

SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): September 30, 1998

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

Florida 0-21104 59-2417093  
(State or other (Commission File Number) (IRS Employer Identification No.)  
jurisdiction of  
incorporation)

1655 Roberts Boulevard, N.W.  
Kennesaw, Georgia 30144  
(Address of principal executive offices) (Zip Code)

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

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

ITEM 2. DISPOSITION OF ASSETS

On September 30, 1998, CryoLife, Inc. (the "Registrant") closed the sale of the product line ("IFM Product Line") of its wholly-owned subsidiary, Ideas for Medicine, Inc., a Florida corporation ("IFM"), to Horizon Medical Products, Inc., a Georgia corporation ("Horizon"), for \$15 million. The IFM Product Line consisted of specialty cardiovascular and vascular medical instruments and devices. The sale was made pursuant to an asset purchase agreement, filed as Exhibit 2.1 hereof, negotiated on an arm's length basis. The Registrant and Horizon also signed a manufacturing agreement that provides for a minimum amount of products from the IFM Product Line to continue to be manufactured by IFM and purchased by Horizon over the next four years. Further information regarding this transaction is included in the Registrant's press release, filed as Exhibit 99.1 and incorporated herein by this reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements.

Not Applicable.

(b) Unaudited Pro Forma Condensed Consolidated Financial Information.

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

1. Introduction to Condensed Consolidated Pro Forma Financial Statements.
2. Pro Forma Condensed Consolidated Statements of Income for the Year Ended December 31, 1997 and the Six Months Ended June 30, 1998.
3. Pro Forma Condensed Consolidated Balance Sheet as of June 30, 1998.

Unaudited Pro Forma Condensed Consolidated  
Financial Information

Introductory Note: The following unaudited pro forma condensed consolidated balance sheet and statements of income reflect the financial position at June 30, 1998 and results of operations for the year ended December 31, 1997 and the six months ended June 30, 1998 of CryoLife, Inc. (the "Registrant") as if the disposition of the IFM Product Line on September 30, 1998 had occurred on June 30, 1998 for balance sheet purposes and January 1, 1997 and January 1, 1998, respectively, for income statement purposes.

The unaudited pro forma condensed consolidated balance sheet and statement of income do not purport to represent the Registrant's financial position or results of operations had the transactions actually occurred on June 30, 1998, January 1, 1997 or January 1, 1998, respectively, or to project the Registrant's consolidated results of operations for any future periods.

The pro forma adjustments are based upon available information. These adjustments are directly attributable to the transaction referred to above, and are expected to have a continuing impact on the Registrant's business, results of operations and financial position. The following unaudited pro forma condensed consolidated financial statements should be read in conjunction with the historical financial statements of the Registrant, which are included in its Form 10-K for the year ended December 31, 1997 and its Form 10-Q for the six months ended June 30, 1998.

CryoLife, Inc.  
Proforma Condensed Consolidated Statement of Income  
Year Ended December 31, 1997  
(Unaudited)

	CryoLife, Inc. Year Ended 12/31/97	Proforma Adjustments	Proforma Consolidated Year ended 12/31/97
REVENUES:			
Cryopreservation and products	\$50,409,000	(\$5,591,000) (A) 6,000,000 (B)	\$50,818,000
Other	460,000		460,000
Total revenues	50,869,000	409,000	51,278,000
COSTS AND EXPENSES:			
Cryopreservation and products	17,764,000	(2,411,000) (A) 4,930,000 (B)	20,283,000
General, administrative and marketing	20,548,000	(349,000) (C) (453,000) (D)	19,746,000

Research and development	3,946,000		3,946,000
Interest expense	978,000	(587,000) (E)	391,000
Total costs and expenses	43,236,000	1,130,000	44,366,000
Income before income taxes	7,633,000	(721,000)	6,912,000
Income tax expense	2,908,000	(273,980) (F)	2,634,020
Net income	\$4,725,000	(\$447,020)	\$4,277,980
Earnings per share:			
Basic	\$ 0.49		\$ 0.44
Diluted	\$ 0.48		\$ 0.43
Weighted average shares outstanding:			
Basic	9,642,000		9,642,000
Diluted	9,942,000		9,942,000

- (A) Reverse historical IFM sales and cost of sales
- (B) Reflect the terms of the manufacturing agreement between Ideas for Medicine and Horizon based on the minimum required sales to Horizon and the related costs, and assuming the realization of a pro-rata portion of the deferred revenue
- (C) Eliminate goodwill amortization
- (D) Eliminate selling and marketing expenses associated with the IFM product line
- (E) Eliminate interest expense to reflect the paydown of bank borrowings with the proceeds from the sale of the IFM product line
- (F) Income tax benefit related to additional expenses at the Company's effective income tax rate (38%)

CryoLife, Inc.  
 Proforma Condensed Consolidated Statement of Income  
 Six Months Ended June 30, 1998  
 (Unaudited)

	CryoLife, Inc. Six Months Ended 6/30/98	Proforma Adjustments	Proforma Consolidated Six Months Ended 6/30/98
REVENUES:			
Cryopreservation and products	\$29,978,000	(\$3,196,000) (A) 3,000,000 (B)	\$29,782,000
Other	909,000		909,000
Total revenues	30,887,000	(196,000)	30,691,000
COSTS AND EXPENSES:			
Cryopreservation and products	11,826,000	(1,600,000) (A) 2,465,000 (B)	12,691,000
General, administrative and marketing	11,707,000	(246,000) (C) (346,000) (D)	11,115,000
Research and development	2,267,000		2,267,000
Interest (income) expense	110,000	(237,000) (E)	(127,000)
Total costs and expenses	25,910,000	36,000	25,946,000
Income before income taxes	4,977,000	(232,000)	4,745,000
Income tax expense	1,757,000	(81,200) (F)	1,675,800

Net income	\$3,220,000	(\$150,800)	\$3,069,200
Earnings per share:			
Basic	\$ 0.29		\$ 0.27
Diluted	\$ 0.28		\$ 0.27
Weighted average shares outstanding:			
Basic	11,219,000		11,219,000
Diluted	11,577,000		11,577,000

- (A) Reverse historical IFM sales and cost of sales
- (B) Reflect the terms of the manufacturing agreement between Ideas for Medicine and Horizon based on the minimum required sales to Horizon and the related costs, and assuming the realization of a pro-rata portion of the deferred revenue
- (C) Eliminate goodwill amortization
- (D) Eliminate selling and marketing expenses associated with the IFM product line
- (E) Adjustment of interest expense to reflect the paydown of bank borrowings with the proceeds from the sale of the IFM product line
- (F) Income tax benefit related to additional expenses at the Company's effective income tax rate (35%)

CryoLife, Inc.  
Pro Forma Condensed Consolidated Balance Sheet  
June 30, 1998

	CryoLife, Inc. June 30, 1998	Pro Forma Adjustments	Consolidated Pro Forma June 30, 1998
	-----	-----	-----
<b>ASSETS:</b>			
Cash and cash equivalents	\$32,106,000	\$14,850,000 (A)	\$ 46,956,000
Receivables, net	10,320,000		10,320,000
Deferred preservation costs, net	13,295,000		13,295,000
Inventories	3,477,000	(1,474,000) (B)	2,003,000
Prepaid expenses	2,103,000	(21,000) (C)	2,082,000
	-----	-----	-----
Total current assets	61,301,000	13,355,000	74,656,000
Property and equipment, net	18,458,000	(19,000) (D)	18,439,000
Goodwill, net	9,502,000	(7,782,000) (E)	1,720,000
Patents, net	2,253,000	(69,000) (D)	2,184,000
Other, net	1,529,000		1,529,000
Deferred income taxes	-	712,000 (H)	712,000
	=====	=====	=====
Total assets	\$93,043,000	\$ 6,197,000	\$ 99,240,000
	=====	=====	=====
<b>LIABILITIES:</b>			
Accounts payable	\$ 1,142,000	\$ -	\$ 1,142,000
Accrued expenses	2,342,000	2,100,000 (F)	4,442,000
Accrued compensation	1,081,000	500,000 (G)	1,581,000
Current maturities - capital lease	215,000		215,000
Current maturities - long-term debt	496,000		496,000
Deferred income		721,000 (I)	721,000

Income taxes payable	381,000	1,096,000 (H)	1,477,000
Total current liabilities	5,657,000	4,417,000	10,074,000
Deferred income	-	2,164,000 (I)	2,164,000
Deferred income taxes	384,000	(384,000) (H)	0
Capital lease obligations	1,829,000		1,829,000
Long-term debt	5,207,000		5,207,000
Shareholders' equity:			
Common stock	133,000		133,000
Additional paid-in capital	64,166,000		64,166,000
Retained earnings	15,847,000		15,847,000
Treasury stock	(180,000)		(180,000)
Total liabilities and shareholders' equity	\$93,043,000	\$ 6,197,000	\$ 99,240,000

- (A) Receipt of the \$15,000,000 in proceeds (net of \$150,000 in transaction costs) from the sale of the IFM product line (there were no outstanding bank borrowings at June 30, 1998)
- (B) Sale of finished goods inventories to Horizon
- (C) Sale of IFM marketing materials to Horizon
- (D) Sale of manufacturing equipment and patents to Horizon
- (E) Write-off of unamortized goodwill recorded in connection with CryoLife, Inc.'s acquisition of IFM
- (F) Accrual of estimated earnout liability to former owner of IFM, insurance expenses and other transaction-related costs
- (G) Accrual for bonuses related to the sale of the IFM product line
- (H) Record income tax related to the sale of the IFM product line
- (I) Deferred revenue balance established at transaction date for realization of gain associated with the transaction over the four year manufacturing agreement

(c) Exhibits.

Exhibit Number	Description
2.1	Asset Purchase Agreement dated as of September 30, 1998 by and between Ideas For Medicine, Inc. ("IFM") and Horizon Medical Products, Inc. (incorporated herein by reference to Exhibit 2 to the Current Report on Form 8-K of Horizon Medical Products, Inc. (File No. 000-24029), filed on October 14, 1998).
99.1	Press Release

#### SIGNATURES

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

CRYOLIFE, INC.

Date: October 15, 1998

By: /s/ Edwin B. Cordell, Jr.

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

Exhibit  
Number

Description

2.1 Asset Purchase Agreement dated as of September 30, 1998 by and between Ideas For Medicine, Inc. ("IFM") and Horizon Medical Products, Inc. (incorporated herein by reference to Exhibit 2 to the Current Report on Form 8-K of Horizon Medical Products, Inc. (File No. 000-24029), filed on October 14, 1998).

99.1 Press Release

EXHIBIT 99.1

CryoLife(R), Inc. Announces Sale of Its Ideas For Medicine(R), Inc. Product Line

October 1, 1998 8:41 AM EDT

ATLANTA, Oct., 1 /PRNewswire/ -- CryoLife, Inc. (NYSE:CRY), a leader in human tissue and cell preservation and a manufacturer and distributor of stentless heart valves and surgical adhesives, announced that it has closed the sale of the product line of its wholly owned subsidiary, Ideas for Medicine, Inc. (IFM) to Horizon Medical Products, Inc. (Nasdaq:HMPS), of Atlanta, Georgia.

Horizon Medical paid CryoLife the sum of \$15 million for IFM's finished goods inventory and the intellectual property rights and equipment related to the IFM product line of specialty cardiovascular and vascular medical instruments and devices. In connection with the sale, a manufacturing agreement calls for a guaranteed amount of products to be manufactured by IFM and purchased by Horizon over the next four years.

CryoLife retains ownership of its IFM manufacturing facility in St. Petersburg, Florida, as well as certain products and intellectual property not related to the IFM product line. These retained products and intellectual property include the Company's delivery devices for its surgical adhesive, BioGlue(R), and other proprietary cardiovascular devices.

Founded in 1984, CryoLife, Inc., is a leader in the development and commercialization of technology for ultra-low temperature preservation ("cryopreservation") of viable human tissues for use in cardiovascular, vascular, and orthopaedic surgeries throughout the United States and Canada. The Company's BioGlue Surgical Adhesive, CE marked in the European Union for use in vascular sealing and repair, is distributed throughout Europe. The Company also manufactures CryoLife-O'Brien(R) and CryoLife-Ross(TM) stentless porcine heart valves which are distributed within the European Community.