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 **June 30, 2009**; 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: 000-20728

RIMAGE CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota (State or other jurisdiction of incorporation or organization)	**41-1577970** (I.R.S. Employer Identification No.)

7725 Washington Avenue South, Edina, MN 55439
(Address of principal executive offices)

952-944-8144
(Registrant's telephone number, including area code)

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** ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes** ☐ **No** ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act):

Large Accelerated Filer ☐ **Accelerated Filer** ☒ **Non-Accelerated Filer** ☐ **Smaller Reporting Company** ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):
Yes ☐ **No** ☒

Common Stock outstanding at July 31, 2009 – 9,375,185 shares of $.01 par value Common Stock.

RIMAGE CORPORATION
FORM 10-Q
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FOR THE QUARTER ENDED JUNE 30, 2009

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RIMAGE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(unaudited - in thousands, except share data)

Assets	June 30, 2009	December 31, 2008
Current assets:		
Cash and cash equivalents	$ 8,971	$ 14,885
Marketable securities	77,599	39,870
Receivables, net of allowance for doubtful accounts and sales returns of $327 and $489, respectively	11,161	11,099
Inventories	3,651	5,625
Prepaid income taxes	—	314
Prepaid expenses and other current assets	1,897	2,014
Deferred income taxes - current	527	344
Total current assets	103,806	74,151
Marketable securities - non-current	17,844	40,647
Property and equipment, net	5,715	6,183
Deferred income taxes - non-current	2,183	2,281
Other assets - non-current	—	194
Total assets	$ 129,548	$ 123,456
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade accounts payable	$ 4,121	$ 4,534
Accrued compensation	2,508	1,879
Other accrued expenses	923	827
Income taxes payable	705	—
Deferred income and customer deposits	5,753	4,507
Other current liabilities	31	263
Total current liabilities	14,041	12,010
Long-term liabilities:		
Deferred income and customer deposits - non-current	2,417	1,942
Income taxes payable - non-current	246	421
Other non-current liabilities	22	35
Total long-term liabilities	2,685	2,398
Total liabilities	16,726	14,408
Stockholders' equity:		
Preferred stock, $.01 par value, authorized 250,000 shares, no shares issued and outstanding	—	—
Common stock, $.01 par value, authorized 29,750,000 shares, issued and outstanding 9,375,185 and 9,334,435, respectively	94	93
Additional paid-in capital	38,495	37,484
Retained earnings	73,445	70,287
Accumulated other comprehensive income	788	1,184
Total stockholders' equity	112,822	109,048
Total liabilities and stockholders' equity	$ 129,548	$ 123,456

See accompanying notes to condensed consolidated financial statements.

RIMAGE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(unaudited - in thousands, except per share data)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Revenues:				
Product	$ 17,132	$ 20,437	$ 32,493	$ 40,874
Service	2,686	2,249	5,683	4,561
Total revenues	19,818	22,686	38,176	45,435
Cost of revenues:				
Product	8,813	10,202	16,741	20,912
Service	1,817	2,570	3,682	4,932
Total cost of revenues	10,630	12,772	20,423	25,844
Gross profit	9,188	9,914	17,753	19,591
Operating expenses:				
Research and development	1,501	1,513	3,476	2,864
Selling, general and administrative	5,148	5,672	10,490	12,310
Total operating expenses	6,649	7,185	13,966	15,174
Operating income	2,539	2,729	3,787	4,417
Other income (expense):				
Interest, net	458	676	1,014	1,512
Realized gain on sale of marketable securities	278	—	278	—
Gain (loss) on currency exchange	87	(410)	42	(163)
Other, net	—	21	(1)	20
Total other income, net	823	287	1,333	1,369
Income before income taxes	3,362	3,016	5,120	5,786
Income tax expense	1,389	1,089	1,962	2,073
Net income	$ 1,973	$ 1,927	$ 3,158	$ 3,713
Net income per basic share	$ 0.21	$ 0.20	$ 0.34	$ 0.38
Net income per diluted share	$ 0.20	$ 0.19	$ 0.33	$ 0.37
Basic weighted average shares outstanding	9,372	9,665	9,358	9,714
Diluted weighted average shares outstanding	9,517	9,820	9,463	9,946

See accompanying notes to condensed consolidated financial statements.

RIMAGE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(unaudited - - in thousands)

	Six months ended June 30, 2009	2008
Cash flows from operating activities:		
Net income	$ 3,158	$ 3,713
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	605	725
Deferred income tax charge (benefit)	(100)	(171)
Gain on sale of marketable securities	(278)	—
Loss on disposal of property and equipment	2	3
Stock-based compensation	800	298
Excess tax benefits from stock-based compensation	—	(701)
Changes in operating assets and liabilities:		
Receivables	(130)	596
Inventories	1,808	1,898
Prepaid income taxes/income taxes payable	927	(731)
Prepaid expenses and other current assets	283	274
Trade accounts payable	(383)	(2,572)
Accrued compensation	639	(624)
Other accrued expenses and other current liabilities	(120)	(106)
Deferred income and customer deposits	1,736	(495)
Net cash provided by operating activities	8,947	2,107
Cash flows from investing activities:		
Purchases of marketable securities	(52,273)	(34,760)
Maturities and sales of marketable securities	37,260	51,496
Purchases of property and equipment	(110)	(463)
Other non-current items	—	344
Net cash provided by (used in) investing activities	(15,123)	16,617
Cash flows from financing activities:		
Principal payments on capital lease obligations	(13)	(12)
Repurchase of common stock	—	(4,999)
Excess tax benefits from stock-based compensation	—	701
Proceeds from employee stock plans	284	1,485
Net cash provided by (used in) financing activities	271	(2,825)
Effect of exchange rate changes on cash	(9)	112
Net increase (decrease) in cash and cash equivalents	(5,914)	16,011
Cash and cash equivalents, beginning of period	14,885	7,416
Cash and cash equivalents, end of period	$ 8,971	$ 23,427
Supplemental disclosures of net cash paid during the period for:		
Income taxes	$ 1,135	$ 2,976

See accompanying notes to condensed consolidated financial statements.

RIMAGE CORPORATION AND SUBSIDIARIES
N OTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(1) Basis of Presentation and Nature of Business

Rimage Corporation ("the Company" or "Rimage") develops, manufactures and markets digital publishing systems that are used by businesses to produce recordable CD ("CD-R"), DVD ("DVD-R") and blue laser discs with customized digital content on an on-demand basis. Rimage distributes its publishing systems from its operations in the United States, Germany and Japan. The Company also distributes related consumables for use with its systems, consisting of media kits, ribbons, ink cartridges and Rimage-branded blank CD-R, DVD-R and blue laser media.

The accompanying condensed consolidated financial statements are unaudited and have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information, pursuant to the rules and regulations of the Securities and Exchange Commission. Pursuant to such rules and regulations, certain financial information and footnote disclosures normally included in the financial statements have been condensed or omitted. However, in the opinion of management, the financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the financial position and results of operations and cash flows of the interim periods presented. Operating results for these interim periods are not necessarily indicative of results to be expected for the entire year, due to seasonal, operating and other factors. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K as of and for the year ended December 31, 2008.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 estimates on items such as allowance for doubtful accounts and sales returns, inventory provisions, asset impairment charges, deferred tax asset valuation allowances, accruals for uncertain tax positions and warranty accruals. These estimates and assumptions are based on management's best judgment. Management evaluates estimates and assumptions on an ongoing basis using its technical knowledge, historical experience and other factors, including consideration of the impact of the current economic environment. Management believes its assumptions are reasonable in light of the current economic environment. Management adjusts such estimates and assumptions when facts and circumstances change. Illiquid credit markets, volatile equity, foreign currency and energy markets, and declines in business and consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

The Company has evaluated subsequent events through the date that the financial statements were issued, which was August 7, 2009, the date of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2009. No subsequent events requiring financial statement adjustment or disclosure were noted.

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

(2) Stock-Based Compensation

In May 2007, the Company's shareholders approved the 2007 Stock Incentive Plan (the "2007 Plan"). The 2007 Plan provides for the grant of stock incentive awards in the form of incentive and non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance stock, performance units and other awards in stock and/or cash to certain key employees, non-employee directors and service providers. In May 2009, the Company's shareholders approved amendments to the 2007 Plan, including an increase in the number of shares authorized for issuance by 500,000 shares to a total of 1,230,320 shares. At June 30, 2009, a total of 683,870 shares were available for future grant under the 2007 Plan, as amended. Effective with the approval of the 2007 Plan in May 2007, the Company may not issue any new awards or options under its Amended and Restated 1992 Stock Option Plan (the "1992 Plan"). The exercise price of stock options granted under the 2007 Plan is equal to the market value on the date of grant. Options issued to employees through March 31, 2006 under the 1992 Plan generally become exercisable over a two-year period and terminate ten years from the date of grant. Options issued to employees after March 31, 2006 under both the 1992 Plan and the 2007 Plan generally become exercisable over a four-year period. Options issued to employees through May 13, 2008 under the 1992 Plan and the 2007 Plan terminate ten years from the date of grant, while options issued effective May 14, 2008 under the 2007 Plan terminate seven years from the date of grant. Stock options granted to non-employee directors vest six months from the date of grant and terminate ten years from the date of grant. Restricted stock and restricted stock unit awards issued to non-employee directors under the 2007 Plan are subject to the risk of forfeiture and transfer restrictions that lapse one year from the date of grant.

In addition to awards granted under the 2007 Plan and 1992 Plan, the Company granted a non-qualified option to purchase 200,000 shares of its common stock to a newly hired executive officer on April 1, 2009. The option was granted outside of any shareholder-approved plan as an inducement to accept employment with the Company. The option has an exercise price equal to the closing price of the Company's common stock as reported by the Nasdaq Stock Market on the first day of employment of April 1, 2009, vests in four equal installments on each of the first four anniversaries of the date of grant and has a term of seven years. In other respects, the option was structured to mirror the terms of options granted under the 2007 Plan and is subject to a stock option agreement between the Company and the executive officer.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share-Based Payment," stock-based compensation expense is determined based on the grant-date fair value and is recognized on a straight-line basis over the vesting period for each stock-based award granted on or after January 1, 2006, and for previously granted awards not yet vested as of January 1, 2006. Under the provisions of SFAS 123R, the Company recognizes stock-based compensation net of an estimated forfeiture rate, resulting in the recognition of compensation cost for only those shares expected to vest. Compensation cost is recognized for all awards over the vesting period to the extent the employees or directors meet the requisite service requirements, whether or not the award is ultimately exercised. Conversely, when an employee or director does not meet the requisite service requirements and forfeits the award prior to vesting, any compensation expense previously recognized for the award is reversed. The Company recognized stock-based compensation costs of $584,000 and $799,000 for the three and six months ended June 30, 2009, respectively, compared to $104,000 and $297,000 for the comparable periods in 2008.

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The fair value of each option award is estimated at the date of grant using the Black-Scholes option pricing model. The following key assumptions were utilized in valuing option awards issued during the six months ended June 30, 2009 and 2008:

	Six Months Ended June 30, 2009	2008
Expected life of options in years	4.75	4.75 - 6.00
Risk-free interest rate	1.6% - 1.9%	3.1%
Expected volatility	48.5%	39.1 - 40.0%
Expected dividend yield	0.0%	0.0%

In accordance with SFAS No. 123R, the Company reviews these assumptions at the time of each new option award and adjusts them as necessary to ensure proper option valuation. The expected life represents the period that the stock option awards are expected to be outstanding. For all stock options granted to non-employee directors in 2008, the expected life was determined based on an analysis of historical exercise behavior and anticipated future exercise patterns, giving consideration to the contractual terms of unexercised stock option awards. Effective April 2008, the Company's Board of Directors approved a change in the contractual term of stock options granted to employees from ten to seven years. Given the reduction in the contractual term of its employee stock option awards, the Company determined it was unable to rely on its historical exercise data as a basis for estimating the expected life of stock options granted to employees in 2008 and 2009. As such, the Company used the "simplified" method for determining the expected life of stock options granted to employees in 2008 and 2009, as specified by Staff Accounting Bulletin ("SAB") No. 107, "Valuation of Share-Based Payment Arrangements for Public Companies," which bases the expected life calculation on the average of the vesting term and the contractual term of the awards. The risk-free interest rate is based on the yield of constant maturity U.S. treasury bonds with a remaining term equal to the expected life of the awards. The Company estimated the stock price volatility using historical weekly price observations over the expected life of the awards. The expected dividend yield is zero as the Company has not paid or declared any cash dividends on its common stock and does not currently have plans to pay dividends.

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Other information pertaining to stock options is as follows:

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
	(in thousands, except per share data)			
Number of options granted	350	184	350	184
Fair value of options granted	$ 2,152	$ 1,282	$ 2,152	$ 1,282
Per share weighted average fair value of options granted	$ 6.14	$ 6.98	$ 6.14	$ 6.98
Total fair value of stock options vested	$ 949	$ 879	$ 949	$ 879
Total intrinsic value of stock options exercised	$ 78	$ 562	$ 152	$ 2,592
Total intrinsic value of stock options outstanding	$ 2,807	$ 899	$ 2,807	$ 899

Cash received from the exercise of stock options was $284,000 and $1,485,000 for the six months ended June 30, 2009 and 2008, respectively. The exercise of stock options, expirations of vested stock options and lapse of restrictions on restricted stock during the six months ended June 30, 2009 generated a net non-deductible income tax impact of $71,000, recorded as a reduction to additional paid-in capital. The exercise of stock options during the six months ended June 30, 2008 generated an income tax benefit of $968,000, recorded as an increase to additional paid-in capital.

(3) Accounting for Uncertainty in Income Taxes

The Company implemented the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. ("FIN") 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109," effective January 1, 2007.

Gross unrecognized tax benefits recorded under FIN 48 as of June 30, 2009 and December 31, 2008 totaled $205,000 and $361,000, respectively (excluding interest and penalties). Changes in gross unrecognized tax benefits during the six months ended June 30, 2009 consisted primarily of a net increase of $51,000 and a decrease of $217,000 for tax positions taken in prior years. The decrease of $217,000 is fully offset by a deferred tax asset. Included in the balance of unrecognized tax benefits at June 30, 2009 are potential benefits of $172,000 that if recognized, would affect the effective tax rate. The difference between this amount and the corresponding amount of gross unrecognized tax benefits relates primarily to deferred federal benefits of uncertain tax positions. The Company made no other material adjustments to its unrecognized tax benefits during the six months ended June 30, 2009.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. Total accrued interest and penalties amounted to $41,000 and $59,000 on a gross basis at June 30, 2009 and December 31, 2008, respectively, and are excluded from the gross amounts of unrecognized tax benefits reflected above.

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The Company files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. As of June 30, 2009, the Company was no longer subject to income tax examinations for taxable years before 2006 and 2005 in the case of U.S. federal and German taxing authorities, respectively, and taxable years generally before 2004 in the case of state taxing authorities, consisting primarily of Minnesota, California and Maryland.

(4) Marketable Securities

Marketable securities consist primarily of U.S. treasury money market securities, municipal securities, corporate securities and U.S. government agency securities with long-term credit ratings of AAA and short-term credit ratings of A-1. Marketable securities are classified as either short-term or long-term in the consolidated balance sheet based on their effective maturity date. All marketable securities, except for variable rate demand notes, have original maturities ranging from three to 36 months. Variable rate demand notes may be liquidated in less than three months from the date of purchase, but have legal maturities of greater than three months and are required to be classified as marketable securities. Marketable securities are classified as available-for-sale. Available-for-sale securities are recorded at fair value and any unrealized holding gains and losses, net of the related tax effect, are excluded from earnings and are reported as a separate component of accumulated other comprehensive income until realized. See Note 8, “Fair Value Measurements,” for a discussion of inputs used to measure the fair value of the Company’s available-for-sale securities. The Company’s marketable securities at June 30, 2009 did not include any auction-rate securities, “high-yield” sub-prime backed paper or other affected securities which are subject to significant market value declines or liquidity issues.

(5) Inventories

Inventories consisted of the following (in thousands):

	June 30, 2009	December 31, 2008
Finished goods and demonstration equipment	$ 1,127	$ 1,717
Purchased parts and subassemblies	2,524	3,908
	$ 3,651	$ 5,625

(6) Comprehensive Income

Comprehensive income consists of the Company’s net income, foreign currency translation adjustments, and unrealized holding gains and losses from available-for-sale securities. The components of and changes in other comprehensive income are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net income	$ 1,973	$ 1,927	$ 3,158	$ 3,713
Other comprehensive income:				
Net changes in:				
Foreign currency translation adjustments	256	309	(170)	456
Net unrealized gain (loss) on marketable securities, net of taxes	(257)	(199)	(226)	103
Total comprehensive income	$ 1,972	$ 2,037	$ 2,762	$ 4,272

RIMAGE CORPORATION AND SUBSIDIARIES
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(unaudited)

(7) Derivatives

The Company enters into forward foreign exchange contracts principally to hedge intercompany receivables denominated in Euros arising from sales to its subsidiary in Germany. The Company's foreign exchange contracts do not qualify for hedge accounting under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." As a result, gains or losses related to mark-to-market adjustments on forward foreign exchange contracts are recognized as other income or expense in the income statement during the period in which the instruments are outstanding. The fair value of forward foreign exchange contracts represents the amount the Company would receive or pay to terminate the forward exchange contracts at the reporting date and is recorded in other current assets or other current liabilities depending on whether the net amount is a gain or a loss. The Company does not utilize financial instruments for trading or other speculative purposes.

As of June 30, 2009, the Company had three outstanding foreign exchange contracts totaling approximately $399,000. These contracts mature during 2009 and bear exchange rates ranging from 1.3763 to 1.3979 U.S. Dollars per Euro. As of June 30, 2009, the fair value of foreign exchange contracts resulted in a net loss position of $6,000, which is recorded in other current liabilities.

As of December 31, 2008, the Company had 15 outstanding foreign exchange contracts totaling $2,601,000, all maturing during the first half of 2009 at exchange rates ranging from 1.2431 to 1.3540 U.S. Dollars per Euro. As of December 31, 2008, the fair value of foreign exchange contracts resulted in a net loss position of approximately $238,000, which is recorded in other current liabilities.

Gains or losses on derivative instruments related to foreign currency exchange contracts and their location on the Company's condensed consolidated statements of income are as follows (in thousands):

Derivative Instrument	Location	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Foreign Exchange Contracts	Gain (loss) on currency exchange	$ 235	$ (24)

The net gains or losses from foreign exchange contracts reflected above were largely offset by the underlying transaction net gains and losses arising from the foreign currency exposures for which these contracts relate.

The gross fair market value of derivative instruments related to foreign currency exchange contracts and their location on the Company's condensed consolidated balance sheets are as follows as of June 30, 2009 (in thousands):

RIMAGE CORPORATION AND SUBSIDIARIES
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(unaudited)

	Asset Derivatives		Liability Derivatives	
Derivative Instrument	**Location**	**June 30, 2009**	**Location**	**June 30, 2009**
Foreign Exchange Contracts	Other current assets (1)	$ —	Other current liabilities(1)	$ (6)

(1) As the Company's foreign exchange agreement is subject to a master netting arrangement, the Company's policy is to record the fair value of outstanding foreign exchange contracts as other current assets or other current liabilities, based on whether outstanding contracts are in a net gain or loss position, respectively. See Note 8, "Fair Value Measurements," for additional information regarding the fair value measurements of derivative instruments related to foreign currency exchange contracts.

The Company enters into its foreign exchange contracts with a single counterparty, a financial institution. The Company manages its concentration of counterparty risk associated with foreign exchange contracts by periodically assessing relevant information such as the counterparty's current financial statements, credit agency reports and/or credit references. To further mitigate credit risk, the Company's Foreign Exchange Agreement with its counterparty includes a master netting arrangement, which allows netting of asset and liability positions of outstanding foreign exchange contracts if settlement were required.

(8) Fair Value Measurements

SFAS No. 157, "Fair Value Measurements," establishes a framework for measuring fair value by creating a hierarchy of fair value measurements that distinguishes market data between observable independent market inputs and unobservable market assumptions by the reporting entity. SFAS No. 157 provides three levels within its hierarchy that may be used to measure fair value:

- Level 1: Inputs are unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Inputs include data points that are observable such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) such as interest rates and yield curves that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs are generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect an entity's own estimates of assumptions that market participants would use in pricing the asset or liability.

The Company's assets and liabilities measured at fair value on a recurring basis and the fair value hierarchy utilized to determine such fair values are as follows at June 30, 2009:

RIMAGE CORPORATION AND SUBSIDIARIES
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(in thousands)	Total Carrying Value at June 30, 2009	Fair Value Measurements Using: Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Available-for-sale securities	$ 95,443	$ —	$ 95,443	$ —
Liabilities				
Foreign currency forward exchange contracts	$ 6	$ —	$ 6	$ —

Available-for-sale securities in the table above are classified as either current or non-current marketable securities in the accompanying condensed consolidated balance sheets. Available-for-sale securities are carried at fair value based on significant observable inputs other than quoted market prices. Such inputs may include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and other reference data. Foreign currency forward exchange contracts are also carried at fair value based on significant other observable market inputs, in this case, quoted foreign currency exchange rates. Such valuation represents the amount the Company would receive or pay to terminate the forward exchange contracts at the reporting date.

The Company adopted SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115," on January 1, 2008. This standard permits entities to choose to measure many financial instruments and certain other items at fair value. This statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. Unrealized gains and losses on items for which the fair value option is elected would be reported in earnings. The Company has not elected the fair value measurement option provided for under this guidance for any of its financial assets or liabilities as of June 30, 2009, and the Company has not determined whether or not it will elect this option for financial instruments it may acquire in the future.

(9) Common Stock Repurchase Authorizations

On October 17, 2007, the Company's Board of Directors authorized the repurchase of up to 500,000 shares of its common stock. In February 2008, the Company's Board of Directors increased the share repurchase authorization by an additional 500,000 shares, bringing total shares authorized for repurchase to 1,000,000. Shares may be purchased at prevailing market prices in the open market or in private transactions, subject to market conditions, share price, trading volume and other factors. The repurchase program is funded from cash on hand and may be discontinued at any time. During the three and six months ended June 30, 2009, the Company did not repurchase any shares of its common stock. As of June 30, 2009, 422,917 shares were available for repurchase under the authorizations.

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(unaudited)

(10) Recently Issued Accounting Standards

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. The Company adopted SFAS No. 157 for financial assets and liabilities effective January 1, 2008. In February 2008, FASB Staff Position ("FSP") No. 157-2 was issued, which delayed the effective date of FASB No. 157 to fiscal years beginning after November 15, 2008 for nonfinancial assets and liabilities, except for items that are recognized and disclosed at fair value in the financial statements on a recurring basis (at least annually). Effective January 1, 2009, the company adopted the requirements of SFAS No. 157 that had been deferred under FSP No. 157-2. The adoption did not impact the Company's consolidated financial statements and related disclosures for the six months ended June 30, 2009.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities--an Amendment to SFAS No. 133." SFAS No. 161 requires additional quantitative and qualitative disclosures for derivative instruments. The required disclosures include information about an entity's objectives and strategies for using derivatives, the existence and nature of credit-risk-related contingent features in derivative instruments, counterparty credit risk, the relative volume of derivative activity, the fair value of derivative instruments and related amounts of gains and losses. The Company adopted the disclosure provisions of SFAS No. 161 effective January 1, 2009.

In June 2008, the FASB issued FSP No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." FSP No. EITF 03-6-1 requires all outstanding unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) to be considered participating securities and shall be included in the computation of basic and diluted earnings per share using the two-class method. All prior-period earnings per share data presented shall be adjusted retrospectively. The Company adopted FSP No. EITF 03-6-1 effective January 1, 2009. As discussed under Note 11, while applicable to the Company, the adoption did not have a material impact on the Company's consolidated financial statements.

In November 2007, the FASB issued EITF No. 07-1, "Accounting for Collaborative Arrangements." This Issue applies to participants in a collaborative arrangement, defined as a contractual arrangement that involves a joint operating activity involving two (or more) parties who are both (a) active participants in the activity and (b) exposed to significant risks and rewards dependent on the commercial success of the activity. Revenues and costs incurred with third parties in connection with a collaborative arrangement should be presented gross or net by the collaborators based on the criteria in EITF Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent," and other applicable accounting literature. Payments to or from collaborators should be presented in the income statement based on the nature of the arrangement, the nature of the Company's business and whether the payments are within the scope of other accounting literature. This Issue is effective for the Company as of January 1, 2009, and should be applied to collaborative arrangements in existence at the date of adoption using the modified retrospective method that requires reclassification in all periods presented for those arrangements still in effect at the transition date, unless that application is impracticable. The adoption of EITF No. 07-1 did not have an impact on the Company's consolidated financial statements and related disclosures for six months ended June 30, 2009.

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

In April 2009, the FASB issued FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly." FAS 157-4 provides guidance on estimating fair value when market activity has decreased and on identifying transactions that are not orderly. Additionally, entities are required to disclose in interim and annual periods the inputs and valuation techniques used to measure fair value. The provisions of FAS 157-4 are effective for the Company for its quarter ended June 30, 2009. The adoption of this pronouncement did not have an impact on the Company's consolidated financial statements and related disclosures.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events." The objective of this guidance is to establish general standards of recognition and disclosure of events that occur after the balance sheet date but before the issuance of the financial statements. Under SFAS No.165, as under previous practice, an entity must record the effects of subsequent events that provide evidence about conditions that existed at the balance sheet date and, if material, must disclose but not record the effects of subsequent events which provide evidence about conditions that did not exist at the balance sheet date. Additional disclosure required by this standard includes the date through which subsequent events have been evaluated by management and whether that is the date on which the financial statements were issued. SFAS No. 165 was effective for the Company for its quarter ended June 30, 2009. The additional disclosures required by this standard are included in Note 1.

(11) Computation of Net Income Per Share of Common Stock

Basic net income per common share is determined by dividing net income by the basic weighted average number of shares of common stock outstanding. Diluted net income per common share includes the potentially dilutive effect of common shares issued in connection with outstanding stock options using the treasury stock method. Stock options to acquire weighted average common shares of 722,000 and 809,000 for the three and six months ended June 30, 2009, respectively, and weighted average common shares 720,000 and 553,000 for the three and six months ended June 30, 2008, respectively, have been excluded from the computation of diluted weighted average shares outstanding for each respective period as their effect is anti-dilutive. Effective January 1, 2009, the Company adopted FSP No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities," which if applicable, requires prior-period reported earnings per share data to be adjusted retrospectively. In accordance with EITF 03-6-1, the Company increased the amount of basic weighted average shares outstanding previously reported for the three and six months ended June 30, 2008 by approximately 3,000 and 1,000 shares, respectively. These amounts pertain to outstanding unvested restricted stock deemed to be participating securities under EITF 03-6-1. The adjustment had no impact on previously reported earnings per share amounts. The following table identifies the components of net income per basic and diluted share (in thousands, except for per share data):

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

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Shares outstanding at end of period	9,375	9,628	9,375	9,628
Basic weighted average shares outstanding	9,372	9,665	9,358	9,714
Dilutive effect of stock options/restricted stock units	145	155	105	232
Total diluted weighted average shares outstanding	9,517	9,820	9,463	9,946
Net income	$ 1,973	$ 1,927	$ 3,158	$ 3,713
Basic net income per common share	$ 0.21	$ 0.20	$ 0.34	$ 0.38
Diluted net income per common share	$ 0.20	$ 0.19	$ 0.33	$ 0.37

(12) Contingencies

The Company is exposed to a number of asserted and unasserted claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material adverse effect on the Company’s financial position or results of operations.

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 condensed consolidated statements of income.

	Percentage (%) of Revenues Three Months Ended June 30,		Percentage (%) Inc/(Dec) Between Periods	Percentage (%) of Revenues Six Months Ended June 30,		Percentage (%) Inc/(Dec) Between Periods
	2009	2008	2009 vs. 2008	2009	2008	2009 vs. 2008
Revenues	100.0	100.0	(12.6)	100.0	100.0	(16.0)
Cost of revenues	(53.6)	(56.3)	(16.8)	(53.5)	(56.9)	(21.0)
Gross profit	46.4	43.7	(7.3)	46.5	43.1	(9.4)
Operating expenses:						
Research and development	(7.6)	(6.7)	(0.8)	(9.1)	(6.3)	(21.4)
Selling, general and administrative	(26.0)	(25.0)	(9.2)	(27.5)	(27.1)	(14.8)
Operating income	12.8	12.0	(7.0)	9.9	9.7	(14.3)
Other income, net	4.2	1.3	186.5	3.5	3.0	(2.6)
Income before income taxes	17.0	13.3	11.5	13.4	12.7	(11.5)
Income tax expense	(7.0)	(4.8)	27.5	(5.1)	(4.5)	(5.4)
Net income	10.0	8.5	2.4	8.3	8.2	(15.0)

Overview

Rimage develops, manufactures and markets digital publishing systems that are used by businesses to produce recordable CD, DVD and blue laser discs with customized digital content on an on-demand basis. Rimage distributes its publishing systems from its operations in the United States, Germany and Japan. The Company also distributes related consumables for use with its systems, consisting of media kits, ribbons, ink cartridges and Rimage-branded blank CD-R, DVD-R and blue laser media. These systems allow customers to benefit from cost savings by reducing or eliminating their manual labor efforts in industries such as digital photography, medical imaging and business services. As Rimage's sales within North America and Europe have averaged 95% of total sales over the past three years, the strength of the economies in these regions plays an important role in determining the success of Rimage.

Rimage earns revenues through the sale of equipment, consumables and parts (included in Product revenues in the accompanying condensed consolidated statements of income), as well as maintenance contracts, repair and installation services (included in Service revenues in the condensed consolidated statements of income). Rimage's recurring revenues (consumables, parts, maintenance contracts and service) comprised 64% and 60% of its consolidated revenues during the six months ended June 30, 2009 and 2008, respectively. Exclusive of a small amount of capital lease obligations, Rimage has no long-term debt and does not require significant capital investment for its ongoing operations as all fabrication of its products is outsourced to vendors.

Results of Operations

Revenues. Total revenues decreased 13% and 16% to $19.8 million and $38.2 million for the three and six months ended June 30, 2009, respectively, from $22.7 million and $45.4 million for the respective prior-year periods. The reduction in total revenues between periods reflects a $3.3 million and $8.4 million decline in product revenues for the three and six months ended June 30, 2009, respectively, partially offset by a $0.4 million and $1.1 million increase in service-related revenues in each respective period. The reduction in product revenues resulted from a $2.3 million and $4.4 million reduction in sales of equipment for the three and six months ended June 30, 2009, and a $1.0 million and $4.0 million reduction in sales of consumable products in each respective period.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

The overall decline in equipment sales in the current-year periods was primarily impacted by a reduced volume of sales in the Company's European market, followed by a lower volume of sales to the Company's U.S. channel partners. The reduction in equipment sales was also impacted by a shift in the distribution of sales to lower-end Producer products with lower average selling prices. The decrease in consumable product sales consisted primarily of declines in the volume of ribbon and ink cartridge sales of $1.1 million and $2.4 million for the current year's second quarter and year-to-date periods, respectively, and also for the year-to-date period, a reduction in media and media kit sales of $1.5 million. The growth in service-related revenues was primarily impacted by increased coverage of the Company's installed base of systems with maintenance contracts and a higher level of maintenance contract revenue recognized in the current year-to-date period.

Recurring revenues, consisting of consumables, parts, maintenance contracts and service, comprised 64% of total revenues for the three and six months ended June 30, 2009, compared to 58% and 60% in the same prior-year periods. Sales of Producer product line equipment comprised 31% of total revenues in the current year's second quarter and year-to-date period, compared to 35% and 33% for the comparable periods in 2008. Remaining revenues in each period were generated by sales of Desktop product line equipment, representing 6% of revenues for the three and six months ended June 30, 2009, compared to 7% in the same prior-year periods.

International sales decreased 31% and 21% for the three and six months ended June 30, 2009 compared to the same periods last year, and comprised 38% and 43% of total sales, compared to 47% and 45% in the same prior-year periods. Currency fluctuations primarily affecting the Company's European operation contributed significantly to the decline in international revenues and reduced reported consolidated revenues for the three and six months ended June 30, 2009 by 4% and 4.5%, respectively, relative to the same prior-year periods. The remaining decline in international sales in the current-year periods was primarily impacted by a reduced volume of equipment sales.

As of and for the six months ended June 30, 2009, the Company's German and Japanese operations generated foreign revenues from unaffiliated customers of $14.6 million and operating income of $0.1 million. Net identifiable assets for these operations amounted to $8.5 million. These amounts pertain primarily to the Company's German operations. Comparable amounts for the Company's German and Japanese operations as of and for the six months ended June 30, 2008 were revenues of $18.1 million, operating income of $0.1 million and net identifiable assets of $11.4 million.

Gross profit. Gross profit as a percentage of total revenues was 46% and 47% for the three and six months ended June 30, 2009, compared to 44% and 43% for the same periods in 2008. The rise in gross profit as a percentage of total revenues for both current-year periods resulted primarily from a higher level of maintenance contract revenues, coupled with reduced service costs related to improvements in the serviceability of the Company's products and lower compensation costs stemming from workforce reductions in 2008 and the first quarter of 2009.Also contributing to the improvement in gross profit as a percentage of total revenue in both current-year periods was a lower volume of sales rebates from sales incentive programs. Partially offsetting the favorable impact of the above was a shift in the distribution of sales to lower margin products. This shift was driven by a reduced volume and concentration of Producer product line equipment sales, which generally carry higher gross margins than Desktop product line equipment or recurring revenues. Additionally, Producer product line equipment sales in the current-year periods included a higher concentration of lower-end products, resulting in lower average selling prices and reduced equipment margins.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Future gross profit margins will continue to be affected by many factors, including product mix, the timing of new product introductions, changes in material costs, manufacturing volume, the growth rate of service-related revenues relative to associated service support costs and foreign currency exchange rate fluctuations.

Operating expenses. Research and development expenses totaled $1.5 million and $3.5 million for the three and six months ended June 30, 2009, respectively, representing 8% and 9% of revenues for each respective period. Expenses for the same prior-year periods totaled $1.5 million and $2.9 million, representing 7% and 6% of revenues, respectively. Expenses in both current-year periods reflect reduced compensation related costs stemming from workforce reductions offset by a higher level of investments in new product development. Rimage anticipates expenditures in research and development to continue at a similar level in the third quarter of 2009.

Selling, general and administrative expenses for the three and six months ended June 30, 2009 amounted to $5.1 million and $10.5 million, respectively, or 26% and 27% of revenues, compared to expenses in the same prior-year periods of $5.7 million and $12.3 million, respectively, or 25% and 27% of revenues. The decline in expenses in both current-year periods primarily reflects the impact of cost reduction measures implemented during 2008 and early 2009, including reduced compensation related costs stemming from workforce reductions and the absence of personnel recruiting costs, and reduced expenditures for travel and marketing and promotional programs. Also contributing to the decrease in expenses in the current year's second quarter and year-to-date period was the net impact of currency fluctuations primarily affecting the Company's European operation, reducing expenses by $0.1 million and $0.3 million, respectively. The Company expects a similar level of selling, general and administrative expenses in the third quarter of 2009.

Other income, net. Other income for the three and six months ended June 30, 2009 includes the Company's recognition in the second quarter of a gain on sale of marketable securities of $0.3 million as a result of the sale of approximately $33 million of municipal securities and reinvestment in U.S. treasury securities. The Company recognized net interest income on cash and marketable securities of $0.5 million and $1.0 million for the three and six months ended June 30, 2009, compared to $0.7 million and $1.5 million for the same prior-year periods. The reduction in interest income in each of the current-year periods was the result of a decline in average effective yields approximating two percentage points relative to the same prior-year periods. Partially offsetting the impact of the reduction in interest rates was an $8 million and $5 million increase in average cash equivalent and marketable securities balances for the three and six months ended June 30, 2009, respectively, compared to the same periods in the prior year. Other income for the three and six months ended June 30, 2009 included net gains on foreign currency transactions of $87,000 and $42,000, respectively, compared to net losses on foreign currency transactions in the same periods in the prior year of $410,000 and $163,000, respectively. Translation gains of $0.2 million associated with an intercompany loan that was deemed to be permanently invested in the first quarter of 2008 were recorded as transaction gains during the first quarter of 2008, but should have been recorded as other comprehensive income at that time. The Company recorded a pre-tax out-of-period adjustment during the second quarter 2008 to reduce the transaction gains and to increase other comprehensive income to properly state other comprehensive income as of June 30, 2008.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Income taxes. The provision for income taxes represents federal, state and foreign income taxes on income. Income tax expense for the three and six months ended June 30, 2009 amounted to $1.4 million and $2.0 million, respectively, or 41.3% and 38.3% of income before taxes in each respective period. Income tax expense for the three and six months ended June 30, 2008 was $1.1 million and $2.1 million, or 36.1% and 35.8% of income before taxes, respectively. The rise in the effective tax rate for the current-year periods primarily reflects the increased impact of recording no tax benefit on foreign operating losses for the Company's Japanese subsidiary. Also contributing to the increase in the effective tax rate was a reduced benefit from the manufacturer's tax deduction. Partially offsetting the unfavorable impact of the above was the impact in both current-year periods of a lower tax bracket from lower projected pre-tax income and a benefit from the research credit, which was not reinstated in 2008 until the fourth quarter.

Net income / net income per share. Resulting net income for the three and six months ended June 30, 2009 was $2.0 million and $3.2 million, respectively, or 10% and 8% of revenues for the respective periods. Comparable amounts for the three and six months ended June 30, 2008 were $1.9 million and $3.7 million, respectively, or 8% of revenues for both periods. Related net income per diluted share amounts were $0.20 and $0.33 for the three and six months ended June 30, 2009, respectively, compared to $0.19 and $0.37 per diluted share for the respective prior-year periods.

Liquidity and Capital Resources

The Company expects it will be able to maintain current operations and anticipated capital expenditure requirements for the foreseeable future through its internally generated funds and, if required, from Rimage's existing credit agreement. This credit agreement allows for advances under an unsecured revolving loan up to a maximum advance of $10 million. At June 30, 2009, no amounts were outstanding under the credit agreement.

At June 30, 2009, the Company had working capital of $89.8 million, an increase of $27.7 million from working capital reported at December 31, 2008. The increase was primarily the result of the impact of a non-cash change in the classification of $17.6 million of marketable securities from non-current as of December 31, 2008 to current as of June 30, 2009, the sale of $6.8 million of non-current marketable securities and corresponding purchase of current marketable securities and net income of $3.2 million.

On October 17, 2007, the Company's Board of Directors authorized the repurchase of up to 500,000 shares of its common stock. In February 2008, the Company's Board of Directors increased the share repurchase authorization by an additional 500,000 shares, bringing total shares authorized for repurchase to 1,000,000. Shares may be purchased at prevailing market prices in the open market or in private transactions, subject to market conditions, share price, trading volume and other factors. The repurchase program may be discontinued at any time. The Company will finance the purchase of the shares, if any, using cash on hand. During the six months ended June 30, 2009, the Company did not repurchase any shares of its common stock. The Company also intends on utilizing its assets primarily for its continued organic growth. Additionally, the Company may use its available cash for potential future strategic initiatives or alliances.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Net cash provided by operating activities totaled $8.9 million for the six months ended June 30, 2009, compared to $2.1 million in the same prior-year period. The $6.8 million increase in cash generated from operating activities resulted from changes in operating assets and liabilities producing a $4.8 million net increase in cash for the six months ended June, 2009, compared to a net use of cash of $1.8 million for the same period in 2008, coupled with a $0.3 million larger increase in net income adjusted for non-cash and non-operating items in the current-year period. Primarily contributing to the change in operating assets and liabilities compared to the comparable prior-year period was a $3.4 million favorable change in the aggregate amount of trade accounts payable, accrued compensation and accrued expenses, a $2.2 million favorable change in deferred income and a $1.7 million favorable change in net prepaid income taxes, partially offset by an unfavorable variation of $0.7 million in receivables. The change in trade accounts payable, accrued compensation and accrued expenses reflects a $0.1 million aggregate increase in the amount of these balances in the current-year period, compared to a $3.3 million aggregate decrease in the same period last year. These changes were primarily due to reduced payments in the current-year period for inventory purchases, in the case of accounts payable, and reduced payments for bonus accruals, in the case of accrued compensation. The favorable change in deferred income resulted from a larger volume of maintenance contract renewals in the second quarter of 2009 compared to the same prior-year period. The favorable change in net prepaid income taxes resulted from a reduced amount of income tax payments for the current tax year. The unfavorable change in receivables resulted from a $0.1 million increase in receivables in the current period, compared to a $0.6 million decrease in the comparable prior-year period, primarily impacted by a larger increase in sales in June 2009 relative to December 2008 (last month of each period), compared to the comparable prior-year periods.

Investing activities used net cash of $15.1 million for the six months ended June 30, 2009, compared to a net generation of cash of $16.6 million for the same prior-year period. The fluctuations in investing activities were primarily the result of $15.0 million in purchases of marketable securities, net of related maturities, during the six months ended June 30, 2009, compared to $16.7 million in maturities of marketable securities, net of related purchases, in the same prior-year period. Purchases of property and equipment during the six months ended June 30, 2009 and 2008 amounted to $0.1 million and $0.5 million, respectively. Capital expenditures in both periods consisted primarily of purchases of office equipment and manufacturing tooling.

Financing activities generated net cash of $0.3 million for the six months ended June 30, 2009 and used net cash of $2.8 million in the same prior-year period. Financing activities in each period included proceeds from employee stock plans of $0.3 million and $1.5 million, respectively. Financing activities for the six months ended June 30, 2008 also benefited from excess tax benefits recognized as an addition to the additional paid-in capital pool of $0.7 million. Offsetting the increases in cash generated by financing activities in the prior year's period was the Company's repurchase of 275,310 shares of its common stock for $5.0 million.

Critical Accounting Policies

Management utilizes its technical knowledge, cumulative business experience, judgment and other factors in the selection and application of the Company's accounting policies. The accounting policies considered by management to be the most critical to the presentation of the consolidated financial statements because they require the most difficult, subjective and complex judgments include revenue recognition, allowance for doubtful accounts and sales returns, inventory provisions, deferred tax asset valuation allowances, accruals for uncertain tax positions, warranty accruals, stock- based compensation and impairment of long-lived assets. These accounting policies are discussed in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's Annual Report on Form 10-K for the year ended December 31, 2008. Management made no changes to the Company's critical accounting policies during the six months ended June 30, 2009.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

In applying its critical accounting policies, management reassesses its estimates each reporting period based on available information. Changes in such estimates did not have a significant impact on earnings for the six months ended June 30, 2009.

Recently Issued Accounting Standards

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. The Company adopted SFAS No. 157 for financial assets and liabilities effective January 1, 2008. In February 2008, FASB Staff Position ("FSP") No. 157-2 was issued, which delayed the effective date of FASB No. 157 to fiscal years beginning after November 15, 2008 for nonfinancial assets and liabilities, except for items that are recognized and disclosed at fair value in the financial statements on a recurring basis (at least annually). Effective January 1, 2009, the company adopted the requirements of SFAS No. 157 that had been deferred under FSP No. 157-2. The adoption did not impact the Company's consolidated financial statements and related disclosures for the six months ended June 30, 2009.

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Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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In April 2009, the FASB issued FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly." FAS 157-4 provides guidance on estimating fair value when market activity has decreased and on identifying transactions that are not orderly. Additionally, entities are required to disclose in interim and annual periods the inputs and valuation techniques used to measure fair value. The provisions of FAS 157-4 are effective for the Company for its quarter ended June 30, 2009. The adoption of this pronouncement did not have an impact on the Company's consolidated financial statements and related disclosures

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events." The objective of this guidance is to establish general standards of recognition and disclosure of events that occur after the balance sheet date but before the issuance of the financial statements. Under SFAS No.165, as under previous practice, an entity must record the effects of subsequent events that provide evidence about conditions that existed at the balance sheet date and, if material, must disclose but not record the effects of subsequent events which provide evidence about conditions that did not exist at the balance sheet date. Additional disclosure required by this standard includes the date through which subsequent events have been evaluated by management and whether that is the date on which the financial statements were issued. SFAS No. 165 was effective for the Company for its quarter ended June 30, 2009. The additional disclosures required by this standard are included in Note 1.

Cautionary Note Regarding Forward-Looking Statements

This report contains forward-looking statements that involve risks and uncertainties. For this purpose, any statements contained in this report that are not statements of historical fact may deemed to be forward-looking statements. Without limiting the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "estimate" or "continue" or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties. The Company's actual results could differ significantly from those discussed in the forward-looking statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Factors that could cause or contribute to such differences include, but are not limited to, the following, as well as other factors not now identified: the economic health of the markets from which Rimage derives its sales and, in particular, the strength of the economies within North America and Europe where the Company has averaged 95% of total sales over the past three years; the Company's ability to keep pace with changes in technology in the computer and storage media industries as well as technology changes in the retail, medical and business services markets; increasing competition and the ability of the Company's products to successfully compete with products of competitors and newly developed media storage products; the ability of the Company's newly developed products to gain acceptance and compete against products in their markets; the significance of the Company's international operations and the risks associated with international operations including currency fluctuations, local economic health and management of these operations over long distances; the Company's ability to protect its intellectual property and to defend claims of others relating to its intellectual property; the Company's dependence upon the selling efforts of the Company's key channel partners; the Company's ability to maintain adequate inventory of products; the Company's reliance on single source suppliers; the ability of the Company's products to operate effectively with the computer products developed and to be developed by other manufacturers; the negative effect upon the Company's business from manufacturing or design defects; the effect of U.S. and international regulation; fluctuations in the Company's operating results; the Company's dependence upon its key personnel; the volatility of the price of the Company's common stock; provisions governing the Company relating to a change of control, compliance with corporate governance and securities disclosures rules and other risks, including those set forth in the Company's reports filed with the Securities and Exchange Commission, including Item 1A of Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2008. These forward-looking statements are made as of the date of this report and the Company assumes no obligation to update such forward-looking statements, or to update the reasons why actual results could differ materially from those anticipated in such forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to market risk from foreign exchange rate fluctuations of the European Euro and Japanese Yen to the U.S. dollar as the financial position and operating results of the Company's German and Japanese subsidiaries, Rimage Europe GmbH and Rimage Japan Co., Ltd., respectively, are translated into U.S. dollars for consolidation. Resulting translation adjustments are recorded as a separate component of stockholders' equity.

The Company enters into forward exchange contracts principally to hedge intercompany receivables denominated in Euros arising from sales to its subsidiary in Germany. Gains or losses on forward exchange contracts are calculated at each period end and are recognized in net income in the period in which they arose. The Company records the fair value of its open forward foreign exchange contracts in other current assets or other current liabilities depending on whether the net amount is a gain or a loss. The Company does not utilize financial instruments for trading or other speculative purposes.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer, Bernard P. Aldrich, and the Company's Chief Financial Officer, Robert M. Wolf, have evaluated the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon such evaluation, they have concluded that these disclosure controls and procedures are effective.

(b) Changes in Internal Control Over Financial Reporting

There have been no changes in internal controls over financial reporting that occurred during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting**.**

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable.

Item 1A. Risk Factors

Not Applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not Applicable.

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

The Company's Annual Meeting of Shareholders was held on May 13, 2009. Of the 9,353,435 shares outstanding and entitled to vote at the meeting, 8,964,593 shares were present either in person or by proxy. The following describes the matters considered by the Company's shareholders at the Annual Meeting, as well as the results of the votes cast at the meeting:

A. To elect six (6) directors of the Company to serve until the next Annual Meeting of Shareholders or until their respective successors have been elected and qualified.

Nominee	In Favor	Withheld
Bernard P. Aldrich	8,871,345	93,248
Lawrence M. Benveniste	8,697,390	267,203
Philip D. Hotchkiss	8,697,981	266,612
Thomas F. Madison	8,818,574	146,019
Steven M. Quist	8,698,105	266,488
James L. Reissner	8,571,169	393,424

B. To adopt the Rimage Corporation Amended and Restated 2007 Stock Incentive Plan.

FOR	AGAINST	ABSTAIN	BROKER NON-VOTE
4,959,009	2,076,228	10,989	1,918,367

C. To ratify and approve the appointment of KPMG LLP as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2009.

FOR	AGAINST	ABSTAIN	BROKER NON-VOTE
8,630,113	328,125	6,355	0

Item 5. Other Information

Not Applicable.

Item 6. Exhibits

(a) The following exhibits are included herein:

10.1	Stock Option Agreement, dated April 1, 2009, by and between Sherman L. Black and Rimage Corporation.
10.2	Fourth Amendment to Credit Agreement, dated July 1, 2009, by and between the Company and Wells Fargo Bank, National Association.
10.3	Revolving Line of Credit Note, dated July 1, 2009, in the principal amount of $10,000,000 issued to the Company by Wells Fargo Bank, National Association.
31.1	Certificate of Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Exchange Act.
31.2	Certificate of Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Exchange Act.
32	Certifications pursuant to 18 U.S.C. §1350.

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SIGNATURES

In accordance with the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

			RIMAGE CORPORATION Registrant
Date:	August 7, 2009	By:	/s/ Bernard P. Aldrich Bernard P. Aldrich Chief Executive Officer (Principal Executive Officer)
Date:	August 7, 2009	By:	/s/ Robert M. Wolf Robert M. Wolf Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)

RIMAGE CORPORATION
STOCK OPTION AGREEMENT

THIS STOCK OPTION AGREEMENT (this "Agreement") is made as of the Grant Date set forth below, by and between Rimage Corporation, a Minnesota corporation (the "Company"), and the Optionee named below (the "Optionee"), and is not issued pursuant to any existing Stock Incentive Plan of the Company.

OPTIONEE:	Sherman L. Black
GRANT DATE:	April 1, 2009
NUMBER OF OPTION SHARES:	200,000 shares, common stock
OPTION PRICE PER SHARE:	$14.10 per Share
EXPIRATION DATE:	April 1, 2016

1. Grant of Option. The Company hereby grants to Optionee the right and option (the "Option") to purchase all or any part of the aggregate number of shares of common stock of the Company set forth above (the "Option Shares"), at the Option Price per Share set forth above, on the terms and conditions set forth in this Agreement. The Option is not intended to be an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Administration of Option. The Option will be administered by the Compensation Committee (the "Committee") of the Board of Directors of the Company (the "Board"). Any or all functions of the Committee specified in this Agreement may be exercised by the Board unless this Agreement specifically states otherwise. The Committee has the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Option as it may, from time-to-time, deem advisable, to interpret the terms and provisions of this Agreement and to otherwise supervise the administration of the Option. The Committee may not take any action that would be treated as a "repricing" of the Option and may not amend or alter the Option without the written consent of Optionee. All decisions made by the Committee pursuant to this Agreement will be final, conclusive and binding on all persons, including the Company, its shareholders, members of the Board, Optionee and their respective estates and beneficiaries.

3. Term and Exercise of Option.

(a) *Installment Exercise Provisions*. The term of the Option shall commence on the Grant Date set forth above and shall continue until the Expiration Date set forth above, unless earlier terminated as provided herein. Except as otherwise provided herein, the Option will be exercisable in cumulative installments as follows:

(i) Up to 25% of the Option Shares may be purchased at any time after the one-year anniversary of the Grant Date and prior to termination of the Option;

(ii) Up to 50% of the Option Shares (less any shares previously purchased pursuant to the Option) may be purchased at any time on or after the second-year anniversary of the Grant Date and prior to termination of the Option;

(iii) Up to 75% of the Option Shares (less any shares previously purchased pursuant to the Option) may be purchased at any time on or after the third-year anniversary of the Grant Date and prior to termination of the Option; and

(iv) Up to 100% of the Option Shares (less any shares previously purchased pursuant to the Option) may be purchased at any time on or after the fourth-year anniversary of the Grant Date and prior to termination of the Option.

Neither Optionee nor Optionee's legal representatives, legatees or distributees, as the case may be, will be, or will be deemed to be, a holder of any Option Shares for any purpose unless and until certificates for such shares are issued to Optionee or Optionee's legal representatives, legatees or distributees, under the terms of this Agreement.

(b) *Method of Exercise*. The Option is exercisable by delivery of an exercise notice, in the form attached asExhibit A (the "Exercise Notice"), which shall state the election to exercise the Option, the number of Option Shares in respect of which the Option is being exercised (the "Exercised Shares") and such other representations and agreements as may be required by the Company. The Exercise Notice shall be signed by Optionee and shall be delivered in person or by certified mail to the principal financial officer of the Company in accordance with Section 11 of this Agreement. The Exercise Notice shall be accompanied by payment of the aggregate Option Price per Share. The Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by such aggregate Option Price per Share.

(c) *Method of Payment.* Payment of the aggregate Option Price per Share shall be made by certified or bank check, or by any other form of legal consideration deemed sufficient by the Committee, including a properly executed Exercise Notice together with irrevocable instructions to a broker acceptable to the Company to promptly deliver to the Company the amount of sale proceeds to pay the aggregate Option Price per Share. As determined by the Committee, in its sole discretion, payment in full or in part may also be made in the form of unrestricted common stock of the company already owned by Optionee. Any same day sale or cashless exercise shall comply with regulations promulgated under the Securities Exchange Act and the Federal Reserve Board. No shares of common stock of the Company and no certificates for such shares shall be issued until full payment therefore has been made.

4. Change in Control.

(a) "Change in Control" of the Company shall mean a change in control which would be required to be reported in response to Item 5.01 of Form 8-K promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is then subject to such reporting requirement, including without limitation, if:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities (other than an entity owned 50% or greater by the Company or an employee pension plan for the benefit of the employees of the Company);

(ii) there ceases to be a majority of the Board comprised of (i) individuals who, on the date of this Agreement, constituted the Board of the Company; and (ii) any new director who subsequently was elected or nominated for election by a majority of the directors who held such office prior to a Change in Control; or

(iii) the Company disposes of at least 75% of its assets, other than (i) to an entity owned 50% or greater by the Company or any of its subsidiaries, or to an entity in which at least 50% of the voting equity securities are owned by the shareholders of the Company immediately prior to the disposition in substantially the same percentage or (ii) as a result of a bankruptcy proceeding, dissolution or liquidation of the Company.

(b) Except as otherwise provided in this Agreement, if a Change in Control occurs, all previously unexercised Option Shares shall be exercisable in full, without regard to any installment exercise provisions; provided, however, that the Committee, in its sole and absolute discretion, may, with respect to any or all of such Option Shares, take any or all of the following actions to be effective as of the date of the Change in Control (or as of any other date fixed by the Committee occurring within the thirty (30) day period immediately preceding the date of the Change in Control, but only if such action remains contingent upon the effectuation of the Change in Control) (such date referred to as the “Action Effective Date”):

(i) Unilaterally cancel such Option Shares in exchange for whole and/or fractional shares of the common stock of the Company (or whole shares of common stock and cash in lieu of any fractional share of common stock) or whole and/or fractional shares of a successor (or whole shares of a successor and cash in lieu of any fractional share) that, in the aggregate, are equal in value to the product of (1) the excess, if any, of the Fair Market Value per share on the Action Effective Date over the Exercise Price or specified price per share, multiplied by (2) the number of Option Shares.

(ii) Unilaterally cancel such Option Shares in exchange for cash or other property equal in value to the product of (1) the excess, if any, of the Fair Market Value per share on the Action Effective Date over the Exercise Price or specified price per share, multiplied by (2) the number of Option Shares.

(iii) Unilaterally cancel such Option Shares after providing the holder of such Option Shares with (i) an opportunity to exercise such Option Shares to the extent vested within a specified period prior to the date of the Change in Control, and (ii) notice of such opportunity to exercise prior to the commencement of such specified period. The Committee may modify or waive any condition limiting the exercise of the Option to permit a cashless exercise of the Option.

(iv) Provide for the assumption or substitution of the Option in accordance with Section 11 below.

(c) Notwithstanding the foregoing, payment of cash in lieu of whole or fractional shares of common stock of the Company or shares of a successor may only be made to the extent that such payment (i) has met the requirements of an exemption under Rule 16b-3 promulgated under the Exchange Act, or (ii) is a subsequent transaction the terms of which were provided for in a transaction initially meeting the requirements of an exemption under Rule 16b-3 promulgated under the Exchange Act. The payment of cash in lieu of whole or fractional shares of common stock of the Company or in lieu of whole or fractional shares of a successor shall be considered a subsequent transaction approved by the original grant of the Option.

(d) For the purposes of this Agreement, “Fair Market Value” of a share of the common stock of the Company shall be determined by the Committee as follows: (i) if the common stock of the Company is listed for trading on one of more national securities exchanges, or is traded on the Nasdaq Stock Market, the last reported sales price on such principal exchange or the Nasdaq Stock Market on the date in question, or if such common stock shall not have been traded on such principal exchange or on the Nasdaq Stock Market on such date, the last reported sales price on such principal exchange or the Nasdaq Stock Market on the first day prior thereto on which such common stock was so traded; or (b) if the common stock of the Company is not listed for trading on a national securities exchange or the Nasdaq Stock Market, but is traded in the over-the-counter market, including the Nasdaq Small Cap Market, the closing bid price for such common stock on the date in question, or if there is no such bid price for such common stock on such date, the closing bid price on the first day prior thereto on which such price existed; or (c) if neither (a) or (b) is applicable, a value determined by the reasonable application of a reasonable valuation method as defined in regulations promulgated under Section 409A of Code, which determination shall be final and binding on all parties.

5. <u>Termination of Employment</u>.

(a) If Optionee ceases to be employed by the Company or a subsidiary of the Company as a result of retirement for age or disability, or voluntary or involuntary separation from employment, other than a termination for Cause (as defined below), the Option may be exercised to the extent Optionee shall have been entitled to do so at the date of termination of employment, within a period of 90 days after such termination of employment, but in no case later than the Expiration Date set forth above.

(b) If Optionee's employment is terminated for Cause, the right of Optionee to exercise the Option shall terminate immediately upon such termination of employment. For purposes of this Agreement, "Cause" shall have the same meaning as in any employment or severance agreement between Optionee and the Company governing Optionee's termination of employment prior to a Change in Control. In the absence of such a definition, Cause shall mean gross and willful misconduct during the course of Optionee's service to the Company, including but not limited to wrongful appropriation of funds or property of the Company, conviction of Optionee of a gross misdemeanor or felony or material violation of any Company policy (including, without limitation, any policy contained in the Company's Code of Conduct), regardless of when facts resulting in a finding of Cause are discovered by the Company.

(c) The Option will not confer upon Optionee any right with respect to continuance of employment by the Company, nor will it interfere in any way with the right of the Company or a subsidiary of the Company to terminate Optionee's employment at any time.

6. <u>Death of Optionee</u>. In the event of the death of Optionee while in the employ of the Company, the Option may be exercised to the extent Optionee shall have been entitled to do so at the date of death, within a period of one year after the date of death, but in no case later than the Expiration Date set forth above. In such event, the Option shall be exercisable only by the executors or administrators of Optionee or by the person or persons to whom Optionee's rights under the Option shall pass by Optionee's will or the laws of descent and distribution.

7. <u>Limitations on Exercise of Option</u>.

(a) Except as provided in paragraph 5 and 6 above, the Option may not be exercised unless Optionee is, at the time of such exercise, in the employ of the Company, and shall have been continuously so employed since the Grant Date of the Option.

(b) The issuance of Option Shares upon the exercise of the Option shall be subject to all applicable laws, rules and regulations, and shares shall not be issued except upon the approval of proper government agencies or stock exchanges as may be required. Assuming compliance with such laws, rules and regulations, for income tax purposes the Option Shares shall be considered transferred to Optionee on the date the Option is exercised with respect to such Option Shares.

8. Nontransferability of Option. The Option shall not be transferable by Optionee, other than by will or the laws of descent and distribution. During the lifetime of Optionee, the Option shall be exercisable only by Optionee.

9. Registration. If any law or regulation of the Securities and Exchange Commission or of any other body having jurisdiction shall require the Company or Optionee to take any action in connection with the exercise of the Option, then, notwithstanding any contrary provision of this Agreement, the date for exercise of the Option and the delivery of the Option Shares shall be deferred until the completion of the necessary action. In the event that the Company shall deem it necessary, the Company may condition the grant or exercise of the Option upon the receipt of a satisfactory certificate that Optionee is acquiring the Option Shares for investment purposes and not with the view or intent to resell or otherwise distribute the Option or Option Shares. In such event, the stock certificate evidencing such Option Shares shall bear a legend referring to applicable laws restricting transfer of such shares. In the event that the Company deems it necessary to register under the Securities Act of 1933, as amended, or any other applicable statute, the Options or any Option Shares, then Optionee shall cooperate with the Company and take such action as is necessary to permit registration or qualification of such Option or Option Shares. It is the Company's intent, but not its obligation, to register or qualify the offering or sale of Shares under the Securities Act of 1933 of any other applicable state, federal or foreign law.

10. Tax Withholding. Upon notification of the amount due and prior to, or concurrently with, the delivery to Optionee of a certificate representing any Option Shares purchased pursuant to the exercise of the Option, Optionee shall promptly pay to the Company any amount necessary to satisfy applicable federal, state and local withholding requirements.

11. Adjustment. In the event of a stock dividend, stock split, spin-off, rights offering, recapitalization through a large, nonrecurring cash dividend, or a similar equity restructuring of the Company, the Committee will adjust: (a) the number of Shares subject to the Option, rounding all fractions downward, and (d) the Exercise Price of the Option, or any combination thereof, in an equitable manner that will equalize the fair value of the Option before and after the equity restructuring. Furthermore, in the event of any corporate transaction described in Code Section 424(a) that provides for the substitution or assumption of this Option, the Committee will adjust the Option in a manner that satisfies the requirements of Code Section 424(a) as to: (x) the number of Shares subject to the Option, rounding all fractions downward, and (y) the Exercise Price of the Option, or any combination thereof. An adjustment made under this Section by the Committee shall be conclusive and binding on all affected persons.

12. Notices. Notices required hereunder shall be given in person or by first class mail to the address of Optionee shown on the records of the Company, and to the Company at its principal executive office.

13. Successors and Assigns. This Agreement shall apply to and bind Optionee and the Company and their respective permitted assignees and transferees, heirs, legatees, executors, administrators and legal successors.

14. Miscellaneous. This Agreement, together with Exhibit A, constitutes the entire agreement of the parties with respect to the subject matter of this Agreement and supersedes in its entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be amended or altered except by means of a writing signed by the Company and Optionee. This

Agreement is governed by the internal substantive laws of but not the choice of law rules of the State of Minnesota.

* * * * *

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in its corporate name by its duly authorized officer, and Optionee has executed this Agreement, as of the Grant Date set forth above.

COMPANY:	RIMAGE CORPORATION
	By /s/ Bernard P. Aldrich Bernard P. Aldrich Chief Executive Officer
OPTIONEE:	/s/ Sherman L. Black Sherman L. Black

EXHIBIT A

EXERCISE NOTICE

Rimage Corporation
7725 Washington Avenue South
Edina, MN 55439
Attn: Chief Financial Officer

1. **Exercise of Option.** Effective as of today, ___________________, 20___, the undersigned ("Optionee") hereby elects to purchase _________ shares (the "Shares") of the Common Stock of Rimage Corporation (the "Company") under and pursuant to the Stock Option Agreement dated __________ ___, 2009 (the "Option Agreement"). The purchase price for the Shares shall be $______________ (the "Exercise Price"), as required by the Option Agreement.

2. **Delivery of Payment.** Optionee herewith delivers to the Company the full purchase price for the Shares.

3. **Representation of Optionee.** Optionee acknowledges that Optionee has received, read and understood the Option Agreement and agrees to abide by and be bound by its terms and conditions.

4. **Tax Consultation.** Optionee understands that Optionee may suffer adverse tax consequences as a result of Optionee's purchase or disposition of the Shares. Optionee represents that Optionee has consulted with any tax consultants Optionee deems advisable in connection with the purchase or disposition of the Shares and that Optionee is not relying on the Company for any tax advice.

5. **Entire Agreement; Governing Law.** The Option Agreement is incorporated herein by reference. This Exercise Notice and the Option Agreement constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof and thereof, and such agreement is governed by Minnesota law except for that body of law pertaining to conflict of laws.

* * * * *

Submitted by:	Accepted by:
OPTIONEE:	**RIMAGE CORPORATION**
Signature	By:
Sherman L. Black	Its:
Social Security Number	
Address:	

EXHIBIT 10.2

FOURTH AMENDMENT TO CREDIT AGREEMENT

THIS AMENDMENT TO CREDIT AGREEMENT (this “Amendment”) is entered into as of July 1, 2009, by and between RIMAGE CORPORATION, a Minnesota corporation (“Borrower”), and WELLS FARGO BANK, NATIONAL ASSOCIATION (“Bank”).

RECITALS

WHEREAS, Borrower is currently indebted to Bank pursuant to the terms and conditions of that certain Credit Agreement between Borrower and Bank dated as of March 29, 2004, as amended from time to time (“Credit Agreement”).

WHEREAS, Bank and Borrower have agreed to certain changes in the terms and conditions set forth in the Credit Agreement and have agreed to amend the Credit Agreement to reflect said changes.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that the Credit Agreement shall be amended as follows:

1. Section 1.1 (a) is hereby amended by deleting “July 1, 2009” as the last day on which Bank will make advances under the Line of Credit, and by substituting for said date “July 1, 2010,” with such change to be effective upon the execution and delivery to Bank of a promissory note dated as of July 1, 2009 (which promissory note shall replace and be deemed the Revolving Line of Credit Note defined in and made pursuant to the Credit Agreement) and all other contracts, instruments and documents required by Bank to evidence such change.

2. Section 4.3 (c) is hereby deleted in its entirety, and the following substituted therefor:

“(c) contemporaneously with each annual and quarterly financial statement of Borrower required hereby, a certificate of the president or chief financial officer of Borrower that said financial statements are accurate and that there exists no Event of Default nor any condition, act or event which with the giving of notice or the passage of time or both would constitute an Event of Default;”

3. Section 4.9 is hereby deleted in its entirety, and the following substituted therefor:

“SECTION 4.9. FINANCIAL CONDITION. Maintain Borrower’s financial condition as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein):

(a) Tangible Net Worth not less than $80,000,000 at each fiscal quarter end, with “Tangible Net Worth” defined as the aggregate of total stockholders’ equity plus subordinated debt less any intangible assets.

(b) Net losses not greater than $500,000 at each fiscal quarter end.”

4. The following is hereby added to the Credit Agreement as Section 4.11:

"SECTION 4.11. LIQUIDITY. Maintain unencumbered liquid assets (defined as cash, cash equivalents and/or publicly traded/quoted marketable securities acceptable to Bank in its sole discretion) with an aggregate fair market value not at any time less than Thirty Five Million Dollars ($35,000,000)."

5. Section 5.3 is hereby deleted in its entirety, and the following substituted therefor:

"SECTION 5.3. MERGER, CONSOLIDATION, TRANSFER OF ASSETS. Merge into or consolidate with any other entity; make any substantial change in the nature of Borrower's business as conducted as of the date hereof; acquire all or substantially all of the assets of any other entity; nor sell, lease, transfer or otherwise dispose of all or a substantial or material portion of Borrower's assets except in the ordinary course of its business, except acquisitions and mergers exceeding an aggregate of $25,000,000 in purchase price."

6. Except as specifically provided herein, all terms and conditions of the Credit Agreement remain in full force and effect, without waiver or modification. All terms defined in the Credit Agreement shall have the same meaning when used in this Amendment. This Amendment and the Credit Agreement shall be read together, as one document.

7. Borrower hereby remakes all representations and warranties contained in the Credit Agreement and reaffirms all covenants set forth therein. Borrower further certifies that as of the date of this Amendment there exists no Event of Default as defined in the Credit Agreement, nor any condition, act or event which with the giving of notice or the passage of time or both would constitute any such Event of Default.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the day and year first written above.

RIMAGE CORPORATION

By: /s/ Robert M. Wolf
Robert M. Wolf, Secretary and
Chief Financial Officer

By: /s/ Bernard P. Aldrich
Bernard P. Aldrich, President and
Chief Executive Officer

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: /s/ Cynthia S. Goplen
Cynthia S. Goplen, Vice President

EXHIBIT 10.3

REVOLVING LINE OF CREDIT NOTE

$10,000,000.00

Bloomington, Minnesota
July 1, 2009

FOR VALUE RECEIVED, the undersigned RIMAGE CORPORATION ("Borrower") promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") at its office at 7900 Xerxes Avenue South, 23rd Floor, Bloomington, Minnesota, or at such other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of Ten Million Dollars ($10,000,000.00), or so much thereof as may be advanced and be outstanding, with interest thereon, to be computed on each advance from the date of its disbursement as set forth herein.

DEFINITIONS:

As used herein, the following terms shall have the meanings set forth after each, and any other term defined in this Note shall have the meaning set forth at the place defined:

(a) "Base Rate" means, for any day, a fluctuating rate equal to the highest of: (i) the Prime Rate in effect on such day, (ii) a rate determined by Bank to be one and one-half percent (1.50%) above Daily One Month LIBOR in effect on such day, and (iii) the Federal Funds Rate plus one and one-half percent (1.50%).

(b) "Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in Minnesota are authorized or required by law to close.

(c) "Daily One Month LIBOR" means, for any day, the rate of interest equal to LIBOR then in effect for delivery for a one (1) month period.

(d) "Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers for the immediately preceding day, as published by the Federal Reserve Bank of New York; provided that if no such rate is so published on any day, then the Federal Funds Rate for such day shall be the rate most recently published.

(e) "Fixed Rate Term" means a period commencing on a Business Day and continuing for one month, as designated by Borrower, during which all or a portion of the outstanding principal balance of this Note bears interest determined in relation to LIBOR; provided however, that no Fixed Rate Term may be selected for a principal amount less than One Hundred Thousand Dollars ($100,000.00); and provided further, that no Fixed Rate Term shall extend beyond the scheduled maturity date hereof. If any Fixed Rate Term would end on a day which is not a Business Day, then such Fixed Rate Term shall be extended to the next succeeding Business Day.

(f) "LIBOR" means the rate per annum (rounded upward, if necessary, to the nearest whole 1/8 of 1%) and determined pursuant to the following formula:

$$\text{LIBOR} = \frac{\text{Base LIBOR}}{100\% - \text{LIBOR Reserve Percentage}}$$

(i) "Base LIBOR" means the rate per annum for United States dollar deposits quoted by Bank (A) for the purpose of calculating effective rates of interest for loans making reference to LIBOR, as the Inter-Bank Market Offered Rate, with the understanding that such rate is quoted by Bank for the purpose of calculating effective rates of interest for loans making reference thereto, on the first day of a Fixed Rate Term for delivery of funds on said date for a period of time approximately equal to the number of days in such Fixed Rate Term and in an amount approximately equal to the principal amount to which such Fixed Rate Term applies, or (B) for the purpose of calculating effective rates of interest for loans making reference to the Daily One Month LIBOR Rate, as the Inter-Bank Market Offered Rate in effect from time to time for delivery of funds for one (1) month in amounts approximately equal to the principal amount of such loans. Borrower understands and agrees that Bank may base its quotation of the Inter-Bank Market Offered Rate upon such offers or other market indicators of the Inter-Bank Market as Bank in its discretion deems appropriate including, but not limited to, the rate offered for U.S. dollar deposits on the London Inter-Bank Market.

(ii) "LIBOR Reserve Percentage" means the reserve percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor) for "Eurocurrency Liabilities" (as defined in Regulation D of the Federal Reserve Board, as amended), adjusted by Wells Fargo Bank for expected changes in such reserve percentage during the applicable term of this Note.

(g) "Prime Rate" means at any time the rate of interest most recently announced within Bank at its principal office as its Prime Rate, with the understanding that the Prime Rate is one of Bank's base rates and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto, and is evidenced by the recording thereof after its announcement in such internal publication or publications as Bank may designate.

INTEREST:

(a) Interest. The outstanding principal balance of this Note shall bear interest (computed on the basis of a 365-day year, actual days elapsed) either (i) at a fluctuating rate per annum equal to Base Rate in effect from time to time, or (ii) at a fixed rate per annum determined by Bank to be two and one quarter percent (2.25%) above LIBOR in effect on the first day of the applicable Fixed Rate Term. When interest is determined in relation to the Base Rate, each change in the rate of interest hereunder shall become effective on the date each Base Rate change is announced within Bank. With respect to each LIBOR selection hereunder, Bank is hereby authorized to note the date, principal amount, interest rate and Fixed Rate Term applicable thereto and any payments made thereon on Bank's books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted.

(b) Selection of Interest Rate Options. At any time any portion of this Note bears interest determined in relation to LIBOR, it may be continued by Borrower at the end of the Fixed Rate Term applicable thereto so that all or a portion thereof bears interest determined in relation to the Base Rate or to LIBOR for a new Fixed Rate Term designated by Borrower. At any time any portion of this Note bears interest determined in relation to the Base Rate, Borrower may convert all or a portion thereof so that it bears interest determined in relation to LIBOR for a Fixed Rate Term designated by Borrower. At such time as Borrower requests an advance hereunder or wishes to select a LIBOR option for all or a portion of the outstanding principal balance hereof, and at the end of each Fixed Rate Term, Borrower shall give Bank notice specifying: (i) the interest rate option selected by Borrower; (ii) the principal amount subject thereto; and (iii) for each LIBOR selection, the length of the applicable Fixed Rate Term. Any such notice may be given by telephone (or such other electronic method as Bank may permit) so long as, with respect to each LIBOR selection, (A) if requested by Bank, Borrower provides to Bank written confirmation thereof not later than three (3) Business Days after such notice is given, and (B) such notice is given to Bank prior to 10:00 a.m. on the first day of the Fixed Rate Term, or at a later time during any Business Day if Bank, at its sole option but without obligation to do so, accepts Borrower's notice and quotes a fixed rate to Borrower. If Borrower does not immediately accept a fixed rate when quoted by Bank, the quoted rate shall expire and any subsequent LIBOR request from Borrower shall be subject to a redetermination by Bank of the applicable fixed rate. If no specific designation of interest is made at the time any advance is requested hereunder or at the end of any Fixed Rate Term, Borrower shall be deemed to have made a Base Rate interest selection for such advance or the principal amount to which such Fixed Rate Term applied.

(c) Taxes and Regulatory Costs. Borrower shall pay to Bank immediately upon demand, in addition to any other amounts due or to become due hereunder, any and all (i) withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to LIBOR, and (ii) future, supplemental, emergency or other changes in the LIBOR Reserve Percentage, assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental authority or resulting from compliance by Bank with any request or directive (whether or not having the force of law) from any central bank or other governmental authority and related in any manner to LIBOR to the extent they are not included in the calculation of LIBOR. In determining which of the foregoing are attributable to any LIBOR option available to Borrower hereunder, any reasonable allocation made by Bank among its operations shall be conclusive and binding upon Borrower.

(d) Payment of Interest. Interest accrued on this Note shall be payable on the last day of each month, commencing July 31, 2009.

(e) Default Interest. From and after the maturity date of this Note, or such earlier date as all principal owing hereunder becomes due and payable by acceleration or otherwise, or at Bank's option upon the occurrence, and during the continuance of an Event of Default, the outstanding principal balance of this Note shall bear interest at an increased rate per annum (computed on the basis of a 365-day year, actual days elapsed) equal to four percent (4%) above the rate of interest from time to time applicable to this Note.

BORROWING AND REPAYMENT:

(a) Borrowing and Repayment. Borrower may from time to time during the term of this Note borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions of this Note and of any document executed in connection with or governing this Note; provided however, that the total outstanding borrowings under this Note shall not at any time exceed the principal amount stated above. The unpaid principal balance of this obligation at any time shall be the total amounts advanced hereunder by the holder hereof less the amount of principal payments made hereon by or for Borrower, which balance may be endorsed hereon from time to time by the holder. The outstanding principal balance of this Note shall be due and payable in full on July 1, 2010.

(b) Advances. Advances hereunder, to the total amount of the principal sum stated above, may be made by the holder at the oral or written request of (i) Robert M. Wolf or Bernard P. Aldrich, any one acting alone, who are authorized to request advances and direct the disposition of any advances until written notice of the revocation of such authority is received by the holder at the office designated above, or (ii) any person, with respect to advances deposited to the credit of any deposit account of Borrower, which advances, when so deposited, shall be conclusively presumed to have been made to or for the benefit of Borrower regardless of the fact that persons other than those authorized to request advances may have authority to draw against such account. The holder shall have no obligation to determine whether any person requesting an advance is or has been authorized by Borrower.

(c) Application of Payments. Each payment made on this Note shall be credited first, to any interest then due and second, to the outstanding principal balance hereof. All payments credited to principal shall be applied first, to the outstanding principal balance of this Note which bears interest determined in relation to the Base Rate, if any, and second, to the outstanding principal balance of this Note which bears interest determined in relation to LIBOR, with such payments applied to the oldest Fixed Rate Term first.

PREPAYMENT:

(a) Base Rate. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to the Base Rate at any time, in any amount and without penalty.

(b) LIBOR. Borrower may prepay principal on any portion of this Note which bears interest determined in relation to LIBOR at any time and in the minimum amount of One Hundred Thousand Dollars ($100,000.00); provided however, that if the outstanding principal balance of such portion of this Note is less than said amount, the minimum prepayment amount shall be the entire outstanding principal balance thereof. In consideration of Bank providing this prepayment option to Borrower, or if any such portion of this Note shall become due and payable at any time prior to the last day of the Fixed Rate Term applicable thereto by acceleration or otherwise, Borrower shall pay to Bank immediately upon demand a fee which is the sum of the discounted monthly differences for each month from the month of prepayment through the month in which such Fixed Rate Term matures, calculated as follows for each such month:

(i) Determine the amount of interest which would have accrued each month on the amount prepaid at the interest rate applicable to such amount had it remained outstanding until the last day of the Fixed Rate Term applicable thereto.

(ii) Subtract from the amount determined in (i) above the amount of interest which would have accrued for the same month on the amount prepaid for the remaining term of such Fixed Rate Term at LIBOR in effect on the date of prepayment for new loans made for such term and in a principal amount equal to the amount prepaid.

(iii) If the result obtained in (ii) for any month is greater than zero, discount that difference by LIBOR used in (ii) above.

Borrower acknowledges that prepayment of such amount may result in Bank incurring additional costs, expenses and/or liabilities, and that it is difficult to ascertain the full extent of such costs, expenses and/or liabilities. Borrower, therefore, agrees to pay the above-described prepayment fee and agrees that said amount represents a reasonable estimate of the prepayment costs, expenses and/or liabilities of Bank. If Borrower fails to pay any prepayment fee when due, the amount of such prepayment fee shall thereafter bear interest until paid at a rate per annum two percent (2.0%) above the Prime Rate in effect from time to time (computed on the basis of a 365-day year, actual days elapsed).

EVENTS OF DEFAULT:

This Note is made pursuant to and is subject to the terms and conditions of that certain Credit Agreement between Borrower and Bank dated as of March 29, 2004, as amended from time to time (the “Credit Agreement”). Any default in the payment or performance of any obligation under this Note, or any defined event of default under the Credit Agreement, shall constitute an “Event of Default” under this Note.

MISCELLANEOUS:

(a) Remedies. Upon the occurrence of any Event of Default, the holder of this Note, at the holder’s option, may declare all sums of principal and interest outstanding hereunder to be immediately due and payable without presentment, demand, notice of nonperformance, notice of protest, protest or notice of dishonor, all of which are expressly waived by Borrower, and the obligation, if any, of the holder to extend any further credit hereunder shall immediately cease and terminate. Borrower shall pay to the holder immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys’ fees (to include outside counsel fees and all allocated costs of the holder’s in-house counsel), expended or incurred by the holder in connection with the enforcement of the holder’s rights and/or the collection of any amounts which become due to the holder under this Note, and the prosecution or defense of any action in any way related to this Note, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity.

(b) Obligations Joint and Several. Should more than one person or entity sign this Note as a Borrower, the obligations of each such Borrower shall be joint and several.

(c) Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of Minnesota.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first written above.

RIMAGE CORPORATION

By: /s/ Robert M. Wolf
Robert M. Wolf, Secretary and
Chief Financial Officer

By: /s/ Bernard P. Aldrich
Bernard P. Aldrich, President and
Chief Executive Officer

EXHIBIT 31.1

CERTIFICATION

I, Bernard P. Aldrich, certify that:

1. I have reviewed this Form 10-Q of Rimage Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2009

/s/ Bernard P. Aldrich
Bernard P. Aldrich
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Robert M. Wolf, certify that:

1. I have reviewed this Form 10-Q of Rimage Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2009

/s/ Robert M. Wolf
Robert M. Wolf
Chief Financial Officer

EXHIBIT 32

CERTIFICATION

The undersigned certify pursuant to 18 U.S.C. § 1350, that:

(1) The accompanying Quarterly Report on Form 10-Q for the period ended June 30, 2009 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the accompanying report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2009	/s/ Bernard P. Aldrich Chief Executive Officer
Date: August 7, 2009	/s/ Robert M. Wolf Chief Financial Officer