DIGITAL POWER CORP

FORM 10QSB
(Quarterly Report of Financial Condition)

Filed 11/15/1999 For Period Ending 9/30/1999

Address	41920 CHRISTY ST
	FREMONT, California 94538
Telephone	510-657-2635
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Industry	Electronic Instr. & Controls
Sector	Technology
Fiscal Year	12/31

U.S. Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended September 30, 1999

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _______ to _______

COMMISSION FILE NUMBER 1-12711

DIGITAL POWER CORPORATION
(Exact name of small business issuer as specified in its charter)

California (State or other jurisdiction of incorporation or organization)	94-1721931 (IRS Employer Identification No.)

41920 Christy Street, Fremont, CA 94538-3158
(Address of principal executive offices)

(510) 657-2635
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 |_|

Number of shares of common stock outstanding as of September 30, 1999: 2,771,435

ITEM 1. Financial Statements

DIGITAL POWER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 1999

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	$ 527,977
Accounts receivable - trade, net of allowance for doubtful accounts of $320,000	3,500,187
Income tax refund receivable	175,457
Other receivables	78,118
Inventory, net	4,249,410
Prepaid expenses and deposits	91,100
Deferred income taxes	385,605
Total current assets	9,007,854
PROPERTY AND EQUIPMENT, net	1,267,354
EXCESS OF PURCHASE PRICE OVER NET ASSETS ACQUIRED net amortization of $243,924	1,219,464
DEPOSITS	14,472
TOTAL ASSETS	$ 11,509,144

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Notes payable	$ 940,000
Current portion of long-term debt	67,805
Current portion of capital lease obligations	47,725
Accounts payable	1,527,675
Accrued liabilities	1,150,176
Total current liabilities	3,733,381
CAPITAL LEASE OBLIGATIONS, less current position	97,096
OTHER LONG-TERM LIABILITIES	25,000
DEFERRED INCOME TAXES	26,000
Total liabilities	3,881,477
COMMITMENTS AND CONTINGENCIES	-
STOCKHOLDERS' EQUITY:	
Preferred stock issuable in series, no par value, 2,000,000 shares authorized; no shares issued and outstanding	-
Common Stock, no par value, 10,000,000 shares authorized; 2,771,435 shares issued and outstanding	9,012,679
Warrants	60,776
Additional paid-in capital	218,334
Accumulated deficit	(1,857,240)
Unearned employee stock ownership plan shares	(67,805)
Accumulated other comprehensive income	260,923
Total stockholders' equity	7,627,667
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$11,509,144

See accompanying notes to these condensed consolidated financial statements.

DIGITAL POWER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
REVENUES	$ 4,424,676	$ 4,677,219	$ 11,974,087	$ 14,307,580
COST OF GOODS SOLD	3,246,669	3,389,856	9,009,935	10,460,360
Gross Margin	1,178,007	1,287,363	2,964,152	3,847,220
OPERATING EXPENSES				
Engineering and product development	329,189	249,898	760,471	791,017
Marketing and selling	296,269	417,780	894,253	1,131,895
General and administrative	355,826	417,119	1,071,300	1,111,946
Total operating expenses	981,284	1,084,797	2,726,024	3,034,858
INCOME FROM OPERATIONS	196,723	202,566	238,128	812,362
OTHER INCOME (EXPENSES):				
Interest income	5,132	11,677	12,640	13,666
Interest expense	(41,474)	(60,511)	(140,362)	(175,586)
Translation loss	(2,958)	(17,096)	(9,218)	(32,056)
Other income (expense)	(39,300)	(65,930)	(136,940)	(193,976)
INCOME BEFORE INCOME TAXES	157,423	136,636	101,188	618,386
PROVISION FOR INCOME TAXES	60,100	53,100	98,900	236,000
NET INCOME	97,323	83,536	2,288	382,386
Other comprehensive income (loss):				
Foreign currency translation adjustment	159,172	53,843	(10,505)	123,937
Income tax benefit from exercise of stock options	-	19,000	-	19,000
COMPREHENSIVE INCOME (LOSS)	$ 256,495	$ 156,379	$ (8,217)	$ 525,323
NET INCOME PER SHARE				
BASIC	$ 0.04	$ 0.03	$ *	$ 0.14
DILUTED	$ 0.03	$ 0.03	$ *	$ 0.12

*Less than $0.01

See accompanying notes to these condensed consolidated financial statements.

DIGITAL POWER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	NINE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 1998
Cash Flows from Operating Activities:		
Net income	$ 2,288	$ 382,386
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	358,381	266,672
Allowance for doubtful accounts	-	(35,000)
Gain on disposal of asset	-	(16,648)
Deferred income taxes	-	(37,234)
Compensation recognized upon issuance of stock or stock options	-	48,032
Contribution to ESOP	117,113	118,164
Foreign currency translation adjustment	9,218	32,056
Changes in operating assets and liabilities:		
Accounts receivable	24,851	683,057
Other receivables	24,924	67,059
Income Tax Refund Receivable	217,189	-
Inventory	650,110	(882,891)
Prepaid expenses	(35,836)	(194,589)
Deposits	26,319	(7,167)
Accounts payable	280,820	(1,543,150)
Accrued liabilities	(444,922)	1,021,537
Other long-term liabilities	(10,043)	-
Net adjustments	1,218,124	(480,102)
Net cash provided by (used in) operating activities	1,220,412	(97,716)
Cash Flows from Investing Activities:		
Acquisition of Gresham Power Electronics	-	(3,370,293)
Purchases of property and equipment	(123,893)	(88,752)
Proceeds from sale of asset	-	19,673
Net cash used in investing activities	(123,893)	(3,439,372)
Cash Flows from Financing Activities:		
Proceeds from exercise of stock options including related tax benefits	-	156,506
Payments on long-term debt	(117,114)	(118,164)
Payments on capital lease obligations	(32,466)	(9,212)
Proceeds from line of credit	-	1,750,000
Principal payments on notes payable	(1,266,846)	-
Net cash provided by (used in) financing activities	(1,416,426)	1,779,130
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(19,723)	91,881
Net decrease in cash and cash equivalents	(339,630)	(1,666,077)
Cash and cash equivalents, beginning of period	867,607	2,205,282
Cash and cash equivalents, end of period	$ 527,977	$ 539,205

(Continued)

DIGITAL POWER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Continued)

	NINE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 1998
Supplemental non-cash investing and refinancing activities:		
Acquisition of fixed assets with debt	$ -	$ 147,857
Supplemental Cash Flow Information:		
Cash payments for:		
Interest	$ 142,052	$ 168,633
Income taxes	$ 41,957	$ 290,812

See accompanying notes to these condensed consolidated financial statements.

DIGITAL POWER CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB for the fiscal year ended December 31, 1998.

In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments, consisting only of normal recurring accruals, considered necessary to present fairly the Company's financial position at September 30, 1999, the results of operations for the three month and nine month periods ended September 30, 1999 and 1998, and cash flows for the nine months ended September 30, 1999 and 1998. The results for the period ended September 30, 1999, are not necessarily indicative of the results to be expected for the entire fiscal year ending December 31, 1999.

NOTE 2 - EARNINGS PER SHARE

The following represents the calculation of earnings per share:

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
BASIC				
Net Income	$ 97,323	$ 83,536	$ 2,288	$ 382,386
Weighted average number of common shares	2,771,435	2,734,837	2,771,435	2,712,778
Basic earnings per share	$ 0.04	$ 0.03	$ *	$ 0.14
DILUTED				
Net income	$ 97,323	$ 83,536	$ 2,288	$ 382,386
Weighted average number of common shares	2,771,435	2,734,837	2,771,435	2,712,778
Common stock equivalent shares representing Shares issuable upon exercise of stock options	64,981	252,763	65,226	350,730
Common stock equivalent shares representing Shares issuable upon exercise of warrants	--	--	--	3,161
Weighted average number of shares used in Calculation of diluted earnings per share	2,836,416	2,987,600	2,836,661	3,066,669
Diluted earnings per share	$ 0.03	$ 0.03	$ *	$ 0.12

* Less than $0.01

NOTE 3 - SEGMENT REPORTING

The company has identified its segments based upon its geographic operations. These segments are represented by each of the Company's individual legal entities: Digital Power Corporation (DPC), Poder Digital, S.A. de C.V. (PD) and Digital Power Limited (DPL). Segment information is as follows:

For the Three Months Ended September 30, 1999

	DPC	PD	DPL	Eliminations	Totals
Revenues	$ 2,570,215	$ 9,888	$ 1,844,573	$ --	$ 4,424,676
Intersegment Revenues	$ 68,109	$ 544,757	$ --	$ (612,866)	$ --
Interest Income	$ 32,892	$ 953	$ --	$ (28,713)	$ 5,132
Interest Expense	$ 32,662	$ 2,277	$ 35,248	$ (28,713)	$ 41,474
Income Tax Expense	$ --	$ --	$ 60,100	$ --	$ 60,100
Income (loss)	$ 14,324	$ (18,155)	$ 101,154	$ --	$ 97,323

For the Three Months Ended September 30, 1998

	DPC	PD	DPL	Eliminations	Totals
Revenues	$ 2,985,623	$ 11,894	$ 1,679,702	$ --	$ 4,677,219
Intersegment Revenues	$ 55,873	$ 386,092	$ --	$ (441,965)	$ --
Interest Income	$ 11,677	$ --	$ --	$ --	$ 11,677
Interest Expense	$ 45,099	$ 531	$ 14,881	$ --	$ 60,511
Income Tax Expense	$ 16,650	$ --	$ 36,450	$ --	$ 53,100
Income (loss)	$ 289,193	$(233,915)	$ 28,258	$ --	$ 83,536

For the Nine Months Ended September 30, 1999

	DPC	PD	DPL	Eliminations	Totals
Revenues	$ 7,003,497	$ 19,540	$ 4,951,050	$ --	$11,974,087
Intersegment Revenues	$ 169,019	$1,585,206	$ --	$ (1,754,225)	$ --
Interest Income	$ 95,289	$ 2,552	$ --	$ (85,201)	$ 12,640
Interest Expense	$ 100,841	$ 5,466	$ 119,256	$ (85,201)	$ 140,362
Income Tax Expense	$ --	$ --	$ 98,900	$ --	$ 98,900
Income (loss)	$ (80,845)	$ (34,379)	$ 117,512	$ --	$ 2,288

For the Nine Months Ended September 30, 1998

	DPC	PD	DPL	Eliminations	Totals
Revenues	$ 9,091,338	$ 31,090	$ 5,185,152	$ --	$14,307,580
Intersegment Revenues	$ 55,873	$1,266,388	$ --	$ (1,322,261)	$ --
Interest Income	$ 13,666	$ --	$ --	$ --	$ 13,666
Interest Expense	$ 122,486	$ 1,910	$ 51,190	$ --	$ 175,586
Income Tax Expense	$ 143,450	$ --	$ 92,550	$ --	$ 236,000
Income (loss)	$ 861,602	$ (674,283)	$ 195,067	$ --	$ 382,386

NOTE 4 - INCOME TAXES

Income tax expense (benefit) is comprised of the following:

	For the Three Months Ending September 30,		For the Three Months Ending September 30,	
	1999	1998	1999	1998
Federal	-	33,650	-	129,450
State	-	(17,000)	-	14,000
Foreign	60,100	36,450	98,900	92,550
Income tax expense	60,100	53,100	98,900	236,000

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

With the exception of historical facts stated herein, the matters discussed in this report are "forward looking" statements that involve risks and uncertainties that could cause actual results to differ materially from projected results. Such "forward looking" statements include, but are not necessarily limited to, statements regarding anticipated levels of future revenues and earnings from operations of the Company. Factors that could cause actual results to differ materially include, in addition to other factors identified in this report, a high degree of customer concentration, dependence on the computer and other electronic equipment industry, competition in the power supply industry, dependence on the Guadalajara, Mexico facility, and other risks factors detailed in the Company's Securities and Exchange Commission ("SEC") filings including the risk factors set forth in Company's Registration Statement on Form SB-2, SEC File No. 333-14199, and "Certain Considerations" section in the Company's Form 10-KSB for the year ended December 31, 1998. Readers of this report are cautioned not to put undue reliance on "forward looking" statements which are, by their nature, uncertain as reliable indicators of future performance. The Company disclaims any intent or obligation to publicly update these "forward looking" statements, whether as a result of new information, future events, or otherwise.

THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 1999, COMPARED TO SEPTEMBER 30, 1998

REVENUES

Revenues decreased by 5.4% to $4,424,676 for the three months ended September 30, 1999, from $4,677,219 for the three months ended September 30, 1998. Revenues from the Company's United Kingdom's operations of Digital Power Ltd. increased 9.8% to $1,844,573 for the third quarter ended September 30, 1999, from $1,679,702 for the third quarter ended September 30, 1998. Revenues attributed to the United States operations decreased by 13.9% from the same quarter during the prior year. The decrease in revenues can be attributed primarily from decreased purchases from one large customer who began buying a lower priced product from a competitor during the fourth quarter of 1998. This customer resumed placing orders with the Company during the first quarter of 1999, although at a lower volume. During the third quarter of 1999, this customer placed no significant orders with the Company.

For the nine months ended September 30, 1999, revenues decreased by 16.3% to $11,974,087 from $14,307,580 for the nine months ended September 30, 1998. The decrease in revenues during the nine months ended September 30, 1999, can be attributed primarily to the reduction in purchases from the one large customer as stated in the quarterly review discussion above. For the nine months ended September 30, 1999, Digital Power Ltd. contributed $4,951,050 to the Company's revenues compared to $5,185,152 for the nine months ended September 30, 1998.

GROSS MARGINS

Gross margins were 26.6% for the three months ended September 30, 1999, compared to 27.5% for the three months ended September 30, 1998. The decrease in gross margins can primarily be attributed to a product mix with lower gross margins.

Gross margins were 24.8% for the nine months ended September 30, 1999, compared to 26.9% for the nine months ended September 30, 1998. The decrease in gross margins can primarily be attributed to reduced shipment level of higher margin products.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses were 14.7% of revenues for the three months ended September 30, 1999, compared to 17.9% for the three months ended September 30, 1998. Selling, general and administrative expenses were 16.4% of revenues for the nine months ended September 30, 1999, compared to 15.7% for the nine months ended September 30, 1998. The continued cost containments implemented by the Company resulted in actual dollar reductions in these expenses of $182,804 for the quarter and $278,288 for the nine months ended September 30, 1999.

ENGINEERING AND PRODUCT DEVELOPMENT

Engineering and product development expenses were 7.4% of revenues for the three months ended September 30, 1999, and 5.3% for the three months ended September 30, 1998. Engineering and product development expenses were 6.4% of revenues for the nine months ended September 30, 1999, compared to 5.5% for the nine months ended September 30, 1998. Actual dollar expenditures increased $79,291 for the quarter reflecting the Company's commitment to invest in new product developments, in spite of current softness in revenues.

INTEREST EXPENSE

Interest expense, net of interest income, was $36,342 for the three months ended September 30, 1999, compared to $48,834 for the three months ended September 30, 1998. Interest expense, net of interest income, was $127,722 for the nine months ended September 30, 1999, compared to $161,920 for the nine months ended September 30, 1998. The decrease in interest expense is related primarily to payments made to reduce notes payable.

INCOME BEFORE INCOME TAXES

For the three months ended September 30, 1999, the Company had an income before income taxes of $157,423 compared to income before income taxes of $136,636 for the three months ended September 30, 1998. For the nine months ended September 30, 1999, the Company had income before income taxes of $101,188 compared to income of $618,386 for the nine months ended September 30, 1998.

INCOME TAX

The provision for income tax increased from $53,100 for the three months ended September 30, 1998, to $60,100 for the three months ended June 30, 1999, and decreased from $236,000 for the nine months ended September 30, 1998, to $98,900 for the nine months ended September 30, 1999. The increase in the effective tax rate for the nine months ended September 30, 1999, reflects increased taxable income from the UK operations without a corresponding benefit from losses generated in the US operations.

NET INCOME

Net income for the three months ended September 30, 1999, was $97,323 compared to $83,536 for the three months ended September 30, 1998. Net income for the nine months ended September 30, 1999, was $2,288, compared to $382,386 for the nine months ended September 30, 1998. The increase in net income for the three month period was due to the reduction in operating and other expenses implemented to bring costs in line with revenue levels, while the decrease in net income for the nine month period is related to decreased revenues for the nine month period, primarily related to the Company's United States operations.

LIQUIDITY AND CAPITAL RESOURCES

On September 30, 1999, the Company had cash of $527,977 and working capital of $5,274,473. This compares with cash of $539,205 and working capital of $5,724,124 at September 30, 1998. The decrease in working capital was due to an increase prepaid expenses and decrease of notes payable and accrued liabilities, offset by a decrease in accounts receivable and inventory and increase in accounts payable, resulting in a decrease in cash and cash equivalents. Cash provided by (used in) operating activities for the Company totaled $1,220,412 and ($97,716) for the nine months ended September 30, 1999 and 1998.

Cash used in investing activities was $123,893 for the nine months ended September 30, 1999, compared to $3,439,372 for the nine months ended September 30, 1998. For the nine months of 1998, $3,370,293 of the $3,439,372 cash used in investing activities was for the acquisition of Gresham Power Electronics. Net cash provided by (used in) financing activities was ($1,416,426) for the nine months ended September 30, 1999, compared to $1,779,130. The cash provided by financing activities in 1998 was primarily proceeds from a line of credit. Cash used in financing activities in 1998 was primarily the payments on outstanding borrowings.

IMPACT OF THE YEAR 2000 ISSUE

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's, or its suppliers' and customers' computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failures or miscalculations causing disruptions of operations including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

The Company upgraded its software at a cost of less than $10,000 and has been informed by its suppliers that such software is Year 2000 compliant. The software from these suppliers is used in major areas of the Company's operations such as for financial, sales, warehousing and administrative purposes. The Company has no internally generated software. The Company believes that all of its hardware is Year 2000 compliant. In connection with the acquisition of Gresham Power, the Company has acquired new hardware and software to address the Year 2000 Issue at a cost of approximately $150,000 to make Gresham Power Year 2000 compliant. Gresham Power has completed the installation of this new hardware and software. After reasonable investigation, the Company has not yet identified any other Year 2000 problem but will continue to monitor the issue. However, there can be no assurances that the Year 2000 problem will not occur with respect to the Company's computer systems.

The Company has initiated formal communications with significant suppliers and large customers to determine the extent to which those third parties' failure to remedy their own Year 2000 Issues would materially effect the Company and its subsidiaries. In the event that the Company receives indications from its suppliers and large customers that the Year 2000 Issue may materially effect their ability to conduct business, the Company will seek contingency plans such as finding other vendors that are Year 2000 compliant or increase its inventory of supplies or parts in an attempt to ensure smooth operations until such vendor can remedy the problem. The Company has not received any indication from its suppliers and large customers that the Year 2000 Issue may materially effect their ability to conduct business.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDS

None.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

On July 14, 1999, the Company held its annual meeting of shareholders for the election of directors and to approve amendments to amend the Articles of Incorporation as follows:

Election of Directors	For	Votes Withheld
Robert O. Smith	2,066,038	363,889
Chris Schofield	2,111,115	318,812
Thomas W. O'Neil, Jr.	2,111,115	318,812
Scott C. McDonald	2,111,115	318,812
Robert J. Boschert	2,109,315	320,612

Proposal #1 - To amend the Articles of Incorporation of Digital to adopt a new

Article VI to eliminate cumulative voting;

For	Against	Abstain	Not Voted
963,257	691,337	12,155	763,178

Proposal #2 - To amend the Articles of Incorporation of Digital to adopt a new

Article VII to eliminate shareholder action by written consent;

For	Against	Abstain	Not Voted
942,474	710,617	13,658	763,178

Proposal #3 - To amend the Articles of Incorporation of Digital to adopt a new Article VIII, which establishes higher voting requirements for shareholders in certain circumstances (a) to approve certain business combinations involving Digital and/or its subsidiaries, and (b) to amend Article VIII;

For	Against	Abstain	Not Voted
947,235	699,769	11,160	771,763

Proposal #4 - If either Proposal Nos. 1 or 2 is approved, to amend the Articles of Incorporation of Digital to adopt a new Article IX to require a higher voting requirement to amend Articles VI or VII;

For	Against	Abstain	Not Voted
955,376	701,469	9,904	763,178

Because approval of 66 2/3% of the outstanding shares of common stock was necessary to approval Proposals 1, 2, 3 and 4, such proposals were not adopted.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

27.1 Financial Data Schedule

SIGNATURES

In accordance with 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.

DIGITAL POWER CORPORATION
(Registrant)

Date: November 12, 1999	*/s/ Robert O. Smith* ------------------------------ *Robert O. Smith* *Chief Executive Officer* *(Principal Executive Officer)*
Date: November 12, 1999	*/s/ Philip G. Swany* ------------------------------ *Philip G. Swany* *Chief Financial Officer* *(Principal Financial Officer)*

ARTICLE 5

This schedule contains summary financial information extracted from the 10-QSB for the period ended September 30, 1999, for Digital Power Corporation and is qualified in its entirety by reference to such financial statements.

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1999
PERIOD END	SEP 30 1999
CASH	527,977
SECURITIES	0
RECEIVABLES	3,500,187
ALLOWANCES	320,000
INVENTORY	4,249,410
CURRENT ASSETS	9,007,854
PP&E	2,715,550
DEPRECIATION	1,448,196
TOTAL ASSETS	11,509,144
CURRENT LIABILITIES	3,733,381
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	9,012,679
OTHER SE	(1,385,012)
TOTAL LIABILITY AND EQUITY	11,509,144
SALES	11,974,087
TOTAL REVENUES	11,974,087
CGS	9,009,935
TOTAL COSTS	9,009,935
OTHER EXPENSES	2,726,024
LOSS PROVISION	0
INTEREST EXPENSE	140,362
INCOME PRETAX	101,188
INCOME TAX	98,900
INCOME CONTINUING	2,288
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	2,288
EPS BASIC	0.00
EPS DILUTED	0.00

End of Filing