

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
MARCH 31, 1996
(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:
(4,256,381 as of March 31, 1996)

HATHAWAY CORPORATION

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HATHAWAY CORPORATION

 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

 (UNAUDITED)

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	1996	1995	1996	1995
REVENUES	\$ 8,274,000	\$ 9,405,000	\$ 25,463,000	\$ 29,231,000
OPERATING COSTS AND EXPENSES:				
Cost of products sold	5,331,000	5,137,000	15,894,000	16,686,000
Selling	1,547,000	1,737,000	4,686,000	5,368,000
General and administrative	1,085,000	1,205,000	3,623,000	3,651,000
Engineering and development	960,000	968,000	2,769,000	2,736,000
Amortization of intangibles	45,000	61,000	169,000	185,000
Total operating costs and expenses	8,968,000	9,108,000	27,141,000	28,626,000
Operating income (loss)	(694,000)	297,000	(1,678,000)	605,000
OTHER INCOME (EXPENSES), NET:				
Gain on sale of contractual right (note 3)	--	--	165,000	--
Interest and dividend income	86,000	94,000	256,000	241,000
Interest expense	(47,000)	(55,000)	(148,000)	(148,000)
Other income (expenses), net	10,000	57,000	(113,000)	118,000
Total other income, net	49,000	96,000	160,000	211,000
Income (loss) before income taxes	(645,000)	393,000	(1,518,000)	816,000
Benefit (provision) for income taxes	138,000	(148,000)	267,000	(293,000)
NET INCOME (LOSS)	\$ (507,000)	\$ 245,000	\$(1,251,000)	\$ 523,000
PER SHARE AMOUNTS				
Primary and fully diluted net income (loss) per share	\$(0.12)	\$ 0.06	\$(0.29)	\$0.12
Shares used in computing primary and fully diluted per share amounts	4,261,000	4,339,000	4,274,000	4,467,000

The accompanying notes to condensed consolidated financial statements are part of these statements.

HATHAWAY CORPORATION

 CONDENSED CONSOLIDATED BALANCE SHEETS

	MARCH 31, 1996	JUNE 30, 1995
	-----	-----
	(UNAUDITED)	
ASSETS		

CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,874,000	\$ 5,903,000
Marketable securities, current	201,000	1,029,000
Trade receivables, net	5,409,000	7,486,000
Inventories, net	4,844,000	4,469,000
Prepaid expenses and other	1,468,000	1,313,000
	-----	-----
Total current assets	17,796,000	20,200,000
Marketable securities, non-current	--	200,000
Property and equipment, net	1,789,000	1,798,000
Other	938,000	1,114,000
	-----	-----
Total assets	\$20,523,000	\$23,312,000
	=====	=====
 LIABILITIES AND STOCKHOLDERS' INVESTMENT		

CURRENT LIABILITIES:		
Accounts payable	\$ 1,379,000	\$ 1,308,000
Accrued liabilities	2,399,000	2,721,000
Other current liabilities	721,000	1,266,000
	-----	-----
Total current liabilities	4,499,000	5,295,000
Long-term debt	1,965,000	2,144,000
	-----	-----
Total liabilities	6,464,000	7,439,000
 STOCKHOLDERS' INVESTMENT:		
Common stock	100,000	100,000
Additional paid-in capital	9,712,000	9,767,000
Loans receivable for stock	(235,000)	(235,000)
Retained earnings	8,009,000	9,686,000
Cumulative translation adjustments	157,000	218,000
Treasury stock	(3,684,000)	(3,663,000)
	-----	-----
Total stockholders' investment	14,059,000	15,873,000
	-----	-----
Total liabilities and stockholders' investment	\$20,523,000	\$23,312,000
	=====	=====

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

HATHAWAY CORPORATION

 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

 (UNAUDITED)

	Nine Months Ended March 31,	
	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (1,251,000)	\$ 523,000
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	698,000	745,000
Other	(100,000)	(122,000)
Changes in assets and liabilities:		
(Increase) decrease in -		
Trade receivables, net	2,092,000	386,000
Inventories, net	(423,000)	(48,000)
Prepaid expenses and other	(179,000)	8,000
Increase (decrease) in -		
Accounts payable	68,000	(43,000)
Accrued liabilities and other	(661,000)	21,000
Net cash from operating activities	244,000	1,470,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment, net	(564,000)	(719,000)
Investment in joint ventures	(70,000)	(115,000)
Proceeds from sale of contractual right	165,000	--
Proceeds from maturities of marketable securities	1,000,000	--
Net cash from investing activities	531,000	(834,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on line of credit and long-term debt	(315,000)	(358,000)
Borrowings on line of credit and long-term debt	--	287,000
Dividends paid to stockholders	(426,000)	(536,000)
Purchase of treasury stock	(21,000)	(1,103,000)
Proceeds from exercise of stock options	--	43,000
Net cash from financing activities	(762,000)	(1,667,000)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	(42,000)	110,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(29,000)	(921,000)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,903,000	7,547,000
CASH AND CASH EQUIVALENTS AT MARCH 31	\$ 5,874,000 =====	\$ 6,626,000 =====

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

HATHAWAY CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' INVESTMENT

FOR THE NINE MONTHS ENDED MARCH 31, 1996
(UNAUDITED)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	LOANS RECEIVABLE(1)	RETAINED EARNINGS	TREASURY STOCK	
	SHARES	AMOUNT				SHARES	AMOUNT
Balances, June 30, 1995	5,307,143	\$100,000	\$9,767,000	\$(235,000)	\$9,686,000	1,041,560	\$(3,663,000)
Purchase of treasury stock	--	--	--	--	--	9,202	(21,000)
Dividends paid to stockholders (\$.10 per share)	--	--	--	--	(426,000)	--	--
Long-term incentive plan bonus (Note 6)	--	--	(55,000)	--	--	--	--
Net loss for the nine months ended March 31, 1996	--	--	--	--	(1,251,000)	--	--
Balances, March 31, 1996	<u>5,307,143</u>	<u>\$100,000</u>	<u>\$9,712,000</u>	<u>\$(235,000)</u>	<u>\$8,009,000</u>	<u>1,050,762</u>	<u>\$(3,684,000)</u>

(1) Loans receivable are from the Company's Leveraged Employee Stock Ownership Plan and Trust for \$102,000 and from an officer of the Company for stock purchases totaling \$133,000.

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

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, its wholly-owned subsidiaries and investments in joint ventures (the Company). All significant intercompany accounts and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior year balances in order to conform with the current year's presentation.

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, 1995 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:

	March 31, 1996	June 30, 1995
	-----	-----
Parts and raw materials, net	\$3,250,000	\$2,898,000
Finished goods and work-in-process, net	1,594,000	1,571,000
	-----	-----
	\$4,844,000	\$4,469,000
	=====	=====

3. Gain on Sale of Contractual Right

In July, 1995 the Company consummated an agreement with Global Software, Inc. (Global) and management of Global. Under the terms of the agreement, the Company received \$165,000 in exchange for consenting to Global's proposed disposition of certain assets (See Note 3 in the June 30, 1995 Annual Report). In addition, the Company agreed to acknowledge that the disposition would not violate the terms of the original sale agreement, thereby giving up the contractual right to challenge the proposed disposition. The gain realized on the transaction was recorded in the first quarter of fiscal 1996.

HATHAWAY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

4. Loan Covenant Violation

The Company's long-term financing agreement (Agreement) with Marine Midland Business Loans, Inc. (Midland) requires that the Company maintain monthly compliance with certain covenants related to tangible net worth, cash flow coverage and current ratios. (See Note 4 in the June 30, 1995 Annual Report). The Company did not meet the cash flow coverage covenant as of September 30, 1995 and December 31, 1995, which constituted an event of default under the Agreement. Pursuant to the Agreement, upon the happening of an event of default, Midland could have declared any principal amounts outstanding, plus interest and expenses, to be immediately due and payable; however, it did not.

In February, 1996 the Company received a waiver of compliance with the cash flow coverage covenant requirement from September 30, 1995 through December 31, 1996. Accordingly, the balance of the long-term debt has been classified as long-term at March 31, 1996. In connection with obtaining the aforementioned waiver, the Company agreed to certain conditions, including limiting the assets against which the Company may borrow to certain accounts receivable and requiring the Company to maintain higher tangible net worth and achieve certain operating results for the year ending June 30, 1996. Also, as long as the Company is in violation of the cash flow coverage covenant, the Company may not, without the prior written consent of Midland, pay cash dividends, purchase treasury stock (except for up to \$120,000 annually from employees), or make investments in other than investment grade securities. To date, the Company has complied with all conditions contained in the waiver.

There can be no assurance that the Company will not require additional waivers in the future or, if required, that Midland will grant them. Furthermore, in the event that management determines that, based on its projections, it is probable that the Company will not be able to comply with any covenant contained in the Agreement within twelve months after the balance sheet date for which compliance with the covenant has been waived, the entire balance of the long-term debt would be reclassified as short-term debt in accordance with the provisions of Emerging Issues Task Force Issue No. 86-30, "Classification of Obligations When a Violation is Waived by the Creditor."

5. Dividend

On September 15, 1995 the Company paid a cash dividend of \$.10 per common share, or \$426,000, to stockholders of record on August 15, 1995.

6. Long-term Incentive Bonus

The Company's employment agreements with two of its executive officers provide for a long-term incentive bonus to be paid to the officers based on the achievement of specified returns on equity and growth in share price plus dividends paid over a three year performance period (See Note 10 in the June 30, 1995 Annual Report). Net compensation expense of \$55,000 related to the bonus for the three year performance period ending June 30, 1996, classified as General and administrative expense in the Statements of Operations, was recognized in fiscal years 1994 and 1995 and was reflected as an adjustment to Additional paid-in capital prior to March 31, 1996.

Based on current estimates, management believes that it is unlikely that the current specified performance thresholds necessary for a payout of the long-term incentive bonus will be met. Accordingly, the \$55,000 of expense previously recorded was reversed against Additional paid-in capital and General and administrative expense in the third quarter of fiscal 1996.

HATHAWAY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

OPERATING RESULTS AND FINANCIAL CONDITION

Operating Results

For the third quarter ended March 31, 1996, the Company recognized a net loss of \$507,000 or \$0.12 per share, compared to net income of \$245,000, or \$0.06 per share, for the same period last year. Revenues decreased 12% in the third quarter from \$9,405,000 last year to \$8,274,000 this year.

The Company recognized a net loss of \$1,251,000 for the nine months ended March 31, 1996, compared to net income of \$523,000 for the nine months ended March 31, 1995. Revenues for the first nine months decreased by 13% from \$29,231,000 in fiscal 1995 to \$25,463,000 in fiscal 1996.

The 12% decrease in revenues in the third quarter is due to a 31% decrease in revenues from our power and process instrumentation products, partially offset by a 62 % increase in revenues from the Company's motion control products. The 13% decrease in revenues for the first nine months is due to a 27% decrease in power and process revenues, partially offset by a 45% increase in motion control revenues.

The decreases in power and process revenues are mainly attributable to the continuing cost reduction efforts being made throughout the U.S. power industry in response to the enactment of the Energy Policy Act of 1992, which facilitates competition among utility companies, and similar initiatives in the Company's foreign markets. The increases in motion control revenues reflect continued growth in demand for the Company's motion control products.

In the third quarter, sales to international customers decreased 2% from \$3,154,000, or 34% of total sales, in fiscal 1995 to \$3,104,000, or 38% of total sales, in fiscal 1996. Of these foreign sales, \$1,613,000 and \$1,041,000 were export sales from domestic operations for the third quarter of 1996 and 1995, respectively. Domestic sales totaled \$5,170,000 in the third quarter of fiscal 1996, compared to \$6,251,000 in the third quarter of fiscal 1995.

For the first nine months, sales to international customers decreased 6% from \$10,248,000, or 35% of total sales, to \$9,659,000, or 38% of total sales. Of these foreign sales, \$5,263,000 and \$4,576,000 were export sales from domestic operations for the first nine months of fiscal 1996 and 1995, respectively. Sales to domestic customers were \$15,804,000 in the first nine months of 1996, compared to \$18,984,000 in the first nine months of fiscal 1995.

Cost of products sold as a percentage of revenues increased from 55% in the third quarter of fiscal year 1995 to 64% in the third quarter of fiscal year 1996. For the first nine months, the percentage increased from 57% in fiscal 1995 to 62 % in fiscal 1996. The increases reflect the shift in product mix, as well as changes in pricing and expenses included in cost of products sold.

Selling, general and administrative, and engineering and development expenses decreased by \$318,000, or 8%, in the third quarter of fiscal 1996 and by \$677,000, or 6%, in the first nine months of fiscal 1996 as compared to the same period last year. The decreases reflect cost reduction efforts being made by the Company in response to the decrease in revenues.

HATHAWAY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

OPERATING RESULTS AND FINANCIAL CONDITION (CONTINUED)

In July, 1995 the Company consummated an agreement with Global Software, Inc. (Global) and management of Global. Under the terms of this agreement, the Company received \$165,000 in exchange for consenting to Global's proposed disposition of certain assets. In addition, the Company agreed to acknowledge that the disposition would not violate the terms of the original sale agreement, thereby giving up the contractual right to challenge the proposed disposition. A gain of \$165,000 was recorded in the first quarter of fiscal 1996 to account for the transaction.

Liquidity and Capital Resources

The Company's liquidity position as measured by cash decreased \$29,000 during the first nine months to a balance of \$5,874,000 at March 31, 1996. The liquidity position as measured by cash and marketable securities decreased \$1,057,000 during the first nine months of fiscal 1996.

Operating activities generated \$244,000 in the first nine months of fiscal 1996 compared to \$1,470,000 generated in the same period of fiscal 1995. The decrease in cash generated by operating activities is primarily the result of \$1,251,000 of operating losses incurred in the first nine months of fiscal 1996, compared to \$523,000 of net income generated in the first nine months of fiscal 1995.

Cash of \$531,000 was generated by investing activities during the first nine months ended March 31, 1996, compared to \$834,000 used by investing activities during the same period last year. The change in cash from investing activities was due primarily to certain non-recurring transactions in fiscal 1996. A \$1,000,000 investment that had been included in Marketable securities in the condensed consolidated balance sheets at June 30, 1995 matured in March of 1996 and was reclassified to Cash and cash equivalents. In addition, \$165,000 was generated in fiscal 1996 from a non-recurring sale of a contractual right.

Cash of \$762,000 was used by financing activities during the first three quarters of fiscal 1996, compared to \$1,667,000 used by financing activities in the same period last year. The decrease in cash used for financing activities is due primarily to an additional \$1,082,000 used in fiscal 1995 for the purchase of treasury stock. The Board of Directors' decision to discontinue the public stock repurchase program was the primary reason for the lower volume of stock repurchase activity in fiscal 1996.

No major commitments for capital expenditures existed at March 31, 1996. The Company's current capital needs can be supplied from cash and cash equivalents and marketable securities scheduled to mature within the coming year. In addition, \$1,202,000 is available under the amended terms of the Company's line of credit with Marine Midland Business Loans, Inc.

PART II. OTHER INFORMATION

Item 3. Defaults Upon Senior Securities

(a) The information required by this item is set forth in Note 4 to Consolidated Financial Statements contained in this Form and is incorporated herein by reference.

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its annual stockholders' meeting on October 26, 1995. The stockholders elected E.E. Prince, M.J. Fein, C.H. Clarridge, G.D. Hubbard and G.J. Pilmanis to serve on the Board of Directors for the coming year. In addition, a stockholder proposal that would have requested the Board of Directors to seek potential buyers for the Company was defeated. The vote tabulation was as follows:

1) Election of Directors

NUMBER OF VOTES

NOMINEE	FOR	WITHHELD OR AGAINST	TOTAL SHARES OUTSTANDING	% OF SHARES VOTING FOR
E.E. Prince	3,333,009	682,910	4,265,513	78%
M.J. Fein	3,433,937	581,982	4,265,513	81%
C.H. Clarridge	3,442,549	573,370	4,265,513	81%
G.D. Hubbard	3,390,868	625,051	4,265,513	80%
G.J. Pilmanis	3,390,645	625,274	4,265,513	80%

2) Stockholder proposal

	FOR	AGAINST	TOTAL VOTES COUNTED	ABSTAINING
Number of votes	1,111,937	2,110,639	3,222,576	130,203
% of votes counted	34%	66%	100%	

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(1) Annual Report containing Notes to Consolidated Financial Statements in the Registrant's June 30, 1995 Annual Report to Stockholders.

(b) Reports on Form 8-K

(1) There were no reports on Form 8-K filed for the three months ended March 31, 1996.

HATHAWAY CORPORATION

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: May 14, 1996

By: /s/ RICHARD D. SMITH

Executive Vice President,
Treasurer, Secretary and
Chief Financial and
Accounting Officer

3-MOS		9-MOS	
JUN-30-1996		JUN-30-1996	
JAN-01-1996		JUL-01-1995	
MAR-31-1996		MAR-31-1996	
	5,874,000		5,874,000
	201,000		201,000
	5,762,000		5,762,999
	353,000		353,000
	4,844,000		4,844,000
	17,796,000		17,796,000
	8,098,000		8,098,000
	6,309,000		6,309,000
	20,523,000		20,523,000
4,499,000		4,499,000	
	1,965,000		1,965,000
0		0	
	0		0
	100,000		100,000
	13,959,000		13,959,000
20,523,000			
	20,523,000		
	8,274,000		25,463,000
8,274,000		25,463,000	
	5,331,000		15,894,000
	5,331,000		15,894,000
	0		0
	(10,000)		52,000
	47,000		148,000
	(645,000)		(1,518,000)
	138,000		267,000
(507,000)		(1,251,000)	
	0		0
	0		0
	0		0
	(507,000)		(1,251,000)
	(0.12)		(0.29)
	(0.12)		(0.29)

PRESENTED GROSS