

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended September 27, 1996

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 No. 0-25826

HARMONIC LIGHTWAVES, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE
(State of incorporation)

77-0201147
(I.R.S. Employer Identification No.)

549 Baltic Way
Sunnyvale, CA 94089
(408) 542-2500

(Address, including zip code, and telephone number,
including area code, of Registrant's principal executive offices)

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 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
--- ---

As of September 27, 1996 there were 10,152,035 shares of the Registrant's Common Stock outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

HARMONIC LIGHTWAVES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	SEPTEMBER 27, 1996 ----- (UNAUDITED)	DECEMBER 31, 1995 -----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,700	\$ 22,126
Accounts receivable, net	12,693	5,802
Inventories	10,397	9,176
Prepaid expenses and other assets	1,216	199
	-----	-----
Total current assets	42,006	37,303
Property and equipment, net	7,728	4,514
Other assets	1,204	--
	-----	-----
	\$ 50,938	\$ 41,817
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 5,604	\$ 2,201
Accrued liabilities	4,183	2,607
	-----	-----
Total current liabilities	9,787	4,808
	-----	-----

Stockholders' equity:		
Preferred stock, \$.001 par value, 5,000,000 shares authorized; no shares issued or outstanding	--	--
Common Stock, \$.001 par value, 50,000,000 shares authorized; 10,152,035 and 9,903,501 shares issued and outstanding	10	10
Capital in excess of par value	54,494	53,865
Accumulated deficit	(13,353)	(16,866)
	-----	-----
Total stockholders' equity	41,151	37,009
	-----	-----
	\$ 50,938	\$ 41,817
	=====	=====

The accompanying notes are integral part of these financial statements.

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HARMONIC LIGHTWAVES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 27, 1996	SEPTEMBER 29, 1995	SEPTEMBER 27, 1996	SEPTEMBER 29, 1995
	-----	-----	-----	-----
Net sales	\$16,670	\$10,659	\$41,397	\$28,503
Cost of sales	8,846	5,731	22,602	15,554
	-----	-----	-----	-----
Gross profit	7,824	4,928	18,795	12,949
	-----	-----	-----	-----
Operating expenses:				
Research and development	2,617	1,755	6,548	4,509
Sales and marketing	2,732	1,404	6,968	4,107
General and administrative	865	619	2,325	1,525
	-----	-----	-----	-----
Total operating expenses	6,214	3,778	15,841	10,141
	-----	-----	-----	-----
Income from operations	1,610	1,150	2,954	2,808
Interest expense	--	(60)	--	(186)
Interest and other income (expense), net	223	340	744	453
	-----	-----	-----	-----
Income before income taxes	1,833	1,430	3,698	3,075
Provision for income taxes	92	72	185	154
	-----	-----	-----	-----
Net income	\$ 1,741	\$ 1,358	\$ 3,513	\$ 2,921
	=====	=====	=====	=====
Net income per share	\$ 0.15	\$ 0.12	\$ 0.31	\$ 0.29
	=====	=====	=====	=====
Weighted average common shares and equivalents	11,577	11,364	11,427	10,098
	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

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HARMONIC LIGHTWAVES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	NINE MONTHS ENDED	
	SEPTEMBER 27, 1996	SEPTEMBER 29, 1995
Cash flows from operating activities:		
Net income	\$ 3,513	\$ 2,921
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,803	1,143
Changes in assets and liabilities:		
Accounts receivable	(6,891)	(2,158)
Inventories	(1,221)	(3,247)
Prepaid expenses and other assets	(2,221)	(151)
Accounts payable	3,403	426
Accrued liabilities	1,576	1,254
	(38)	188
Cash flows used in investing activities for the acquisition of property and equipment	(5,017)	(1,273)
Cash flows from financing activities:		
Repayments under bank line of credit	--	(922)
Repayments of long-term debt	--	(1,825)
Proceeds from issuance of common stock, net	629	24,346
	629	21,599
Net (decrease) increase in cash and cash equivalents	(4,426)	20,514
Cash and cash equivalents at beginning of period	22,126	1,743
	\$17,700	\$22,257
	=====	=====
Supplemental schedule of cash flow information and noncash financing activities:		
Interest paid during the period	--	\$ 175
Income taxes paid during the period	\$ 134	\$ 96
Issuance of common stock upon conversion of mandatorily redeemable convertible preferred stock	--	\$29,215
Acquisition of property and equipment under capital leases and equipment term loan	--	\$ 752

The accompanying notes are an integral part of these financial statements.

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HARMONIC LIGHTWAVES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying financial statements include all adjustments (consisting only of normal recurring adjustments) which Harmonic Lightwaves, Inc. (the "Company") considers necessary for a fair presentation of the results of operations for the interim periods covered and the financial condition of the Company at the date of the balance sheets. The quarterly financial information is unaudited. This Quarterly Report on Form 10-Q should be read in conjunction with the Company's audited consolidated financial statements contained in the Company's Annual Report on Form 10-K which was filed with the Securities and Exchange Commission on March 29, 1996. The interim results presented herein are not necessarily indicative of the results of operations that may be expected for the full fiscal year ending December 31, 1996, or any other future period.

NOTE 2 - INVENTORIES (IN THOUSANDS)

	SEPTEMBER 27, 1996	DECEMBER 31, 1995
	-----	-----
	(UNAUDITED)	
Raw materials	\$ 2,374	\$ 2,866
Work-in-process	4,378	2,372
Finished goods	3,645	3,938
	-----	-----
	\$10,397	\$ 9,176
	=====	=====

NOTE 3 - INITIAL PUBLIC OFFERING

In May 1995, the Company completed its initial public offering ("IPO") of 2,600,000 shares of common stock, 600,000 of which were sold by existing stockholders, at a price of \$13.50 per share. Net proceeds to the Company were approximately \$24.2 million, after underwriter commissions and associated costs. Upon the closing of the IPO, all outstanding shares of Mandatorily Redeemable Convertible Preferred Stock automatically converted into an equal number of shares of Common Stock.

NOTE 4 - NET INCOME PER SHARE

Net income per share is computed using the weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares consist, where applicable, of Mandatorily Redeemable Convertible Preferred Stock (using the if converted method), and stock options and warrants (using the treasury stock method). Common equivalent shares are excluded from the computation if their effect is antidilutive except that, pursuant to the requirements of the Securities and Exchange Commission, common equivalent shares relating to stock options and warrants (using the treasury stock method and the initial public offering price) issued from April 1, 1994 through the date of the Company's IPO have been included in the computation for all periods presented through the Company's IPO, even if antidilutive.

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

OVERVIEW

Harmonic Lightwaves develops, manufactures and sells highly integrated fiber

optic transmission systems for emerging hybrid fiber coax ("HFC") cable television networks. The Company's products include optical transmitters and optical node receivers, return path transmitters and receivers, as well as network management hardware and software. These products are used in HFC networks by cable television and other broadband service providers.

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Actual results could differ materially from those projected in the forward-looking statements as a result of the risk factors set forth under "Factors That May Affect Future Results Of Operations" below and elsewhere in this Form 10-Q.

RESULTS OF OPERATIONS

NET SALES

The Company's net sales increased 56% from \$10.7 million in the third quarter of 1995 to \$16.7 million in the third quarter of 1996. For the nine month periods, net sales increased 45% from \$28.5 million in the first nine months of 1995 to \$41.4 million in the first nine months of 1996. This growth in net sales was primarily attributable to higher unit sales of the Company's existing products, particularly the PWRLink transmitter and 1550 nm MaxLink transmission system which began shipment during the second quarter of 1996. These factors were partially offset by lower unit sales of the YAGLink optical transmitter and lower selling prices for certain products. In the third quarter of 1996, both domestic and international sales increased over the levels achieved in the third quarter of 1995. International sales represented 55% of net sales in the third quarter of 1996 compared to 68% of net sales in the third quarter of 1995.

The Company received a letter dated October 17, 1996 from Tele-Communications, Inc. ("TCI"), asking it to stop product shipments to TCI until further notice. Based on published reports, the Company believes that it was one of approximately thirty equipment vendors to receive such a letter. In the third quarter of 1996, sales to TCI represented approximately 5% of the Company's net sales. The Company can not presently estimate when, if ever, it will be able to resume shipments to TCI. There can be no assurance that the Company will be able to replace shipments to TCI with shipments to new or existing customers or that, if shipments to TCI are resumed, such shipments will approach their historical level.

GROSS PROFIT

Gross profit increased from \$4.9 million (46% of net sales) in the third quarter of 1995 to \$7.8 million (47% of net sales) in the third quarter of 1996 and from \$12.9 million in the first nine months of 1995 (45% of net sales) to \$18.8 million (45% of net sales) in the first nine months of 1996. The increases in gross profit were principally due to higher unit sales, a more favorable product mix and lower material costs resulting from higher volumes, and were partially offset by lower selling prices for certain products.

RESEARCH AND DEVELOPMENT

Research and development expenses increased from \$1.8 million in the third quarter of 1995 to \$2.6 million in the third quarter of 1996, but remained constant as a percentage of net sales at 16%, reflecting higher sales levels. For the nine month periods, research and development expenses increased from \$4.5 million in 1995 to \$6.5 million in 1996, but remained constant as a percentage of net sales at 16% due to higher sales levels. The increases in research and development expenses in both periods were principally attributable

to increased headcount, particularly at the Company's Israeli subsidiary, and increased use of outside subcontractors and consultants in Israel and in connection with the network management and 1550 nm MaxLink

transmission system programs. Research and development expenses for the third quarters of 1995 and 1996 and first nine months of 1995 and 1996 are net of grants from the BIRD Foundation of approximately \$33,000, \$17,000, \$233,000 and \$120,000 respectively. The Company anticipates that research and development expenses will continue to increase substantially in absolute dollars, although such expenses may vary as a percentage of net sales.

SALES AND MARKETING

Sales and marketing expenses increased from \$1.4 million (13% of net sales) in the third quarter of 1995 to \$2.7 million (16% of net sales) in the third quarter of 1996. For the nine month periods, sales and marketing expenses increased from \$4.1 million (14% of net sales) to \$7.0 million (17% of net sales). The increases in expenses were primarily due to higher headcount associated with expansion of the direct sales force, customer service and technical support organizations, as well as higher promotional expenses. The Company intends to further expand its sales and marketing headcount during the remainder of 1996 and anticipates that sales and marketing expenses will continue to increase substantially in absolute dollars, although such expenses may vary as a percentage of net sales.

GENERAL AND ADMINISTRATIVE

General and administrative expenses increased from \$0.6 million (6% of net sales) in the third quarter of 1995 to \$0.9 million (5% of net sales) in the third quarter of 1996. For the nine month periods, general and administrative expenses increased from \$1.5 million (5% of net sales) to \$2.3 million (6% of net sales). The increases in expenses were principally attributable to costs of supporting the Company's growth in headcount and operations, and, to a lesser extent, to certain costs associated with being a public company. The Company expects to incur higher levels of general and administrative costs in the future, although such expenses may vary as a percentage of net sales.

INTEREST AND OTHER INCOME (EXPENSE)

Interest and other income (expense) were \$0.2 million and \$0.7 million in the three and nine month periods respectively, ended September 27, 1996, compared to \$0.3 million and \$0.3 million in the corresponding periods of 1995. The decrease in interest and other income in the third quarter of 1996 compared to the same period of 1995 was principally attributable to lower interest income due to lower cash balances and certain nonrecurring costs associated with the Company's move to its new corporate headquarters in Sunnyvale, California in August 1996. The increase in interest and other income in the first nine months of 1996 compared to the same period of 1995 was principally due to interest earned on higher average cash balances in 1996 following closing of the Company's IPO on May 30, 1995.

INCOME TAXES

The provisions for income taxes for both periods of 1995 and 1996 were based on an estimated effective annual tax rate of 5% resulting from federal and state alternative minimum taxes. This rate reflects estimated future realization of deferred tax assets, primarily net operating loss carryovers.

LIQUIDITY AND CAPITAL RESOURCES

The Company completed its initial public offering of Common Stock in May 1995, raising approximately \$24.2 million, net of offering costs. Prior to that, the Company satisfied its liquidity needs primarily from the net proceeds of private

sales of Preferred Stock, and to a lesser extent, from capital equipment leases and bank borrowings.

Cash (used) provided by operations was approximately \$0.0 and \$0.2 million for the nine months ended September 27, 1996 and September 29, 1995, respectively. The decrease in cash provided by operations was primarily due to higher accounts receivable and prepayment of rents and deposits of \$2.1 million in connection with the Company's new corporate headquarters, partially offset by higher accounts payable, net income and depreciation expense. The increase in accounts receivable during the first nine months of 1996 was attributable principally to sales growth and higher days outstanding at September 27, 1996 compared to December 31, 1995 due to the seasonal pattern of sales in the fourth quarter of 1995.

As of September 27, 1996, the Company had net working capital of \$32.2 million, including \$17.7 million of cash and cash equivalents. During the third quarter, the Company renegotiated its bank line of credit which now provides for up to \$10.0 million in borrowings and expires in September 1997. The line of credit bears interest at the bank's prime rate or LIBOR plus 2.0%. There were no outstanding borrowings under this line during the first nine months of 1996.

Additions to property, plant and equipment were approximately \$5.0 million and \$2.0 million in the nine months ended September 27, 1996 and September 29, 1995, respectively. The increase in 1996 compared to 1995 was due principally to increased expenditures for manufacturing and test equipment resulting from higher demand for the Company's products, introduction of new products, and leasehold improvements and furniture and fixtures for the new facility. The Company expects to spend approximately \$6.0 million on capital expenditures in 1996.

The Company believes that its cash balances, anticipated funds generated from operations, and funds available under its bank line of credit will be sufficient to satisfy its cash requirements for at least the next twelve months.

FACTORS THAT MAY AFFECT FUTURE RESULTS OF OPERATIONS

Potential Fluctuations in Future Operating Results

The Company's operating results have fluctuated and are likely to continue to fluctuate in the future, on an annual and a quarterly basis, as a result of a number of factors, many of which are outside of the Company's control, including the level of capital spending in the cable television industry, changes in the regulatory environment, changes in market demand, the timing of customer orders, competitive market conditions, lengthy sales cycles, new product introductions by the Company or its competitors, market acceptance of new or existing products, the cost and availability of components, the mix of the Company's customer base and sales channels, the mix of products sold, the development of custom products, the level of international sales and general economic conditions. The Company establishes its expenditure levels for product development and other operating expenses based on projected sales levels, and expenses are relatively fixed in the short term. Accordingly, variations in timing of sales can cause significant fluctuations in future operating results. In addition, because a significant portion of the Company's business is derived from orders placed by a limited number of large customers, the timing of such orders can also cause significant fluctuations in the Company's operating results. If sales are below expectations in any given quarter, the adverse impact of the shortfall on the Company's operating results may be magnified by the Company's inability to adjust spending to compensate for the shortfall.

Dependence on Key Customers and End Users

Historically, a substantial majority of the Company's sales have been to relatively few customers. Sales to the Company's ten largest customers in 1994, 1995 and the first nine months of 1996 accounted for approximately 88%, 80% and 77%, respectively, of its net sales. Due in part to the consolidation of ownership of domestic cable television systems, the Company expects that sales to relatively few customers will continue to account for a significant percentage of net sales for the foreseeable future. Substantially all of the

Company's sales are made on a purchase order basis, and none of the Company's customers has entered into a long-term agreement requiring it to purchase the Company's products. The loss of, or any reduction in orders from, a significant customer, could have a material adverse effect on the Company's business and operating results. The Company received a letter dated October 17, 1996 from Tele-Communications, Inc. ("TCI"), asking it to stop product shipments to TCI until further notice. Based on published reports, the Company believes that it was one of approximately thirty equipment vendors to receive such a letter. In the third quarter of 1996, sales to TCI represented approximately 5% of the Company's net sales. The Company can not presently estimate when, if ever, it will be able to resume shipments to TCI. There can be no assurance that the Company will be able to replace shipments to TCI with shipments to new or existing customers or that, if shipments to TCI are resumed, such shipments will approach their historical level.

Dependence on Cable Television Industry Capital Spending

To date, substantially all of the Company's sales have been derived, directly or indirectly, from sales to cable television operators. Demand for the Company's products depends to a significant extent upon the magnitude and timing of capital spending by cable television operators for constructing, rebuilding or upgrading their systems. The capital spending patterns of cable television operators are affected by a variety of factors, including access to financing, cable television operators' annual budget cycles, the status of federal, local and foreign government regulation and television deregulation, overall demand for cable television services, competitive pressures (including the availability of alternative video delivery technologies such as satellite broadcasting), discretionary customer spending patterns and general economic conditions. The Company believes that the consolidation of ownership of domestic cable television systems, by acquisition and system exchanges, together with uncertainty over regulatory issues, particularly the debate over the provisions of the Telecommunications Act of 1996, caused delays in capital spending by major domestic MSOs during the second half of 1995 and first quarter of 1996. Although the act was passed into law in February 1996 and the Company believes that its provisions will result in increased capital expenditures in the telecommunications industry, there can be no assurance that domestic MSOs will increase capital spending in the near future, or at all, or that the Company's sales will increase as a result of increased capital spending by the MSOs. In addition, cable television capital spending can be subject to the effects of seasonality, with fewer construction and upgrade projects typically occurring in winter months and otherwise being affected by inclement weather.

Highly Competitive Industry

The market for cable television transmission equipment is extremely competitive and has been characterized by rapid technological change. Most of the Company's competitors are substantially larger and have greater financial, technical, marketing and other resources than the Company. Many of such large competitors are in a better position than the Company to withstand any significant reduction in capital spending by cable television operators. In addition, many of the Company's competitors have more long standing and established relationships with domestic and foreign cable television operators than does the Company. There can be no assurance that the Company will be able to compete successfully in the future or that competition will not have a material adverse effect on the Company's business and operating results.

Rapid Technological Change

The market for the Company's products is relatively new, making it difficult to accurately predict the market's future growth rate, size and technological direction. In view of the evolving nature of this market, there can be no assurance that cable television operators, telephone companies or other suppliers of broadband services will not decide to adopt alternative architectures or technologies that are incompatible with the Company's products, which would have a material adverse effect on the Company's business and operating results.

The broadband communications markets are characterized by continuing technological advancement. To compete successfully, the Company must design, develop, manufacture and sell new products that provide

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increasingly higher levels of performance and reliability. As new markets for fiber optic transmission equipment continue to develop, the Company must successfully develop new products for these markets in order to remain competitive. For example, to compete successfully in the future, the Company believes that it must successfully develop and introduce products that will facilitate fiber optic digital signal transmission, and that it must successfully introduce and market a 1550nm transmission system. While the Company began initial shipments of its 1550nm MaxLink transmission systems in the second quarter of 1996, there can be no assurance that the Company will successfully complete the introduction of its 1550nm MaxLink transmission system, that the Company will successfully develop or introduce products that will facilitate fiber optic digital signal transmission, or that such products will achieve commercial acceptance. The failure of the Company to successfully develop and introduce new products that address the needs of the broadband communications market could have a material adverse effect on the Company's business and operating results. In addition, there can be no assurance that the successful introduction by the Company of new products will not have an adverse effect on the sales of the Company's existing products. For instance, an emerging trend in the domestic market toward narrowcasting (targeted delivery of advanced services to small groups of subscribers) is causing changes in the network architectures of some cable operators. This may have the effect of changing the Company's product mix toward lower price transmitters, which could adversely affect the Company's gross margins.

Sole or Limited Sources of Supply

Certain components and subassemblies necessary for the manufacture of the Company's products are obtained from a sole supplier or a limited group of suppliers. The reliance on sole or limited suppliers and the Company's increasing reliance on subcontractors involve several risks, including a potential inability to obtain an adequate supply of required components or subassemblies and reduced control over pricing, quality and timely delivery of components or subassemblies. The Company does not maintain long-term agreements with any of its suppliers or subcontractors. An inability to obtain adequate deliveries or any other circumstance that would require the Company to seek alternative sources of supply could affect the Company's ability to ship its products on a timely basis, which could damage relationships with current and prospective customers and could have a material adverse effect on the Company's business and operating results. The Company believes that investment in inventories will constitute a significant portion of its working capital in the future. As a result of such investment in inventories, the Company may be subject to an increasing risk of inventory obsolescence in the future, which would materially and adversely affect its business and operating results.

Risks of International Operations

Sales to customers outside of the United States, in 1995 and the first nine months of 1996, represented 65% and 62% of net sales, respectively, and the Company expects that international sales will continue to represent a substantial portion of its net sales for the foreseeable future. In addition, the Company has an Israeli subsidiary that engages primarily in research and development. International operations are subject to a number of risks, including changes in foreign government regulations and telecommunications standards, export license requirements, tariffs and taxes, other trade barriers, fluctuations in currency exchange rates, difficulty in collecting accounts receivable, difficulty in staffing and managing foreign operations and political and economic instability. While international sales are typically denominated in U.S. dollars, fluctuations in currency exchange rates could cause the Company's products to become relatively more expensive to customers in a particular

country, leading to a reduction in sales or profitability in that country. Payment cycles for international customers are typically longer than those for customers in the United States. There can be no assurance that foreign markets will continue to develop or that the Company will receive additional orders to supply its products for use in foreign broadband systems.

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PART II

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

Exhibit #	Description of Document
11.1	Computation of Net Income Per Share
27.1	Financial Data Schedule

B. Reports on Form 8-K

The Company did not file any reports on Form 8-K during the three months ended September 27, 1996.

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SIGNATURE

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

Dated: November 7, 1996

HARMONIC LIGHTWAVES, INC.
(Registrant)

By: /s/ Robin N. Dickson

Robin N. Dickson
Chief Financial Officer
(Principal Financial and Accounting Officer)

HARMONIC LIGHTWAVES, INC.

Index to Exhibits

EXHIBIT NO.	DESCRIPTION OF DOCUMENT
11.1	Computation of Net Income Per Share
27.1	Financial Data Schedule

HARMONIC LIGHTWAVES, INC.

COMPUTATION OF NET INCOME PER SHARE
(In thousands, except per share data)
(Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 27, 1996	SEPTEMBER 29, 1995	SEPTEMBER 27, 1996	SEPTEMBER 29, 1995
	-----	-----	-----	-----
Net income	\$ 1,741 =====	\$ 1,358 =====	\$ 3,513 =====	\$ 2,921 =====
Weighted average shares outstanding:				
Common stock	10,150	9,812	10,072	8,607
Common stock issuable upon exercise of options and warrants	1,427 -----	1,552 -----	1,355 -----	1,491 -----
Weighted average common shares and equivalents	11,577 =====	11,364 =====	11,427 =====	10,098 =====
Net income per share (1)	\$ 0.15 =====	\$ 0.12 =====	\$ 0.31 =====	\$ 0.29 =====

(1) Computed in the manner described in Note 4 to Notes to Condensed Consolidated Financial Statements.

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