SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED SEPTEMBER 30, 2000 (UNAUDITED)	COMMISSION FILE NUMBER 0-4041

HATHAWAY CORPORATION
(Incorporated Under the Laws of the State of Colorado)

8228 PARK MEADOWS DRIVE
LITTLETON, COLORADO 80124
TELEPHONE: (303) 799-8200

84-0518115
(IRS Employer Identification Number)

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 ninety (90) days.

YES /X/ NO / /

Number of Shares of the only class of Common Stock outstanding:
(4,476,000 as of September 30, 2000)

HATHAWAY CORPORATION

INDEX

HATHAWAY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)
(UNAUDITED)

	SEPTEMBER 30, 2000	JUNE 30, 2000
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,141	$ 2,928
Restricted cash	256	270
Trade receivables, net	7,360	7,976
Inventories, net	5,195	4,550
Other current assets	905	962
Total current assets	14,857	16,686
Property and equipment, net	1,734	1,707
Investment in joint ventures, net	1,657	1,482
Cost in excess of net assets acquired, net	42	59
Other long-term assets	90	3
Total Assets	$ 18,380	$ 19,937
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Line of credit	$ 601	$ 1,546
Accounts payable	1,878	1,879
Accrued and other current liabilities	4,590	5,205
Total Liabilities	7,069	8,630
Stockholders' Investment:		
Common stock	100	100
Additional paid-in capital	10,625	10,594
Loans receivable for stock	(161)	(235)
Retained earnings	4,800	4,791
Cumulative translation adjustments	(76)	34
Treasury stock	(3,977)	(3,977)
Total Stockholders' Investment	11,311	11,307
Total Liabilities and Stockholders' Investment	$ 18,380	$ 19,937

HATHAWAY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2000	1999
Revenues	$ 11,333	$ 8,905
Cost of products sold	7,098	5,763
Gross margin	4,235	3,142
Operating costs and expenses:		
Selling	1,616	1,495
General and administrative	1,196	1,241
Engineering and development	1,134	1,144
Restructuring charge	328	--
Amortization of intangibles	15	24
Total operating costs and expenses	4,289	3,904
Operating loss	(54)	(762)
Other income (expense), net:		
Equity income from investments in joint ventures	175	100
Interest and dividend income	31	18
Interest expense	(40)	(35)
Other expense, net	(17)	(84)
Total other income (expense), net	149	(1)
Income (loss) before income taxes	95	(763)
Benefit (provision) for income taxes	(86)	42
Net income (loss)	$ 9	$ (721)
Basic and diluted net income (loss) per share	$ 0.00	$ (0.17)
Basic weighted average shares outstanding	4,468	4,283
Diluted weighted average shares outstanding	4,901	4,283

HATHAWAY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2000	1999
Cash Flows From Operating Activities:		
Net income (loss)	$ 9	$ (721)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	196	218
Equity income from investments in joint ventures	(175)	(100)
Other	37	160
Changes in assets and liabilities:		
(Increase) decrease in -		
Restricted cash	4	(12)
Receivables	553	698
Inventories	(712)	(1,084)
Other current assets	(31)	(89)
Increase (decrease) in -		
Accounts payable	14	200
Accrued liabilities and other	(619)	(452)
Net cash used in operating activities	(724)	(1,182)
CASH USED IN INVESTING ACTIVITIES:		
Purchase of property and equipment	(215)	(154)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on line of credit	(1,008)	(45)
Borrowings on line of credit	63	45
Repayment on loan to employee stock ownership plan	74	--
Proceeds from exercise of employee stock options	31	--
Net cash used in financing activities	(840)	--
Effect of foreign exchange rate changes on cash	(8)	7
Net decrease in cash and cash equivalents	(1,787)	(1,329)
Cash and cash equivalents at June 30	2,928	2,416
Cash and cash equivalents at September 30	$ 1,141	$ 1,087

HATHAWAY CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PREPARATION AND PRESENTATION

The accompanying unaudited condensed consolidated financial statements include the accounts of Hathaway Corporation and its wholly-owned subsidiaries (the Company). All significant inter-company accounts and transactions have been eliminated in consolidation.

The condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission and include all adjustments which are, in the opinion of management, necessary for a fair presentation. Certain information and footnote disclosures normally included in financial statements which are prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The Company believes that the disclosures herein are adequate to make the information presented not misleading. The financial data for the interim periods may not necessarily be indicative of results to be expected for the year.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

It is suggested that the accompanying condensed interim financial statements be read in conjunction with the Consolidated Financial Statements and related Notes to such statements included in the June 30, 2000 Annual Report and Form 10-K previously filed by the Company.

2. INVENTORIES

Inventories, valued at the lower of cost (first-in, first-out basis) or market, are as follows (in thousands):

	SEPTEMBER 30, 2000	JUNE 30, 2000
Parts and raw materials, net	$3,249	$2,827
Finished goods and work-in process, net	1,946	1,723
	$5,195	$4,550

3. BASIC AND DILUTED EARNINGS PER SHARE

In accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share" (EPS), Basic and Diluted EPS have been computed as follows (in thousands, except per share data):

BASIC EPS COMPUTATION	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2000	1999
Numerator:		
Net income (loss)	$ 9	$ (721)
Denominator:		
Basic weighted average outstanding shares	4,468	4,283
Basic income (loss) per share	$ 0.00	$ (0.17)

DILUTED EPS COMPUTATION	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2000	1999
Numerator:		
Net income (loss)	$ 9	$ (721)
Denominator:		
Diluted weighted average outstanding shares	4,901	4,283
Diluted net income (loss) per share	$ 0.00	$ (0.17)

For the three months ended September 30, 2000, stock options to purchase 708,913 shares of common stock were included in the calculation of diluted earnings per share. For the three months ended September 30, 1999, stock options to purchase 871,004 shares of common stock were excluded from the calculation of diluted loss per share since the result would have been anti-dilutive.

4. SEGMENT INFORMATION

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131) requires disclosure of operating segments, which as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company operates in two different segments: Power and Process Business (Power and Process) and Motion Control Business (Motion Control). Management has chosen to organize the Company around these segments based on differences in products and services.

4. SEGMENT INFORMATION (CONTINUED)

The following tables provide information on the Company's segments (in thousands):

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,			
	2000		1999	
	POWER AND PROCESS	MOTION CONTROL	POWER AND PROCESS	MOTION CONTROL
Revenues from external customers	$ 5,664	$ 5,669	$ 4,838	$ 4,067
Equity income from investments in joint ventures	175	--	100	--
Income (loss) before income taxes	(1,259)	1,152	(1,363)	626

	AS OF SEPTEMBER 30, 2000		AS OF JUNE 30, 2000	
	POWER AND PROCESS	MOTION CONTROL	POWER AND PROCESS	MOTION CONTROL
Identifiable assets	$ 10,483	$ 7,694	$ 10,620	$ 7,134

The following is a reconciliation of segment information to consolidated information:

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2000	1999
Segments' loss before income taxes	$(107)	$(737)
Corporate activities	202	(26)
Consolidated income (loss) before income taxes	$ 95	$(763)

	AS OF SEPTEMBER 30, 2000	AS OF JUNE 30, 2000
Segments' identifiable assets	$18,177	$17,754
Corporate assets and eliminations	203	2,183
Consolidated total assets	$18,380	$19,937

5. COMPREHENSIVE LOSS

SFAS No. 130, "Reporting Comprehensive Income," (SFAS 130) establishes standards for reporting and displaying comprehensive income and its components. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by and distributions to shareholders.

Comprehensive loss is computed as follows (in thousands):

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2000	1999
Net income (loss)	$ 9	$(721)
Translation adjustment	(110)	136
Comprehensive loss	(101)	(585)

6. RESTRUCTURING CHARGE

As a result of changing business conditions in the process instrumentation business, the Company began restructuring its process instrumentation operations in Dallas. The restructuring will consist of retaining a portion of the business in Dallas, moving the manufacturing of two product lines to its power instrumentation manufacturing facilities in Seattle and selling the remaining two product lines. The Company anticipates the restructuring will be substantially completed by the end of the second fiscal quarter ending December 31, 2000.

The Company estimates that the costs associated with the restructuring will be approximately $328,000 consisting of $213,000 of employee termination expenses related to 15 employees and $115,000 of closure costs and asset write-downs. The estimated restructuring charge has been included in operating costs and expenses in the condensed consolidated statement of operations for the quarter ended September 30, 2000.

The restructuring charge was determined based on the plans approved by the Company's management using the best information available to it at the time. The amounts the Company may ultimately incur may change as the restructuring plan is executed.

7. RECENTLY ISSUED ACCOUNTING STANDARDS

Statement of Financial Accounting Standards No. 133, "Derivative Instruments and Hedging Activities," ("SFAS 133") establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities and measure those instruments at fair value. It also specifies the accounting for changes in the fair value of a derivative instrument depending on the intended use of the instrument and whether (and how) it is designated as a hedge. SFAS 133 was effective for all fiscal years beginning after June 15, 1999. During 1999, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS 133," ("SFAS 137") which delayed the effective date of SFAS 133 until all fiscal years beginning after June 15, 2000. Through September 30, 2000, the Company had not entered into any transactions involving derivative financial instruments and, therefore, the adoption of SFAS 133 has had no financial statement impact.

In December 1999, the SEC staff released Staff Accounting Bulleting No. 101, "Revenue Recognition," ("SAB 101") to provide guidance on the recognition, presentation and disclosure of revenue in financial statements. In order to recognize revenue, there must be persuasive evidence that an arrangement exists, delivery must have occurred or services must have been rendered, the selling price must be fixed or determinable, and collectibility must be reasonably assured. The accounting and disclosures described in SAB 101 must be applied no later than the fourth fiscal quarter of the Company's current fiscal year. The Company believes that adoption of SAB No. 101 will not materially impact its financial statements. However, implementation guidelines for this bulletin, as well as potential new bulletins, could result in unanticipated changes to the Company's current revenue recognition policies. These changes could affect the timing of the Company's future revenue recognition and results of operations.

In March 2000, the FASB issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation" ("FIN 44"). FIN 44 clarifies the applications of APB No. 25 for certain issues related to equity-based instruments issued to employees. FIN 44 is effective on July 1, 2000, except for certain transactions, and is applied on a prospective basis.

HATHAWAY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
OPERATING RESULTS AND FINANCIAL CONDITION

ALL STATEMENTS CONTAINED HEREIN THAT ARE NOT STATEMENTS OF HISTORICAL FACT CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. FORWARD-LOOKING STATEMENTS INCLUDE, WITHOUT LIMITATION, ANY STATEMENT THAT MAY PREDICT, FORECAST, INDICATE, OR IMPLY FUTURE RESULTS, PERFORMANCE, OR ACHIEVEMENTS, AND MAY CONTAIN THE WORD "BELIEVE," "ANTICIPATE," "EXPECT," "PROJECT," "INTEND," "WILL CONTINUE," "WILL LIKELY RESULT," "SHOULD" OR WORDS OR PHRASES OF SIMILAR MEANING. FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS OF THE COMPANY TO DIFFER MATERIALLY FROM THE FORWARD-LOOKING STATEMENTS. THE RISKS AND UNCERTAINTIES INCLUDE, AMONG OTHERS, THE FOLLOWING: INTERNATIONAL, NATIONAL AND LOCAL GENERAL BUSINESS AND ECONOMIC CONDITIONS; THE WORLDWIDE POWER AND PROCESS PRODUCT MARKET, INCLUDING A MOVEMENT FROM SINGLE PURPOSE PRODUCTS TO THOSE WITH MULTIPLE USES; THE MOTION CONTROL PRODUCT MARKET; THE ABILITY OF THE COMPANY TO SUSTAIN, MANAGE OR FORECAST ITS GROWTH AND PRODUCT ACCEPTANCE; NEW PRODUCT DEVELOPMENT AND INTRODUCTION; INCREASED COMPETITION AND CHANGES IN COMPETITOR RESPONSES TO THE COMPANY'S PRODUCTS AND SERVICES; THE ABILITY TO PROTECT THE COMPANY'S INTELLECTUAL PROPERTY; BUSINESS DISRUPTION; CHANGES IN GOVERNMENT REGULATIONS; CONTINUED UNCERTAINTY ABOUT THE IMPACT OF DEREGULATION OF THE POWER BUSINESS ON THE COMPANY'S PRODUCTS; THE ABILITY TO ATTRACT AND RETAIN QUALIFIED PERSONNEL; AVAILABILITY OF FINANCING; AND OTHER FACTORS REFERENCED OR INCORPORATED HEREIN.

THE COMPANY OPERATES IN A VERY COMPETITIVE ENVIRONMENT. NEW RISK FACTORS EMERGE FROM TIME TO TIME AND IT IS NOT POSSIBLE FOR MANAGEMENT TO PREDICT ALL SUCH RISK FACTORS, NOR CAN IT ASSESS THE IMPACT OF ALL SUCH RISK FACTORS ON ITS BUSINESS OR THE EXTENT TO WHICH ANY FACTOR, OR COMBINATION OF FACTORS, MAY CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN ANY FORWARD-LOOKING STATEMENTS. THE COMPANY'S EXPECTATIONS, BELIEFS AND PROJECTIONS ARE EXPRESSED IN GOOD FAITH AND ARE BELIEVED TO HAVE A REASONABLE BASIS; HOWEVER, THE COMPANY MAKES NO ASSURANCE THAT EXPECTATIONS, BELIEFS OR PROJECTIONS WILL BE ACHIEVED.

BECAUSE OF THE RISKS AND UNCERTAINTIES, INVESTORS SHOULD NOT PLACE UNDUE RELIANCE ON FORWARD-LOOKING STATEMENTS AS A PREDICTION OF ACTUAL RESULTS. THE COMPANY HAS NO OBLIGATION OR INTENT TO RELEASE PUBLICLY ANY REVISIONS TO ANY FORWARD LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE.

OPERATING RESULTS

The Company recorded net income for the first quarter ended September 30, 2000 of $9,000 or $0.00 per share compared to a net loss of $721,000 or $.17 per share for the same period last year. This year's first quarter net income includes a pretax restructuring charge of $328,000. Excluding the restructuring charge, net income for the first quarter was $250,000 or $0.05 per fully diluted share.

Revenues increased 27% in the first quarter to $11,333,000 this year from $8,905,000 last year. The 27% increase in revenues was due to a 39% increase in revenues from the Company's motion control products and a 17% increase in revenues from the Company's power and process systems and instrumentation products.

Motion Control realized pretax profit of $1,152,000 on revenues of $5,669,000 for the first quarter of fiscal year 2001 compared with a pretax profit of $626,000 on revenues of $4,067,000 for the same period last year. At September 30, 2000, backlog for Motion Control orders was 55% higher than at the end of the first quarter last year and orders received during the quarter were 12% higher than the first quarter last year.

Power and Process reported revenues of $5,664,000 and a pretax loss of $1,259,000 for the first quarter of fiscal year 2001 compared with revenues of $4,838,000 and a pretax loss of $1,363,000 for the first quarter last year. The segment's first quarter results this year contain a pretax charge of $328,000 for restructuring the process instrumentation business. Excluding the restructuring charge, pretax loss for Power and Process for the first quarter was $931,000. At September 30, 2000 backlog for power instrumentation and systems products remained at the same level as this time last year while backlog for process instrumentation products was 29% lower than last year resulting in total backlog for Power and Process orders at a level 2% lower than at this time last year.

As a result of changing business conditions in the process instrumentation business, the Company began restructuring its process instrumentation operations in Dallas. The restructuring will consist of retaining a portion of the business in Dallas, moving the manufacturing of two product lines to its power instrumentation manufacturing facilities in Seattle and selling the remaining two product lines. Revenues for this business were down 32% for the first quarter compared to the first quarter of last year. The Company's goal is to eliminate the losses being incurred by this business when the restructuring is substantially completed by the end of the second fiscal quarter ending December 31, 2000.

Sales to international customers increased to 31% of total sales in the first fiscal quarter of this year from 28% in the first fiscal quarter of last year. Foreign sales of motion control products increased to $1,853,000 in the first quarter of this year from $1,075,000 in the first quarter of last year, representing 33% and 26% of total motion control product sales in the first quarter this year and last year, respectively. Foreign sales for Power and Process increased to $1,686,000 in the first quarter of this year from $1,413,000 in the first quarter of last year, representing 30% and 29% of total Power and Process sales in the first quarter of this year and last year, respectively.

Gross product margins for the first quarter of fiscal 2001 increased to 37% from 35% for the same quarter last year. The improvement is due to changes in the mix of products sold and absorption of fixed manufacturing costs by a larger sales volume.

Selling expenses as a percentage of revenues decreased to 14% for the first quarter of fiscal 2001 from 17% for the first quarter of fiscal 2000. General and administrative, engineering and development and amortization of intangibles decreased 3% in the first quarter of fiscal 2001 compared to the first quarter last year. The improvements are due the overall cost reduction efforts of the Company.

During the first quarter of fiscal year 2001, the Company recognized a portion of its share of estimated income from its Chinese joint venture investments. The amount recognized was $175,000 as compared to $100,000 in the same period last year. The increase reflects the improvement in revenues and profits being experienced by the Hathaway Si Fang joint venture.

In the quarter ended September 30, 2000, the Company recognized a $86,000 provision for income taxes compared to a benefit from income taxes of $42,000 recognized last year. The amount is based on projected taxable income and differs from statutory amounts primarily due to losses in foreign jurisdictions that cannot be benefited.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity position as measured by cash and cash equivalents (excluding restricted cash) decreased $1,787,000 during the first quarter of fiscal 2001 to $1,141,000 at September 30, 2000. This decrease reflects $1,787,000 used in the first quarter of fiscal 2001 compared to $1,329,000 used in the same period last year. During this year's first quarter net repayments made on the Company's line of credit totaled $945,000 compared to $0 in the first quarter last year. Excluding the repayments on the line of credit, cash used in the first quarter of fiscal 2001 and 2000 was $779,000 and $1,284,000, respectively.

Cash used by operating activities was $724,000 in the first quarter of the current fiscal year, compared to $1,182,000 used in the same quarter of the prior year. The decreased use of cash was primarily due to net income of $9,000 in the first quarter this year compared to a net loss of $721,000 in the first quarter last year. The Company typically experiences cash usage in its first fiscal quarter and expects to generate positive cash flow during the balance of the year.

Cash of $215,000 was used by investing activities in the first quarter of fiscal 2001, compared to $154,000 used in investing activities during the first quarter last year. The variance was due to an increase in property and equipment purchases.

Cash used in financing activities was $840,000 in the first quarter of fiscal 2001 compared to no cash used in financing activities for the same quarter last year. The increased use of cash was due to an increase in repayments on the line of credit during the current quarter as explained above offset by the receipt of a payment on the loan previously made to the Company's employee stock ownership plan.

The Company expects to fund its remaining fiscal 2001 working capital, capital expenditure and debt service requirements from the existing cash balance of $1,141,000 and the $2,399,000 available under the long-term financing agreement at September 30, 2000. The Company believes that such amounts are sufficient to fund operations and working capital needs for at least the next twelve months. The Company's long-term financing agreement with Silicon Valley Bank matures on May 7, 2001 but will continue for successive additional terms of one year unless either party gives notice of termination at least sixty days before the maturity date. The Company has not received notice of termination and does not anticipate receiving or giving such notice, however, if such notice was received, the Company would pursue other lenders to meet its long-term financing needs. Although the Company believes it would be successful in its efforts to obtain alternate financing, there are no assurances that it will be successful in doing so. An inability to obtain such alternate financing may have a material adverse effect on the Company's results of operations and financial condition and could require the Company to implement various strategic alternatives.

RECENTLY ISSUED ACCOUNTING STANDARDS

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PART II. OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

13. Annual Report containing Notes to Consolidated Financial Statements in the Registrant's June 30, 2000 Annual Report to Stockholders.

    *This document was filed with the Securities and Exchange Commission and is incorporated herein by reference.

27. Financial Data Schedule.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the three months ended September 30, 2000.

SIGNATURES

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.

HATHAWAY CORPORATION

DATE: November 14, 2000

By: /s/ Richard D. Smith
President, Chief Executive Officer and Chief Financial Officer

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1,000

3-MOS
JUN-30-2001
JUL-01-2000
SEP-01-2000
1,141
0
7,896
536
5,195
14,857
9,715
7,981
18,380
7,069
0
0
0
100
11,211
18,380
11,333
11,333
7,098
7,098
0
12
40
95
(86)
9
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9
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PRESENTED GROSS