at the additional time of purchase are subject to the accuracy of the representations and warranties on the part of the Company and the Selling Stockholders on the date hereof and at the time of purchase (unless previously waived) and at the additional time of purchase, as the case may be), the performance by the Company and the Selling Stockholders of their obligations hereunder and to the following conditions:

(a) The Company shall furnish to you at the time of purchase and at the additional time of purchase, as the case may be, an opinion of Arnall Golden & Gregory, counsel for the Company, addressed to the Underwriters, and dated the time of purchase or the additional time of purchase, as the case may be, with reproduced copies for each of the other Underwriters and in form satisfactory to Palmer & Dodge LLP, counsel for the Underwriters, stating that:

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Florida, with full corporate power and authority to own its properties and conduct its business as described in the Prospectus, to execute and deliver this Agreement and to issue, sell and deliver the Shares as herein contemplated;

(ii) Each of the Subsidiaries has been duly incorporated and is validly existing as a corporation in good standing under the laws of its respective jurisdiction of incorporation with full corporate power and authority to own its respective properties and to conduct its respective business;

(iii) The Company and its Subsidiaries are duly qualified or licensed by each jurisdiction in which they conduct their respective businesses and in which the failure, individually or in the aggregate, to be so licensed or qualified could have a material adverse effect on the operations, business or condition of the

Company and its Subsidiaries taken as a whole, and the Company and its Subsidiaries are duly qualified, and are in good standing, in each jurisdiction in which they own or lease real property or maintain an office and in which such qualification is necessary;

(iv) This Agreement has been duly authorized, executed and delivered by the Company;

(v) The Shares, when issued and delivered to and paid for by the Underwriters, will be duly and validly authorized and issued and will be fully paid and non-assessable;

(vi) The Company has an authorized capitalization as set forth in the Prospectus; the outstanding shares of capital stock of the Company have been duly and validly authorized and issued, and are fully paid, nonassessable and free of statutory and contractual preemptive rights; the Shares when issued will be free of statutory and contractual preemptive rights; the certificates for the Shares are in due and proper form and the holders of the Shares will not be subject to personal liability by reason of being such holders;

(vii) The capital stock of the Company, including the Shares, conforms in all material respects to the description thereof contained in the Prospectus;

(viii) The Registration Statements and the Prospectus (except as to the financial statements and schedules and other financial and statistical data contained or incorporated by reference therein, as to which such counsel need express no opinion) comply as to form in all material respects with the require ments of the Act;

(ix) Each Registration Statement has become effective under

the Act and, to the best of such counsel's knowledge, no stop order proceedings with respect thereto are pending or threatened under the Act;

(x) No approval, authorization, consent or order of or filing with any national, state or local governmental or regulatory commission, board, body, authority or agency is required in connection with the issuance and sale of the Shares as contemplated hereby other than registration of the Shares under the Act;

(xi) The execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby do not and will not conflict with, or result in any breach of, or constitute a default under (nor constitute any event which with notice, lapse of time, or both, would constitute a breach of or default under), any provisions of the charter or by-laws of the Company or any of its Subsidiaries or under any provision of any license, indenture, mortgage, deed of trust, bank loan, credit agreement or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which any of them or their respective properties may be bound or affected, or under any law, regulation or rule or any decree, judgment or order applicable to the Company or any of its Subsidiaries;

(xii) To the best of such counsel's knowledge, neither the Company nor any of its Subsidiaries is in breach of, or in default under (nor has any event occurred which with notice, lapse of time, or both would constitute a breach of, or default under), any license, indenture, mortgage, deed of trust, bank loan or any other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which any of them or their respective properties may be bound or affected or under any law, regulation or rule or any decree, judgment or order applicable to the Company or any of its Subsidiaries;

(xiii) To the best of such counsel's knowledge, there are no contracts, licenses, agreements, leases or documents of a character which are required to be filed as exhibits to a Registration Statement or to be summarized or described in the Prospectus which have not been so filed, summarized or described;

(xiv) To the best of such counsel's knowledge, there are no actions, suits or proceedings pending or threatened against the Company or any of its Subsidiaries or any of their respective properties, at law or in equity or before or by any commission, board, body, authority or agency which are required to be described in the Prospectus but are not so described;

(xv) The documents incorporated by reference in the Registration Statements and Prospectus, when they were filed (or, if an amendment with respect to any such document was filed when such amendment was filed), complied as to form in all material respects with the Exchange Act (except as to the financial statements and schedules and other financial and statistical data contained or incorporated by reference therein as to which such counsel need express no opinion);

(xvi) The statements in the Prospectus relating to requirements and procedures under the FDC Act or FDA regulations are accurate and complete in all materials respects and present fairly matters set forth therein;

(xvii) Such counsel has no actual knowledge of any action, suit or proceeding pending or threatened by the FDA or other federal regulatory authority, except in each case as described in the Prospectus; and

(xviii) Such counsel have participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants of the Company and representatives of the Underwriters at which the contents of the Registration Statements and Prospectus were discussed and, although such counsel is not passing upon and does not assume responsibility for the accuracy, completeness or fairness of the statements contained in the

Registration Statements or Prospectus (except as and to the extent stated in subparagraphs (vi) and (vii) above), on the basis of the foregoing (relying as to materiality to a large extent upon the opinions of officers and other representatives

of the Company) nothing has come to the attention of such counsel that causes them to believe that any part of a Registration Statement or any amendment thereto at the time such part or amendment became effective contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus or any supplement thereto at the date of such Prospectus or such supplement, and at all times up to and including the time of purchase or additional time of purchase, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (it being understood that such counsel need express no opinion with respect to the financial statements and schedules and other financial and statistical data included in a Registration Statement or Prospectus).

In rendering such opinion, such counsel may rely (to the extent such counsel deems proper) as to matters specified in paragraphs (i) and (ii) upon the opinion of Ronald D. McCall, Esq., or other counsel satisfactory to counsel for the Underwriters.

(b) The Company shall furnish to you at the time of purchase and at the additional time of purchase, as the case may be, an opinion or opinions of patent counsel for the Company, addressed to the Underwriters, and dated the time of purchase or the additional time of purchase, as the case may be, with reproduced copies for each of the other Underwriters and in form satisfactory to Palmer & Dodge LLP, counsel for the Underwriters, stating that:

(i) All patents and pending patent applications owned by or licensed to the Company known to such counsel and all contracts known to such counsel pursuant to which the Company has, or has granted, rights to any patents or pending patent applications are listed on Schedule A;

(ii) Based upon such counsel's (a) inquiry of the Company's representatives responsible for patent matters, (b) such counsel's review of the chain of title in the PTO of the Company's United States patents and patent applications listed in Schedule A: (i) the patents listed on Schedule A (the "Patents") and patent applications listed on Schedule A (the "Applications") have been validly assigned to the Company and (ii) the Company is listed as the sole holder of record in the records of the PTO of each of the Patents and each of the Applications. Such counsel knows of no claims of third parties to any ownership interest or lien with respect to any of the Patents or Applications and such counsel has no knowledge of any facts which would preclude the Company from having clear title and unencumbered right to the Patents and Applications. None of the pending Applications has been abandoned;

(iii) To the best of such counsel's knowledge, the Company has complied with the PTO's duty of candor and disclosure for each of the United States Patents and Applications;

(iv) There are no legal or governmental proceedings relating to the Company's patent rights, other than PTO review of Applications or comparable

foreign proceedings, and to the best of such counsel's knowledge, no such proceedings are threatened or contemplated by governmental authorities or others. To the best of such counsel's knowledge, there is no pending or threatened interference proceeding or public use proceeding with respect to any Application;

(v) No facts have come to such counsel's attention that cause such counsel to believe that any of the claims of the Patents or Applications is unenforceable or invalid. To the best of such

counsel's knowledge, there is no pending action, suit, proceeding or claim by others challenging the validity or enforceability of any claim of the Patents;

(vi) Such counsel has conducted searches with regard to the inventions claimed in the Patents and Applications. Based thereon and on discussions with representatives of the Company, such counsel has ruled out substantially all of the patents of others. To the best of such counsel's knowledge, there is no pending or threatened action, suit or proceeding by others that the Company is infringing any patent;

(vii) Any claim of infringement asserted by others is believed by such counsel to be in error;

(viii) Such counsel has no knowledge of any facts that would form a basis for the belief that the Company lacks any rights or licenses to use all patents, know-how and other intellectual property necessary to conduct the business now conducted or proposed to be conducted by the Company as described in the Prospectus;

(ix) The statements in the Prospectus relating to patent, trademark, licensing and other intellectual property matters, insofar as such statements constitute a summary of legal matters, documents or proceedings, are accurate and complete in all material respects and present fairly the matters set forth therein; and

(x) No facts have come to such counsel's attention which cause such counsel to believe that the statements in the Prospectus relating to patent, trademark and licensing matters contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, or as of the date hereof, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein in the light of the circumstances under which they were made, not misleading.

(c) The Selling Stockholders shall furnish to you at the time of purchase and at the additional time of purchase, as the case may be, an opinion of Arnall Golden & Gregory, counsel for the Selling Stockholders, addressed to the Underwriters, and dated the time of purchase or the additional time of purchase, as the case may be, with reproduced copies for each of the other Underwriters, and in form and substance satisfactory to Palmer & Dodge LLP, counsel for the Underwriters, stating that:

(i) This Agreement and the Custody Agreement have been duly executed and delivered by or on behalf of each of the Selling Stockholders;

(ii) Each Selling Stockholder has full legal right and power, and has obtained any authorization or approval required by law (other than those imposed by the Act and the securities or blue sky laws of certain jurisdictions), to sell, assign, transfer and deliver the Shares to be sold by such Selling Stock holder in the manner provided in this Agreement;

(iii) Delivery of certificates for the Shares by each Selling Stockholder pursuant hereto will pass valid and marketable title thereto to the Underwriters, free and clear of any claim, lien, encumbrance, security interest, community property right, restriction on transfer or other defect in title;

(iv) Each of the Representatives of the Selling Stockholders has been duly authorized by each Selling Stockholder to execute and deliver on behalf of such Selling Stockholder this Agreement and any other document necessary or desirable in connection with the transactions contemplated hereby and to deliver the Shares to be sold by such Selling Stockholder; and

(v) To the best of such counsel's knowledge, the statements in the Prospectus under the caption ["Principal and Selling Stockholders"] insofar as such statements constitute a summary of the matters referred to therein present fairly the information called for

with respect to such matters.

(d) You shall have received from Ernst & Young LLP letters dated, respectively, the date of this Agreement and the time of purchase and additional time of purchase, as the case may be, and addressed to the Underwriters (with reproduced copies for each of the Underwriters) in the forms heretofore approved by the Managing Underwriters.

(e) You shall have received at the time of purchase and at the additional time of purchase, as the case may be, the favorable opinion of Palmer & Dodge LLP, counsel for the Underwriters, dated the time of purchase or the additional time of purchase, as the case may be, as to the matters referred to in subparagraphs (iv), (v), (vii), (viii) and (ix) of paragraph (a) of this Section 8.

In addition, such counsel shall state that such counsel have participated in conferences with officers and other representatives of the Company, counsel for the Company, representatives of the independent public accountants of the Company and representatives of the Underwriters at which the contents of the Registration Statements and Prospectus and related matters were discussed and, although such counsel is not passing upon and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in a Registration Statement or the Prospectus (except as to matters referred to under subparagraph (vii) of paragraph (a) of this Section 8), on the basis of the foregoing (relying as to materiality to a large extent upon the opinions of officers and other representatives of the Company), no facts have come to the attention of such counsel which lead them to believe that any part of a Registration Statement or any amendment thereto at the time such part or amendment became effective contained an

untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus as of its date or any supplement thereto as of its date contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (it being understood that such counsel need express no comment with respect to the financial statements and schedules and other financial and statistical data included in the Registration Statements or Prospectus).

(f) No amendment or supplement to a Registration Statement or the Prospectus, including documents deemed to be incorporated by reference therein, shall be filed prior to the time any 462(b) Registration Statement becomes effective, or, if none, the Initial Registration Statement, to which you object in writing.

(g) The Initial Registration Statement shall become effective, or if Rule 430A under the Act is used, the Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act, at or before 5:00 P.M., New York City time, on the date of this Agreement, unless a later time (but not later than 5:00 P.M., New York City time, on the second full business day after the date of this Agreement) shall be agreed to by the Company, the Representatives of the Selling Stockholders and you in writing or by telephone, confirmed in writing; provided, however, that the
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Company, the Representatives of the Selling Stockholders and you and any group of Underwriters, including you, who have agreed hereunder to purchase in the aggregate at least 50% of the Firm Shares may from time to time agree on a later date. The Company agrees to file any additional registration statement which is proposed to be filed pursuant to Rule 462(b) with the Commission, in accordance with the Rules and Regulations, by 10:00 p.m., Eastern Standard Time or Eastern Daylight Savings Time, whichever is currently in effect, on the date of this Agreement, and, concurrently with or prior to filing such additional registration statement, to pay the associated filing fee or give irrevocable instructions for payment in accordance with Rule 111(b) of the Act.

(h) Prior to the time of purchase or the additional time of purchase, as the case may be, (i) no stop order with respect to the effectiveness of a Registration Statement shall have been issued under the Act or proceedings initiated under Section 8(d) or 8(e) of the Act; (ii) the Registration Statements and all amendments thereto, or modifications

thereof, if any, shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and (iii) the Prospectus and all amendments or supplements thereto, or modifications thereof, if any, shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(i) Between the time of execution of this Agreement and the time of purchase or the additional time of purchase, as the case may be, (i) no material and unfavorable change, financial or otherwise (other than as referred to in the Prospectus), in the business, condition or prospects of the Company and its Subsidiaries taken as a whole shall occur or become known and (ii) no transaction which is material and unfavorable to the Company shall have been entered into by the Company or any of its Subsidiaries.

(j) The Company will, at the time of purchase or additional time of purchase, as the case may be, deliver to you a certificate of two of its executive officers to the effect that the representations and warranties of the Company as set forth in this Agreement and the conditions set forth in paragraph (g) and paragraph (h) have been met and that they are true and correct as of each such date.

(k) You shall have received signed letters, dated the date of this Agreement, from each of the Selling Stockholders and each of the directors and officers of the Company and certain of its other stockholders to the effect that such persons shall not sell, contract to sell, grant any option to sell or otherwise dispose of, directly or indirectly, any shares of Common Stock of the Company or securities convertible into or exchangeable for Common Stock or warrants or other rights to purchase Common Stock for a period of 90 days after the date of the Prospectus without the prior written consent of the Managing Underwriters.

(l) The Company and the Selling Stockholders shall have furnished to you such other documents and certificates as to the accuracy and completeness of any statement in the Registration Statement and the Prospectus as of the time of purchase and the additional time of purchase, as the case may be, as you may reasonably request.

(m) The Company and the Selling Stockholders shall perform such of their respective obligations under this Agreement as are to be performed by the terms hereof at or before the time of purchase and at or before the additional time of purchase, as the case may be.

(n) The Shares shall have been approved for listing on the New York Stock Exchange, subject only to notice of issuance at or prior to the time of purchase.

(o) The Selling Stockholders will at the time of purchase and the additional time of purchase, as the case may be deliver to you a certificate of the Representatives of the Selling Stockholders to the effect that the representations and the warranties of the Selling Stockholders as set forth in this Agreement are true and correct as of each such date.

(p) Between the time of execution of this Agreement and the time of purchase or additional time of purchase, as the case may be, there shall not have occurred any downgrading, nor shall any notice have been given of (i) any intended or potential downgrading or (ii) any review or possible change that does not indicate an improvement, in the rating accorded any securities of or guaranteed by the Company or any subsidiary of the Company by any "nationally recognized statistical rating organization," as that term is defined in Rule 436(g)(2) promulgated under the Act.

9. Effective Date of Agreement; Termination. This Agreement shall become effective (i) if Rule 430A under the Act is not used, when you shall have received notification of the effectiveness of the Initial Registration Statement, or (ii) if Rule 430A under the Act is used, when the parties hereto have executed and delivered this Agreement.

The obligations of the several Underwriters hereunder shall be subject to termination in the absolute discretion of you or any group of Underwriters (which may include you) which has agreed to purchase in the aggregate at least 50% of the Firm Shares, if, since the time of execution of this Agreement or the respective dates as of which information is given in the Registration Statements and Prospectus, (x) there has been any material adverse and unfavorable change, financial or otherwise (other than as referred to in the Prospectus), in the business, condition or prospects of the Company and its Subsidiaries taken as a whole, which would, in your judgment or in the judgment of such group of Underwriters, make it impracticable to market the Shares, or (y) there shall have occurred any downgrading, or any notice shall have been given of (i) any intended or potential downgrading or (ii) any review or possible change that does not indicate an improvement, in the rating accorded any securities of or guaranteed by the Company or any subsidiary of the Company by any nationally recognized statistical rating organization or (z) if, at any time prior to the time of purchase or, with respect to the purchase of any Additional Shares, the additional time of purchase, as the case may be, trading in securities on the New York Stock Exchange shall have been suspended or minimum prices shall have been established on the New York Stock Exchange, or if a banking moratorium shall have been declared either by the United States or New York State authorities, or if the United States shall have declared war in accordance with its constitutional processes or there shall have occurred any material outbreak or escalation of hostilities or other national or international calamity or crisis of such magnitude in its effect on the financial markets of the United States as, in your judgment or in the judgment of such group of Underwriters, to make it impracticable to market the Shares.

If you or any group of Underwriters elects to terminate this Agreement as provided in this Section 9, the Company, the Representatives of the Selling Stockholders and each other Underwriter shall be notified promptly by letter or telegram.

If the sale to the Underwriters of the Shares, as contemplated by this Agreement, is not carried out by the Underwriters for any reason permitted under this Agreement or if such sale is not carried out because the Company or the Selling Stockholders, as the case may be, shall be unable to comply with any of the terms of this Agreement, the Company or the Selling Stockholders, as the case may be, shall not be under any obligation or liability under this Agreement (except to the extent provided in Sections 6(a), 7 and 11 hereof), and the Underwriters shall be under no obligation or liability to the Company and the Selling Stockholders under this Agreement (except to the extent provided in Section 11 hereof) or to one another hereunder.

10. Increase in Underwriters' Commitments. If any Underwriter shall default in its obligation to take up and pay for the Firm Shares to be purchased by it hereunder and if the number of Firm Shares which all Underwriters so defaulting shall have agreed but failed to take up and pay for does not exceed 10% of the total number of Firm Shares, the non-defaulting Underwriters shall take up and pay for (in addition to the aggregate principal amount of Firm Shares they are obligated to purchase pursuant to Section 1 hereof) the number of Firm Shares agreed to be purchased by all such defaulting Underwriters, as hereinafter provided. Such Shares shall be taken up and paid for by such non-defaulting Underwriter or Underwriters in such amount or amounts as you may designate with the consent of each Underwriter so designated or, in the event no such designation is made, such Shares shall be taken up and paid for by all non-defaulting Underwriters pro rata in proportion to the aggregate number of Firm Shares set opposite the names of such non-defaulting Underwriters in Schedule A.

Without relieving any defaulting Underwriter from its obligations hereunder, the Company and the Selling Stockholders agree with the non-defaulting Underwriters

that they will not sell any Firm Shares hereunder unless all of the Firm Shares are purchased by the Underwriters (or by substituted Underwriters selected by you with the approval of the Company or selected by the Company with your approval).

If a new Underwriter or Underwriters are substituted by the Underwriters or by the Company for a defaulting Underwriter or Underwriters in accordance with the foregoing provision, the Company or you shall have the right to postpone the time of purchase for a period not exceeding five business days in order that any necessary changes in the Registration Statements and Prospectus and other documents may be effected.

The term Underwriter as used in this agreement shall refer to and include any Underwriter substituted under this Section 10 with like effect as if such substituted Under writer had originally been named in Schedule A.

11. Indemnity by the Company, the Selling Stockholders and the Underwriters.

(a) The Company and the Selling Stockholders jointly and severally agree to indemnify, defend and hold harmless each Underwriter, its directors and officers, and any person who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, from and against any loss, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, any such Underwriter or any such person may incur under the Act, the Exchange Act or otherwise insofar as such loss, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in a Registration Statement (or in a Registration Statement as amended by any post-effective amendment thereof by the Company) or in a Prospectus (the term Prospectus for the purpose of this Section 11 being deemed to include any Preliminary Prospectus, the Prospectus and the Prospectus as amended or supplemented by the Company), or arises out of or is based upon any omission or alleged omission to state a material fact required to be stated in either the Registration Statement or the Prospectus or necessary to make the statements made therein not misleading, except insofar as any such loss, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in and in conformity with information furnished in writing by any Underwriter through you to the Company expressly for use with reference to such Underwriter in such Registration Statement or such Prospectus or arises out of or is based upon any omission or alleged omission to state a material fact in connection with such information required to be stated in either such Registration Statement or Prospectus or necessary to make such information not misleading, provided, that no Selling Stockholder shall be responsible, either pursuant to this indemnity or as a result of any breach of this Agreement, for losses, expenses, liability or claims arising out of or based upon such untrue statement or omission or allegation thereof based upon information furnished by any party other than such Selling Stockholder and, in any event, no Selling Stockholder shall be responsible, either pursuant to this indemnity or as a result of any breach of this Agreement, for losses, expenses, liability or claims for an amount in excess of the proceeds to be received by such Selling Stockholder (before deducting expenses) from the sale of Shares hereunder.

If any action is brought against an Underwriter or any such person in respect of which indemnity may be sought against the Company or any Selling Stockholder pursuant to the foregoing paragraph, such Underwriter or such person shall promptly notify the Company and the Representatives of the Selling Stockholders in writing of the institution of such action and the Company or such Selling Stockholder, as the case may be, shall assume the defense of such action, including the employment of counsel reasonably satisfactory to such indemnified party and payment of all fees and expenses, provided, however, that the omission to so notify the Company or the Representative of the Selling Stockholders shall not relieve the Company or any Selling Stockholder from any liability which they may have to any Underwriter or any such person or otherwise. Such Underwriter or such controlling person shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Underwriter or of such person unless the employment of such counsel shall have been authorized in writing by the Company or such Selling Stockholder in connection with the defense of such action or the Company or such Selling Stockholder shall not have employed counsel to have charge of the defense of such action or such indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them which are different from or additional to those available to the Company or such Selling Stockholder (in which case the Company or such Selling Stockholder shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by the Company or such Selling Stockholder, as the case may be, and paid as incurred (it being understood, however, that the Company or such Selling Stockholder shall not be liable for the expenses of more than one separate counsel in any one action or series of related actions in the

same jurisdiction representing the indemnified parties who are parties to such action). The Company or such Selling Stockholder shall not be liable for any settlement of any such claim or action effected without its written consent but if settled with the written consent of the Company or such Selling Stockholder, the Company or such Selling Stockholder agrees to indemnify and hold harmless any Underwriter and any such person from and against any loss or liability by reason of such settlement. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second sentence of this paragraph, then the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 60 business days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement and (iii) such indemnified party shall have given the indemnifying party at least 30 days' prior notice of its intention to settle. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(b) Each Underwriter severally agrees to indemnify, defend and hold harmless the Company, its directors and officers, each Selling Stockholder and any person who controls the Company or any Selling Stockholder within the meaning of Section 15 of the Act or Section 20 of the Exchange Act from and against any loss, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, the Company, any Selling Stockholder or any such person may incur under the Act or otherwise, insofar as such loss, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in and in conformity with information furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use with reference to such Underwriter in a Registration Statement (or in a Registration Statement as amended by any post-effective amendment thereof by the Company) or in a Prospectus, or arises out of or is based upon any omission or alleged omission to state a material fact in connection with such information required to be stated either in such Registration Statement or Prospectus or necessary to make such information not misleading.

If any action is brought against the Company, any Selling Stockholder or any such person in respect of which indemnity may be sought against any Underwriter pursuant to the foregoing paragraph, the Company, such Selling Stockholder or such person shall promptly notify such Underwriter in writing of the institution of such action and such Underwriter shall assume the defense of such action, including the employment of counsel reasonably satisfactory to such indemnified party and payment of all fees and expenses, provided, however, that the omission to so notify such Underwriter shall not relieve such Underwriter, from any liability which they may have to the Company, any Selling Stockholder or any such person or otherwise. The Company, such Selling Stockholder or such person shall have the right to employ its own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of the Company, such Selling Stockholder or such person unless the employment of such counsel shall have been authorized in writing by such Underwriter in connection with the defense of such action or such Underwriter shall not have employed counsel to have charge of the defense of such action or such indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them which are different from or additional to those available to such Underwriter (in which case such Underwriter shall not have the right to direct the defense of such action on behalf of the indemnified party or parties, but such Underwriter may employ counsel and participate in the defense thereof but the fees and expenses of such counsel shall be at the expense of such Underwriter), in any of which events such fees and expenses shall be borne by such Underwriter and paid as incurred (it being under stood, however, that such Underwriter shall not be liable for the expenses of more than one separate counsel in any one action or series of related actions in the same jurisdiction representing the indemnified parties who are parties to such action). No Underwriter shall be liable for any settlement of any such claim or action effected without the written consent of such Underwriter but if settled with the written consent of such Underwriter, such Underwriter agrees to indemnify and hold harmless the Company, any Selling Stockholder and any such person from and against any loss or liability by reason of such settlement. Notwithstanding the

foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second sentence of this paragraph, then the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 60 business days after receipt by such indemnifying party of the aforesaid re quest, (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement and (iii) such indemnified party shall have given the indemnifying party at least 30 days' prior notice of its intention to settle. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(c) If the indemnification provided for in this Section 11 is unavailable to an indemnified party under subsections (a) and (b) of this Section 11 in respect of any losses, expenses, liabilities or claims referred to therein, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, expenses, liabilities or claims (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders

on the one hand and the Underwriters on the other hand from the offering of the Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Stockholders on the one hand and of the Underwriters on the other in connection with the statements or omissions which resulted in such losses, expenses, liabilities or claims, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total proceeds from the offering (net of underwriting discounts and com missions but before deducting expenses) received by the Company and the Selling Stockholders bear to the total underwriting discounts and commissions received by the Underwriters. The relative fault of the Company and the Selling Stockholders on the one hand and of the Underwriters on the other shall be determined by reference to, among other things, whether the untrue statement or alleged untrue statement of a material fact or omission or alleged omission relates to information supplied by the Company, by the Selling Stockholders or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, expenses, liabilities and claims referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any claim or action.

(d) The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 11 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in subsection (c) above. Notwithstanding the provisions of this Section 11, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by such Underwriter and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue statements or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriter's obligations to contribute pursuant to this Section 11 are several in proportion to their respective underwriting commitments and not joint.

(e) The indemnity and contribution agreements contained in this Section 11 and the covenants, warranties and representations of the Company and the Selling Stockholders contained in this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of any Underwriter, its directors and officers or any person who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, or by or on behalf of the Company, its directors and officers, any

Selling Stockholder or any person who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and shall survive any termination of this Agreement or the issuance and delivery of the Shares. The Company, each Selling Stockholder and each Underwriter agree promptly to notify the others of the commencement of any litigation or proceeding against it and, in the case of the Company, against any of the Company's officers and directors in connection with the issuance and sale of the Shares, or in connection with the Registration Statement or Prospectus.

12. Notices. Except as otherwise herein provided, all statements, requests, notices and agreements shall be in writing or by telegram and, if to the Underwriters, shall be sufficient in all respects if delivered or sent to SBC Warburg Dillon Read Inc., 535 Madison Avenue, New York, N.Y. 10022, Attention: Syndicate Department, if to the Company, shall be sufficient in all respects if delivered or sent to the Company at the offices of the Company at 1655 Roberts Boulevard, N.W., Kennesaw, Georgia 30144, Attention: Chief Financial Officer and, if to any of the Selling Stockholders, shall be sufficient in all respects if delivered or sent to the Representatives of the Selling Stockholders at _____, Attention: _____.

13. Construction. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. The Section headings in this Agreement have been inserted as a matter of convenience of reference and are not a part of this Agreement.

14. Submission to Jurisdiction. The Company irrevocably submits to the nonexclusive jurisdiction of any State or Federal court sitting in New York over any suit, action or proceeding arising out of or relating to this agreement. The Company irrevocably waives, to the fullest extent permitted by law, any objection it may now or thereafter have to the laying of venue of any such court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. The Company agrees that a final judgment in any such suit, action or proceeding brought in any such court shall be conclusive and binding upon the Company and may be enforced in any other court to the jurisdiction of which the Company is or may be subject, by suit upon such judgment.

15. Parties at Interest. The Agreement herein set forth has been and is made solely for the benefit of the Underwriters, the Company, the Selling Stockholders and the controlling persons, directors and officers referred to in Section 11 hereof, and their respective successors, assigns, executors and administrators. No other person, partnership, association or corporation (including a purchaser, as such purchaser, from any of the Underwriters) shall acquire or have any right under or by virtue of this Agreement.

16. Counterparts. This agreement may be signed by the parties in counterparts which together shall constitute one and the same agreement among the parties.

17. Miscellaneous. SBC Warburg Dillon Read Inc., an indirect, wholly owned subsidiary of Swiss Bank Corporation, is not a bank and is separate from any affiliated bank, including any U.S. branch or agency of Swiss Bank Corporation. Because SBC Warburg Dillon Read Inc. is a separately incorporated entity, it is solely responsible for its own contractual obligations and commitments, including obligations with respect to sales and purchases of securities. Securities sold, offered or recommended by SBC Warburg Dillon Read Inc. are not deposits, are not insured by the Federal Deposit Insurance Corporation, are not guaranteed by a branch or agency, and are not otherwise an obligation or responsibility of a branch or agency.

A lending affiliate of SBC Warburg Dillon Read Inc. may have lending relationships with issuers of securities underwritten or privately placed by SBC Warburg Dillon Read Inc. To the extent required under the securities laws, prospectuses and other disclosure documents for securities underwritten or privately placed by SBC Warburg Dillon Read Inc. will disclose the existence of any such lending relationships and whether the proceeds of the issue will be used to repay debts owed to affiliates of SBC Warburg Dillon Read Inc.

On December 8, 1997, Swiss Bank Corporation announced its intention to merge with Union Bank of Switzerland. References in this document to Swiss Bank Corporation include references to its successor entity following completion of the merger.

References to the parties include references to their successors, including, without limitation, an entity which assumes the rights and obligations of the relevant party by operation of the law of the jurisdiction of incorporation or domicile of such party.

If the foregoing correctly sets forth the understanding among the Company, the Selling Stockholders and the Underwriters, please so indicate in the space provided below for the purpose, whereupon this letter and your acceptance shall constitute a binding agreement among the Company, the Selling Stockholders and the Underwriters, severally.

Very truly yours,

CRYOLIFE, INC.

By:
Title:

THE SELLING STOCKHOLDERS NAMED IN SCHEDULE B ATTACHED HERETO

By:
Attorney-in-Fact

Accepted and agreed to as of the date first above written, on behalf of themselves and the other several Underwriters named in Schedule A

SBC WARBURG DILLON READ INC.

PIPER JAFFRAY INC.

By: SBC WARBURG DILLON READ INC.

By:
Title:

By:
Title:

SCHEDULE A

Underwriter	Number of Firm Shares
- -----------	-----------
Total	

SCHEDULE B

Selling Stockholders	Number of Firm Shares

- ---------- ----------

Total

EXHIBIT 5.1

[LETTERHEAD OF ARNALL GOLDEN & GREGORY, LLP APPEARS HERE]

February , 1998

CryoLife
1655 Roberts Boulevard, N.W.
Kennesaw, Georgia 30144

Re: Registration Statement on Form S-3 (Registration No. 333-)

Gentlemen:

This opinion is rendered in connection with the proposed issue and sale by CryoLife, Inc., a Florida corporation (the "Company"), and certain selling shareholders of the Company ("Selling Shareholders"), of up to 2,875,000 shares (including an over-allotment for up to 375,000 shares) of the Company's Common stock, $.01 par value (the "Shares"), upon the terms and conditions set forth in Registration Statement on Form S-3 (the "Registration Statement") bearing file number 333- filed by the Company with the Securities and Exchange Commission under the Securities Act of 1933, as amended. We have acted as counsel for the Company and the Selling Shareholders in connection with the issuance and sale of up to 2,638,000 Shares (including the over-allotment) by the Company (the "Company's Shares") and the sale of up to 237,000 Shares by the Selling Shareholders (the "Selling Shareholders' Shares").

In rendering the opinion contained herein, we have relied in part upon examination of the Company's corporate records, documents, certificates and other instruments and an examination of such questions of law as we have considered necessary or appropriate for the purpose of this opinion. Based upon the foregoing, we are of the opinion that (1) the Company's Shares have been duly and validly authorized and, when sold in the manner contemplated by the underwriting agreement (the "Underwriting Agreement") filed as an exhibit to the Registration Statement, and upon receipt by the Company of payment therefor as provided in the Underwriting Agreement, the Company's Shares will be legally issued, fully paid and nonassessable; and (2) upon receipt of payment therefor as provided in the Underwriting Agreement, the Selling Shareholders' Shares will be legally issued, fully paid and nonassessable.

We consent to the filing of this opinion as an exhibit to the Registration Statement (and any additional registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, at or before 10:00 p.m. EST on the date such Registration Statement becomes effective) and to the reference to this firm under the caption "Legal Matters" in the Prospectus contained therein. This consent is not to be construed as an admission that we are a party whose consent is required to be filed with the Registration Statement under the provisions of the Securities Act of 1933, as amended.

Sincerely,

ARNALL GOLDEN & GREGORY, LLP

EXHIBIT 23.1

CONSENT OF ERNST & YOUNG LLP
INDEPENDENT AUDITORS

We consent to the reference to our firm under the captions "Selected Consolidated Financial Data" and "Experts" and to the use of our report dated February 9, 1998, in the Registration Statement (Form S-3) and related Prospectus of CryoLife, Inc. and any additional Registration Statement filed pursuant to Rule 462(b) of the Securities Act of 1933 at or before 10:00 pm EST on the date the Registration Statement referred to above becomes effective.

/s/ Ernst & Young LLP

Ernst & Young LLP

Atlanta, Georgia
February 16, 1998

EXHIBIT 23.1

CONSENT OF ERNST & YOUNG LLP
INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated February 5, 1997 with respect to the financial statements of Ideas for Medicine, Inc. included in the Registration Statement (Form S-3) and related Prospectus of CryoLife, Inc. and any additional Registration Statement filed pursuant to Rule 462(b) of the Securities Act of 1933 at or before 10:00 pm EST on the date the Registration Statement referred to above becomes effective.

/s/ Ernst & Young LLP

Ernst & Young LLP

Atlanta, Georgia
February 16, 1998

EXHIBIT 23.2

ACCOUNTANTS' CONSENT

The Board of Directors
CryoLife, Inc.

We consent to the use of our report included herein and to the references to our firm under the headings "Selected Consolidated Financial Data" and "Experts" in the prospectus.

/s/ KPMG Peat Marwick LLP

KPMG Peat Marwick LLP

Atlanta, Georgia
February 16, 1998