

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1997

Commission file number 0-26224

INTEGRA LIFESCIENCES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

51-0317849
(I.R.S. Employer
Identification No.)

105 Morgan Lane
Plainsboro, New Jersey
(Address of principal executive offices)

08536
(Zip code)

(609) 275-0500

(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

As of August 8, 1997 the registrant had outstanding 29,797,366 shares of Common Stock, \$.01 par value.

INTEGRA LIFESCIENCES CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTEGRA LIFESCIENCES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Dollars in thousands)

	June 30, 1997	December 31, 1996
	-----	-----
ASSETS		

Current Assets:		
Cash and cash equivalents	\$ 4,272	\$ 11,762
Short-term investments	27,972	22,514
	-----	-----
Total cash and investments	32,244	34,276
Accounts receivable, net	2,769	2,902
Inventories	1,993	2,635
Prepaid expenses and other current assets	365	338
	-----	-----
Total current assets	37,371	40,151
Property and equipment, net	7,840	8,554
Other assets	29	36
	-----	-----
Total assets	\$ 45,240	\$ 48,741
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

Current Liabilities:		
Accounts payable, trade	\$ 195	\$ 162
Accrued expenses and other current liabilities	1,981	2,053
	-----	-----
Total current liabilities	2,176	2,215
Other liabilities	159	142
	-----	-----
Total liabilities	2,335	2,357
	-----	-----
Stockholders' Equity:		
Preferred stock, \$.01 par value (15,000,000 authorized shares; no shares issued or outstanding)	--	--
Common stock, \$.01 par value (60,000,000 authorized shares; 29,797,366 and 28,551,315 issued and outstanding at June 30, 1997 and December 31, 1996, respectively)	298	285
Additional paid-in capital	105,765	105,447
Unearned compensation related to stock options	(267)	(328)
Notes receivable - related parties	(35)	(35)
Unrealized losses on investments	(5)	(4)
Accumulated deficit	(62,851)	(58,981)
	-----	-----
Total stockholders' equity	42,905	46,384
	-----	-----
Total liabilities and stockholders' equity	\$ 45,240	\$ 48,741
	=====	=====

The accompanying notes are an integral part
of the condensed consolidated financial statements

INTEGRA LIFESCIENCES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996
	----	----	----	----
REVENUE				

Product sales	\$ 4,120	\$ 3,230	\$ 7,090	\$ 5,542
Research grants	144	226	298	433
Product license fees	5	--	5	500
Royalties	38	76	102	138
Contract product development	--	8	--	34
	-----	-----	-----	-----
Total revenue	4,307	3,540	7,495	6,647
COSTS AND EXPENSES				
Cost of product sales	2,287	1,434	3,843	2,888
Research and development	1,669	1,691	3,086	3,223
Selling, general and administrative	2,914	2,471	5,447	4,524
	-----	-----	-----	-----
Total costs and expenses	6,870	5,596	12,376	10,635
	-----	-----	-----	-----
Operating income (loss)	(2,563)	(2,056)	(4,881)	(3,988)
Other income	524	510	1,012	882
	-----	-----	-----	-----
Net income (loss)	\$ (2,039)	\$ (1,546)	\$ (3,869)	\$ (3,106)
	=====	=====	=====	=====
Net income (loss) per share	\$ (0.07)	\$ (0.05)	\$ (0.13)	\$ (0.11)
	=====	=====	=====	=====
Weighted average number of common and common equivalent shares outstanding	29,792	28,496	29,366	27,680
	=====	=====	=====	=====

The accompany notes are an integral part
of the condensed consolidated financial statements

INTEGRA LIFESCIENCES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In thousands)

	Six Months Ended June 30,	
	1997	1996
OPERATING ACTIVITIES:		
Net loss	\$ (3,869)	\$ (3,106)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	950	1,042
Gain on sale of assets	(86)	(66)
Loss on investments	--	26
Amortization of discount and interest on investments	(36)	(452)
Amortization of unearned compensation	61	--
Changes in assets and liabilities:		
Accounts receivable	133	(971)
Inventories	642	(1,397)
Prepaid expenses and other current assets	(27)	173
Non-current assets	--	133
Accounts payable, accrued expenses and other liabilities ...	(23)	149
	(2,255)	(4,465)
INVESTING ACTIVITIES:		
Proceeds from sale of assets	94	184
Payments of acquired bankruptcy claims	--	(10)
Purchases of available-for-sale investments	(19,422)	(33,530)
Proceeds from sale/maturity of investments	14,000	7,138
Purchases of property and equipment	(237)	(714)
	(5,565)	(26,932)
FINANCING ACTIVITIES:		
Principal payment on notes receivable - related parties	--	50
Payments of long-term debt	--	(10)
Proceeds from exercise of stock options	330	761
Proceeds from sale of common stock	--	35,754
	330	36,555
Net increase (decrease) in cash and cash equivalents	(7,490)	5,158
Cash and cash equivalents at beginning of period	11,762	4,512
Cash and cash equivalents at end of period	\$ 4,272	\$ 9,670

The accompanying notes are an integral part
of the condensed consolidated financial statements

INTEGRA LIFESCIENCES CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. In the opinion of management, the June 30 unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) which the Company considers necessary for a fair presentation of the financial position and results of operations of the Company. Operating results for the periods ended June 30, 1997 are not necessarily indicative of the results to be expected for the entire year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 1996 included in the Company's Annual Report on Form 10-K.

2. Inventories consist of the following (In thousands):

	June 30, 1997	December 31, 1996
	-----	-----
Finished goods ...	\$ 961	\$ 1,007
Work-in-process ..	653	1,270
Raw materials	379	358
	-----	-----
	\$ 1,993	\$ 2,635
	=====	=====

3. In May 1997, the Company's Stock Option Committee and Board of Directors approved an option exchange program pursuant to which employees with options having an exercise price in excess of \$4.00 per share under the Company's Stock Option Plans could elect to exchange such options for new stock options with an exercise of \$4.00. Under the exchange program, (i) the number of replacement options issued in exchange for the original options was determined by the utilization of a formula based on the percentage decrease in exercise price from the original options (not to exceed 25% of the original options and excluding the first 1,000 options), (ii) each replacement option was issued with an expiration date one year later than the original option's expiration date, and (iii) the vesting terms of the replacement options were adjusted to proportionately reflect the decrease in options, when applicable. Under the exchange program, 1,134,417 options with exercise prices ranging from \$4.25 to \$12.50 were exchanged for 903,317 options granted with an exercise price of \$4.00.

To date, the Company has not calculated the pro-forma affect of the exchange program under the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation". The Company believes the exchange program is likely to increase the pro forma expense associated with the stock option plans because a significant amount of the original options were granted prior to 1995 and therefore did not impact the disclosure previously.

4. In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 establishes standards of disclosure and financial statement display for reporting comprehensive income and the components thereof. This statement defines comprehensive income as the change in equity of a business during a period from transactions and other events and circumstances from non-owner sources. SFAS 130 requires that comprehensive income be presented in the financial statements as a separate statement, in the statement of changes in equity or below the total of net income or loss in the income statement. SFAS 130 is effective for fiscal years beginning after December 15, 1997, with earlier application permitted. The Company is currently evaluating the effect SFAS 130 will have on its financial statements.

5. In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. Operating segments are components of an enterprise about which separate financial information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. This Statement requires that a public business enterprise report descriptive information about the way that the operating segments were determined and the products and services provided by the operating segments.

This statement requires that a public business enterprise report a measure of segment profit or loss, certain specific revenue and expense items, and segment assets. It requires reconciliations of total segment revenues, total segment profit or loss, total segment assets, and other amounts disclosed for segments to corresponding amounts in the enterprise's general-purpose financial statements. It also requires that all public business enterprises report information about the revenues derived from the enterprise's products and services, about the countries in which the enterprise earns revenues and holds assets, and about major customers regardless of whether that information is used in making operating decisions. SFAS 131 is effective for financial

statements for periods beginning after December 15, 1997. The Company is currently evaluating the effect SFAS 131 will have on its financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion contains trend information and other forward-looking statements related to the future use of INTEGRA(TM) Artificial Skin and anticipated expenditure levels and are made pursuant to the safe harbor provisions of the Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties which may cause results to differ materially from those set forth in these statements. In addition, the economic, competitive, governmental, technological and other factors identified in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission could affect such results.

General

The Company is dedicated to the development and marketing of BioSmart(TM) absorbable products to regenerate specific body tissues and organs. The Company has developed principally by combining existing businesses, acquiring synergistic technologies and forming strategic business and technological alliances.

Results of Operations

Three Months Ended June 30, 1997 Compared to Three Months Ended June 30, 1996

Total revenues increased to approximately \$4.3 million for the three months ended June 30, 1997 from \$3.5 million for the three months ended June 30, 1996, as an increase in product sales was offset by decreases in research grant revenue and royalties. Product sales increased to \$4.1 million for the three months ended June 30, 1997 from \$3.2 million for the three months ended June 30, 1996. Sales of INTEGRA(TM) Artificial Skin ("INTEGRA") increased to \$1.75 million for the three months ended June 30, 1997 compared to \$770,000 in the second quarter of 1996. INTEGRA received U.S. Food and Drug Administration premarket approval in March 1996. In the second quarter of 1997, North American INTEGRA sales represented 69% of total INTEGRA product sales. Since FDA approval, the product has been used in hospitals making up over 50% of the specialized burn care beds in the United States. The Company believes that INTEGRA has overcome the early adopter threshold and is now entering what the Company calls an "intensity of use" stage. The Company is focusing on increasing the annual per bed use of INTEGRA in centers where the product has already been used.

The primary application of INTEGRA has been for patients with severe life-threatening burns. The Company is also aware of its application in reconstructive and wound healing procedures and is continuing to focus its strategy on expanding the approved indications for use of INTEGRA. The Company

believes that INTEGRA can offer improved results compared to existing treatments for relief of painful scars, wound contractures and hypertrophic scarring. The Company believes that the following factors will have the greatest influence on the use and sale of INTEGRA; i) physician training prior to product use, ii) the collection of pharma-economic data to address initial product reimbursement issues, iii) the publication of positive clinical results, iv) the expansion into international markets, and v) the Company's ability to obtain FDA approvals for additional indications.

Sales of the Company's other medical products were approximately \$2.4 million for the three months ended June 30, 1997 down from \$2.5 million for the three months ended June 30, 1996. Increases in the Company's Dental product line, largely due to continued increases in BioMend, were offset by a decline in international Surgical and Hemostasis product sales. The Company has announced that it is in discussions to cease the sale of its corneal shield product, which is marketed through Alcon Surgical, Inc. The Company does not believe that the loss of this product will have a significant impact on the Company as the ophthalmic product accounted for only 3% of product sales for the year ended December 31, 1996 and 4% of sales in the second quarter of 1997. Sales of the Company's other medical products can vary significantly on a quarter to quarter basis depending on the timing of shipments to private label customers

and contract distributors. Export sales for the three months ended June 30, 1997 increased to \$660,000 from \$370,000 for the three months ended June 30, 1996 and included an increase of \$420,000 in international INTEGRA sales. In addition, the Company recently completed an exclusive importation and sales agreement for INTEGRA in Japan with Century Medical, Inc., a wholly owned subsidiary of ITOCHU Corporation. Under the agreement, Century Medical will oversee and manage the Company's clinical trials required for approval by the Japanese government, and will then serve as the Company's exclusive distributor and importer in Japan for regenerative products.

Other revenue, which includes grant revenue, license fees, contract development revenue and royalties, was approximately \$190,000 for the three months ended June 30, 1997 compared to \$310,000 for the three months ended June 30, 1996. The largest decline was in grant revenue due to the completion of a three-year National Institute of Standards and Technology grant as of December 31, 1996. Grant revenue is expected to continue to be lower in 1997 unless additional grants are awarded to the Company. The Company continues to seek research grants, licensing arrangements and development funding for several of its technologies, although the timing and amount of such revenue, if any, can not be predicted.

Cost of product sales increased to approximately \$2.3 million (56% of product sales) for the three months ended June 30, 1997 from \$1.4 million (44% of product sales) for the three months ended June 30, 1996. The increase in cost of product sales as a percentage of product sales is partially attributable to an inventory write-off of \$210,000 related to the likely discontinuation of the Company's Ophthalmic product line. In addition, the Company's INTEGRA manufacturing unit operated at a lower utilization compared to the prior year as

the Company continued to reduce inventory levels. Due to the high fixed costs of the manufacturing facility for INTEGRA, the Company is anticipating higher unit costs until there is a requirement for higher production volume. The Company believes its current capacity to produce INTEGRA and its other medical products is sufficient to support significant growth, and that better utilization of this capacity will improve its gross margin on product sales.

Research and development expense was approximately \$1.7 million for the three-month periods ended June 30, 1997 and June 30, 1996. Decreases in research facility costs associated with the Company's California operations were offset by increases in costs associated with the Company's post-approval clinical study for INTEGRA and additional INTEGRA development activities. The Company expects the level of research and development expenditures in 1997 to exceed 1996 expenditures as expenditures related to the post-approval study of INTEGRA and pre-clinical and clinical trials for the Company's regenerative and matrix medicine technologies expand during the year. The amount of resources and the allocation of those resources to fund research and development will vary depending upon a number of factors, including the progress of development of the Company's technologies, the timing and outcome of pre-clinical and clinical results, changing competitive conditions and determinations with respect to the commercial potential of the Company's technologies.

Selling, general and administrative expense increased to approximately \$2.9 million for the three-month period ended June 30, 1997 from \$2.5 million for the three-month period ended June 30, 1996. Sales and marketing expenses declined slightly due to three national training sessions for INTEGRA in 1996. Excluding the national training sessions, sales and marketing costs increased as additional technical personnel and consultants were added and promotional activities involving INTEGRA continued. General and administrative expenses increased largely due to increased legal and professional costs and additional management personnel. The Company is anticipating modest increases in sales and marketing expenses over 1996 levels as a result of the continued introduction of INTEGRA. General and administrative expenses are likely to increase and will depend, in part, on the progress of the Company's patent litigation lawsuit.

Six Months Ended June 30, 1997 Compared to Six Months Ended June 30, 1996

Total revenues increased to approximately \$7.5 million for the six months ended June 30, 1997 from \$6.6 million for the six months ended June 30, 1996, as an increase in product sales was offset by decreases in research grant revenue and product license fees. Product sales increased to \$7.1 million for the six months ended June 30, 1997 from \$5.5 million for the six months ended June 30, 1996. Sales of INTEGRA increased to \$3.0 million for the six months ended June 30, 1997 compared to \$950,000 for the six months ended June 30, 1996. Included in the first six-month sales of 1997 is \$750,000 in international INTEGRA sales, including over \$150,000 in sales to Germany, France, Australia and England, and compared to \$270,00 in sales for the prior year period. Product sales of the Company's other medical products were \$4.1 million for the six months ended June 30, 1997 down from \$4.6 million for the six months ended June 30, 1996. Increases in the Company's Dental product line

were offset by a decline in the Company's Infection Control product line. The largest decline was in the Company's BioPatch product, which was largely due to the timing of shipments between contract years. Sales of the Company's other medical products can vary significantly on a period to period basis depending on the timing of shipments to private label customers and contract distributors. Export sales, including INTEGRA, for the six months ended June 30, 1997 increased to \$950,000 from \$630,000 for the six months ended June 30, 1996.

Other revenue was approximately \$410,000 for the six months ended June 30, 1997 compared to \$1.1 million for the six months ended June 30, 1996. The largest decline was in product license fees due to a \$500,000 licensing fee received in 1996 as part of an agreement with Cambridge Antibody Technology Limited involving the Company's human antibody development program. Grant revenue also declined due to the completion of a three-year National Institute of Standards and Technology grant as of December 31, 1996.

Cost of product sales increased to approximately \$3.8 million (54% of product sales) for the six months ended June 30, 1997 from \$2.9 million (52% of product sales) for the six months ended June 30, 1996. The increase in cost of product sales as a percentage of product sales is attributable to higher inventory write-offs and lower manufacturing utilization compared to the prior year.

Research and development expense was approximately \$3.1 million for the six months ended June 30, 1997 compared to \$3.2 million for the six months ended June 30, 1996. Decreases in research facility costs associated with the Company's California operations were offset by increases in costs associated the Company's post-approval clinical study for INTEGRA.

Selling, general and administrative expense increased to approximately \$5.4 million for the six months ended June 30, 1997 from \$4.5 million for the six months ended June 30, 1996. Sales and marketing expenses increased due to domestic and international costs associated with INTEGRA. A decline in national training session costs was offset by increased costs associated with additional technical personnel and consultants as well as additional promotional activities. General and administrative expenses increased due to additional legal and professional costs and additional management personnel.

Liquidity and Capital Resources

At June 30, 1997, the Company had cash, cash equivalents and short-term investments of approximately \$32.2 million and no long-term debt. The Company's principal uses of funds during the six-month period ended June 30, 1997 were \$2.3 million for operations and \$240,000 in purchases of property and equipment. The Company also received \$330,000 in funds from the exercise of stock options under the Company's stock option plans. The Company anticipates that it will continue to use its liquid assets to fund operations until sufficient revenues can be generated through product sales and collaborative arrangements. There can be no assurance that the Company will be able to generate sufficient revenues to obtain positive operating cash flows or profitability.

Other Information

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 establishes standards of disclosure and financial statement display for reporting comprehensive income and the components thereof. This statement defines comprehensive income as the change in equity of a business during a period from transactions and other events and circumstances from non-owner sources. SFAS 130 requires that comprehensive income be presented in the financial statements as a separate statement, in the statement of changes in equity or below the total of net income or loss in the income statement. SFAS 130 is effective for fiscal years beginning after December 15, 1997, with earlier application permitted. The Company is currently evaluating the effect SFAS 130 will have on its financial statements.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. Operating segments are components of an enterprise about which separate financial information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. This Statement requires that a public business enterprise report descriptive information about the way that the operating segments were determined and the products and services provided by the operating segments.

SFAS 131 requires that a public business enterprise report a measure of segment profit or loss, certain specific revenue and expense items, and segment assets. It requires reconciliations of total segment revenues, total segment profit or loss, total segment assets, and other amounts disclosed for segments to corresponding amounts in the enterprise's general-purpose financial statements. It also requires that all public business enterprises report information about the revenues derived from the enterprise's products and services, about the countries in which the enterprise earns revenues and holds assets, and about major customers regardless of whether that information is used in making operating decisions. SFAS 131 is effective for financial statements for periods beginning after December 15, 1997. The Company is currently evaluating the effect SFAS 131 will have on its financial statements.

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

The Company's Annual Meeting of Stockholders was held on May 19, 1997 and in connection therewith, proxies were solicited by management pursuant to Regulation 14 under the Securities Exchange Act of 1934. An aggregate of 29,630,496 shares of the Company's common stock ("Shares") were outstanding and entitled to a vote at the meeting. At the meeting the following matters (not

including ordinary procedural matters) were submitted to a vote to the holders of Shares, with the results indicated below:

1. Election of directors to serve until the 1998 Annual Meeting. The following persons, all of whom were serving as directors and were management's nominees for reelection, were reelected. There was no solicitation in opposition to such nominees. The tabulation of votes was as follows:

Nominee -----	For ---	Withheld -----
Keith Bradley	26,514,133	68,862
Richard E. Caruso	26,503,119	79,876
William M. Goldstein	26,514,662	68,333
Frederic V. Malek	26,514,226	68,769
George W. McKinney, III	26,514,623	68,372
James M. Sullivan	26,513,226	69,372
Edmund L. Zalinski	26,513,362	69,633

2. Ratification of independent auditors. The appointment of Coopers & Lybrand L.L.P. as the Company's independent auditors for the current fiscal year was ratified. The tabulation of votes was as follows:

For ---	Against -----	Abstentions -----
26,527,881	35,937	19,177

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11	Statement Re: Computation of Per Share Earnings
27	Financial Data Schedule

(b) Reports on Form 8-K

None

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.

INTEGRA LIFESCIENCES CORPORATION

Date: August 14, 1997

/s/ Richard E. Caruso

Richard E. Caruso, Ph.D.
Chairman, President and Chief Executive Officer

Date: August 14, 1997

/s/ David B. Holtz

David B. Holtz
Vice President, Treasurer

Exhibit 11

Statement of Computation of Per Share Amounts

	Three Months Ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996
Primary:				
Net loss for the period	\$ (2,039)	\$ (1,546)	\$ (3,869)	\$ (3,106)
Weighted average number of shares of common stock outstanding	29,792	28,496	29,366	27,680
Shares issuable upon exercise of outstanding options and warrants	--	--	--	--
Shares assumed to be acquired in accordance with the treasury stock method	--	--	--	--
Shares used in computing per share loss	29,792	28,496	29,366	27,680
Net loss per share	\$ (0.07)	\$ (0.05)	\$ (0.13)	\$ (0.11)
Fully Diluted:				
Net loss for the period	\$ (2,039)	\$ (1,546)	\$ (3,869)	\$ (3,106)
Weighted average number of shares of common stock outstanding	29,792	28,496	29,366	27,680
Shares issuable upon exercise of outstanding options and warrants	106	3,231	618	3,299
Shares assumed to be acquired in accordance with the treasury stock method	(9)	(1,239)	(43)	(1,313)
Shares used in computing per share loss	29,889	30,488	29,998	29,666
Net loss per share	\$ (0.07)	\$ (0.05)	\$ (0.13)	\$ (0.11)

	6-MOS	
	DEC-31-1997	
	JAN-01-1997	
	JUN-30-1997	
		4,272
	27,972	
	2,769	
	0	
	1,993	
	37,371	12,561
	4,721	
	45,240	
2,176		0
0		0
		298
	105,765	
45,240		7,090
	7,495	3,843
	3,843	
	0	
	0	
	0	
	(3,869)	0
(3,869)		0
	0	
	0	
	0	0
	(3,869)	
	(.13)	
	(.13)	