

RIMAGE CORP  
Form 10-Q/A  
May 11, 2012  
Table of Contents

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

---

**FORM 10-Q/A**

**(Amendment No. 1)**

---

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED **March 31, 2012**; 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 41-1577970  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

**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 April 30, 2012 – 10,135,119 shares of \$.01 par value Common Stock.

**Description of Amendment No. 1 to Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2012:**

On May 8, 2012, Rimage Corporation (the “Company”) filed its Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 (the “Original Form 10-Q”). This Amendment No. 1 to Form 10-Q for the quarter ended March 31, 2012 is being filed solely for the purpose of correcting the headings on the selected financial information from the Company’s condensed consolidated statements of operations included in Part I, Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of the Original Form 10-Q. As presented in the Original Form 10-Q, the headings erroneously referred to the three months ended March 31, 2011 and 2010 and 2011 v. 2010, rather than the three months ended March 31, 2012 and 2011 and 2012 v. 2011.

This Amendment No. 1 to Form 10-Q does not reflect events occurring after the filing of the Original Form 10-Q and, other than the correction noted above, does not modify or update the disclosure in the Original Form 10-Q in any way.

**RIMAGE CORPORATION**

**FORM 10-Q/A**

**(AMENDMENT NO. 1)**

**TABLE OF CONTENTS**

**FOR THE QUARTER ENDED MARCH 31, 2012**

|                | Description                                                                                  | Page |
|----------------|----------------------------------------------------------------------------------------------|------|
| PART 1         | FINANCIAL INFORMATION                                                                        |      |
| <u>Item 2.</u> | <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | 3-7  |
| <u>PART II</u> | <u>OTHER INFORMATION</u>                                                                     | 8    |
| <u>Item 6.</u> | <u>Exhibits</u>                                                                              | 8    |

SIGNATURES

9

2

Table of Contents**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 operations.

|                                          | Percentage<br>(%) of<br>Revenues<br>Three Months<br>Ended<br>March 31, |         | Percentage<br>(%)<br>Inc/(Dec)<br>Between<br>Periods<br>2012 vs.<br>2011 |   |
|------------------------------------------|------------------------------------------------------------------------|---------|--------------------------------------------------------------------------|---|
|                                          | 2012                                                                   | 2011    |                                                                          |   |
| Revenues                                 | 100.0                                                                  | 100.0   | (9.3                                                                     | ) |
| Cost of revenues                         | (50.8 )                                                                | (49.7 ) | (7.3                                                                     | ) |
| Gross profit                             | 49.2                                                                   | 50.3    | (11.2                                                                    | ) |
| Operating expenses:                      |                                                                        |         |                                                                          |   |
| Research and development                 | (16.0 )                                                                | (7.2 )  | 100.1                                                                    |   |
| Selling, general and administrative      | (47.2 )                                                                | (32.3 ) | 33.2                                                                     |   |
| Amortization of intangibles              | (1.3 )                                                                 | —       | —                                                                        |   |
| Operating income (loss)                  | (15.3 )                                                                | 10.8    | (227.9                                                                   | ) |
| Other income, net                        | (0.3 )                                                                 | 0.2     | (300.0                                                                   | ) |
| Income (loss) before income taxes        | (15.6 )                                                                | 11.0    | (228.9                                                                   | ) |
| Income tax benefit (expense)             | 6.5                                                                    | (4.1 )  | (245.3                                                                   | ) |
| Net income (loss)                        | (9.1 )                                                                 | 6.9     | (219.3                                                                   | ) |
| Noncontrolling interest                  | 0.3                                                                    | 0.1     | 326.7                                                                    |   |
| Net income (loss) attributable to Rimage | (8.8 )                                                                 | 7.0     | (213.8                                                                   | ) |

**Overview**

Rimage helps businesses deliver digital content directly and securely to their customers and employees. As part of its acquisition of Qumu (described below) and integration of Qumu's enterprise video communications product line and preparation for the introduction in the second quarter 2012 of its internally developed online publishing solution, the Company began organizing and managing its business effective in the first quarter of 2012 in two reportable segments based on the nature of its products and markets, consisting of disc publishing and online publishing. Rimage's disc publishing business supplies customers in North America, Europe and Asia with industry-leading solutions that archive, distribute and protect content on CDs, DVDs and Blu-ray Discs™. The Company's online publishing business enables online distribution of content through two delivery systems, 1) live and on-demand streaming video through its enterprise video communications product line, acquired as part of the acquisition of Qumu, and 2) secure push-based content delivery to personal computers, tablets and smart phones through its Signal online publishing solution, introduced in the second quarter of 2012. The combination of disc publishing and online publishing enables

businesses to securely deliver their videos, documents, audio files and images in today's multi-platform, multi-device world.

Rimage distributes its disc publishing systems from its operations in the United States, Germany, Japan and China. The Company also distributes related consumables for use with its disc publishing systems, consisting of media kits, ribbons, ink cartridges and Rimage-branded blank CD-R, DVD-R and Blu-ray media. These systems allow customers to distribute digital content in markets and applications such as medical imaging; video workflows, manufacturing, business services, including banking and finance; and government law enforcement, including surveillance and evidence management. As Rimage's sales within North America and Europe have averaged approximately 90% 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 introduced its Signal online publishing solution in the second quarter of 2012, and the Company expects to begin to generate revenues from Signal during the second half of 2012. Signal is designed to help companies push content directly to the personal computers, tablets and smart phones of their employees, partners, suppliers and customers while applying security and usage policies that effectively manage its distribution, even when it is resident on subscribers' devices and disconnected from the internet. The initial sales focus will be on helping customers deliver pre-release content for media and entertainment and on securing business content to tablets for corporations.

On October 10, 2011, the Company acquired 100% of the capital stock of Qumu pursuant to an Agreement and Plan of Merger (the "Merger Agreement"). Based in San Bruno, California, Qumu is a leading supplier of enterprise video communication solutions and social enterprise applications for business. Qumu's products are expected to complement Rimage's recently introduced Signal online publishing solution, and each company is expected to benefit from the other's existing customer base. As a result of the acquisition, Qumu is a wholly-owned subsidiary of the Company.

Table of Contents

Through the acquisition of Qumu, the Company's enterprise video communications solutions, included in the online publishing business, are deployed primarily through the sale of software licenses and software on a server appliance. Software maintenance contracts and professional services are also sold with these solutions. The recently introduced Signal solution, also included in the online publishing business, did not generate any revenues in the first quarter 2012. Signal is expected to be deployed through a cloud-based SaaS platform as well as the sale of software licenses and software on a server appliance, depending on customer preference. The Company's disc publishing business earns revenues through the sale of equipment, consumables and parts as well as maintenance contracts, repair and installation services. Product revenues on the accompanying consolidated statements of operations include the Company's sale of equipment and appliances, consumables, parts and software licenses. Service revenues on the consolidated statements of operations include revenues from maintenance contracts, repair, installation and professional services. Rimage has no long-term debt and does not require significant capital investment as all fabrication of its products is outsourced to vendors.

**Results of Operations****Revenues.**

The table below describes Rimage's revenues by segment and product category (in thousands):

|                                  | Three Months Ended March 31, |      |         |       | Inc (Dec) |       |
|----------------------------------|------------------------------|------|---------|-------|-----------|-------|
|                                  | 2012                         |      | 2011    |       | Between   |       |
|                                  | \$                           | %    | \$      | %     | Periods   |       |
|                                  |                              |      |         |       | \$        | %     |
| Disc publishing                  |                              |      |         |       |           |       |
| Disc publishing equipment:       |                              |      |         |       |           |       |
| Producer                         | \$2,779                      | 14 % | \$2,813 | 13 %  | \$(34 )   | -1 %  |
| Professional                     | 3,208                        | 16 % | 3,725   | 17 %  | (517 )    | -14 % |
| Desktop                          | 529                          | 3 %  | 635     | 3 %   | (106 )    | -17 % |
| Total disc publishing equipment  | 6,516                        | 33 % | 7,173   | 33 %  | (657 )    | -9 %  |
| Recurring:                       |                              |      |         |       |           |       |
| Consumables and parts            | 8,551                        | 44 % | 11,608  | 54 %  | (3,057)   | -26 % |
| Service                          | 3,017                        | 16 % | 2,675   | 12 %  | 342       | 13 %  |
| Total recurring                  | 11,568                       | 59 % | 14,283  | 67 %  | (2,715)   | -19 % |
| Total disc publishing            | 18,084                       | 93 % | 21,456  | 100 % | (3,372)   | -16 % |
| Online publishing                |                              |      |         |       |           |       |
| Software licenses and appliances | 332                          | 2 %  | —       | —     | 332       | —     |
| Service                          | 1,045                        | 5 %  | —       | —     | 1,045     | —     |
| Total online publishing          | 1,377                        | 7 %  | —       | —     | 1,377     | —     |

|       |          |       |          |       |           |      |
|-------|----------|-------|----------|-------|-----------|------|
| Total | \$19,461 | 100 % | \$21,456 | 100 % | \$(1,995) | -9 % |
|-------|----------|-------|----------|-------|-----------|------|

Total revenues decreased 9%, or \$2.0 million, to \$19.5 million for the three months ended March 31, 2012 from \$21.5 million in the prior-year period. The decline in total revenues between periods reflects a \$3.4 million reduction in disc publishing revenues, partially offset by \$1.4 million in revenues generated by the enterprise video communications product line, included in the online publishing business. Consolidated product revenues decreased \$3.4 million, partially offset by a \$1.4 million increase in service-related revenues. The decline in product revenues resulted from a \$3.7 million decrease in disc publishing product sales, partially offset by \$0.3 million in revenues generated by the Company's video communications online publishing product line. The increase in service-related revenues between periods resulted from \$1.1 million in revenues generated by video communications products and a \$0.3 million increase in disc publishing revenues. International sales comprised approximately 38% of total revenues for the three months ended March 31, 2012 and 2011, respectively. In the aggregate, currency fluctuations had a minimal impact, decreasing consolidated revenues for the three months ended March 31, 2012 by \$0.2 million, or 1%.

The \$3.7 million reduction in disc publishing product revenues for the three months ended March 31, 2012 compared to the same period in 2011 was primarily driven by a \$3.0 million decline in consumable sales. The decline in consumable sales was due to the Company's retail customers reducing their consumables inventories in the first quarter 2012, compared to strong retail consumable sales in the first quarter of 2011, which reflected the impact of a large multi-system retail order in 2010 that significantly expanded the Company's retail customer base and usage of consumable products. Also impacting the current period decline in consumable sales was the impact of customers purchasing consumables inventory in the last half of March 2011 to minimize potential supply disruptions caused by the tsunami and earthquake that struck the northeast area of Japan in March 2011. Professional Series equipment sales were down \$0.6 million from last year's first quarter, primarily impacted by a decline in sales of these products in the U.S. retail market segment, due primarily to the completion in the first quarter 2011 of the multi-system sales agreement with a retail customer referred to above, and weaker sales performance in Europe.

The \$1.4 million increase in service-related revenues in the current period was driven by \$1.0 million in revenues generated by the video communications online publishing product line, consisting of revenues from software maintenance contracts and professional services, and a \$0.3 million increase in disc publishing revenues. The increase in disc publishing service-related revenues was primarily the result of an increasing base of systems covered by a maintenance contract, driven largely by the multi-system sales to a U.S. retail customer starting in 2010 and continuing through 2011, and increased attachment of maintenance contracts to international product sales.

Table of Contents

International disc publishing product line sales, inclusive of the impact of currency changes, decreased 9% in the first quarter of 2012 from the same prior-year period, and comprised 41% of total disc publishing sales compared to 38% in the first quarter of 2011. The reduction in international sales was driven by declining sales in the Company's European markets of 15%, partially offset by a 12% increase in sales in the Company's Asian markets. The current period reduction in sales in the Company's European markets was the result of a challenging economic environment and the impact of increased competition, augmented by the unfavorable impact of foreign currency fluctuations which decreased European sales by approximately 4% in the first quarter of 2012. The European market, however, continued to generate the majority of international sales. Without the impact of currency changes, international revenues would have decreased 6% in the first quarter of 2012 compared to the same period in 2011.

Future revenues will be dependent upon many factors, including the continued growth of Qumu's enterprise video communications online publishing product line, the timing of revenue recognition depending upon whether Qumu structures its license arrangements with customers as term or perpetual licenses, the Company's ability to successfully commercialize its Signal online publishing solution, introduced in the second quarter of 2012, the success of the Company's deployment of a complete digital publishing solution for medical imaging in hospitals in China and the rate of adoption of other new solutions-based products introduced by the Company. Other factors that will influence future revenues include the timing of new product introductions, the rate of adoption of other new applications for the Company's products in its targeted markets, the performance of the Company's channel partners, the timing of customer orders and related product deliveries, the Company's ability to maintain continuous supply of its products and components, the impact of changes in economic conditions and the impact of foreign currency exchange rate fluctuations.

**Gross profit.** Gross profit as a percentage of total revenues was 49.2% for the three months ended March 31, 2012, compared to 50.3% for the same period in 2011, which was comprised only of disc publishing revenues. In the current period, the disc publishing business generated an aggregate gross margin of 50.5% and the enterprise video communications online publishing product line generated a margin of 31.8%, inclusive of the impact of amortization expense associated with intangible assets acquired as a result of the Qumu acquisition. Amortization expense of \$0.2 million had a 15.9% unfavorable impact on the online publishing product line gross margin in the current period.

The current period decline of 1.1% in gross profit as a percentage of total revenues was primarily impacted by lower gross margins generated by the enterprise video communications product line. Inclusive of the impact of amortization expense, the online publishing business contributed 1.3% of the decline in gross profit as a percentage of total revenues. In addition to the impact of amortization expense, online publishing margins were unfavorably impacted by a low volume and concentration of higher margin software license revenues. Partially offsetting the unfavorable impact of the above was the favorable impact of a general shift in the mix of disc publishing sales from lower margin products, including media, media kits and retail equipment sales, to higher margin products, including Producer and non-retail Professional Series equipment.

Future gross profit margins will continue to be affected by many factors, including product mix, the timing of new product introductions, the timing of customer orders and related product deliveries, changes in material costs and supply sources, manufacturing volume, the growth rate of service-related revenues relative to associated service support costs and foreign currency exchange rate fluctuations. Future gross margins will also be impacted by the integration of Qumu's enterprise video communications online publishing product line, which has historically generated higher gross margins than the Company's disc publishing business. This benefit will be partially offset in future years from the inclusion of amortization expense associated with intangibles acquired as a result of the Qumu acquisition, expected to approximate \$0.9 million in 2012.

**Operating expenses.** Total operating expenses amounted to \$12.5 million in the second quarter of 2012, compared to \$8.5 million in the same prior-year period. The \$4.1 million rise in total operating expenses between periods occurred primarily as a result of expenses incurred to support the Company's online publishing business, including \$3.7 million of expenses to support Qumu's enterprise video communications product line, \$0.2 million of expenses associated with the amortization of intangible assets acquired as part of the acquisition of Qumu and a \$0.3 million increase in expenses to support the Company's internally developed online publishing solution, Signal.

Research and development expenses totaled \$3.1 million and \$1.6 million for the three months ended March 31, 2012 and 2011, respectively, representing 16% and 7% of revenues in the respective periods. The \$1.5 million increase from 2011 reflects the inclusion of \$1.3 million of research and development expenses generated by Qumu to support the enterprise video communications product line, included in the Company's online publishing business. The remaining \$0.2 million increase is driven by costs to support the development of the Signal online publishing solution and enhancements of disc publishing products. Rimage anticipates expenditures in research and development in the second quarter 2012 will be comparable to that of the first quarter.

Selling, general and administrative expenses for the three months ended March 31, 2012 totaled \$9.2 million, or 47% of revenues, compared to expenses in the same prior-year period of \$6.9 million, or 32% of revenues. The \$2.3 million rise in expenses in the current-year period primarily reflects the impact of \$2.4 million of expenses incurred to support the enterprise video communications product line, included in the Company's online publishing business. The Company also continued to make investments to strengthen its core business and implement its growth strategy. Rimage anticipates expenditures for selling, general and administrative activities in the second quarter to increase moderately relative to the first quarter 2012 expense levels, primarily due to increased online publishing sales and marketing expenses.

## Table of Contents

**Amortization of Purchased Intangibles.** Operating expenses in 2012 include \$0.2 million for the amortization of intangible assets acquired as part of the Company's acquisition of Qumu in October 2011. Operating expenses in 2012 are expected to include approximately \$1.1 million of amortization expense associated with the Qumu acquisition, exclusive of the portion classified in cost of revenues.

**Other income, net.** The Company recognized net interest income on cash and marketable securities of \$2,000 and \$67,000 for the three month periods ended March 31, 2012 and 2011, respectively. The reduction in interest income in the current-year period was primarily the result of a shift in investments to lower yield money market securities and the Company's use of approximately \$39 million in cash to acquire Qumu. Other income for the three months ended March 31, 2012 also included net losses on foreign currency transactions of \$72,000, compared to net losses of \$33,000 for the same period in the prior year.

**Income taxes.** The provision for income taxes represents federal, state and foreign income taxes on income. An income tax benefit of \$1.3 million, or 41.9% of loss before income taxes, was recorded for the three month period ended March 31, 2012, compared to income tax expense of \$0.9 million, or 37.2% of income before income taxes, for the three months ended March 31, 2011. The higher effective tax rate for the current-year period was primarily impacted by a reduction in the projected amount of annualized pre-tax income, resulting in all permanent differences, such as state income taxes and non-deductible meals and entertainment expenses, having a disproportionately larger impact on the effective tax rate. Also unfavorably impacting the effective tax rate for the current period was the impact of a reduced benefit from the Section 199 deduction and no benefit for the federal research credit, as this credit has not yet been reinstated for 2012. Favorable impacts to the effective tax rate in the current period included the impact of a benefit for the California state research credit associated with qualifying development expenses incurred by Qumu to develop the enterprise video communications product line.

**Net income (loss) / net income (loss) per share.** Resulting net loss attributable to Rimage for the three months ended March 31, 2012 was \$1.7 million, or (9%) of revenues, compared to net income attributable to Rimage of \$1.5 million, or 7% of revenues, for the same prior-year period. Related net income (loss) per diluted share was (\$0.17) for the three months ended March 31, 2012, compared to \$0.16 per diluted share for the respective prior-year period.

## **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 cash reserves. At March 31, 2012, the Company had working capital of \$76.0 million, down \$2.3 million from working capital reported at December 31, 2011. The decrease was primarily the result of \$1.0 million in property and equipment purchases and \$1.7 million in dividends paid. 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 tooling-intensive parts is outsourced to vendors.

Effective October 2010, the Company's Board of Directors approved the continuation of common stock repurchases under original Board authorizations providing for the repurchase of up to 1,000,000 shares of the Company's common stock. 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 did not repurchase any shares of its common stock during the three months ended March 31, 2012. The repurchase program has been funded to date using cash on hand. As of March 31, 2012, the Company had 347,009 shares available for repurchase under the authorizations. On March 1, 2012, the Company's Board of Directors approved a quarterly dividend of \$0.17 per share payable March 20, 2012, to shareholders of record as of March 5, 2012. Additionally, on April 24, 2012, the Company's Board of Directors declared a dividend of \$0.17 per share payable June 15, 2012 to holders of record on May 31, 2012. The Company expects quarterly dividend payments during 2012 of approximately \$1.7 million. The Company also intends on utilizing its cash primarily for its continued organic growth and potential future strategic initiatives or alliances.

Net cash used by operating activities totaled \$0.7 million for the three months ended March 31, 2012, compared to net cash provided by operations of \$3.1 million in the same prior-year period. The \$3.8 million decrease in cash provided by operating activities resulted from a \$2.6 million decrease in net income adjusted for non-cash items and a \$1.2 million decrease in cash provided by changes in operating assets and liabilities. Primarily contributing to the change in operating assets and liabilities compared to the prior-year period were unfavorable changes of \$3.1 million in deferred income and \$1.1 million in trade accounts payable, partially offset by favorable changes of \$3.0 million in accounts receivable and \$0.7 million in inventories. The unfavorable change in deferred income was impacted primarily by a \$3.5 million sale of new maintenance contracts to a retail customer in the prior period under a multi-system sales agreement obtained in the second quarter of 2010. The unfavorable change in trade accounts payable occurred largely as a result of payments in the current period of previously accrued non-recurring engineering charges under a development agreement and the timing of other payments for trade payables. The favorable change in receivables was the result of decreased sales in February and March of 2012 compared to the same months in 2011. The favorable change in inventories in the current period occurred as the Company increased its inventory purchases from alternative supply sources in the first quarter of 2011 to minimize potential supply disruptions from its Japanese suppliers stemming from the earthquake and tsunami that struck the northeast area of Japan in March 2011.

Investing activities used net cash of \$1.0 million and \$2.5 million for the three months ended March 31, 2012 and 2011, respectively. Investing activities in the prior-year period included a \$2.0 million equity investment in BriefCam. Purchases of property and equipment during the three months ended March 31, 2012 and 2011 amounted to \$1.0 million and \$0.5 million, respectively. Capital expenditures in the current-year period consisted primarily of leasehold improvements and office equipment associated with the Company's facility in San Bruno, California. Capital expenditures in the prior-year period consisted primarily of the first installment payment of \$0.4 million for software source code, acquired and capitalized by the Company's Chinese joint venture in late 2010.

## Table of Contents

Financing activities used net cash of \$1.7 million for the three months ended March 31, 2012, compared to net cash provided of \$0.2 million for the same prior-year period. The current-year period includes \$1.7 million of dividend payments. Activity in the prior-year period consisted primarily of proceeds from stock option exercises and did not include any dividend payments.

## **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 condensed consolidated financial statements because they require the most difficult, subjective and complex judgments include revenue recognition, allowance for doubtful accounts, inventory provisions, deferred tax asset valuation allowances, accruals for uncertain tax positions, 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, 2011. Management made no significant changes to the Company's critical accounting policies during the three months ended March 31, 2012.

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 the Company's condensed consolidated financial statements for the three months ended March 31, 2012.

## **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 be 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.

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 90% 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 Company's targeted 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 mature market for disc publishing products, with limited growth potential; the Company's ability to successfully implement its growth strategy; the ability of the Company's newly developed products to gain acceptance and compete against products in their markets; the return on the Company's investment in strategic initiatives may be lower or develop more slowly than expected; the Company's ability to effectively address risks or other problems encountered in connection with the Qumu integration; the Company's ability to successfully commercialize its online publishing solution introduced in the second quarter of 2012; 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; risks related to open source software incorporated into Qumu's products; the Company's ability to effectively market its products and serve customers through its value-added resellers, distributors, strategic partners and its own sales force; the ability of the Qumu products to deliver fast, efficient and reliable service; the Company's ability to maintain adequate inventory of products; the Company's ability to secure alternative sources of supply given its reliance on single source suppliers for certain key products; the ability of the Company's products to operate effectively with the computer products developed and to be developed by other manufacturers; the compatibility of the Company's disc publishing products with products designed by others; 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; the negative effect on the Company's common stock price of future sales of 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, 2011. 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.

Table of Contents

**PART II -- OTHER INFORMATION**

**Item 6. Exhibits**

(a) The following exhibits are included herein:

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.

Table of Contents

**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: May 11, 2012 By: /s/ Sherman L. Black  
Sherman L. Black  
Chief Executive Officer  
(Principal Executive Officer)

Date: May 11, 2012 By: /s/ James R. Stewart  
James R. Stewart  
Chief Financial Officer  
(Principal Financial Officer)  
(Principal Accounting Officer)