

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED
SEPTEMBER 30, 2000; OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____
TO _____.

COMMISSION FILE NUMBER: 0-20728

RIMAGE CORPORATION

(Exact name of Registrant as specified in its charter)

Minnesota

41-1577970

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

7725 Washington Avenue South, Edina, MN 55439

(Address of principal executive offices)

612-944-8144

(Registrant's telephone number, including area code)

NA

(Former name, former address, and former fiscal year, if changed since
last report.)

Common Stock outstanding at October 26, 2000 - 8,652,060 shares
of \$.01 par value Common Stock.

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 No

RIMAGE CORPORATION

FORM 10-Q

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RIMAGE CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2000 and December 31, 1999

<TABLE>
<CAPTION>

Assets	September 30, 2000	December 31, 1999
	(unaudited)	
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 19,268,067	\$ 13,539,297
Trade accounts receivable, net of allowance for doubtful accounts and sales returns of \$388,000 and \$321,000, respectively	6,303,386	6,189,774
Inventories	3,916,961	2,644,510
Interest receivable	189,590	124,854
Prepaid expenses and other current assets	178,724	197,539
Prepaid income taxes	573,372	--
Deferred income taxes-current	637,000	637,000

Total current assets	31,067,100	23,332,974

Property and equipment, net	722,377	901,657
Deferred income taxes-noncurrent	237,437	237,437
Other noncurrent assets	20,662	151,017

Total assets	\$ 32,047,576	\$ 24,623,085
=====		
Liabilities and Stockholders' Equity		

Current liabilities:		
Trade accounts payable	\$ 2,400,755	\$ 2,698,140
Income taxes payable	--	312,154
Accrued compensation	1,332,481	1,021,326
Accrued other	803,125	721,496
Deferred income and customer deposits	967,845	792,760

Total current liabilities	5,504,206	5,545,876

Stockholders' equity:		
Common stock, \$.01 par value, authorized 10,000,000 shares, issued and outstanding 8,626,082 and 7,962,358, respectively	86,261	79,624
Additional paid-in capital	14,290,635	12,611,700
Retained earnings	12,441,267	6,611,784
Accumulated other comprehensive income - foreign currency translation adjustment	(274,793)	(225,899)

Total stockholders' equity	26,543,370	19,077,209

Total liabilities and stockholders' equity	\$ 32,047,576	\$ 24,623,085
=====		

</TABLE>

See accompanying condensed notes to consolidated financial statements

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RIMAGE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
(unaudited)

Ended	Three Months Ended		Nine Months	
	September 30,		September	
30,	2000	1999	2000	
1999				

<S>	<C>	<C>	<C>	
<C>				
Revenues	\$ 9,989,096	\$ 11,114,938	\$ 36,522,782	\$
29,649,458				
Cost of revenues	4,776,887	5,271,556	16,981,152	
14,679,764				

Gross profit	5,212,209	5,843,382	19,541,630	
14,969,694				

Operating expenses:				
Research and development	1,050,554	775,504	2,549,175	
2,229,183				
Selling, general and administrative	2,399,857	2,009,476	7,541,319	
6,597,856				
Merger	--	--	541,396	
--				

Total operating expenses	3,450,411	2,784,980	10,631,890	
8,827,039				

Operating income from continuing operations	1,761,798	3,058,402	8,909,740	
6,142,655				

Other income (expense):				
Interest, net	303,634	115,056	753,674	
221,299				
Loss on currency exchange	(161,654)	(17,205)	(289,190)	
(35,701)				
Other, net	23,480	42,017	28,168	
147,127				

Total other income, net	165,460	139,868	492,652	
332,725				

Income from continuing operations				
before income taxes	1,927,258	3,198,270	9,402,392	
6,475,380				
Income tax expense	732,358	1,128,683	3,572,909	
2,384,064				

Income from continuing operations	1,194,900	2,069,587	5,829,483	
4,091,316				

Discontinued operations:				
Income from operations of discontinued				
Services Division, net of applicable income taxes	--	--	--	
186,045				
Gain on disposal of Services Division, net of				
applicable income tax expense	--	--	--	
303,449				

Net income	\$ 1,194,900	\$ 2,069,587	\$ 5,829,483	\$
4,580,810				
Income per basic share:				
Continuing operations	\$ 0.14	\$ 0.26	\$ 0.70	\$
0.52				
Discontinued operations	--	--	--	
0.06				
Net income per basic share	\$ 0.14	\$ 0.26	\$ 0.70	\$
0.58				
Income per diluted share:				
Continuing operations	\$ 0.12	\$ 0.22	\$ 0.60	\$
0.44				
Discontinued operations	--	--	--	
0.05				
Net income per diluted share	\$ 0.12	\$ 0.22	\$ 0.60	\$
0.49				
Basic weighted average shares outstanding	8,510,224	7,942,042	8,338,555	
7,884,343				
Diluted weighted average shares and assumed conversion shares	9,741,237	9,442,679	9,679,197	
9,394,598				

</TABLE>

See accompanying condensed notes to the consolidated financial statements

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RIMAGE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(unaudited)

	Nine months ended September 30,	
	2000	1999
Cash flows from operating activities:	<C>	<C>
Net income	\$ 5,829,483	\$
4,580,810		
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations	--	
(186,045)		
Gain on sale of discontinued operations	--	
(303,449)		
Depreciation and amortization	550,515	467,530
Change in reserve for excess and obsolete inventories	12,113	120,980
Change in reserve for allowance for doubtful accounts	67,131	87,664
(26,108)	6,494	
Write-off of other assets	--	
5,016		
Warrants issued for consulting services	--	215,135
Changes in operating assets and liabilities:		
Trade accounts receivable	(182,943)	
(2,545,337)		
Inventories	(1,284,564)	
(565,778)		
Interest receivable	(64,736)	
(87,960)		

(10,864)	Prepaid expenses and other current assets	21,015	
-	Prepaid income taxes	(573,372)	-
-	Trade accounts payable	(297,385)	630,799
(41,468)	Accrued compensation	311,155	
23,035	Accrued other	81,629	
238,502	Income taxes payable	(312,154)	
-	Deferred income and customer deposits	175,085	103,096

	Net cash provided by operating activities	4,339,466	2,705,558

Cash flows from investing activities:			
(425,897)	Purchase of property, plant, and equipment	(247,374)	
(289,393)	Proceeds from the sale of property, equipment and intangibles	--	717,084
	Other noncurrent assets	74,915	
8,063	Receipts from sales-type leases	--	

	Net cash provided by (used in) investing activities	(172,459)	9,857

Cash flows from financing activities:			
(332,395)	Cash payments to purchase treasury stock	--	
	Proceeds from stock option and warrant exercises	1,587,106	602,878

	Net cash provided by financing activities	1,587,106	270,483

	Cash provided by discontinued operations	--	1,076,759
(61,792)	Effect of exchange rate changes on cash	(25,343)	

	Net increase in cash and cash equivalents	5,728,770	4,000,865
	Cash and cash equivalents, beginning of period	13,539,297	7,488,450

	Cash and cash equivalents, end of period	\$ 19,268,067	\$ 11,489,315
=====			
Supplemental disclosures of net cash paid during the period for:			
	Income taxes	\$ 3,903,559	\$
1,072,480			

See accompanying condensed notes to the consolidated financial statements

RIMAGE CORPORATION AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) BASIS OF PRESENTATION AND NATURE OF BUSINESS

Rimage Corporation (the Company) develops, manufactures and distributes high performance CD-Recordable (CD-R) and DVD publishing and duplication systems, and continues to support its long-term involvement in diskette duplication and publishing equipment.

The accompanying unaudited consolidated financial statements of the Company have been prepared pursuant to the rules of the Securities and

Exchange Commission. These financial statements should be read in conjunction with the more detailed financial statements and notes thereto included in the Company's most recent annual report on Form 10-K.

The Company extends unsecured credit to its customers as well as credit to a limited number of authorized distributor wholesalers, who in turn provide warehousing, distribution, and credit to a network of authorized value added resellers. These distributors and value added resellers sell and service a variety of hardware and software products.

In the opinion of management, the accompanying consolidated financial statements reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations and cash flows of the Company for the periods presented. Certain previously reported amounts have been reclassified to conform with the current presentation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

RIMAGE CORPORATION AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(2) DISCONTINUED OPERATIONS

On June 30, 1999, the Company completed the sale of the inventory, fixed assets and intangible assets of its Boulder, Colorado based Services Division to a third party. Accordingly, the consolidated financial statements of the Company report separately the operating results of this discontinued division. Revenues of the Services Division were \$2,322,000 for the nine months ended September 30, 1999.

(3) ACQUISITION

On March 1, 2000, the Company issued 331,664 shares of its common stock in exchange for all outstanding stock of Cedar Technologies, Inc. ("Cedar"), a manufacturer of CD-R desktop publishing and duplication equipment. The Company also assumed the obligations to issue 149,376 shares of its common stock upon exercise of outstanding options of Cedar and 118,596 shares of its common stock upon exercise of outstanding warrants of Cedar. The business combination has been accounted for as a pooling-of-interests combination, and accordingly, the consolidated financial statements for periods prior to the combination have been restated to include the accounts and results of operations of Cedar.

The results of operations previously reported by the separate enterprises and the combined amounts presented in the accompanying consolidated financial statements are summarized below.

<TABLE>
<CAPTION>

(in '000s)	Three months	Nine months	Years Ended	
	ended September 30, 1999 (unaudited)	ended September 30, 1999 (unaudited)	1999	1998
<S>	<C>	<C>	<C>	<C>
Revenues:				
Rimage	9,823	26,069	36,313	28,530
Cedar	1,292	3,581	5,041	2,836
	-----	-----	-----	-----
Combined	11,115	29,650	41,354	31,366
	=====	=====	=====	=====
Income (loss) from continuing operations:				
Rimage	1,900	4,208	5,854	5,594
Cedar	170	(117)	108	199
	-----	-----	-----	-----
Combined	2,070	4,091	5,962	5,793
	=====	=====	=====	=====

</TABLE>

RIMAGE CORPORATION AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(4) INVENTORIES

Inventories consist of the following as of:

	September 30, 2000 (unaudited)	December 31, 1999

Finished goods and demonstration equipment	\$ 1,728,940	\$ 1,196,706
Work-in-process	340,697	102,585
Purchased parts and subassemblies	1,847,324	1,345,219

	\$ 3,916,961	\$ 2,644,510
=====		

(5) COMPREHENSIVE INCOME

The Company's only item of other comprehensive income relates to foreign currency translation adjustments, and is presented separately on the balance sheet as required. If presented on the statement of operations for the nine months ended September 30, 2000 and 1999, comprehensive income would be \$48,894 and \$151,185 less than reported net income due to foreign currency translation adjustments.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, selected items from the Company's consolidated statements of operations, shown in thousands.

<TABLE>
<CAPTION>

	Three months ended September 30,			Nine months ended September 30,		
	2000	1999	% Change	2000	1999	% Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues	\$ 9,989	\$11,115	(10.1)%	\$36,523	\$29,650	23.2%
Cost of Revenues	4,777	5,272	(9.4)	16,981	14,680	15.7
Gross Profit	5,212	5,843	(10.8)	19,542	14,970	30.5
Operating Expenses	3,450	2,785	23.9	10,632	8,827	20.4
Operating Income	1,762	3,058	(42.4)	8,910	6,143	45.0
	=====	=====		=====	=====	

</TABLE>

RESULTS OF OPERATIONS

This report contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ significantly from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, changes in media or method used for distribution of software, technological changes in products offered by the Company or its competitors and changes in general conditions in the computer market.

As discussed in Note 2 of the Condensed Notes of the Consolidated Financial Statements, the Company divested of its Services Division during the second quarter of 1999. The comments that follow pertain to the Company's continuing operations.

REVENUE. Revenue from continuing operations decreased 10.1% to \$10.0 million during the third quarter of 2000 from \$11.1 million during the third quarter of 1999. The decrease was a result of decreased activity from our strategic accounts coupled with the negative impact of the continued strengthening of the U.S. dollar on our European operations. These effects were offset by the continued growth within our domestic channel program which grew 27% during the third quarter of 2000 when compared to domestic channel revenues during the same period of 1999.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Revenues increased 23.2% to \$36.5 million for the nine months ended September 30, 2000 from \$29.7 million for the same prior year period. The increase was driven by the expansion of the Company's Rimage Perfect Partner Channel program through the addition of new value added resellers. The Company has also experienced strong demand for music on demand delivery systems during the first six months of 2000.

As of and for the nine months ended September 30, 2000, foreign revenues from unaffiliated customers, operating earnings, and net identifiable assets were \$8,517,000, \$290,000 and \$3,137,000, respectively. As of and for the nine months ended September 30, 1999, foreign revenues from unaffiliated customers, operating income, and net identifiable assets were \$7,901,000, \$269,000 and \$3,651,000, respectively. The revenue growth is due to increasing penetration of CD-R products in the European markets offset by the effects of a strengthening U.S. dollar.

GROSS PROFIT. Gross profit as a percent of revenues during the third quarter of 2000 remained relatively consistent at 52.2% compared to 52.6% of revenues during the same period of 1999. Gross profit as a percent of revenues during the nine-month period ended September 30, 2000 was 53.5% compared to 50.5% of revenues during the same period of 1999. The increase was due to a larger percentage of sales of higher margin CD-R equipment during the nine-month period ending September 30, 2000.

OPERATING EXPENSES. Operating expenses increased 23.9% to \$3.5 million and 20.4% to \$10.6 million for the three- and nine-month periods ended September 30, 2000, respectively, from \$2.8 million and \$8.8 million for the same prior year periods. For the quarter, the increase is primarily due to increased efforts in research and development and the recognition of a liability for the remaining lease payments due for an unoccupied facility. For the nine months, expense increases also included merger expenses of \$541,000 incurred from the acquisition of Cedar Technologies, Inc. Research and development expense increased 35.5% to \$1.1 million and 14.4% to \$2.5 million for the three- and nine-month periods ended September 30, 2000, respectively, from \$776,000 and \$2.2 million for the same prior periods. This increase is in line with the Company's objective to continue to direct more resources to research and development activities.

OTHER INCOME/(EXPENSE). The Company recognized net interest income on cash investments of \$304,000 and \$754,000 during the three- and nine-month periods ended September 30, 2000, respectively, compared to \$115,000 and \$221,000 during the same prior year periods. Other income was negatively impacted by foreign currency transaction losses during the three- and nine-month periods ended September 30, 2000.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES. Income from continuing operations before income taxes decreased 39.7% to \$1.9 million and increased 45.2% to \$9.4 million for the three- and nine-month periods ended September 30, 2000, respectively, from \$3.2 million and \$6.5 million for the same prior year periods. These fluctuations reflect the revenue and expense changes as described above.

INCOME TAXES. The provision for income taxes represents federal, state, and foreign income taxes on earnings before income taxes. Income tax expense for the three- and nine-month periods ended September 30, 2000 amounted to \$732,000 and \$3.6 million or 38% of income from continuing operations before income taxes.

INCOME FROM CONTINUING OPERATIONS. Income from continuing operations decreased 42.3% to \$1.2 million and increased 42.5% to \$5.8 million for the three- and nine-month periods ended September 30, 2000, respectively, from \$2.1 million and \$4.1 million for the same prior year periods. These fluctuations reflect the revenue and cost changes as described above.

LIQUIDITY AND CAPITAL RESOURCES

The Company expects to fund its anticipated cash requirements (including the anticipated cash requirements of its capital expenditures) with internally generated funds and, if required, from the Company's existing credit agreement.

Current assets are \$31.1 million as of September 30, 2000 as compared to \$23.3 million as of December 31, 1999. The allowance for doubtful accounts as a percentage of receivables was 6% as of September 30, 2000 compared to 5% as of December 31, 1999. Current liabilities were \$5.5 million as of September 30, 2000 and December 31, 1999.

Net cash provided by operating activities increased to \$4.3 million for the nine-month period ended September 30, 2000 from \$2.7 million for the nine-month period ended September 30, 1999. This increase is primarily the result of increased earnings during the nine-month period ended September 30, 2000. Net cash used in investing activities was \$172,000 for the nine-month period ended September 30, 2000 primarily reflecting purchases of capital equipment. Net cash provided by investing activities was \$10,000 for the nine-month period ended September 30, 1999 and consisted of purchases of capital equipment netted with proceeds from the sale of intangibles. At September 30, 2000, the Company had no significant commitments to purchase additional capital equipment. Net cash provided by financing activities increased to \$1.6 million from \$270,000 for the nine-month periods ended September 30, 2000 and 1999, respectively, primarily due to an increase in stock option proceeds.

The Company believes that inflation has not had a material impact on its operations or liquidity to date.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

YEAR 2000 READINESS

To date, we have experienced no significant systems or other year 2000 problems in connection with the transition to the year 2000. We will continue to monitor for any year 2000 issues.

NEW EUROPEAN CURRENCY

On January 1, 1999, eleven of the fifteen member countries of the European Union established fixed conversion rates between their existing currencies and the euro, a new European currency, and adopted the euro as their common legal currency (the "Euro Conversion"). Either the euro or a participating country's present currency will be accepted as legal tender from January 1, 1999 to January 1, 2002, from which date forward only the euro will be accepted.

The Company has customers located in European Union countries participating in the Euro Conversion. Such customers will likely have to upgrade or modify their computer systems and software to comply with the euro requirements. The amount of money the Company anticipates spending in connection with product development related to the Euro Conversion is not expected to have a material adverse effect on the Company's results of operations or financial condition. The Euro Conversion may also have competitive implications for the Company's pricing and marketing strategies, which could be material in nature; however, any such impact is not known at this time.

The Company has also modified its internal systems (such as payroll, accounting and financial reporting) to deal with the Euro Conversion. There is no assurance, however, that all problems related to the Euro Conversion will be foreseen and corrected, or that no material disruptions of the Company's business will occur.

NEW ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), effective in 2001, established new standards for recognizing all derivatives as either assets or liabilities, and measuring those instruments at fair value. At the present time, the Company does not anticipate that SFAS No. 133 will have a material impact on its financial position or results of operations.

MARKET RISK DISCLOSURE

The Company does not invest in any derivative financial instruments. See the Company's most recent annual report filed on form 10K (Item 7A.). There has been no material change in this information.

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PART II -- OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable.

Item 2. Changes in Securities

Not Applicable.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

Not Applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit No. 11.1 Calculation of Earnings Per Share.

Exhibit No. 27.1 Financial Data Schedule

(b) Reports on Form 8-K: Not Applicable.

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SIGNATURES

In accordance with the Exchange Act, this report has been signed below by following persons on behalf of the registrant and on the dates indicated.

RIMAGE CORPORATION

Registrant

Date: November 13, 2000

By: /s/ Bernard P. Aldrich

Bernard P. Aldrich
Director, Chief Executive Officer,
and President
(Principal Executive Officer)
(Principal Financial Officer)

Date: November 13, 2000

By: /s/ Robert M. Wolf

Robert M. Wolf
Treasurer
(Principal Accounting Officer)

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RIMAGE CORPORATION AND SUBSIDIARIES
COMPUTATION OF NET INCOME PER SHARE OF COMMON STOCK

Basic net income per common share is determined by dividing net income by the weighted average number of shares of common stock outstanding, unless the result is anti-dilutive. Diluted net income per common share is determined by dividing net income by the weighted average number of shares of common stock and assumed conversion shares outstanding, unless the result is anti-dilutive. The following is a summary of the weighted average common shares outstanding and assumed conversion shares:

<TABLE>
<CAPTION>

	Three months ended September 30,		Nine months ended September 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Shares outstanding at beginning of period	8,404,545	7,895,747	7,962,358	7,899,338
Common stock issued in stock option/warrant exercise	221,537	80,745	663,724	314,331
Repurchases of common stock	--	--	--	(237,177)
Shares outstanding at end of period	8,626,082	7,976,492	8,626,082	7,976,492
Weighted average shares of common stock outstanding	8,510,224	7,942,042	8,338,555	7,884,343
Assumed conversion shares	1,335,351	1,971,638	1,335,351	1,971,638
Weighted average shares of assumed conversion shares	1,231,013	1,500,637	1,340,642	1,510,255
Weighted average shares of common stock and assumed conversion shares	9,741,237	9,442,679	9,679,197	9,394,598
Income from continuing operations	\$1,194,900	\$2,069,587	\$5,829,483	\$4,091,316
Income from discontinued operations	\$ --	\$ --	\$ --	\$ 489,494
Income per basic share:				
Continuing operations	0.14	0.26	0.70	0.52
Discontinued operations	--	--	--	0.06
Net income per basic share	0.14	0.26	0.70	0.58
Income per diluted share:				
Continuing operations	0.12	0.22	0.60	0.44
Discontinued operations	--	--	--	0.05
Net income per diluted share	0.12	0.22	0.60	0.49

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