

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, 2000
Commission File Number 0-21104

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

Florida 59-2417093
(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) 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 November 8, 2000 was 12,451,323.

Part I - FINANCIAL INFORMATION
Item 1. Financial statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Revenues:				
Preservation services and products	\$ 19,429	\$ 16,274	\$ 58,215	\$ 49,601
Research grants and licenses	95	255	386	648
	19,524	16,529	58,601	50,249
Costs and expenses:				
Cost of preservation services and products	8,288	6,930	25,751	22,541
General, administrative and marketing	7,000	6,181	21,499	18,283
Research and development	1,211	1,156	3,705	3,113
Interest expense	75	92	236	300

Interest income	(526)	(361)	(1,313)	(1,153)
Other expense (income), net	33	(28)	(73)	(32)
	-----	-----	-----	-----
	16,081	13,970	49,805	43,052
	-----	-----	-----	-----
Income before income taxes	3,443	2,559	8,796	7,197
Income tax expense	1,135	845	2,906	2,376
	-----	-----	-----	-----
Net income	\$ 2,308	\$ 1,714	\$ 5,890	\$ 4,821
	=====	=====	=====	=====
Earnings per share:				
Basic	\$ 0.19	\$ 0.14	\$ 0.48	\$ 0.39
	=====	=====	=====	=====
Diluted	\$ 0.18	\$ 0.14	\$ 0.46	\$ 0.38
	=====	=====	=====	=====
Weighted average shares outstanding				
Basic	12,404	12,274	12,328	12,372
	=====	=====	=====	=====
Diluted	12,835	12,485	12,687	12,563
	=====	=====	=====	=====

See accompanying notes to summary consolidated financial statements.

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Item 1. Financial Statements

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

	September 30, 2000	December 31, 1999
	----- (Unaudited)	
ASSETS		-
Current Assets:		
Cash and cash equivalents	\$ 13,489	\$ 6,128
Marketable securities, at market	23,645	24,403
Receivables (net)	12,470	12,333
Deferred preservation costs (net)	19,732	17,652
Inventories	5,747	4,597
Prepaid expenses and other assets	1,690	1,454
Deferred income taxes	1,059	983
	-----	-----
Total current assets	77,832	67,550
	-----	-----
Property and equipment (net)	23,085	18,674
Goodwill (net)	1,518	1,590
Patents (net)	2,516	2,363
Other (net)	2,371	2,449
Deferred income taxes	841	1,399
	-----	-----
TOTAL ASSETS	\$ 108,163	\$ 94,025
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 2,463	\$ 975
Accrued expenses	1,013	2,145
Accrued procurement fees	4,001	2,874
Accrued compensation	1,485	1,161
Income taxes payable	898	---
Current maturities of capital lease obligations	169	180
Current maturities of long-term debt	250	287
	-----	-----
Total current liabilities	10,279	7,622
	-----	-----
Capital lease obligations, less current maturities	1,406	1,534
Bank loans	4,510	---
Convertible debenture	4,393	4,393
Other long-term debt	---	250

Total liabilities	20,588	13,799
Shareholders' equity:		
Preferred stock	---	---
Common stock (issued 13,361 shares in 2000 and 1999)	134	134
Additional paid-in capital	64,769	64,425
Retained earnings	29,454	23,564
Deferred compensation	(48)	(57)
Accumulated other comprehensive income	(819)	(785)
Less: Treasury stock (916 shares in 2000 and 1,106 shares in 1999)	(5,915)	(7,055)
Total shareholders' equity	87,575	80,226
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 108,163	\$ 94,025

See accompanying notes to summary consolidated financial statements.

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Item 1. Financial Statements

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

	Nine Months Ended September 30,	
	2000	1999
	(Unaudited)	
Net cash flows provided by (used in) operating activities:		
Net income	\$ 5,890	\$ 4,821
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	2,467	2,311
Provision for doubtful accounts	72	72
Deferred income taxes	491	(290)
Changes in operating assets and liabilities:		
Receivables	(240)	(2,830)
Deferred preservation costs and inventories	(3,230)	(4,708)
Prepaid expenses and other assets	(236)	(376)
Accounts payable and accrued expenses	3,331	272
Net cash flows provided by (used in) operating activities	8,545	(1,774)
Net cash flows used in investing activities:		
Capital expenditures	(6,728)	(1,912)
Other assets	(142)	(438)
Purchases of marketable securities	(1,326)	(4,722)
Sales of marketable securities	2,059	5,123
Net cash flows used in investing activities	(6,137)	(1,949)
Net cash flows provided by (used in) financing activities:		
Principal payments of debt	---	(514)
Proceeds from borrowings on bank line of credit	4,223	---
Payment of obligations under capital leases	(139)	(167)
Purchase of treasury stock	(612)	(3,404)
Proceeds from issuance of common stock and from notes receivable from shareholders	1,501	341
Net cash provided by (used in) financing activities	4,973	(3,744)
Increase (decrease) in cash	7,381	(7,467)
Effect of exchange rate changes on cash	(20)	---

Cash and cash equivalents, beginning of period	6,128	12,885
	-----	-----
Cash and cash equivalents, end of period	\$ 13,489	\$ 5,418
	=====	=====

See accompanying notes to summary consolidated financial statements.

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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) accounting principles generally accepted in the United States for interim financial information and (ii) the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States 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, 2000 are not necessarily indicative of the results that may be expected for the year ending December 31, 2000. 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, 1999.

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, 2000 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, 2000 and 1999, respectively. Total gross realized gains on sales of available-for-sale securities were \$0 and \$116,000 for the nine months ended September 30, 2000 and 1999, respectively. As of September 30, 2000 differences between cost and market of \$1,211,000 (less deferred taxes of \$412,000) are included as a separate component of shareholders' equity.

At September 30, 2000 and December 31, 1999, approximately \$5.2 million and \$4.1 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, 2000 and December 31, 1999 no investments matured between 90 days and 1 year and approximately \$15.0 million and \$15.9 million of investments matured between one and five years, respectively. The market values of these securities approximate cost.

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Note 3 - Inventories

Inventories are comprised of the following:

	(Unaudited) September 30, 2000	December 31, 1999
Raw materials	\$ 1,815,000	\$ 1,555,000
Work-in-process	889,000	578,000
Finished goods	3,043,000	2,464,000
	-----	-----
	\$ 5,747,000	\$ 4,597,000
	=====	=====

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,	
	2000	1999	2000	1999
Numerator for basic and diluted earnings per share - net income	\$ 2,308,000	\$ 1,714,000	\$5,890,000	\$4,821,000
	=====	=====	=====	=====
Denominator for basic earnings per share - weighted-average basis	12,404,000	12,274,000	12,328,000	12,372,000
Effect of dilutive stock options	431,000	211,000	359,000	191,000
	-----	-----	-----	-----
Denominator for diluted earnings per share - adjusted weighted-average shares	12,835,000	12,485,000	12,687,000	12,563,000
	=====	=====	=====	=====
Earnings per share:				
Basic	\$.19	\$.14	\$.48	\$.39
	=====	=====	=====	=====
Diluted	\$.18	\$.14	\$.46	\$.38
	=====	=====	=====	=====

Note 5 - Debt

On April 25, 2000 the Company entered into a loan agreement (the "Agreement") which permits the Company to borrow up to \$8 million under a line of credit during the expansion of the Company's corporate headquarters. Borrowings under the line of credit bear interest equal to the Adjusted LIBOR plus 2% to be adjusted monthly. Upon the earlier of completion of construction or June 30, 2001, the line of credit will be converted to a term loan to be paid in 60 equal monthly installments of principal plus interest computed at Adjusted LIBOR plus 1.5%. 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. At September 30, 2000 \$3.5 million was available to be borrowed under the line of credit.

Note 6 - Comprehensive Income

During the nine months ended September 30, 2000 and 1999, net comprehensive income was less than net income by approximately \$24,000 and \$536,000 respectively, due to unrealized losses on marketable equity securities.

Note 7 - Subsequent Events

On October 9, 2000 the Company sold substantially all of the remaining assets of Ideas for Medicine, Inc. ("IFM") to Horizon Medical Products, Inc. ("HMP"). The assets consist primarily of inventory, equipment and leasehold improvements. The transaction provides for HMP to pay the Company the sum of approximately \$5.9 million, payable in equal monthly installments of principal and interest of \$140,000. The note consists of a portion, approximately \$3.8 million, which bears interest at 9% per year, and a non-interest-bearing portion of approximately \$2.1 million. The note also requires an additional \$1 million principal payment at any time prior to April 3, 2001. If the \$1 million payment is made when due, and no other defaults exist under the note, then \$1 million of the non-interest-bearing portion of the note will be forgiven. In addition, at such time as the principal balance has been paid down to \$1.1 million and there have been no defaults under the promissory note, the remainder of the note will be forgiven and the note will be canceled.

In addition, CryoLife has entered into a sublease agreement with HMP under which HMP will assume responsibility for the IFM manufacturing facility. Also, substantially all of the employees of IFM will become employees of HMP.

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 19% to \$19.4 million for the three months ended September 30, 2000 from \$16.3 million for the same period in 1999. Preservation and product revenues increased 17% to \$58.2 million for the nine months ended September 30, 2000 from \$49.6 million for the same period in 1999. 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 the Company's cryopreservation services, the Company's ability to procure greater amounts of tissue, revenues attributable to the Company's introduction of BioGlue surgical adhesive in domestic markets in January of 2000 and other reasons discussed below.

Revenues from human heart valve and conduit cryopreservation services increased 1% to \$7.9 million for the three months ended September 30, 2000 from \$7.8 million for the three months ended September 30, 1999, representing 40% and 47%, respectively, of total revenues during such periods. Revenues from human heart valve and conduit cryopreservation services increased 3% to \$23.1 million for the nine months ended September 30, 2000 from \$22.5 million for the nine months ended September 30, 1999, representing 39% and 45%, respectively, of total revenues during such periods. This increase in revenues resulted from a 4% and a 7% increase in the number of heart allograft shipments due to increased demand for the three months and nine months ended September 30, 2000, respectively.

Revenues from human vascular tissue cryopreservation services increased 13% to \$5.2 million for the three months ended September 30, 2000 from \$4.6 million for the three months ended September 30, 1999, representing 27% and 28%, respectively, of total revenues during such periods. Revenues from human vascular tissue cryopreservation services increased 16% to \$16.2 million for the nine months ended September 30, 2000 from \$14.0 million for the nine months ended September 30, 1999, representing 28% of total revenues during each such periods. This increase in revenues was primarily due to a 12% and an 18% increase in the number of vascular allograft shipments for the three months and nine months ended September 30, 2000, respectively, due to an increased demand for saphenous vein, the Company's ability to procure greater amounts of tissue and the growth in demand for the Company's cryopreserved femoral vein for dialysis access.

Revenues from human connective tissue cryopreservation services increased 34% to \$4.0 million for the three months ended September 30, 2000 from \$3.0 million for the three months ended September 30, 1999, representing 20% and 18%, respectively, of total revenues during such periods. Revenues from human connective tissue cryopreservation services increased 50% to \$11.8 million for

the nine months ended September 30, 2000 from \$7.9 million for the nine months ended September 30, 1999, representing 20% and 16%, respectively, of total revenues during such periods. This increase in revenues was primarily due to a 38% and a 48% increase in the number of allograft shipments for the three months and nine months ended September 30, 2000, respectively, due to increased acceptance of osteoarticular grafts and non-bone tendons by the orthopedic surgeon community and the Company's ability to procure greater amounts of tissue. Additional revenue increases have resulted from a greater proportion of the 2000 shipments consisting of preserved osteoarticular grafts, which have a significantly higher per unit revenue than the Company's cryopreserved menisci and tendons.

Revenues from BioGlue(R) surgical adhesive increased 275% to \$1.7 million for the three months ended September 30, 2000 from \$445,000 for the three months ended September 30, 1999, representing 9% and 3%, respectively, of total revenues during such periods. Revenues from BioGlue surgical adhesive increased 287% to \$4.3 million for the nine months ended September 30, 2000 from \$1.1 million for the nine months ended September 30, 1999, representing 7% and 2%, respectively, of total revenues during such periods. This increase in revenues

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is due to a 189% and a 184% increase in the number of BioGlue milliliter shipments for the three months and nine months ended September 30, 2000, respectively. The improvement in shipments is due to increased product awareness since the introduction of BioGlue in international markets in April of 1998, increased surgeon training, the receipt of the CE approval for pulmonary indications in Europe in March 1999, and the introduction of BioGlue in domestic markets in January of 2000 pursuant to a Humanitarian Use Device Exemption for the use of BioGlue as an adjunct in the repair of acute thoracic aortic dissections.

Revenues from bioprosthetic cardiovascular devices were \$188,000 and \$611,000 for the three and nine months ended September 30, 2000, respectively, representing 1% of total revenues during each such period, and were \$224,000 and \$753,000 for the three and nine months ended September 30, 1999, respectively, representing 1% of total revenues during each such period.

Revenues from Ideas for Medicine, Inc ("IFM") increased 125% to \$519,000 for the three months ended September 30, 2000 from \$231,000 for the three months ended September 30, 1999, representing 3% and 1%, respectively, of total revenues during such periods. Revenues from IFM decreased 36% to \$2.2 million for the nine months ended September 30, 2000 from \$3.4 million for the nine months ended September 30, 1999, representing 4% and 7%, respectively, of total revenues during such periods. The IFM product line was sold on September 30, 1998 to HMP. In October 1998 IFM began an OEM manufacturing agreement with HMP which provided 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 contract. 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 contract. The Company recorded a nonrecurring charge of \$2.4 million in December 1999 primarily as a result of HMP's default on its manufacturing contract with IFM. As more fully discussed in the footnotes to the financial statements, IFM sold substantially all of the remaining assets of IFM to HMP on October 9, 2000.

Grant revenues decreased to \$95,000 for the three months ended September 30, 2000 from \$255,000 for the three months ended September 30, 1999. Grant revenues decreased to \$386,000 for the nine months ended September 30, 2000 from \$648,000 for the nine months ended September 30, 1999. Grant revenues are primarily attributable to the SynerGraft(R) research and development programs.

Cost of cryopreservation services and products aggregated \$8.3 million for the three months ended September 30, 2000, compared to \$6.9 million for the corresponding period in 1999, representing 43% of total cryopreservation and product revenues in each period. Cost of cryopreservation services and products aggregated \$25.8 million for the nine months ended September 30, 2000, compared to \$22.5 million, respectively, for the nine months ended September 30, 1999, representing 44% and 45% of total cryopreservation and product revenues, respectively. Cost of cryopreservation services and products increased 14% for

the nine months ended September 30, 2000 compared to the nine months ended September 30, 1999. The decrease in the 2000 cost of cryopreservation services and products as a percentage of revenues results from an increase in revenues from BioGlue surgical adhesive, which carry higher gross margins than cryopreservation services, and from a greater portion of 2000 orthopaedic cryopreservation revenues being derived from services that have higher gross margins than other orthopaedic cryopreservation services, partially offset by a lesser portion of 2000 revenues being derived from human heart valve and conduit cryopreservation services, which carry significantly higher gross margins than other cryopreservation services.

General, administrative and marketing expenses increased 13% to \$7.0 million for the three months ended September 30, 2000, compared to \$6.2 million for the corresponding period in 1999, representing 36% and 38%, respectively, of total cryopreservation and product revenues in each period. General, administrative and marketing expenses increased 18% to \$21.5 million for the nine months ended

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September 30, 2000, compared to \$18.3 million for the corresponding period in 1999, representing 37% of total cryopreservation and product revenues in each period. The increase in expenditures in 2000 resulted from expenses incurred to support the increase in revenues and expenses associated with the establishment of the Company's European headquarters.

Research and development expenses were \$1.2 million for the three months ended September 30, 2000, and 1999, representing 6% and 7% of total cryopreservation and product revenues for such periods, respectively. Research and development expenses increased 19% to \$3.7 million for the nine months ended September 30, 2000, compared to \$3.1 million for the corresponding period in 1999, representing 6% of total cryopreservation and product revenues for each period. Research and development spending relates principally to the Company's ongoing human clinical trials for its BioGlue surgical adhesive and to its focus on its SynerGraft technologies.

Net interest income was \$526,000 for the three months ended September 30, 2000 compared to net interest income of \$361,000 for the corresponding period in 1999. Net interest income was \$1.3 million for the nine months ended September 30, 2000 compared to net interest income of \$1.2 million for the corresponding period in 1999. This increase in interest income for the three and nine months ended September 30, 2000 is due primarily to the increase in cash generated from operations during those periods.

Other expense was \$33,000 for the three months ended September 30, 2000. Other income was \$28,000 for the three months ended September 30, 1999. Other income was \$73,000 and \$32,000 for the nine months ended September 30, 2000 and 1999, respectively.

The effective income tax rate was 33% for the three and nine months ended September 30, 2000 and 1999.

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 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 the trends experienced by the Company to date for its human connective tissue for the knee cryopreservation services indicate this business may also be seasonal because it is an elective procedure which 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 BioGlue surgical adhesive does not appear to experience this seasonal trend.

Liquidity and Capital Resources

At September 30, 2000, net working capital was \$67.6 million, compared to \$59.9 million at December 31, 1999, 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 provided by operating activities was \$8.5 million for the nine months ended September 30, 2000, as compared to net cash used in operating activities of \$1.8 million for the nine months ended September 30, 1999. This increase primarily resulted from a reduction in the increase in accounts receivable despite increased revenues, a reduction in the increase in deferred preservation costs and inventories, and an increase in the amount of accounts payable due to the expansion of the Company's headquarters.

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Net cash used in investing activities was \$6.1 million for the nine months ended September 30, 2000, as compared to net cash used in investing activities of \$1.9 million for the nine months ended September 30, 1999. This increase was primarily attributable to the increase in capital expenditures in 2000 related to the expansion of the Company's corporate headquarters.

Net cash provided by financing activities was \$5.0 million for the nine months ended September 30, 2000, as compared to cash used in financing activities of \$3.7 million for the nine months ended September 30, 1999. This increase was primarily attributable to the proceeds received on the bank line of credit to finance the expansion of the Company's headquarters, a reduction in the Company's repurchase of treasury stock during the nine months ended September 30, 2000 and an increase in the proceeds from stock option exercises.

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 technologies. This strategy, if successful, will allow an affiliated entity to fund the light activation technology and should expedite the commercial development of its targeted pro-drug delivery device, blood clot dissolving and surgical sealant product applications without additional research and development 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 has ceased further material development of light activation technology pending the identification of a corporate partner to fund future development.

The Company anticipates that current cash and marketable securities, cash generated from operations and its \$10 million of bank facilities (of which \$6.2 million was drawn as of November 8, 2000) will be sufficient to meet its operating and development needs for at least the next 12 months, including the expansion of the Company's corporate headquarters and manufacturing facilities. 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 for any additional expansion of its corporate headquarters and manufacturing facility, and the extent to which the Company's products generate market acceptance and demand. There can be no assurance the Company will not require additional financing or will not 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.

Forward-Looking Statements

Statements made in this Form 10-Q for the quarter ended September 30, 2000 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, risks related to, (1) the Company's ability to find an equity investor in the serine proteinase light activation technology and the impact of such an investment on the Company's liquidity, (2) the adequacy of the Company's financing arrangements over the net twelve months, (3) changes in governmental or third-party reimbursement policies, (4) dependence on the cryopreservation of human tissue, (5) competition from other companies that cryopreserve human

tissue, as well as companies that market mechanical valves and synthetic and animal tissue for implantation, (6) rapid technology changes, (7) uncertainties regarding products in development, (8) extensive government regulation, (9) uncertainties related to patents and protection of proprietary technology, (10) dependence on key personnel, (11) adverse effects that could expose the Company

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to product liability claims, and (12) use and disposal of hazardous material. See the "Business-Risk Factors" section of the Company's Annual Report on Form 10-K for the year ended December 31, 1999 for a more detailed discussion of factors which might affect the Company's future performance.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company's interest income and expense are most sensitive to changes in the general level of U.S. interest rates. In this regard, changes in U.S. interest rates affect the interest earned on the Company's cash equivalents of \$5.7 million and short-term investments of \$15.0 million in municipal obligations as of September 30, 2000 as well as interest paid on its debt. At November 8, 2000, approximately \$6.2 million of the Company's debt charged interest at a variable rate. To mitigate the impact of fluctuations in U.S. interest rates, the Company generally maintains 50% of its debt as fixed rate in nature. As a result, the Company is also subject to a risk that interest rates will decrease and the Company may be unable to refinance its debt.

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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. (Incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.)
3.2	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).)
27.1	Financial Data Schedule: Quarter Ended September 30, 2000

(b) 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)

November 13, 2000

/s/ DAVID ASHLEY LEE

DATE

DAVID ASHLEY LEE
Vice President and Chief Financial
Officer
(Principal Financial and
Accounting Officer)

<ARTICLE> 5
<MULTIPLIER> 1

<PERIOD-TYPE>	9-MOS
<PERIOD-START>	Jan-01-2000
<FISCAL-YEAR-END>	Dec-31-2000
<PERIOD-END>	Sep-30-2000
<CASH>	13,489,000
<SECURITIES>	23,645,000
<RECEIVABLES>	12,665,000
<ALLOWANCES>	195,000
<INVENTORY>	5,747,000
<CURRENT-ASSETS>	77,832,000
<PP&E>	37,296,000
<DEPRECIATION>	14,211,000
<TOTAL-ASSETS>	108,163,000
<CURRENT-LIABILITIES>	10,279,000
<BONDS>	10,728,000
<PREFERRED-MANDATORY>	0
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<COMMON>	134,000
<OTHER-SE>	87,441,000
<TOTAL-LIABILITY-AND-EQUITY>	108,163,000
<SALES>	7,110,000
<TOTAL-REVENUES>	58,601,000
<CGS>	4,976,000
<TOTAL-COSTS>	25,751,000
<OTHER-EXPENSES>	23,818,000
<LOSS-PROVISION>	72,000
<INTEREST-EXPENSE>	236,000
<INCOME-PRETAX>	8,796,000
<INCOME-TAX>	2,906,000
<INCOME-CONTINUING>	5,890,000
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	5,890,000
<EPS-BASIC>	0.48
<EPS-DILUTED>	0.46