

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarterly Period Ended June 30, 1996

Commission File No. 0-20728

RIMAGE CORPORATION

(Exact name of Registrant as specified in its charter)

Minnesota

41-1577970

(State or other jurisdiction of
incorporation or organization)

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

7725 Washington Avenue South, Edina, MN 55439

(Address of principal executive offices)

612-944-8144

(Registrant's telephone number, including area code)

NA

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

Common Stock outstanding at August 12, 1996 -- 3,084,500 shares
of \$.01 par value Common Stock.

Indicate by check mark whether the Registrant (1) has filed all reports
required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
Registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes X No

----- -----

RIMAGE CORPORATION
FORM 10-Q
TABLE OF CONTENTS
FOR THE SIX MONTHS ENDED June 30, 1996

Description	Page
-----	----
PART I	
FINANCIAL INFORMATION	
Item 1.	
Financial Statements	
Consolidated Balance Sheets as of June 30, 1996 (unaudited) and December 31, 1995	3
Consolidated Statements of Operations (unaudited) for the Three Months and Six Months Ended June 30, 1996 and 1995	4
Consolidated Statements of Cash Flows (unaudited) for the Six Months Ended June 30, 1996 and 1995	5

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations 10-13

PART II OTHER INFORMATION 14-15

Item 1. Legal Proceedings 14
Item 4. Submission of Matters to a Vote of Security Holders 14
Item 6. Exhibits 15

RIMAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

ASSETS	June 30 1996	December 31, 1995
	-----	-----
	(unaudited)	
	<C>	<C>
Current assets:		
Cash.....	\$ 266,092	\$ 230,014
Trade accounts receivable, net of allowance for doubtful accounts and sales returns of \$526,625 and \$644,576, respectively.....	5,544,926	9,493,142
Inventories (note 2).....	4,295,177	4,690,326
Income tax receivable.....	240,735	250,012
Prepaid expenses and other current assets.....	1,124,415	330,975
Deferred income tax asset	1,279,388	1,196,000
Current installments of investment in sales-type leases	222,905	260,188
	-----	-----
Total current assets.....	12,973,638	16,450,657
	-----	-----
Property, plant, and equipment, net.....	4,973,843	4,883,766
Investment in sales-type leases, net of current installments	204,590	307,120
Goodwill	969,763	1,010,120
Other assets.....	1,001,438	1,132,547
	-----	-----
Total assets.....	\$20,123,272	\$23,784,210
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of notes payable (note 6).....	\$ 4,562,800	\$ 4,725,400
Current installments of capital lease obligations	47,063	35,750
Trade accounts payable.....	2,580,431	5,761,742
Accrued expenses	1,526,819	1,354,241
Deferred income and customer deposits.....	1,181,857	765,777
	-----	-----
Total current liabilities.....	9,898,970	12,642,910
Notes payable, less current portion (note 6).....	957	167,524
Deferred tax liability	131,000	131,000
Capital lease obligations, less current installments	1,562,984	1,582,504
	-----	-----
Total liabilities.....	11,593,911	14,523,938
	-----	-----
Minority interest in inactive subsidiary.....	57,907	57,907
Stockholders' equity (note 4):		
Common stock.....	30,845	30,510
Additional paid-in capital.....	10,447,798	10,301,883
Accumulated Deficit (note 4).....	(2,001,165)	(1,151,280)
Equity adjustment from foreign currency translation.....	(6,024)	21,252
	-----	-----
Total stockholders' equity.....	8,471,454	9,202,365
Commitments and contingencies	--	--
	-----	-----
Total Liabilities and Stockholders' Equity.....	\$20,123,272	\$23,784,210

</TABLE>

See accompanying notes to consolidated financial statements

-3-

RIMAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six months Ended June 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Revenues.....	\$9,899,902	\$10,003,296	\$20,950,408	\$22,537,182
Cost of revenues.....	7,725,934	7,244,025	15,607,931	16,534,459
Gross Profit.....	2,173,968	2,759,271	5,342,477	6,002,723
Operating expenses:				
Engineering and development.....	690,281	856,444	1,467,129	1,655,422
Selling, general and administrative.....	2,270,396	2,193,572	4,481,282	4,362,575
Total operating expenses.....	2,960,677	3,050,016	5,948,411	6,017,997
Operating loss.....	(786,709)	(290,745)	(605,934)	(15,274)
Other income (expense)				
Interest.....	(132,047)	(137,132)	(271,494)	(256,036)
Gain(loss) on currency exchange.....	(16,700)	(12,862)	(11,607)	106,430
Other, net.....	14,097	(23,152)	39,151	(10,513)
Total other income (expenses) net.....	(134,650)	(173,146)	(243,950)	(160,119)
Net loss before income taxes.....	(921,359)	(463,891)	(849,884)	(175,393)
Income taxes.....	(24,000)	(111,999)	0	(24,990)
Historical net loss.....	(\$897,359)	(\$351,892)	(\$849,884)	(\$150,403)
Historical net loss.....	(\$897,359)	(\$351,892)	(\$849,884)	(\$150,403)
Proforma income tax benefit.....	0	(93,117)	0	(64,727)
Proforma net loss.....	(\$897,359)	(\$258,775)	(\$849,884)	(\$85,676)
Proforma net loss per common and common equivalent share.....	(\$0.29)	(\$0.08)	(\$0.27)	(\$0.03)
Weighted average shares and share equivalents outstanding.....	3,092,961	3,068,677	3,108,120	3,070,778

</TABLE>

See accompanying condensed notes to the consolidated financial statements

-4-

RIMAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

<TABLE>
<CAPTION>

	Six months ended June 30,	
	1996	1995
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss.....	\$ (849,884)	\$ (150,403)
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization.....	718,739	734,189
Change in reserve for excess and obsolete inventories.....	(50,000)	(121,937)

Change in reserve for doubtful accounts.....	(117,951)	(7,284)
Gain on sale of property, plant, and equipment.....	(1,408)	0
Deferred income tax.....	(83,388)	8,000
Increase in investment in sales-type leases.....	0	(180,258)
Changes in operating assets and liabilities:		
Trade accounts receivable.....	4,066,167	(604,881)
Inventories.....	445,149	(380,273)
Prepaid expenses and other current assets.....	(793,440)	(48,820)
Income tax receivable.....	9,277	(27,521)
Accounts payable.....	(3,181,308)	(717,803)
Accrued expenses.....	172,578	406,314
Deferred income and customer deposits.....	416,080	255,524
Net cash provided by (used in) operating activities.....	750,611	(835,153)
Cash flows from investing activities:		
Purchase of property, plant, and equipment.....	(780,205)	(933,578)
Proceeds from the sale of property and equipment	13,150	0
Other assets.....	131,109	(56,557)
Payments on investment in sales-type leases.....	139,813	84,930
Net cash used in investing activities.....	(496,133)	(905,205)
Cash flows from financing activities:		
Payment of registration fees.....	0	(18,400)
Proceeds from stock option exercise.....	146,250	0
Principal payments on capital lease obligation.....	(8,207)	(7,527)
Proceeds from other notes payable.....	6,591,000	1,970,000
Repayment of other notes payable.....	(6,920,167)	(1,071,475)
Subchapter-S dividends paid.....	0	(210,503)
Net cash (used in) provided by financing activities.....	(191,124)	662,095
Effect of exchange rate changes on cash.....	(27,276)	20,058
Net increase (decrease) in cash.....	36,078	(1,058,205)
Cash, beginning of period.....	230,014	1,283,794
Cash, end of period.....	\$ 266,092	\$ 225,589

</TABLE>

See accompanying notes to the consolidated financial statements.

-5-

RIMAGE CORPORATION AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Rimage Corporation, Rimage Europe GmbH, Rimage Singapore, A/G Systems Inc. d/b/a Duplication Technology Inc. (Duplication Technology), ALF Products Inc. d/b/a ALF/Rimage (ALF Products) and Knowledge Access Inc. (Knowledge Access), collectively hereinafter referred to as the Company or Rimage. All material intercompany accounts and transactions have been eliminated upon consolidation.

Effective September 29, 1995, Rimage Corporation and Dunhill Software Services Inc. (Dunhill) completed a merger. Dunhill, who had been a significant customer of Rimage, is engaged in diskette duplication and production services. For financial reporting purposes, the merger was recorded using the pooling-of interests method of accounting under generally accepted accounting principles. Accordingly, the historical financial statements of Rimage presented for the three and six month periods ended June 30, 1995 were restated to include the historical accounts and results of operations of Dunhill.

As a result of this merger, Rimage operates in two segments. The Rimage Systems segment consists of substantially all of the former Rimage Companies, plus the newly formed optical systems division. The Rimage Services segment consists of the former Dunhill operation in addition to the service business at Duplication Technology.

Rimage Systems develops, manufactures and distributes diskette, tape and CD-Recordable duplication equipment and CD-ROM replication equipment, and related software products. Rimage Services provides diskette duplication and production services to software developers and manufacturers and information publishers.

The Company extends unsecured credit to its customers, of which, the majority are computer hardware, software and service companies, software developers and manufacturers, and information publishers.

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although Rimage believes that the disclosures are adequate to make the information

presented not misleading.

In the opinion of the Company, all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the consolidated financial position of the Company as of the dates and for the periods presented, have been made. The results of operations for such interim periods are not necessarily indicative of the results to be expected for the entire year.

-6-

(continued)

(2) INVENTORIES

Inventories consist of the following:

<TABLE>
<CAPTION>

	June 30, 1996	December 31, 1995
	-----	-----
<S>	<C>	<C>
	(unaudited)	
Finished goods and demonstration equipment	\$999,593	\$1,297,788
Work-in-process	759,822	670,264
Purchased parts and subassemblies	3,220,762	3,457,274
	-----	-----
	4,980,177	5,425,326
Less reserve for excess inventories	685,000	735,000
	-----	-----
Total inventories	\$4,295,177	\$4,690,326
	-----	-----

</TABLE>

(3) SEGMENT REPORTING (IN THOUSANDS)

<TABLE>
<CAPTION>

	Six Months Ended June 30,	
	1996	1995
	-----	-----
<S>	<C>	<C>
	(unaudited)	(unaudited)
Revenues from unaffiliated customers:		
Systems	\$10,962	\$7,685
Services	9,988	14,852
Operating earnings (loss):		
Systems	(578)	(850)
Service	(28)	835
	-----	-----
	June 30, 1996	December 31, 1995
Net Identifiable Assets:	-----	-----
	(unaudited)	
Systems	11,886	11,781
Service	8,569	12,003

</TABLE>

(4) STOCKHOLDERS' EQUITY

STOCK ISSUED IN ACQUISITION

On September 29, 1995, in connection with the merger between Rimage and Dunhill Software Services, Inc., 1,100,000 shares of Rimage common stock were issued. (see note 5.)

-7-

(continued)

TERMINATION OF DUNHILL'S S-CORPORATION STATUS

On September 29, 1995, Dunhill Software Services, Inc. terminated its S-Corporation election. Under SEC rules, Dunhill's accumulated retained earnings of \$2,611,979 as of the termination of the S-Corporation election was reclassified against additional paid-in-capital.

STOCK OPTIONS

Rimage adopted a stock option plan on September 24, 1992 which allows for

the granting of options to purchase up to 250,000 shares of common stock to certain key administrative, managerial and executive employees. Options under this plan may be either incentive stock options or non-qualified options. In 1993, the Rimage board of directors increased the number of allowable shares to 500,000. Pursuant to this plan, options to purchase 290,453 shares are currently issued and outstanding.

(5) 1995 ACQUISITION

Effective at the close of business on September 29, 1995, and pursuant to the Agreement and Plan of Reorganization (the Merger Agreement) dated June 6, 1995 by and between Rimage Corporation (Rimage), and Dunhill Software Services Inc. (Dunhill), Rimage issued 1,100,000 shares of stock to the former Dunhill shareholders and Dunhill was merged into Rimage. Dunhill provides diskette duplication and production services to software developers and manufacturers and information publishers, and historically was one of Rimage's largest customers. Rimage intends to continue such business for the foreseeable future. This merger was recorded using the pooling-of-interests method of accounting. Accordingly the historical financial statements of Rimage presented for the three and six month periods ended June 30, 1995 were restated to include the historical accounts and results of operations of Dunhill.

(6) NOTES PAYABLE TO BANK

On October 13, 1995, the Company signed a new Credit Agreement which consolidated and redefined all previously outstanding Rimage and Dunhill debt. This credit agreement covers all of the term and revolving notes discussed below. The Company is required to maintain certain financial ratios as a part of the agreement. The Company obtained waivers (and forbearance through June 30, 1996) from the bank regarding the tangible capital base and working capital ratios which were not in compliance as of and for the periods ended June 30, 1996 and December 31, 1995.

The Company has a term note agreement with a bank. Borrowings under the agreement are secured by substantially all Company assets, accrue interest at the bank's reference rate plus 1/2 percent and are payable in 36 equal monthly installments that commenced May 31, 1994. The interest rate was 8.75% on June 30, 1996. The outstanding amount as of June 30, 1996 was \$165,800.

The Company has another term note which expires on January 1, 1997. The term note bears interest at 3/4% over the bank's reference rate and is secured by substantially all Company assets. The interest rate was 9% on June 30, 1996. The outstanding balance under this note on June 30, 1996 was \$700,000.

-8-

(continued)

The Company also has a revolving line of credit agreement with a bank that expired on June 30, 1996 and was extended through August 15, 1996. The line of credit provides for borrowing up to \$5,000,000. Borrowings under this agreement are secured by substantially all Company assets and accrue interest at the bank's reference rate plus one-half percent. Borrowings outstanding under this line were \$3,697,000 on June 30, 1996.

(7) STATEMENTS OF CASH FLOWS

The following is additional information regarding cash flows and non-cash investing and financing activities:

During the six months ended June 30, 1996 and 1995, cash paid for interest was \$275,640 and \$239,821, respectively.

During the six months ended June 30, 1996 and 1995, cash received for income taxes was \$5,889 and \$4,951, respectively.

On September 29, 1995 Rimage issued 1,100,000 shares of its common stock in connection with the merger with Dunhill Software Services, Inc.

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

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

<TABLE>
<CAPTION>

Six months ended June 30,	Three months ended June 30,		
	1996	1995	1996
-----	-----	-----	-----
1995	1996	1995	1996
--	-----	-----	-----
<S>	<C>	<C>	<C>
<C>			
Revenues to unaffiliated customers:			
Systems.....	\$6,234	\$3,496	\$10,962
\$7,685			
Services.....	3,666	6,507	9,988
14,852	-----	-----	-----
--			
Total Revenues.....	9,900	10,003	20,950
22,537			
Cost of Revenues:			
Systems.....	4,345	1,858	7,050
4,097			
Service.....	3,381	5,386	8,558
12,437	-----	-----	-----
--			
Total Cost of Revenues.....	7,726	7,244	15,608
16,534			
Operating Expenses:			
Systems.....	2,362	2,289	4,490
4,438			
Service.....	599	761	1,458
1,580	-----	-----	-----
--			
Total Operating Expenses.....	2,961	3,050	5,948
6,018			
Operating Earnings (Loss):			
Systems.....	(473)	(651)	(578)
(850)			
Service.....	(314)	360	(28)
835	-----	-----	-----
--			
Total Operating Loss.....	\$ (787)	\$ (291)	\$ (606)
\$ (15)	-----	-----	-----
--			
--	-----	-----	-----

</TABLE>

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

RESULTS OF OPERATIONS

Rimage designs, manufactures and sells computer media duplication, replication, and printing systems, and also provides media duplication

services. The Company's revenues decreased by 1.0% and 7.0% in the three months and six months ended June 30, 1996 when compared to corresponding 1995 revenues. Consolidated net loss for the three and six month periods ended June 30, 1996 was \$897,359 and \$849,884 compared to corresponding 1995 net loss of \$258,775 and \$85,676.

SYSTEMS SEGMENT - THREE AND SIX MONTHS ENDED JUNE 30, 1996 AND 1995

Systems revenues (which include equipment sold from Rimage Systems - Minneapolis, Rimage Europe, Duplication Technology, and Knowledge Access International) for the three and six months ended June 30, 1995 increased by \$2,737,806 and \$3,276,935 respectively, when compared to the same periods of 1995. These increases were a result of the Company's transition to new products, specifically away from diskette equipment and into CD-Recordable ("CDR") and CD-ROM equipment. The Company expects continued declines from historic levels of diskette revenues, and increasing growth from optical equipment revenues.

Gross profit in the first three and six months of 1996 as a percentage of revenues, decreased to 30% and 36% respectively, from 47% during both the 1995 periods. These decreases result from two main reasons; The prevalence in the diskette equipment industry of discounting sales prices for equipment which has resulted from soft demand caused by the shift to optical media. And, sales mix changes resulting from the CD-ROM equipment that the Company started shipping in the second quarter of 1996, that is higher volume and lower margin in nature.

Operating expenses for three and six months ended June 30, 1996 increased by \$72,728 and \$52,728 compared to the expenses in the same periods of 1995. These increases are attributable to approximately \$390,000 of expense incurred by the Company's new CD-ROM equipment sales division. Operating expenses, as a percentage of revenues decreased in the three and six months ended June 30, 1996 to 38% and 41% respectively, from 65% and 58% in the same periods of 1995

Operating loss for the three and six months ended June 30, 1996 improved to \$472,379 and \$577,601 respectively, from \$650,680 and \$849,890 during the same periods of 1995. This improvement was due to the aforementioned revenue increases, but was offset by the gross profit deterioration, and operating expense increases.

SERVICE SEGMENT - THREE AND SIX MONTHS ENDED JUNE 30, 1995 AND 1994

Service revenues (which include the revenues of the Rimage Service Group, formerly "Dunhill", as well as the service business of Duplication Technology) for the three and six months ended June 30, 1996 decreased by \$2,841,201 and \$4,863,709 compared to the same periods of 1995. These decreases resulted from the trend from diskette to optical media, and also from the decreased revenues associated with one large 1995 software release that did not recur in 1996 and the reduced 1996 revenues from one other significant customer. The Company had two significant customers that accounted for 24.9% and 27.9%, respectively of service revenues in the first half of 1996. The Company is in the process of adding CD-ROM optical capacity to transition into the optical service business..

-11-

Gross profit for the three and six months ended June 30, 1996, as a percentage of revenues, decreased to 8% and 14% respectively, from 17% and 16% during the same periods of 1995. These decreases are mainly attributable to the lower revenues and the fixed nature of some manufacturing costs.

Operating expenses for the three and six months ended June 30, 1996 decreased by \$162,065 and \$122,312 respectively, over operating expenses for the same periods of 1995, but increased as a percentage of revenues to 16% and 15% in 1995 from 12% and 11% in 1994. Operating expenses were relatively fixed when compared to the lower revenues.

Operating earnings (loss) for the three and six months ended June 30, 1996 declined substantially to (\$314,330) and (\$28,333) respectively, from \$359,935 and \$834,616 for the same periods of 1995. The declines result from the aforementioned revenue reductions compared to cost of sales and operating expenses that did not fall proportionally.

CONSOLIDATED THREE AND SIX MONTHS ENDED JUNE 30, 1996 AND 1995

Revenues for the three and six months ended June 30, 1996 decreased by \$103,395 and \$1,586,774 when compared to the same periods of 1995. These decreases were a result of the reduced service revenues and were partially offset by the increase in systems revenues. The Company had two significant customers which totaled 11.9 and 13.3 percent, respectively, of revenues during the six months ended June 30, 1996.

Gross profit for the three and six months ended June 30, 1996 as a percentage of revenues, decreased to 22% and 26% respectively, from 28% and 27% during same periods of 1995. These decreases are mainly due to the change in revenue mix (new CD-ROM revenues which is lower margin business), the sales discounting prevalent on diskette systems revenues, and the lower service revenues on relatively stable fixed manufacturing costs.

Operating expenses for the three and six months ended June 30, 1996 decreased by \$89,339 and \$69,586 compared to the same periods of 1995. Operating expenses, as a percentage of sales in the three and six months ended June 30, 1996 were 30% and 29% respectively, compared to 30% and 27% in the same periods of 1995. There were similar fixed operating costs when compared to the lower revenues, and also new expenses incurred in the CD-ROM equipment sales division.

Net other expenses were approximately \$38,000 lower and \$84,000 higher in the first three and six months of 1996 when compared to the same periods of 1995, primarily due to first quarter currency exchange fluctuations. The Company has not booked any income tax benefit related to the 1996 losses. Prior to the merger on September 30, 1995, Dunhill Software was a Subchapter-S Corporation and thus was not subject to federal income taxes.

Net loss was (\$897,359) and (\$849,884) respectively, for the three and six month periods ended June 30, 1996 versus (\$258,775) and (\$85,676) for the same periods of 1995. Net loss per share was (\$.29) and (\$.27) respectively, for the three and six months ended June 30, 1996 versus (\$.08) and (\$.03) for the same periods of 1995. The increases in both loss and loss per share are attributable to the gross margin deterioration, the unrecorded tax benefit in 1996, and the relatively stable fixed operating costs incurred on similar revenues.

-12-

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by (used in) operating activities was \$750,611 and (\$835,153) in the first six months of 1996 and 1995. The 1996 increase resulted primarily from the reduction in accounts receivable of \$4,066,167 and inventories of \$445,149, and was partially offset by the decrease in accounts payables of \$3,181,309 and the increase in prepaid expenses of \$793,440, which was primarily due to down payments made by the Company on CD-ROM equipment purchases.

The cash used in investing activities was \$496,133 and \$905,205 during the first six months of 1996 and 1995. At June 30, 1996 the Company has committed to purchase approximately \$3,080,000 of equipment related to adding CD-ROM pressing capacity for its service business.

At June 30, 1996, the Company's working capital was approximately \$3,075,000 compared to \$3,808,000 at December 31, 1995. The net cash provided by (used in) financing activities was (\$191,124) and \$662,095 for the six months ended June 30, 1996 and 1995, respectively. The Company paid down approximately \$330,000 of net bank debt during the first six months of 1996.

The Company has a line of credit agreement totaling \$5,000,000 with a bank, which expired on June 30, 1996 and has been extended to August 15, 1996. Advances under this line of credit are secured by substantially all the Company's assets, are subject to borrowing base requirements, are due on demand and bear interest at the bank's reference rate plus 1/2 percent. At June 30, 1996, the Company had borrowings under this line totaling \$3,697,000. The Company also has term note agreements totaling \$866,757 under various terms that are secured by substantially all the Company's assets, and bear interest varying from the bank's reference rate plus 1/2 percent to plus 3/4 percent. The Company obtained waivers (and forbearance through June 30, 1996) from the bank for any financial ratios on which it is out of compliance at June 30, 1996 and December 31, 1995. The Company is currently negotiating a new credit agreement with this bank. The Company is also currently negotiating lease financing for its CD-ROM equipment purchases. The Company believes its banking relationship is good and that satisfactory financing will be available on terms acceptable to the Company for the foreseeable future.

-13-

PART II -- OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

On May 29, 1996 Trace Products, Inc. of San Jose, and the Company, announced that they have amicably settled litigation in the United

Item 2. CHANGES IN SECURITIES

Not Applicable.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's Annual Meeting of Stockholders was held on June 20, 1996. The following members were elected to the Company's Board of Directors to hold office for the ensuing year:

Nominee -----	In Favor -----	Withheld -----
David Suden	2,985,532	6,825
Ronald Fletcher	2,985,532	6,825
Richard McNamara	2,985,532	6,825
Robert Hoffman	2,985,532	6,825
George Kline	2,985,532	6,825

The results of the voting on the following additional items were as follows:

(a) Ratification of the selection of KPMG Peat Marwick LLP as independent accountants to audit the consolidated financial statements of Rimage Corporation for the year ending December 31, 1996. The votes of the stockholders on this amendment were as follows:

In Favor -----	Opposed -----	Abstained -----	Broker Non-Vote -----
2,987,947	2,300	2,100	0

-14-

Item 5. OTHER INFORMATION

Not Applicable.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit No. 11. Calculation of Earnings Per Share.

Exhibit No. 27. Financial Data Schedule.

(b) Reports on Form 8-K:

Not Applicable.

SIGNATURES

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

RIMAGE CORPORATION

Registrant

Date: August 12, 1996

By: /s/ Ronald R. Fletcher

Ronald R. Fletcher
Chairman of the Board
Chief Executive Officer
(Principal Executive Officer)

Date: August 12, 1996

By: /s/ Jon D. Wylie

Jon D. Wylie
Chief Financial Officer
(Principal Financial Officer)
(Principal Accounting Officer)

RIMAGE CORPORATION
COMPUTATION OF NET EARNINGS PER SHARE OF COMMON STOCK

Net earnings per common share is determined by dividing the net earnings by the weighted average number of shares of common stock and common share equivalents outstanding. The following is a summary of the weighted average common shares outstanding and common share equivalents:

<TABLE>
<CAPTION>

ended	Three months ended		Six months	
	June 30,		June 30,	
	1996	1995	1996	
1995				
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Shares Outstanding at beginning of period 1,950,000	3,069,000	1,950,000	3,051,000	
Common stock issued in merger with Dunhill Software Services 1,100,000	0	1,100,000	0	
Shares Outstanding at beginning of period 3,050,000	3,069,000	3,050,000	3,051,000	
-----	-----	-----	-----	-----
-----	-----	-----	-----	-----
Common stock issued in stock option exercise 0	15,500	0	33,500	
Shares Outstanding at end of period 3,050,000	3,084,500	3,050,000	3,084,500	
-----	-----	-----	-----	-----
-----	-----	-----	-----	-----
Weighted average shares of common stock outstanding 3,050,000	3,073,253	3,050,000	3,064,937	
-----	-----	-----	-----	-----
-----	-----	-----	-----	-----
**Common stock equivalents 846,455	397,453	846,455	397,453	
Weighted average shares of common stock equivalents 20,778	19,708	18,677	43,183	
-----	-----	-----	-----	-----
-----	-----	-----	-----	-----
Weighted average shares of common stock and stock equivalents 3,070,778	3,092,961	3,068,677	3,108,120	
-----	-----	-----	-----	-----
-----	-----	-----	-----	-----
Net Earnings (loss) (\$85,676)	(\$897,359)	(\$258,775)	(\$849,884)	

-----	-----	-----	-----	-----
-----	-----	-----	-----	-----
Net earnings (loss) per share (\$0.03)	(\$0.29)	(\$0.08)	(\$0.27)	
-----	-----	-----	-----	-----
-----	-----	-----	-----	-----

</TABLE>

** Included as common stock equivalents are 540,000 warrants which expired on July 20, 1995

<TABLE> <S> <C>

<ARTICLE> 5
<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	DEC-31-1996
<PERIOD-START>	JAN-01-1996
<PERIOD-END>	JUN-30-1996
<CASH>	266
<SECURITIES>	0
<RECEIVABLES>	6072
<ALLOWANCES>	527
<INVENTORY>	4295
<CURRENT-ASSETS>	12974
<PP&E>	10220
<DEPRECIATION>	5247
<TOTAL-ASSETS>	20123
<CURRENT-LIABILITIES>	9899
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	31
<OTHER-SE>	8441
<TOTAL-LIABILITY-AND-EQUITY>	20123
<SALES>	20950
<TOTAL-REVENUES>	20950
<CGS>	15608
<TOTAL-COSTS>	5948
<OTHER-EXPENSES>	244
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	271
<INCOME-PRETAX>	(850)
<INCOME-TAX>	0
<INCOME-CONTINUING>	(850)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(850)
<EPS-PRIMARY>	(.27)
<EPS-DILUTED>	(.27)

</TABLE>