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

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

For the Quarterly Period Ended September 30, 1999
Commission File Number 0-21104

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

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

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

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

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

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

YES X NO ____

The number of shares of common stock, par value $0.01 per share, outstanding on October 25, 1999 was 12,247,801.

Part I - FINANCIAL INFORMATION
Item 1. Financial statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(Unaudited)		(Unaudited)	
Revenues:				
Preservation services and products	$ 16,274	$ 15,846	$ 49,601	$ 45,824
Research grants and licenses	255	168	648	305
	16,529	16,014	50,249	46,129
Costs and expenses:				
Cost of preservation services and products	6,930	6,263	22,541	18,089
General, administrative and marketing	6,181	6,310	18,283	18,066

Research and development	1,156	1,150	3,113	3,416
Interest expense	92	110	300	619
Interest income	(361)	(483)	(1,153)	(883)
Other income, net	(28)	(200)	(32)	(970)
	13,970	13,150	43,052	38,337
Income before income taxes	2,559	2,864	7,197	7,792
Income tax expense	845	962	2,376	2,718
Net income	$ 1,714	$ 1,902	$ 4,821	$ 5,074
Earnings per share:				
Basic	$ 0.14	$ 0.15	$ 0.39	$ 0.43
Diluted	$ 0.14	$ 0.15	$ 0.38	$ 0.42
Weighted average shares outstanding				
Basic	12,274	12,808	12,372	11,754
Diluted	12,485	13,074	12,563	12,058

See accompanying notes to summary consolidated financial statements.

Item 1. Financial Statements

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

	September 30, 1999 (Unaudited)	December 31, 1998
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 5,418	$ 12,885
Marketable securities, at market	25,616	26,713
Receivables (net)	13,945	11,187
Deferred preservation costs (net)	16,644	14,239
Inventories	5,688	3,385
Prepaid expenses and other assets	2,321	1,945
Deferred income taxes	922	1,348
Total current assets	70,554	71,702
Property and equipment (net)	21,279	21,460
Goodwill (net)	1,614	1,685
Patents (net)	2,344	2,216
Other (net)	1,490	1,327
Deferred income taxes	582	--
TOTAL ASSETS	$ 97,863	$ 98,390
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 1,313	$ 1,655
Accrued expenses	2,827	2,968
Accrued procurement fees	2,474	1,806
Accrued compensation	1,272	1,185
Current maturities of capital lease obligations	196	224
Current maturities of long-term debt	287	516
Deferred income	1,042	1,038

Total current liabilities	9,411	9,392
Deferred income, less current portion	591	1,525
Deferred income taxes	---	410
Capital lease obligations, less current maturities	1,575	1,714
Convertible debenture	4,393	4,393
Other long-term debt	250	535
Total liabilities	16,220	17,969
Shareholders' equity:		
Preferred stock	---	---
Common stock (issued 13,361 shares in 1999 and 1998)	134	134
Additional paid-in capital	64,347	64,347
Retained earnings	23,934	19,113
Unrealized gain (loss) on marketable securities	(397)	139
Less: Treasury stock (1,106 shares in 1999 and 845 shares in 1998)	(6,375)	(3,312)
Total shareholders' equity	81,643	80,421
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 97,863	$ 98,390

See accompanying notes to summary consolidated financial statements

Item 1. Financial Statements

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

	Nine Months Ended September 30, 1999	1998
	(Unaudited)	
Net cash flows (used in) provided by operating activities:		
Net income	$ 4,821	$ 5,074
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Deferred income recognized	(930)	---
Gain on sale of marketable equity securities	(116)	---
Depreciation and amortization	2,311	1,807
Provision for doubtful accounts	72	77
Deferred income taxes	(290)	(875)
Changes in operating assets and liabilities:		
Receivables	(2,830)	(1,434)
Deferred preservation costs and inventories	(4,708)	(3,700)
Prepaid expenses and other assets	(376)	(1,303)
Accounts payable and accrued expenses	272	1,186
Net cash flows (used in) provided by operating activities	(1,774)	832
Net cash flows (used in) provided by investing activities:		
Capital expenditures	(1,912)	(2,689)
Other assets	(438)	(511)
Net proceeds from sale of IFM product lines	---	15,000
Purchases of marketable securities	(4,722)	---
Sales of marketable securities	5,123	---
Net cash flows (used in) provided by investing activities	(1,949)	11,800
Net cash flows (used in) provided by financing activities:		
Principal payments of debt	(514)	(13,976)
Proceeds from borrowings on revolving term loan	---	1,680
Payment of obligations under capital leases	(167)	(150)
Purchase of treasury stock	(3,404)	---
Proceeds from issuance of common stock and from notes receivable from shareholders	341	46,097
Net cash (used in) provided by financing activities	(3,744)	33,651
(Decrease) increase in cash	(7,467)	46,283
Cash and cash equivalents, beginning of period	12,885	111
Cash and cash equivalents, end of period	$ 5,418	$ 46,394

Supplemental cash flow information Non-cash investing and financing activities:		
Establishing capital lease obligations	$ ---	$ 2,141
Debt conversion into common stock	$ ---	$ 607

See accompanying notes to summary consolidated financial statements.

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

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with (i) generally accepted accounting principles for interim financial information and (ii) the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial presentations. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999. For further information, refer to the consolidated financial statements and notes thereto included in the CryoLife, Inc. (the "Company") Form 10-K for the year ended December 31, 1998.

NOTE 2 - INVESTMENTS

The Company maintains cash equivalents and investments in several large well-capitalized financial institutions, and the Company's policy disallows investment in any securities rated less than "investment-grade" by national rating services.

Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designations as of each balance sheet date. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost. Debt securities not classified as held-to-maturity or trading, and marketable equity securities not classified as trading, are classified as available-for-sale. Available-for-sale securities are stated at their fair values, with the unrealized gains and losses, net of tax, reported in a separate component of shareholders' equity. The amortized cost of debt securities classified as available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in investment income. Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income. At September 30, 1999 all marketable equity securities and debt securities held by the Company were designated as available-for-sale.

Total gross realized gains on sales of available-for-sale securities were $0 for the three months ended September 30, 1999 and 1998, respectively. Total gross realized gains on sales of available-for-sale securities were $116,000 and $0 for the nine months ended September 30, 1999 and 1998, respectively. As of September 30, 1999 differences between cost and market of $601,000 (less deferred taxes of $204,000) are included as a separate component of shareholders' equity.

At September 30, 1999 and December 31, 1998, approximately $3.4 million and $25.7 million, respectively, of debt securities with original maturities of 90 days or less at their acquisition dates were included in cash and cash equivalents. At September 30, 1999 and December 31, 1998 approximately $2 million and $0, respectively, of investments matured between 90 days and 1 year and approximately $15 million and $5.1 million of investments matured between one and five years, respectively. The market values of these securities approximate cost.

NOTE 3 - INVENTORIES

Inventories are comprised of the following:

	(Unaudited) September 30, 1999	December 31, 1998
Raw materials	$ 1,768,000	$ 1,296,000
Work-in-process	902,000	1,037,000
Finished goods	3,018,000	1,052,000
	$ 5,688,000	$ 3,385,000

NOTE 4 - EARNINGS PER SHARE

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

	(Unaudited) Three Months Ended September 30,		(Unaudited) Nine Months Ended September 30,	
	1999	1998	1999	1998
Numerator for basic and diluted earnings per share - net income	$ 1,714 ,000	$ 1,902,000	$ 4,821,000	$ 5,074,000
Denominator for basic earnings per share - weighted-average basis	12,274,000	12,808,000	12,372,000	11,754,000
Effect of dilutive stock options	211,000	266,000	191,000	304,000
Denominator for diluted earnings per share - adjusted weighted-average shares	12,485,000	13,074,000	12,563,000	12,058,000
Earnings per share:				
Basic	$ .14	$ .15	$ .39	$ .43
Diluted	$ .14	$ .15	$ .38	$ .42

NOTE 5 - COMPREHENSIVE INCOME

During the nine months ended September 30, 1999 and 1998, net comprehensive income was less than net income by approximately $536,000 and $0, respectively, due to unrealized losses on marketable equity securities.

PART I - FINANCIAL INFORMATION

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

Results of Operations

Preservation and product revenues increased 3% to $16.3 million for the three months ended September 30, 1999 from $15.8 million for the same period in 1998. Preservation and product revenues increased 8% to $49.6 million for the nine months ended September 30, 1999 from $45.8 million for the same period in 1998. The increase in revenues was primarily due to the growing acceptance in the medical community of cryopreserved tissues which has resulted in increased demand for many of the Company's cryopreservation services, the Company's ability to procure greater amounts of tissue, price increases for certain preservation services during third quarter of 1998, revenues attributable to the Company's introduction of BioGlue surgical adhesive in international markets in April of 1998 with respect to the nine months ended September 30, 1999 and an increase in the demand for BioGlue with respect to the three months ended September 30, 1999, and revenues attributable to the Company's introduction of osteoarticular grafts in January of 1999. These increases in revenues also have been offset by certain decreases as discussed below.

Revenues from human heart valve and conduit cryopreservation services decreased 7% to $7.8 million for the three months ended September 30, 1999 from $8.4 million for the three months ended September 30, 1998, representing 47% and 53%, respectively, of total revenues during such periods. Revenues from human heart valve and conduit cryopreservation services decreased 6% to $22.5 million for the nine months ended September 30, 1999 from $23.8 million for the nine months ended September 30, 1998, representing 45% and 52%, respectively, of total revenues during such periods. This decrease in revenues resulted from an 11% and an 8% decrease in the number of heart allograft shipments for the three months and nine months ended September 30, 1999, respectively. The decrease in the number of heart allograft shipments primarily resulted from fewer pulmonary heart valve allografts being shipped due to a decrease in the number of Ross procedures being performed. The Company has attempted to promote the positive clinical results of the Ross procedure by hosting science forums around the country with its cardiovascular surgeon customers. While the response from the surgeons has been positive we are currently unable to predict the trend in pulmonary heart valve shipments.

Revenues from human vascular tissue cryopreservation services increased 34% to $4.6 million for the three months ended September 30, 1999 from $3.4 million for the three months ended September 30, 1998, representing 28% and 21%, respectively, of total revenues during such periods. Revenues from human vascular tissue cryopreservation services increased 33% to $14.0 million for the nine months ended September 30, 1999 from $10.5 million for the nine months ended September 30, 1998, representing 28% and 23%, respectively, of total revenues during such periods. This increase in revenues was primarily due to a 32% and a 25% increase in the number of vascular allograft shipments for the three months and nine months ended September 30, 1999, respectively, due to an increased demand and the Company's ability to procure greater amounts of tissue. The increase in revenues was also due to the Company's focus on procuring and distributing long segment veins, which have a higher per unit revenue than the short segment veins.

Revenues from human connective tissue cryopreservation services increased 61% to $3.0 million for the three months ended September 30, 1999 from $1.8 million for the three months ended September 30, 1998, representing 18% and 12%, respectively, of total revenues during such periods. Revenues from human connective tissue cryopreservation services increased 41% to $7.9 million for the nine months ended September 30, 1999 from $5.6 million for the nine months ended September 30, 1998, representing 16% and 12%, respectively, of total revenues during such periods. This increase in revenues was primarily due to a 43% and a 27% increase in the number of allograft shipments for the three months and nine months ended September 30, 1999, respectively, due to increased demand, the Company's ability to procure greater amounts of tissue and the introduction of osteoarticular grafts in January of 1999. Additional revenue increases have resulted from a greater proportion of the 1999 shipments consisting of cryopreserved menisci, which have a significantly higher per unit revenue than the Company's cryopreserved tendons, and price increases for the cryopreservation of menisci and tendons during the third quarter of 1998.

Revenues from Ideas for Medicine, Inc ("IFM") decreased 85% to $231,000 for the three months ended September 30, 1999 from $1.5 million for the three months ended September 30, 1998, representing 1% and 10%, respectively, of total revenues during such periods. Revenues from IFM decreased 27% to $3.4 million

for the nine months ended September 30, 1999 from $4.7 million for the nine months ended September 30, 1998, representing 7% and 10%, respectively, of total revenues during such periods. The decrease in the revenues for the three months and nine months ended September 30, 1999 is due to Horizon Medical Products, Inc.'s ("HMP") failure to meet the minimum purchase requirements set forth in the Manufacturing Agreement discussed below.

The IFM product line was sold on September 30, 1998 to HMP. In October 1998 IFM began an OEM manufacturing agreement with HMP which provides for the manufacture by IFM of specified minimum dollar amounts of IFM products to be purchased exclusively by HMP over each of the four years following the sale.

On June 22, 1999 IFM notified HMP that it was in default of certain provisions of the Manufacturing Agreement (the "Agreement"). Specifically, HMP is in violation of the payment provisions contained within the Agreement, which calls for inventory purchases to be paid for within 45 days of delivery. Additionally, HMP is in violation due to nonpayment of interest related to such past due accounts receivable. The total of accounts receivable due from HMP at September 30, 1999 was approximately $1.9 million.

After notification of the default, HMP indicated to the Company that it would not be able to meet and has not met the minimum purchase requirements outlined in the Agreement. However, IFM has continued to manufacture product. Accordingly, finished goods inventory has increased by approximately $1.3 million since June 30, 1999 to $2.5 million. The Company expects to realize its investment in the inventory as a part of current negotiations between the Company and HMP to either revise the Agreement or reach some other mutually agreeable solution to the default; however, there can be no guarantee that this will be the case. Any potential resolution may adversely affect the Company's operating results. Such adverse effects could include lower revenues and the incurrence of related expenses.

Revenues from bioprosthetic cardiovascular devices decreased 8% to $224,000 for the three months ended September 30, 1999 from $243,000 for the three months ended September 30, 1998, representing 1% and 2%, respectively, of total revenues during each such periods. Revenues from bioprosthetic cardiovascular devices increased 14% to $753,000 for the nine months ended September 30, 1999 from $660,000 for the nine months ended September 30, 1998, representing 1% of total revenues during such periods. This decrease in revenues for the three months ended September 30, 1999 was primarily due to a 16% decrease in the number of bioprosthetic cardiovascular device shipments due to the timing of orders received by distributors offset by price increases in November 1998. The increase in the revenues for the nine months ended September 30, 1999 was primarily due to price increases in November of 1998.

Revenues from BioGlue(R) surgical adhesive increased 21% to $445,000 for the three months ended September 30, 1999 from $367,000 for the three months ended September 30, 1999, representing 3% and 2%, respectively, of total revenues during such periods. Revenues from BioGlue surgical adhesive increased 91% to $1.1million for the nine months ended September 30, 1999 from $582,000 for the nine months ended September 30, 1999, representing 2% and 1%, respectively, of total revenues during such periods. The increase in revenues is due to increased product awareness since the introduction of BioGlue in April of 1998, increased surgeon training and the receipt of CE approval for pulmonary indications in Europe in March 1999.

Grant revenues increased to $255,000 for the three months ended September 30, 1999 from $168,000 for the three months ended September 30, 1998. Grant revenues increased to $648,000 for the nine months ended September 30, 1999 from $305,000 for the nine months ended September 30, 1998. This increase in grant revenues is primarily attributable to the SynerGraft(R) research and development programs.

Other income decreased to $28,000 for the three months ended September 30, 1999 from $200,000 for the three months ended September 30, 1998. Other income decreased to $32,000 for the nine months ended September 30, 1998 from $970,000 for the nine months ended September 30, 1998. Other income in 1998 related primarily to proceeds from the sale of the Company's port product line.

Cost of cryopreservation services and products aggregated $6.9 million for the three months ended September 30, 1999, compared to $6.3 million for the corresponding period in 1998, representing 43% and 40%, respectively, of total cryopreservation and product revenues in each period. Cost of cryopreservation services and products aggregated $22.5 million for the nine months ended September 30, 1999, compared to $18.1 million, respectively, for the nine months ended September 30, 1998, representing 45% and 39% of total cryopreservation and product revenues, respectively. Cost of cryopreservation services and products increased 25% for the nine months ended September 30, 1999 compared to the nine months ended September 30, 1998. The increase in 1999 of the cost of cryopreservation services and products as a percentage of revenues results from a lesser portion of 1999 revenues being derived from human heart valve and conduit cryopreservation services which carry a significantly higher gross margins than other cryopreservation services, and from the switch in October of 1998 to OEM manufacturing of single-use medical devices, which generates lower gross margins than cryopreservation services and lower gross margins than the IFM products generated prior to the sale of the IFM product line.

General, administrative and marketing expenses decreased 2% to $6.2 million for the three months ended September 30, 1999, compared to $6.3 million for the corresponding period in 1998, representing 38% and 40%, respectively, of total cryopreservation and product revenues in each period. General, administrative and marketing expenses increased 1% to $18.3 million for the nine months ended September 30, 1999, compared to $18.1 million for the corresponding period in 1998, representing 37% and 39%, respectively, of total cryopreservation and product revenues in each period. The increase in expenditures for the first nine months of 1999 resulted from expenses incurred to support the increase in revenues, partially offset by increased absorption of overhead expenses associated with increased production of new products. The decrease in expenditures for the three months ended September 30, 1999 resulted from increased absorption of overhead expenses associated with increased production of new products.

Research and development expenses were $1.2 million for the three months ended September 30, 1999, and 1998, representing 7% of total cryopreservation and product revenues for such periods. Research and development expenses decreased 9% to $3.1 million for the nine months ended September 30, 1999, compared to $3.4 million for the corresponding period in 1998, representing 6% and 7%, respectively, of total cryopreservation and product revenues for each period. The decrease in expenses was primarily due to the delayed start date of certain outside consulting projects until the third quarter of 1999. Research and development spending relates principally to the Company's focus on its bioadhesives and SynerGraft technologies.

Net interest income was $269,000 for the three months ended September 30, 1999 compared to net interest income of $373,000 for the corresponding period in 1998. Net interest income was $853,000 for the nine months ended September 30, 1999 compared to net interest income of $264,000 for the corresponding period in 1998. This increase in interest income for the nine months ended September 30, 1999 was due to the receipt of interest income on the invested proceeds from the follow-on equity offering (the "Offering") completed in April 1998 and reduction of interest expense from the repayment of certain indebtedness with the proceeds from the Offering, as well as the conversion of a portion of a convertible debenture into common stock of the Company.

The decline in the effective income tax rate to 33% from 34% for the three months ended September 30, 1999 and 1998, respectively, and to 33% from 35% for the nine months ended September 30, 1999 and 1998, respectively, is due to lower effective state tax rates.

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 pediatric 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 human vascular tissue cryopreservation services, bioprosthetic cardiovascular devices and BioGlue surgical adhesive does not appear to experience this seasonal trend. As an OEM manufacturer of single-use medical devices, the sale of those products is currently dictated by a manufacturing agreement which is not affected by a seasonal trend.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 1999, net working capital was $61.1 million, compared to $62.3 million at December 31, 1998, with a current ratio of 8 to 1. The Company's primary capital requirements arise out of general working capital needs, capital expenditures for facilities and equipment, funding of research and development projects and a common stock repurchase plan approved by the board of directors in October of 1998. The Company historically has funded these requirements through bank credit facilities, cash generated by operations and equity offerings.

Net cash used in operating activities was $1.8 million for the nine months ended September 30, 1999, as compared to net cash provided by operating activities of $832,000 for the nine months ended September 30, 1998. This decrease in cash primarily resulted from: 1) an increase in the accounts receivables due to increased revenues, 2) an increase in the accounts receivable due from HMP, 3) an increase in deferred preservation costs due to an increase in revenues, 4) an

increase in inventories due to continued manufacturing of IFM products following HMP's default under its manufacturing agreement, and 5) an increase in the amount of accounts payable liquidated in the first quarter of 1999 due to the expansion of the BioGlue manufacturing laboratory at corporate headquarters, partially offset by a decrease in prepaids and other assets.

Net cash used in investing activities was $2.0 million for the nine months ended September 30, 1999, as compared to net cash provided by investing activities of $11.8 million for the nine months ended September 30, 1998. This decrease in cash was primarily attributable to the absence of proceeds from the sale of a product line during the third quarter of 1999 as compared to the third quarter of 1998, during which the IFM product line was sold, partially offset by a decrease in capital expenditures and net sales of marketable equity securities during the nine months ended September 30, 1999.

Net cash used in financing activities was $3.7 million for the nine months ended September 30, 1999, as compared to cash provided by financing activities of $33.7 million for the nine months ended September 30, 1998. This decrease in cash was primarily attributable to a follow-on equity offering in March of 1998 that generated proceeds of $45.4 million, partially offset by the repayment of borrowings on the Company's bank loans, and accrued interest thereon, totaling $13.3 million. Additional decreases resulted from the repurchase of treasury stock during the nine months ended September 30, 1999.

Management is currently seeking to complete a potential private placement of equity or equity-oriented securities to form a subsidiary company for the commercial development of its serine proteinase light activation (FibRx(R)) technologies. This strategy, if successful, will allow an affiliated entity to fund the FibRx technology and should expedite the commercial development of its blood clot dissolving and surgical sealant product applications without additional R&D expenditures by the Company (other than through the affiliated company). This strategy, if successful, will favorably impact the Company's liquidity going forward.

The Company anticipates that current cash and marketable securities and cash generated from operations will be sufficient to meet its operating and development needs for at least 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.

YEAR 2000

The Company is aware of the issues that many companies will face as the year 2000 approaches. In order to become year 2000 compliant, the Company has set up a project team to address the issue and has taken the following steps:

IMPACT ASSESSMENT: The Company has identified potential year 2000 issues and the associated potential risks. The Company has assessed the impact of the year 2000 issue and believes that its business products and services will not be significantly impacted. Additionally, the Company has determined that all of the Company's financial and operational applications have been upgraded to or replaced with year 2000 compliant software.

THIRD PARTY IMPACT ASSESSMENTS: The Company has verified the readiness of its significant suppliers through the distribution of a questionnaire which was 90%

returned by the suppliers by January 1, 1999 indicating compliance or that compliance would be achieved by June 30, 1999. The Company does not anticipate that a lack of compliance of the vendors will significantly affect the Company's daily operations.

PROJECT PLAN: The Company began its compliance strategy in October 1998. All of the "off the shelf" software packages have been upgraded to compliant releases. Older internally developed software has been replaced with new systems that are year 2000 compliant. The Company estimates that all modifications and testing for year 2000 issues will be completed at a cost of less than $50,000 including expenditures to date.

CONTINGENCY PLAN: The Company believes it is year 2000 compliant. However, as of June 30, 1999 the Company completed its contingency plan which provides for manual paper record keeping based on standard operating procedures currently documented. The Company anticipates its current personnel will be sufficient to

accomplish the task manually although additional time and effort will be required. As a part of other emergency procedures, the Company maintains limited power generation and other emergency backup facilities. Although the Company is uncertain what the costs associated with a disruption in its business activities would be or the related impact on operations, liquidity and financial condition, the Company does not expect the impact to be material.

The Company believes that it is diligently addressing the year 2000 issue and expects that through its actions, year 2000 problems are not reasonably likely to have a material adverse effect on its operations. However, there can be no assurance that such problems will not arise.

FORWARD-LOOKING STATEMENTS

Statements made in this Form 10-Q for the quarter ended September 30, 1999 that state the Company's or management's intentions, hopes, beliefs, expectations or predictions of the future are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. It is important to note that the Company's actual results could differ materially from those contained in such forward-looking statements as a result of adverse changes in any of a number of factors that affect the Company's business, including without limitation (1) the effects on the Company of year 2000 issues including unanticipated expenses in connection therewith, (2) the Company's ability to find an equity investor in the FibRx technology and the impact of such an investment on the Company's liquidity, (3) the adequacy of the Company's financing arrangements over the next twelve months, (4) the outcome of the ongoing discussions with HMP and, (5) governmental or third-party reimbursement policies. See the "Business-Risk Factors" section of the Company's Annual Report on Form 10-K for the year ended December 31, 1998 for a more detailed discussion of factors which might affect the Company's future performance.

Item 3. Qualitative and Quantitative Discussion About Market Risk.

The Company's interest income and expense are most sensitive to changes in the general level of U.S. interest rates. In this regard, changes in U.S. interest rates affect the interest earned on the Company's cash equivalents of $3.7 million and short-term investments of $17.0 million in municipal obligations as of September 30, 1999 as well as interest paid on its debt. To mitigate the impact of fluctuations in U.S. interest rates, the Company generally maintains 80% to 90% of its debt as fixed rate in nature. As a result, the Company is subject to a risk that interest rates will decrease and the Company may be unable to refinance its debt.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings.
None

Item 2. Changes in Securities.
None

Item 3. Defaults Upon Senior Securities.
Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders.
None.

Item 5. Other information.
None.

Item 6. Exhibits and Reports on Form 8-K

(a) The exhibit index can be found below.

Exhibit Number	Description
3.1*	Restated Certificate of Incorporation of the Company, as amended.
3.2	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 September 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 4.1 to the Registrant's Registration Statement on Form S-1 (No. 33-56388).)
4.2	Form of Certificate for the Company's Common Stock. (Incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997).
27*	Financial Data Schedule: Quarter Ended September 30, 1998

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* Filed herewith.

(b) Reports on Form 8-K.

None.

SIGNATURES

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

CRYOLIFE, INC.
(Registrant)

October 25, 1999	/s/ EDWIN B. CORDELL, JR..
DATE	EDWIN B. CORDELL, JR. Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

RESTATED ARTICLES OF INCORPORATION OF CRYOLIFE, INC. WITH AMENDMENTS

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

1. The name of the corporation is CryoLife, Inc.

2. Restated Articles of Incorporation: The Board of Directors adopted the Restated Articles of Incorporation on June 18, 1992, following the Shareholder's Meeting of that date. The text of the Restated Articles of Incorporation are as follows:

ARTICLE I

NAME

The name of this corporation shall be CryoLife, Inc.

ARTICLE II

EXISTENCE OF CORPORATION

This corporation shall have perpetual existence.

ARTICLE III

PURPOSES

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

ARTICLE IV

GENERAL POWERS

The corporation shall have power:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

CAPITAL STOCK

(a)(1) The number of shares of capital stock authorized to be issued by this corporation shall be Twenty Million (20,000,000) shares of common stock, each with a par value of One Cent ($.01) and Five Million (5,000,000) shares of preferred stock, each with a par value of One Cent ($.01). The shares of preferred stock may be divided into and issued in series.

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

(a)(3) Each share of issued and outstanding common stock shall entitle the holder thereof to one (1) vote on each matter with respect to which shareholders have the right to vote, to fully participate in all shareholder meetings, and to share ratably in the net assets of the corporation upon liquidation and/or dissolution. Each share of issued and outstanding preferred stock shall have one (1) vote on each matter with respect to which common shareholders have the right to vote and shall be entitled to fully participate in all shareholder meetings unless the Board of Directors determines that such preferred stock or any series thereof shall not have voting rights. Each share of issued and outstanding preferred stock shall have such rights to share in the net assets of the corporation upon liquidation and/or dissolution as are determined and fixed by the Board of Directors pursuant to Florida Statutes Section 607.047. All or any part of said capital stock may be paid for in cash, in property or in labor or services at a fair valuation to be fixed by the Board of Directors at a meeting called for such purposes. All stock when issued shall be paid for and shall be nonassessable.

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

ARTICLE VI

REGISTERED OFFICE AND REGISTERED AGENT

The street address of the corporation's registered office is 600 North Florida Avenue, Suite 1625, Tampa, Florida 33602, and the name of the corporation's registered agent at such address is Ronald D. McCall. The Corporation may change its registered office or its registered agent or both by filing with the Department of State of the State of Florida, a statement

complying with Section 607.037 of the Florida Statutes.

ARTICLE VII

INITIAL BOARD OF DIREECTORS

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

STEVEN G. ANDERSON
100 Madison Street
Tampa, Florida 33602

ARTICLE VIII

INCORPORATOR

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

STEVEN G. ANDERSON
100 Madison Street
Tampa, Florida 33602

ARTICLE IX

AMENDMENT OF ARTICLES OF INCORPORATION

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

ARTICLE X

INDEMNIFICATION

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

ARTICLE XI

SHAREHOLDERS PROHIBITED FRON TAKING
ACTION WITHOUT A MEETING

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

ARTICLE XII

SPECIAL MEETINGS OF SHAREHOLDERS

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

3. It is hereby certified by the undersigned that the Restatement contains only amendments adopted by the Board of Directors that did not require shareholder's approval.

IN WITNESS WHEREOF, the foregoing Restated Articles of Incorporation with Amendments are executed by the President, STEVEN G. ANDERSON and attested by RONALD D. McCALL, as Secretary of CRYOLIFE, INC. this 13th day of August, 1992.

WITNESSES:

/s/Suzanne K. Gabbert	/s/Steven G. Anderson
SUZANNE K. GABBERT	STEVEN G. ANDERSON President and CEO CryoLife, Inc.
/s/Joyce A. Clarke	/s/ Ronald D. McCall
JOYCE A. CLARKE	RONALD D. McCALL Secretary, CryoLife, Inc.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL DATA INFORMATION EXTRACTED FROM THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS CONTAINED IN ITS REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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