RIMAGE CORP
Form DEF 14A
April 16, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to § 240.14a-12

Rimage Corporation
(Name of Registrant as Specified In Its Charter)

Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required
Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

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3) Filing Party:

4) Date Filed:

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Rimage Corporation

7725 Washington Avenue South
Edina, Minnesota 55439
(952) 683-7900

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held May 21, 2013

TO THE SHAREHOLDERS OF
RIMAGE CORPORATION:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Rimage Corporation, a Minnesota corporation, will be held on Tuesday, May 21, 2013, at 2:30 p.m. (Minneapolis, Minnesota time), at 4200 IDS Center, 80 South Eighth Street, Minneapolis, Minnesota 55402, for the following purposes:

1. To elect eight (8) directors to serve until the next Annual Meeting of the Shareholders or until their respective successors have been elected and qualified;

2. To approve a stock option exchange for our non-executive employees;

3. Advisory vote to approve named executive officer compensation; and

4. To ratify and approve the appointment of KPMG LLP as the independent registered public accounting firm for Rimage Corporation for the year ending December 31, 2013.

Only holders of record of Rimage Corporation s common stock at the close of business on April 1, 2013 are entitled to notice of and to vote at the Annual Meeting or any adjournments thereof.

Each of you is invited to attend the Annual Meeting in person. Whether or not you plan to attend in person, please mark, date and sign the enclosed proxy, and mail it promptly. A return envelope is enclosed for your convenience.

By Order of the Board of Directors

Sherman L. Black
President and Chief Executive Officer

April 16, 2013

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING,
PLEASE VOTE YOUR SHARES IN ONE OF THE WAYS
DESCRIBED IN THE PROXY STATEMENT AS PROMPTLY AS POSSIBLE.

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**IMPORTANT NOTICE REGARDING AVAILABILITY
OF PROXY MATERIALS FOR THE
2013 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON TUESDAY, MAY 21, 2013**

We are making our proxy materials available electronically via the Internet. You may access the following proxy materials at www.rimagecorp.com by following the link for Investors and then Annual Meeting Materials :

Notice of 2013 Annual Meeting of Shareholders to be held on Tuesday, May 21, 2013;

Proxy Statement for 2013 Annual Meeting of Shareholders to be held on Tuesday, May 21, 2013; and

Annual Report on Form 10-K for the year ended December 31, 2012.

These proxy materials are available free of charge and will remain available through the conclusion of the Annual Meeting. Additionally, we will not collect information, such as cookies, that would allow us to identify visitors to the site.

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Rimage Corporation

7725 Washington Avenue South
Edina, Minnesota 55439
(952) 683-7900

PROXY STATEMENT

Solicitation of Proxies

The accompanying Proxy is solicited on behalf of the Board of Directors of Rimage Corporation (we or Rimage) for use at the Annual Meeting of Shareholders to be held on May 21, 2013, at 2:30 p.m. (Minneapolis, Minnesota time) at 4200 IDS Center, 80 South Eighth Street, Minneapolis, Minnesota 55402, and at any postponements or adjournments thereof (the Annual Meeting). The mailing of this proxy statement to our shareholders commenced on or about April 16, 2013.

Cost and Method of Solicitation

This solicitation of proxies to be voted at the Annual Meeting is being made by our Board of Directors. The cost of this solicitation of proxies will be borne by us. In addition to solicitation by mail, our officers, directors and employees may solicit proxies by telephone or in person. We may also request banks and brokers to solicit their customers who have a beneficial interest in our common stock registered in the names of nominees and will reimburse such banks and brokers for their reasonable out-of-pocket expenses.

Voting

The total number of shares outstanding and entitled to vote at the Annual Meeting as of April 1, 2013 consisted of 8,667,071 shares of common stock, $0.01 par value. Each share of common stock is entitled to one vote. Only shareholders of record at the close of business on April 1, 2013 will be entitled to vote at the Annual Meeting.

All shareholders are cordially invited to attend the Annual Meeting in person. Whether or not you expect to attend the Annual Meeting, please complete, date, sign and return the enclosed proxy as promptly as possible (or follow instructions to grant a proxy to vote by means of telephone or internet) in order to ensure your representation at the Annual Meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for that purpose. Even if you have given your proxy, you may still vote in person if you attend the Annual Meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the Annual Meeting, you must bring to the Annual Meeting a letter from the broker, bank or other nominee confirming your beneficial ownership of the shares. Additionally, in order to vote at the Annual Meeting, you must obtain from the record holder a proxy issued in your name.

Differences Between Shareholder of Record and Beneficial Owners

You are a shareholder of record if at the close of business on the record date your shares were registered directly in your name with Wells Fargo Shareowner Services, our transfer agent.

You are a beneficial owner if at the close of business on the record date your shares were held by a bank, brokerage firm or other nominee and not in your name. Being a beneficial owner means that, like many of our shareholders, your shares are held in street name. As the beneficial owner, you have the right to direct your broker or nominee how to vote your shares by following the voting instructions your broker or other nominee provides. If you do not provide your broker or nominee with instructions on how to vote your shares, your broker or nominee will be able to vote your shares with respect to only one of the proposals being presented to shareholders at the Annual Meeting.

Record holders should review the additional information below under Casting Your Vote as a Record Holder.

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Street name holders should review the additional information below under Casting Your Vote as a Street Name Holder.

Quorum and Voting Requirements

A quorum, consisting of a majority of the shares of common stock entitled to vote at the Annual Meeting, must be present, in person or by proxy, before action may be taken at the Annual Meeting.

Proposal 1 relates to the election of directors. Directors are elected by a plurality of the votes cast at the Annual Meeting by holders of common stock voting for the election of directors. This means that since shareholders will be electing eight directors, the eight nominees receiving the highest number of votes will be elected. You may either vote FOR or WITHHOLD authority to vote for each nominee for the Board of Directors. If you withhold authority to vote for the election of one of the directors, it has the same effect as a vote against that director.

The affirmative vote of the holders of the majority of the shares present, in person or by proxy, and entitled to vote is required for approval of:

Proposal 2: Approval of a Stock Option Exchange for Non-Executive Employees,

Proposal 3: Advisory Vote to Approve Named Executive Officer Compensation, and

Proposal 4: Ratification of Independent Registered Pubic Accounting Firm.

You may vote FOR, AGAINST or ABSTAIN on Proposals 2, 3 and 4.

Abstentions will be counted for purposes of calculating whether a quorum is present at the Annual Meeting, but are not counted for the purposes of determining whether shareholders have approved that matter. Therefore, if you abstain from voting on Proposals 2, 3 or 4, it has the same effect as a vote against that proposal. A broker non-vote occurs when a broker or other nominee does not receive voting instructions from the beneficial owner and does not have the discretion to direct the voting of the shares. Broker non-votes will be counted for purposes of calculating whether a quorum is present at the Annual Meeting, but will not be counted for purposes of determining the number of votes present in person or represented by proxy and entitled to vote with respect to a particular proposal. Thus, a broker non-vote will not affect the outcome of the vote on a proposal that requires a plurality of votes cast (Proposal 1) or the approval of a majority of the votes present in person or represented by proxy and entitled to vote (Proposals 2, 3 and 4).

Pursuant to an agreement dated March 18, 2013 (the Dolphin Agreement) between us and Dolphin Limited Partnership III, L.P., Dolphin Associates III, LLC, and Dolphin Holdings Corp. III (collectively, Dolphin), Dolphin will vote all of the shares of our common stock that it beneficially owns in favor of the election of each nominee named in Proposal 1 and in accordance with the recommendations of our Board of Directors with respect to all other proposals presented to shareholders at the Annual Meeting. See Corporate Governance Agreement with Dolphin below for a summary of the Dolphin Agreement.

So far as our management is aware, no matters other than those described in this proxy statement will be acted upon at the Annual Meeting. In the event that any other matters properly come before the Annual Meeting calling for a vote of shareholders, the persons named as proxies in the enclosed form of proxy will vote in accordance with their best judgment and in accordance with the Dolphin Agreement on such other matters.

Casting Your Vote as a Record Holder

If you are the shareholder of record of your shares and you do not vote by proxy card, by telephone, via the Internet or in person at the Annual Meeting, your shares will not be voted at the Annual Meeting. If you are a record holder and you vote your shares, the individuals named on the proxy card will vote your shares as you have directed. If you just sign and submit your proxy without voting instructions, your shares will be voted FOR each director nominee identified in Proposal 1, FOR each of Proposals 2, 3 and 4.

Casting Your Vote as a Street Name Holder

If you are a street name holder and you do not vote by proxy card, by telephone, via the Internet or in person at the Annual Meeting, your broker or nominee may vote your shares only on those proposals on which it has discretion to vote. Your broker is entitled to vote in its discretion on Proposal 4, the ratification of KPMG LLP as our independent registered public accounting firm for 2013.

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If you hold your shares in street name and do not vote or do not provide voting instructions to your broker or nominee, your shares will not be voted on any proposal on which your broker does not have discretionary authority to vote. This is sometimes called a broker non-vote. Brokers and nominees do not have discretionary authority to vote on:

- Proposal 1: Election of Directors,
- Proposal 2: Approval of a Stock Option Exchange for Non-Executive Employees, or
- Proposal 3: Advisory Vote to Approve Named Executive Officer Compensation.

As a result, if you hold your shares in street name and do not vote or do not provide voting instructions to your broker or nominee, no votes will be cast on your behalf on Proposals 1, 2 or 3. Because of these broker voting rules, all street name holders are urged to provide instructions to their brokers or nominees on how to vote their shares at the Annual Meeting.

Make your vote count! Instruct your broker how to cast your vote!

If you hold your shares in street name, your broker will continue to have discretion to vote any uninstructed shares on Proposal 4: Ratification of Independent Registered Public Accounting Firm.

Revoking a Proxy

You may change your vote and revoke your proxy at any time before it is voted by:

- Sending a written statement to that effect to the Secretary of Rimage Corporation;
- Submitting a properly signed proxy card with a later date;
- If you voted by telephone or through the Internet, by voting again either by telephone or through the Internet prior to the close of the voting facility; or
- Voting in person at the Annual Meeting.

All shares represented by valid, unrevoked proxies will be voted at the Annual Meeting and any adjournment(s) or postponement(s) thereof. Our principal offices are located at 7725 Washington Avenue South, Edina, Minnesota 55439, and our telephone number is (952) 683-7900.

Annual Meeting and Special Meetings; Bylaw Amendments

This 2013 Annual Meeting of Shareholders is a regular meeting of our shareholders and has been called by our Board of Directors in accordance with our bylaws. Under our bylaws, special meetings of our shareholders may be held at any time and for any purpose and may be called by our President, Treasurer, two or more directors or by a shareholder or shareholders holding 10% or more of the voting power of all shares entitled to vote on the matters to be presented to the meeting, except that a special meeting for the purpose of considering any action to directly or indirectly facilitate or affect a business combination, including any action to change or otherwise affect the composition of the Board of Directors for that purpose, must be called by 25% or more of the voting power of all shares entitled to vote. The business transacted at a special meeting is limited to the purposes as stated in the notice of the meeting. For business to be properly brought before a regular meeting of shareholders, a written notice containing the required information must be timely submitted. For more information, please review our bylaws and the section of this proxy statement entitled Shareholder Proposals for 2014 Annual Meeting.

Our bylaws may be amended or altered by a vote of the majority of the whole Board at any meeting. The authority of the Board is subject to the power of our shareholders, exercisable in the manner provided by Minnesota law, to adopt or amend, repeal bylaws adopted, amended, or repealed by the Board. Additionally, the Board may not make or alter any bylaws fixing a quorum for meetings of shareholders, prescribing procedures for removing directors or filling vacancies in the Board of Directors, or fixing the number of directors or their classifications, qualifications, or terms of office, except that the Board may adopt or amend any bylaw to increase their number.

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OWNERSHIP OF VOTING SECURITIES BY PRINCIPAL HOLDERS AND MANAGEMENT

The following table sets forth certain information as of April 1, 2013 with respect to our common stock beneficially owned by (i) each director and each nominee for director, (ii) each person known to us to beneficially own more than five percent of our common stock, (iii) each executive officer named in the Summary Compensation Table (the named executive officers), and (iv) all current executive officers and directors as a group.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned (1)	Percent of Outstanding
FMR LLC (2) 82 Devonshire Street Boston, MA 02109	1,077,292	12.4%
Dolphin Limited Partnership III, L.P. (3) c/o 96 Cummings Point Road Stamford, CT 06902	560,500	6.5%
Sherman L. Black (4)(5)(6)	337,200	3.8%
James L. Reissner (4)(5)	117,229	1.3%
Lawrence M. Benveniste (4)(5)	76,500	*
Thomas F. Madison (4)(5)	72,000	*
Kimberly K. Nelson (4)(5)	8,500	*
Robert F. Olson (4)(5)	13,500	*
Justin A. Orlando (4)	0	*
Steven M. Quist (4)(5)(7)	70,017	*
James R. Stewart (5)	64,928	*
Samir Mittal (5)	80,178	*
Christopher A. Wells (5)(8)	13,600	*
Raymond R. Hood (5)(8)	22,750	*
All current executive officers and directors as a group (10 persons)	876,402	9.5%

* Less than one percent

(1) Includes the following number of shares that could be acquired within 60 days of April 1, 2013 upon the exercise of stock options: Mr. Black, 254,000 shares; Mr. Reissner, 62,000 shares; Mr. Benveniste, 62,000 shares; Mr. Madison, 57,000 shares; Ms. Nelson, no shares; Mr. Olson, no shares; Mr. Orlando, no shares; Mr. Quist, 62,000 shares; Mr. Stewart, 38,500 shares; Mr. Mittal, 54,750 shares; Mr. Wells, no shares; Mr. Hood, no shares; and all current directors and executive officers as a group, 590,250 shares. Also includes the following number of shares that could be acquired within 60 days of April 1, 2013 upon settlement of restricted stock units previously granted to non-employee directors: Mr. Reissner, 3,500 shares; Mr. Benveniste, no shares; Mr. Madison, 3,500 shares; Mr. Quist, no shares; Mr. Olson, 3,500 shares; Ms. Nelson, 3,500 shares; and all non-employee directors as a group, 14,000 shares.

(2) Based on an Amendment No. 5 to Schedule 13G filed on February 14, 2013.

(3) Based on a Schedule 13D filed on March 18, 2013 by Dolphin Limited Partnership III, L.P. (Dolphin III), Dolphin Associates III, LLC, Dolphin Holdings Corp. III (Dolphin Holdings III), Donald T. Netter, Justin A. Orlando, and Daniel J. Englander in which the reporting persons report that Dolphin III holds the shares indicated above. Dolphin III is controlled by Dolphin Associates III, LLC, which is in

turn controlled by Dolphin Holdings III. Mr. Netter serves as Senior Managing Director of Dolphin Holdings III. In the Schedule 13D, each reporting person specifically disclaims beneficial ownership of the shares reported therein that he or it does not directly own, except to the extent of his or its pecuniary interest therein. See Corporate Governance Agreement with Dolphin below for a summary of our agreement dated March 18, 2013 with Dolphin III, Dolphin Associates III, LLC and Dolphin Holdings III.

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(4) Currently serves as our director and nominated for election as a director.

(5) Named executive officer.

(6) Includes 37,000 shares held by the Cara L. Black Revocable Trust, of which Mr. Black s spouse is the beneficiary and Mr. Black and his spouse are trustees.

(7) Includes 8,017 shares held by the Steven M. Quist and Nancy L. Quist Revocable Living Trust, of which Mr. Quist and his spouse are trustees.

(8) Mr. Hood resigned effective November 30, 2012 and Mr. Wells resigned effective June 19, 2012. Information is based on Forms 3 and 4 filed with the Securities and Exchange Commission.

PROPOSAL 1:
ELECTION OF DIRECTORS

Eight directors will be elected at the Annual Meeting to serve until the next Annual Meeting of Shareholders or until their successors have been elected and shall qualify. Pursuant to our bylaws, we have set the number of directors at eight. Proxies cannot be voted for a greater number of persons than the number of nominees named. The Board of Directors has nominated for election the eight persons named below. Each nominee is currently a director of Rimage and all nominees other than Mr. Orlando were elected by the shareholders at our 2012 Annual Meeting.

Mr. Orlando was elected to our Board of Directors effective March 18, 2013 pursuant to an agreement (the Dolphin Agreement) between us and Dolphin Limited Partnership III, L.P., Dolphin Associates III, LLC, and Dolphin Holdings Corp. III (collectively, Dolphin). See Corporate Governance Agreement with Dolphin below for a summary of the Dolphin Agreement. In accordance with the Dolphin Agreement, we have nominated Mr. Orlando for election to the Board at the Annual Meeting and we will solicit proxies for the election of Mr. Orlando in the same manner as the other nominees standing for election to the Board. The Dolphin Agreement further provides that Dolphin will vote all of the shares of our common stock that it beneficially owns in favor of the election of each nominee named below and in accordance with the recommendations of our Board of Directors with respect to all other proposals presented to shareholders at the Annual Meeting.

Voting of Proxies

Unless otherwise directed, the persons named in the accompanying proxy card will vote the proxies held by them in favor of Mr. Orlando as described in the Dolphin Agreement and intend to vote the proxies held by them in favor of the other nominees named below as directors. Should any nominee for director become unable to serve as a director for any reason, the proxies have indicated they will vote for such other nominee as the Board of Directors may propose or such other nominee as a replacement for Mr. Orlando in accordance with the Dolphin Agreement. The Board of Directors has no reason to believe that any candidate will be unable to serve if elected and each has consented to being named a nominee.

Other than the Dolphin Agreement, we know of no arrangements or understandings between a director or nominee and any other person pursuant to which he has been selected as a director or nominee. There is no family relationship between any of the nominees, our directors or our executive officers.

Information Regarding Nominees

The process undertaken by the Governance Committee in recommending qualified director candidates is described below under Corporate Governance Director Nominations on page 12 of this Proxy Statement. In recommending the following nominees, the Governance Committee found that all of our directors contribute to the Board s effectiveness through their wealth of business experience, high quality backgrounds including demonstrated personal and professional ethics and integrity, commitment to Rimage and the work of the Board, and diversity of talent and experience.

Set forth below are the biographies of each director nominee, as well as a discussion of the specific experience, qualifications, attributes and skills that led to the conclusion that the nominee should serve as a director of Rimage at this time:

Sherman L. Black, age 48, was appointed as our Chief Executive Officer and a director effective January 1, 2010. Mr. Black first joined Rimage as our President and Chief Operating Officer effective April 1, 2009. Prior to joining Rimage, Mr. Black served in a variety of executive positions with Seagate Technology (Nasdaq: STX) over the prior twenty years. Seagate is a world leader in the design, manufacturing and marketing of hard disk drives and storage devices. From September 2008 until joining Rimage, Mr. Black served as Seagate s Senior Vice President, Marketing and Strategy, of the Core Products Business Group. From November 2005 to August 2008, he served as General Manager and Senior Vice President of the Enterprise Storage business unit at Seagate and prior to that, Mr. Black served as Seagate s Vice President of Global OEM Sales, Vice President of Business Development, and Vice President of Enterprise Product Line Management. Mr. Black earned a bachelor s degree in electrical engineering from the University of Arkansas and a master s degree in business administration from the University of Oklahoma. Mr. Black was a director of Compellent Technologies, Inc. (NYSE: CML) from July 30, 2009 until its acquisition by Dell International L.L.C. on February 22, 2011.

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Mr. Black brings to the Board an in depth understanding of the data storage, digital publishing and enterprise video software industry. He has demonstrated executive leadership abilities, as well as a strong background in creating, communicating, executing and sustaining strategic initiatives. Additionally, Mr. Black s role as our Chief Executive Officer gives him unique insights into our challenges, opportunities and operations.

James L. Reissner, age 73, was appointed as a director of Rimage in 1998. Beginning in 2009, Mr. Reissner has served as the Chairman and Chief Executive Officer of Activar, Inc., a private holding company with portfolio companies in the industry segments of construction products, plastic products and industrial products. From January 1996 to 2009, he served as Activar s President and Chief Executive Officer and served as the Chief Financial Officer of Activar from 1992 until becoming President. Mr. Reissner is currently a director of the following privately-held companies: Intek Plastics, Inc., Vermillion State Bank and Activar, Inc. He is also a trustee of Macalester College in St. Paul, Minnesota. Mr. Reissner also served as a director of MagStar Technologies, Inc. from October 2000 until it deregistered as a public company in February 2008.

Mr. Reissner brings strong executive management and financial management experience to the Board. In addition, the Board benefits from Mr. Reissner s deep understanding of our business and our products, which he has acquired over thirteen years of service on our Board. Mr. Reissner is also an audit committee financial expert as that term is defined under the rules of the Securities and Exchange Commission.

Steven M. Quist, age 67, was appointed as a director of Rimage in 2000. From 1998 to 2003, he was the President and Chief Executive Officer of CyberOptics Corporation (Nasdaq: CYBE) and a director of CyberOptics from 1991 to 2004. From 1992 to 1998, Mr. Quist was President of Rosemount, Inc., a subsidiary of Emerson Electric Company (NYSE: EMR). Mr. Quist was a director of Data I/O Corporation (Nasdaq CM: DAIO) from 2001 until his retirement in January 2013. Mr. Quist is also a director for S2 Corporation, which is privately-held. He served as a director of another privately-held company, Nervonix Inc., from April 2004 until his retirement in December 2012.

Mr. Quist has held a variety of senior management positions in 28 years at Emerson Electric in the areas of engineering, advanced technology and product development and general management of a major international division/subsidiary. He has served as a Chief Executive Officer of a public company for 5 years. The Board has benefited from Mr. Quist s significant business management experience, which includes extensive experience in technology and new product development, marketing, compensation and human resources, and corporate governance matters.

Thomas F. Madison, age 77, was appointed as a director of Rimage in 2001. Since November 1, 2012, Mr. Madison is Chairman of the Board and Interim Chief Executive Officer of Digital River, Inc. (Nasdaq GS: DRIV), an e-commerce software company headquartered in Minneapolis. Mr. Madison has served on the board of directors of Digital River, Inc. since 1996. Since January 1993, Mr. Madison has been the President and Chief Executive Officer of MLM Partners, a consulting and small business investment company. In 1994 and 1995, he was the Vice Chairman and Chief Executive Officer of Minnesota Mutual Life Insurance Company. From 1989 to 1993, Mr. Madison was the President of US West Communications Markets. He was also the President and Chief Executive Officer of Northwestern Bell from 1985 to 1989. He recently rejoined the Board of Trustees of the University of St. Thomas, previously serving from 1981 until 1992. Mr. Madison also served as a director of Valmont Industries, Inc. (NYSE: VMI) from 1987 until his retirement in May 2010; as a director of CenterPoint Energy, Inc. from 2003 until his retirement in May 2011; and as a trustee on the board of trustees of Delaware Group Adviser Funds from May 1997 until his retirement in August 2011. He is also a director of two privately-held companies.

Mr. Madison s extensive service as a director for public companies over the last twenty years, including serving as a lead director, committee chair and committee member, allows him to bring to our Board significant experience in public company governance and effective Board practices. Mr. Madison is also an audit committee financial expert as that term is defined under the rules of the Securities and Exchange Commission.

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Lawrence M. Benveniste, age 62, has been a director of Rimage since 2003. Mr. Benveniste has been the Dean of Goizueta Business School of Emory University since July 2005. He was the Dean of the Carlson School of Management at the University of Minnesota from December 2001 to July 2005. From 2000 to 2001, he was Associate Dean for Faculty and Research at the Carlson School of Management and from 1999 to 2000, he was Chair of the Finance Department of the Carlson School of Management. Mr. Benveniste was the US Bancorp Professor of Finance from 1996 to 1999. Mr. Benveniste has served as a director of Alliance Data Systems Corporation (NYSE: ADS) since 2004. Mr. Benveniste holds a bachelor s degree from the University of California at Irvine and a Ph.D. in mathematics from the University of California at Berkeley.

Mr. Benveniste has been studying, teaching and researching various aspects of public companies for over twenty years and this experience allows him to share with the Board his deep understanding of the capital markets and their interaction with public companies. Mr. Benveniste is also an audit committee financial expert as that term is defined under the rules of the Securities and Exchange Commission.

Robert F. Olson, age 56, as been a director of Rimage since January 7, 2012. Since February 2010, Mr. Olson also has owned and operated a winery in California. From December 2008 until its sale in July 2012, Mr. Olson was the Chairman and primary investor in Swift Knowledge, LLC, a business analytics software company focused on the banking and finance markets. In 1991, Mr. Olson founded Stellent, Inc., an enterprise content management software company that was publicly-traded until it was sold to Oracle Corporation in 2006. Mr. Olson served as Stellent s Chief Executive Officer from October 2000 to July 2001 and as its President and Chief Executive Officer from 1990 to October 2000 and from April 2003 until it was sold.

Mr. Olson s previous work experience, particularly as the Chief Executive Officer of Stellent, Inc., contribute to the Board s understanding of the development and management of growing technology companies, particularly as we continue to expand into growing areas of technology. Mr. Olson is also an audit committee financial expert as that term is defined under the rules of the Securities and Exchange Commission.

Kimberly K. Nelson, age 45, has been a director of Rimage since March 26, 2012. Ms. Nelson has served as the Executive Vice President and Chief Financial Officer of SPS Commerce, Inc. since November 2007. Prior to joining SPS Commerce, Ms. Nelson served as the Finance Director, Investor Relations for Amazon.com from June 2005 through November 2007. From April 2003 until June 2005, she served as the Finance Director, Worldwide Application for Amazon.com s Technology group. Ms. Nelson also served as Amazon.com s Finance Director, Financial Planning and Analysis from December 2000 until April 2003.

Ms. Nelson s qualifications to serve on our board include her management and leadership team experience in publicly-held technology companies SPS Commerce and Amazon.com. In particular, Ms. Nelson brings to the Board business experience in the software-as-a-service model. Ms. Nelson is also an audit committee financial expert as that term is defined under the rules of the Securities and Exchange Commission.

Justin A. Orlando, age 42, has been a director of Rimage since March 18, 2013. Mr. Orlando is a managing director of Dolphin Limited Partnerships, a private investment management firm focused on investing in undervalued public companies across a diverse set of industries, where he has worked since 2002. Previously, from 1999 to 2002, Mr. Orlando was a member of the healthcare investment banking group of Merrill Lynch, Pierce, Fenner & Smith Incorporated where he was involved in advisory work, financings, and control transactions. Since May 2009, Mr. Orlando has served on the Board of Directors of Multimedia Games Holding Company, Inc. (Nasdaq: MGAM), a developer and distributor of gaming technology. Mr. Orlando received a B.A. in history from the University of Chicago and a Juris Doctor degree from the Columbia University School of Law.

Our Board of Directors believes that Mr. Orlando s will bring a deep level of investing and capital markets experience and will provide the Board with the perspective of a large shareholder through his affiliation with Dolphin Limited Partnerships.

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Voting Required

Under Minnesota law and our bylaws, directors are elected by a plurality of the votes cast by holders present and entitled to vote on the election of directors at a meeting at which a quorum is present. This means that since shareholders will be electing eight directors, the eight nominees receiving the highest number of votes will be elected. However, in an uncontested election (where, as at the Annual Meeting, the number of nominees does not exceed the number of directors to be elected), any nominee for directors who receives more votes withheld from his or her election than votes for his or her election is required under our Governance Guidelines to promptly tender his or her resignation following certification of the shareholder vote. Votes withheld from a nominee s election do not include broker non-votes. The Governance Committee will consider the resignation offer and recommend to the Board whether to accept it. The Board will act on the Governance Committee s recommendation within 90 days following certification of the shareholder vote. The Board will promptly disclose its decision whether to accept the director s resignation offer (and the reasons for rejecting the resignation offer, if applicable) in a Current Report on Form 8-K filed with the Securities and Exchange Commission. Any director who tenders his or her resignation as described above will not participate in the Governance Committee s recommendation or Board action regarding whether to accept the resignation offer. Proxies will be voted in favor of each nominee unless otherwise indicated.

**The Board of Directors Recommends
Shareholders Vote FOR the Election of Each Nominee
Identified in Proposal 1**

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CORPORATE GOVERNANCE

Board Independence

The Governance Committee undertook a review of director independence in February 2013 as to all seven directors then serving. The Governance Committee also undertook a review of the independence of Justin A. Orlando in connection with his election to the Board in March 2013. As part of that process, the Governance Committee reviewed all transactions and relationships between each director (or any member of his or her immediate family) and Rimage, our executive officers and our auditors, and other matters bearing on the independence of directors. As a result of this review, the Governance Committee recommended and the Board of Directors affirmatively determined that each director is independent according to the independence definition of the Nasdaq Listing Rules, with the exception of Mr. Black. Mr. Black is not independent under the Nasdaq Listing Rules because he was employed by, and served as an executive officer of, Rimage in 2012.

Committees of the Board of Directors and Committee Independence

The Board of Directors has established a Compensation Committee, an Audit Committee and a Governance Committee. The composition and function of these committees are set forth below.

Compensation Committee. The Compensation Committee operates under a written charter and reviews and approves the compensation and other terms of employment of our Chief Executive Officer and other executive officers of our company. Among its other duties, the Compensation Committee oversees all significant aspects of our compensation plans and benefit programs, including succession plans for executive officers. The Compensation Committee annually reviews and approves corporate goals and objectives for the compensation of the Chief Executive Officer and the other executive officers. The Compensation Committee also evaluates the Chief Executive Officer s performance in light of relevant corporate performance goals and objectives, and implements the evaluation process for the Chief Executive Officer that is established by the Governance Committee. The Compensation Committee also administers our 2007 Stock Incentive Plan (the 2007 Plan). In connection with its review of compensation of executive officers or any form of incentive or performance based compensation, the Committee will also review and discuss risks arising from our compensation policies and practices.

The charter of the Compensation Committee requires that this Committee consist of no fewer than two Board members who satisfy the requirements of the Nasdaq Stock Market, the non-employee director requirements of Section 16b-3 of the Securities Exchange Act of 1934, and the outside director requirements of Section 162(m) of the Internal Revenue Code. Each member of our Compensation Committee meets these requirements. A copy of the current charter of the Compensation Committee is available by following the link to Corporate Governance in the Investors section of our website at www.rimagecorp.com.

The members of the Compensation Committee during 2012 were Steven M. Quist (Chair), Lawrence M. Benveniste and Robert F. Olson. Justin A. Orlando joined the Compensation Committee effective March 18, 2013. During 2012, the Compensation Committee met nine times, including one time in executive session without management present.

Governance Committee. The Governance Committee operates under a written charter and is charged with the responsibility of identifying, evaluating and approving qualified candidates to serve as directors of our company, ensuring that our Board and governance policies are appropriately structured, developing and recommending a set of corporate governance guidelines, overseeing Board orientation, training and evaluation, and establishing an evaluation process for the Chief Executive Officer. The Governance Committee is also responsible for the leadership structure of our board, including the composition of the Board and its committees, and an annual review of the position of chairman of the Board. As part of its annual review, the Governance Committee is responsible for identifying individuals qualified to serve as Chairman and making recommendation to the Board of Directors for any changes in such position. The Governance Committee also has responsibility for overseeing our annual process of self-evaluation by members of the committees and the Board of Directors as a whole.

The charter of the Governance Committee requires that this Committee consist of no fewer than two Board members who satisfy the independence requirements of the Nasdaq Stock Market. Each member of our Governance Committee meets these requirements. A copy of the current charter of the Governance Committee is available by following the link to Corporate Governance in the Investors section of our website at www.rimagecorp.com. A copy of our current Governance Guidelines is also available in the Investors section of our website under Corporate Governance . The members of the Governance Committee in 2012 were Thomas F. Madison (Chair), Kimberly K. Nelson, Steven M. Quist and James L. Reissner. Justin A. Orlando joined the Governance Committee effective March 18, 2013. During 2012, the Governance Committee met five times.

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Audit Committee. The Audit Committee assists the Board by reviewing the integrity of our financial reporting processes and controls; the qualifications, independence and performance of the independent auditors; and compliance by us with certain legal and regulatory requirements. The Audit Committee has the sole authority to retain, compensate, oversee and terminate the independent auditors. The Audit Committee reviews our annual audited financial statements, quarterly financial statements and filings with the Securities and Exchange Commission. The Audit Committee reviews reports on various matters, including our critical accounting policies, significant changes in our selection or application of accounting principles and our internal control processes. Under its charter, the Audit Committee exercises oversight of significant risks relating to financial reporting and internal control over financial reporting, including discussing these risks with management and the independent auditor and assessing the steps management has taken to minimize these risks. The Audit Committee also pre-approves all audit and non-audit services performed by the independent auditor.

The Audit Committee operates under a written charter and a copy of the current Audit Committee charter is available by following the link to Corporate Governance in the Investors section of our website at www.rimagecorp.com. The members of the Audit Committee are Lawrence M. Benveniste (Chair), Thomas F. Madison, Kimberly K. Nelson, Robert F. Olson and James L. Reissner. During 2012, the Audit Committee met eight times, including three times in executive session without management present.

The Board of Directors has determined that all members of the Audit Committee are independent directors under the rules of the Nasdaq Stock Market and the rules of the Securities and Exchange Commission. Our Governance Committee and Board of Directors have reviewed the education, experience and other qualifications of each of the members of its Audit Committee. After review, upon recommendation of the Governance Committee, the Board of Directors has determined that each of Messrs. Benveniste, Madison, Olson and Reissner and Ms. Nelson meet the Securities and Exchange Commission definition of an audit committee financial expert. The members of the Audit Committee also meet the Nasdaq Stock Market requirements regarding the financial sophistication and the financial literacy of members of the audit committee. A report of the Audit Committee is set forth below.

Board Leadership Structure

Currently, the leadership structure of Rimage s board consists of a non-executive chairman of the board, currently James L. Reissner, and three standing committees that are each led by a separate chair and consist of only directors that meet the independence requirement under the Nasdaq Listing Rules and the other similar requirements applicable to that committee. The Chief Executive Officer is a director, but does not serve as chairman and does not serve on any committee.

The Governance Committee believes that the current Board leadership structure is appropriate for Rimage at this time because it allows the Board and its committees to fulfill their responsibilities, draws upon the experience and talents of all directors, encourages management accountability to the Board, and helps maintain good communication among board members and with management.

Board s Role in Risk Oversight

Rimage faces a number of risks, including financial, technological, operational, strategic and competitive risks. Management is responsible for the day-to-day management of risks we face, while the Board has responsibility for the oversight of risk management. In its risk oversight role, the Board of Directors ensures that the processes for identification, management and mitigation of risk by our management are adequate and functioning as designed.

Our Board is actively involved in overseeing risk management and it exercises its oversight both through the full Board and through the three standing committees of the Board, the Audit Committee, the Compensation Committee and the Governance Committee. The three standing committees exercise oversight of the risks within their areas of responsibility, as disclosed in the descriptions of each of the committees above and in the charters of each of the committees.

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The Board and the three committees receive information used in fulfilling their oversight responsibilities through Rimage s executive officers and its advisors, including our legal counsel, our independent registered public accounting firm, and the compensation consultants we have engaged from time to time. At meetings of the Board, management makes presentations to the Board regarding our business strategy, operations, financial performance, annual budgets, technology and other matters. Many of these presentations include information relating to the challenges and risks to our business and the Board and management actively engage in discussion on these topics. Each of the committees also receives reports from management regarding matters relevant to the work of that committee. These management reports are supplemented by information relating to risk from our advisors. Additionally, following committee meetings, the Board receives reports by each committee chair regarding the committee s considerations and actions. In this way, the Board also receives additional information regarding the risk oversight functions performed by each of these committees.

Director Nominations

The Governance Committee will consider candidates for Board membership suggested by its members, other Board members, as well as management and shareholders. Shareholders who wish to recommend a prospective nominee should follow the procedures set forth in Section 3.14 of our bylaws as described in this Director Nominations section under Shareholder Proposals for Nominees. The Governance Committee has not adopted a formal policy for increasing or decreasing the size of the Board of Directors. Our Governance Guidelines provides that the Board should generally have between six and nine directors. The Governance Committee believes that a eight person Board of Directors is appropriate. At eight directors, the Board of Directors has a diversity of talent and experience to draw upon, is able to appropriately staff the committees of the Board and engage the directors in Board and committee service, all while maintaining efficient function and communication among members. If appropriate, the Board may determine to increase or decrease its size, including in order to accommodate the availability of an outstanding candidate.

Criteria for Nomination to the Board; Diversity Considerations. The Governance Committee is responsible for identifying, evaluating and approving qualified candidates for nomination as directors. The Governance Committee has not adopted minimum qualifications that nominees must meet in order for the Governance Committee to recommend them to the Board of Directors, as the Governance Committee believes that each nominee should be evaluated based on his or her merits as an individual, taking into account the needs of Rimage and the Board of Directors. The Governance Committee evaluates each prospective nominee against the standards and qualifications set out in our Governance Guidelines, including:

- Background, including demonstrated high personal and professional ethics and integrity; and the ability to exercise good business judgment and enhance the Board s ability to manage and direct our affairs and our business;
- Commitment, including the willingness to devote adequate time to the work of the Board and its committees, and the ability to represent the interests of all shareholders and not a particular interest group;
- Board skills needs, in the context of the existing makeup of the Board, and the candidate s qualification as independent and qualification to serve on Board committees;
- Business experience, which should reflect a broad experience at the policy-making level in business, government and/or education; and
- Diversity, in terms of knowledge, experience, skills, expertise, and other characteristics.

In considering candidates for the Board, including the nominees for election at the Annual Meeting, the Governance Committee considers the entirety of each candidate s credentials with reference to these standards. The Governance Committee also considers such other relevant factors as it deems appropriate.

While the Governance Committee does not have a formal policy with respect to diversity, the Governance Committee does believe it is important that the Board represent diverse viewpoints within the context of these standards. As part of the nominee selection process for the Annual Meeting, the Governance Committee reviewed the knowledge, experience, skills, expertise, and other characteristics of our directors, who are each nominees for election at the Annual Meeting. The Governance Committee considered how each director contributed to the diversity of the Board. Based upon that review, the Governance Committee believes that the overall mix of their backgrounds contributes to a diversity of viewpoints that will enhance the quality of the board s deliberations and decisions.

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In reviewing prospective nominees, the Governance Committee reviews the number of public-company Boards on which a director nominee serves to determine if the nominee will have the ability to devote adequate time to the work of our Board and its committees. Under our Governance Guidelines, non-employee directors generally may not serve on more than four boards of other publicly owned companies, provided that the service does not adversely affect the director s ability to perform his or her duties as a Rimage director.

The Governance Committee will consider persons recommended by the shareholders using the same standards used for other nominees.

Process for Identifying and Evaluating Nominees. The process for identifying and evaluating nominees to the Board of Directors is initiated by identifying a slate of candidates who meet the criteria for selection as a nominee and have the specific qualities or skills being sought based on input from members of the Board and, if the Governance Committee deems appropriate, a third-party search firm. The Governance Committee evaluates these candidates by reviewing the candidates biographical information and qualifications and checking the candidates references. One or more Governance Committee members will interview the prospective nominees in person or by telephone. After completing the evaluation, the Governance Committee makes a recommendation to the full Board of the nominees to be presented for the approval of the shareholders or for election to fill a vacancy.

Board Nominees for the 2013 Annual Meeting. The nominees for the Annual Meeting other than Mr. Orlando were selected by the Governance Committee in February 2013 using the standards identified in our Governance Guidelines that are discussed in this section under Criteria for Nomination to the Board; Diversity Considerations. In selecting Messrs. Madison and Reissner as nominees, the Governance Committee determined that, because of his demonstrated availability to the Board and valuable contributions as a Board member, it is in the best interests of Rimage and its shareholders to waive the provisions of our Governance Guidelines relating to maximum age of nominees. All nominees other than Mr. Orlando were elected by shareholders at our 2012 Annual Meeting. Mr. Orlando was identified as potential board candidates by a shareholder, Dolphin Limited Partnership III, L.P. Mr. Orlando was evaluated by our Governance Committee in the manner described in Process for Identifying and Evaluating Nominees based upon the standards and criteria that are described above in Criteria for Nomination to the Board; Diversity Considerations. In connection with the nomination by Dolphin Limited Partnership III, L.P. of Mr. Orlando, we entered into an agreement with Dolphin Limited Partnership III, L.P and certain of its affiliates that is described below under Agreement with Dolphin. Based upon the evaluation of Mr. Orlando by the Governance Committee, the Governance Committee recommended that Mr. Orlando be elected as a director and the Board of Directors elected Mr. Orlando effective March 18, 2013 in accordance with the agreement with Dolphin. We have not engaged a third-party search firm to assist us in identifying potential director candidates, but the Governance Committee may choose to do so in the future.

Shareholder Proposals for Nominees. The Governance Committee will consider written proposals from shareholders for nominees for director. Any such nominations should be submitted to the Governance Committee c/o the Secretary of Rimage Corporation and should include the following information: (a) all information relating to such nominee that is required to be disclosed pursuant to Regulation 14A under the Securities Exchange Act of 1934 (including such person s written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (b) the name and record address of the shareholder and of the beneficial owner, if any, on whose behalf the nomination will be made, and (c) the class and number of shares of the corporation owned by the shareholder and beneficially owned by the beneficial owner, if any, on whose behalf the nomination will be made. As to each person the shareholder proposes to nominate, the written notice must also state: (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person and (c) the class and number of shares of the corporation s capital stock beneficially owned by the person. To be considered, the written notice must be submitted in the time frame described in our bylaws and in the section of this proxy statement entitled Shareholder Proposals for 2014 Annual Meeting.

Summary of Dolphin Agreement

Under the terms of the agreement dated March 18, 2013 (the Dolphin Agreement) between us and Dolphin Limited Partnership III, L.P. (Dolphin III), Dolphin Associates III, LLC, and Dolphin Holdings Corp. III (collectively, Dolphin), we increased the size of our Board of Directors from seven to eight members and to elected Justin A. Orlando to our Board of Directors on March 18, 2013, as well as appointed him to the Compensation Committee and the Governance Committee of the Board. In accordance with the Dolphin Agreement, we have also nominated Mr. Orlando for election to the Board at the Annual Meeting and we will solicit proxies for the election of Mr. Orlando in the same manner as the other nominees standing for election to the Board.

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Until the date on which Dolphin has sold shares of our common stock such that it ceases to beneficially own in the aggregate at least 5.0% of the then outstanding common stock, Dolphin has the right to replace Mr. Orlando with a qualified director substitute, with the qualifications and appointment of such substitute director subject to the provisions of the Agreement. Pursuant to the Dolphin Agreement, we also appointed Daniel J. Englander as an observer to the Board of Directors, with the rights and limitations as described in the Dolphin Agreement, until the earlier of the date that is 10 days prior to the nomination deadline for our 2014 Annual Meeting of Shareholders (2014 Annual Meeting) or the date on which Dolphin sells common stock such that it ceases to beneficially own in the aggregate at least 5.0% of the then outstanding common stock. We have also agreed to use our reasonable best efforts to appoint a ninth director to the Board with relevant enterprise software industry experience.

Pursuant to the Dolphin Agreement, Dolphin has irrevocably withdrawn the letter it submitted to us on December 10, 2012, in which Dolphin nominated director candidates to be elected to our Board of Directors at the Annual Meeting. Furthermore, Dolphin will not, nor will it encourage any other person to, nominate any person for election at the 2013 Annual Meeting or submit proposals for consideration at the 2013 Annual Meeting, nor will it engage in certain activities related to withhold or similar campaigns with respect to the 2013 Annual Meeting.

The Dolphin Agreement further provides that Dolphin will vote all of the shares of our common stock that it beneficially owns in favor of the election of each nominee for election to the Board at the Annual Meeting and in accordance with the recommendations of our Board of Directors with respect to all other proposals presented to shareholders at the Annual Meeting.

Dolphin is also subject to a standstill provision under the Dolphin Agreement. Such provisions generally remain in effect until 10 business days prior to the deadline for the submission of shareholder nominations for our 2014 Annual Meeting. Among other things, the standstill provision restricts Dolphin and certain of its affiliates and associates from (i) becoming the beneficial owner of more than 9.90% of our common stock, (ii) engaging in certain proxy solicitations, (iii) seeking additional representation on our Board of Directors or otherwise seeking to control or influence our management, Board or policies or encouraging any third party to do so, (iv) making certain shareholder proposals or public statements relating to certain transactions or activities, (v) soliciting consents from shareholders, or (vi) encouraging or influencing any person with respect to the voting or disposition of our securities at any annual or special meeting of shareholders.

Board Attendance at Board, Committee and Annual Shareholder Meetings

During 2012, the Board of Directors met twelve times. Each nominee for director attended at least 75% of the meetings of the Board and committees on which he or she served during 2012. The Board of Directors regularly meets in executive session without the presence of members of management, including the Chief Executive Officer. We do not have a formal policy on attendance at meetings of our shareholders. However, we encourage all Board members to attend all meetings, including the annual meeting of shareholders. Seven directors then serving attended the 2012 Annual Meeting of Shareholders.

Continuing Education

We have adopted a policy encouraging all Board members to seek out opportunities for further education on governance and public-company matters. During 2012, two members of the Board of Directors attended one or more such programs.

Communications With Directors

Shareholders may communicate with members of the Board by sending an e-mail to chair.director@rimage.com or by directing the communication in care of the Governance Committee Chair c/o Corporate Secretary, at the address set forth on the front page of this proxy statement. All communications will be received and processed by the Corporate Secretary. You will receive a written acknowledgement from the Corporate Secretary upon receipt of your communication.

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Code of Ethics

We have adopted a code of ethics that applies to all directors, officers and employees, including its principal executive officer, principal financial officer and controller. This code of ethics is included in our Code of Ethics and Business Conduct which is publicly available by following the link to Corporate Governance in the Investors section of our website at www.rimagecorp.com.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The following report of the Audit Committee shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the 1934 Securities Exchange Act, as amended, except to the extent that we specifically incorporate it by reference in such filing.

In accordance with its Charter, the Audit Committee has reviewed and discussed our audited financial statements with management. The Audit Committee has discussed with KPMG LLP, our independent registered public accounting firm, (i) the matters required to be discussed by SAS No. 61 (Communication with Audit Committees) which includes, among other items, matters related to the conduct of the audit of our financial statements, (ii) the written disclosures required by Independence Standards Board Standard No. 1 (which relates to the firm s independence from us and our related entities), and (iii) the independence of KPMG LLP from us.

Based on the review and discussions referred to above, the Audit Committee recommended to our Board that our audited financial statements be included in our Annual Report on Form 10-K for the year ending December 31, 2012.

By the Audit Committee of the Board of Directors:

Lawrence M. Benveniste (Chair)
Thomas F. Madison
Kimberly K. Nelson
Robert F. Olson
James L. Reissner

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EXECUTIVE OFFICERS

Set forth below is biographical and other information for our current executive officers. Information about Sherman L. Black, our President and Chief Executive Officer, may be found in this proxy statement under the heading Election of Directors.

James R. Stewart, age 56, joined Rimage on July 26, 2010 and was appointed as our Chief Financial Officer effective August 6, 2010. Prior to joining Rimage, Mr. Stewart served as the Chief Financial Officer of Comm-Works Incorporated, a privately-held provider of voice and data infrastructure services located in Minneapolis Minnesota, since 2006. In his role as the Chief Financial Officer, Mr. Stewart was responsible for the leadership of Comm-Works financial operations, provided financial and strategic planning leadership, and led Comm-Works in various acquisitions and lender refinancing. From 2003 to 2006, Mr. Stewart served as the Senior Vice President Finance H.R. Solutions for Ceridian Corporation, a publicly held information services company principally serving the human resource, transportation and retail markets. While at Ceridian Corporation, Mr. Stewart supervised a large staff and was responsible for finance matters in Ceridian s human resource solutions business segment, including financial planning, analysis, and reporting for that business segment, general accounting, pricing, contracts, billing, accounts receivable and payable, finance systems, and client funds management and facilities. From 2001 to 2003, Mr. Stewart was the Chief Financial Officer of Optical Solutions, Inc., a venture-backed private company that marketed and manufactured passive optical access solutions that was acquired by Calix, Inc. in 2005. While at Optical Solutions, Mr. Stewart led two successful rounds of financing, including providing presentations to investors. He also led an effort to reduce cash utilization, negotiated key manufacturing relationships, developed compensation programs, and established corporate financial policies and procedures. Mr. Stewart has a masters of business administration degree and a bachelor of science degree in accounting and finance, both from the University of Minnesota in Minneapolis, Minnesota.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following discussion and analysis describes our compensation objectives and policies as applied to the following executive officers who are referred to in this proxy statement as the named executive officers:

- Sherman L. Black, who served as our President and Chief Executive Officer during 2012
- James R. Stewart, who served as our Chief Financial Officer during 2012
- Samir Mittal, who served as our Senior Vice President and Chief Technology Officer during 2012 and who was an executive officer until December 31, 2012
- Raymond R. Hood, who served as our Senior Vice President and General Manager, Qumu during 2012 until his resignation effective November 30, 2012
- Christopher A. Wells, who served as our Senior Vice President and General Manager, Disc Publishing during 2012 until his resignation effective June 19, 2012

This section is intended to provide a framework within which to understand the actual compensation awarded to, earned or held by each named executive officer during 2012, as reported in the compensation tables and accompanying narrative sections appearing on pages 28 to 34 of this proxy statement.

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Executive Summary

Our compensation policies and determinations in 2012 were influenced by a variety of factors, including our focus on pay programs that are aligned with our efforts to execute on our software product strategy and transform our business. Highlighted below are some of the key compensation-related decisions and policies approved by the Compensation Committee relating to 2012 compensation to the named executive officers:

Salary Increases. In February 2012, the Compensation Committee approved increases in base salary for selected named executive officers where merited by individual performance and information regarding competitive pay for the position. The increases were effective April 1, 2012 in order to provide us with cost savings in the first half of the year.

Performance-Based Incentives. As in prior years, our compensation policies and practices during 2012 were heavily influenced by a focus on pay for performance.

Our executive compensation programs are designed to deliver market competitive compensation to the named executive officers only when they individually deliver, and we as a company deliver, high performance.

The Compensation Committee adopted a cash incentive compensation program for 2012 (the 2012 Incentive Plan) through which the named executive officers were eligible to earn cash incentive compensation based upon achievement of specific financial performance goals for 2012. For Messrs. Black and Stewart, the performance goals were weighted so that 50% of the bonus depended upon financial performance of our disc publishing business, 35% depended upon financial performance of our Qumu business and 15% depended upon the financial performance of our online publishing product. The Compensation Committee allocated significant weight to our Qumu business and our online publishing product because they are critical to our software product strategy and these new lines of business have the potential to transform our company.

The Compensation Committee believes that variable, incentive-based compensation should constitute a meaningful portion of overall compensation for the named executive officers and that as a named executive officer assumes greater responsibility, a larger portion of their total cash compensation should become dependent on company-wide performance. For example, amounts earned by Mr. Black under the 2012 Incentive Plan based upon achievement of our performance goals represented 37.4% of his base pay and 26.6% of his total compensation.

No Equity Awards in 2012. As we disclosed in our proxy statement last year, our Compensation Committee approved equity awards to our executive officers in October 2011 in lieu of awards that would have been granted at the 2012 Annual Meeting in May 2012 for 2011 performance and at the 2013 Annual Meeting in May 2013 for 2012 performance. Accordingly, the Compensation Committee did not make any equity awards to our executive officers at the time of the 2012 Annual Meeting of Shareholders in May 2012 or otherwise in 2012. The Compensation Committee also will not make any equity awards to our executive officers at the time of this 2013 Annual Meeting of Shareholders.

Compensation Policies for 2012. In 2012, we maintained and further implemented the compensation policies we developed in prior years and we also maintained several long-standing compensation practices that we believe contribute to good governance.

We added an expanded recoupment or clawback provision to the 2007 Stock Incentive Plan that was approved at the 2011 Annual Meeting. Additionally, beginning in 2011, clawback provisions are a standard part of our cash incentive compensation programs, including the 2012 Incentive Plan. These clawback provisions require an executive officer to forfeit and allow us to recoup any payments or benefits received by the executive officer under these compensation plans under certain circumstances, such as certain restatements of our financial statements, certain terminations of employment, and breach of an agreement between us and the executive officer.

We have established specific stock ownership guidelines for executive officers and directors. Our stock ownership guidelines, along with the terms of our equity awards, encourage our executive officers and directors to build and maintain an ownership interest in us.

Under the charter of the Compensation Committee, any compensation consultant is retained directly by and reports to the Compensation Committee. Prior to any requirement to do so, our Compensation Committee s practice has been to review and consider the independence of a compensation consultant prior to engagement. The Compensation Committee recently amended its charter to require an evaluation of a compensation consultant for potential conflicts of interest prior to the engagement.

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Our agreements with executive officers provides for payments only in cases of termination without cause prior to a change in control or both the occurrence of a change in control and the termination of employment without cause or for good reason. The agreement does not provide for tax gross-up payments. The post-termination benefits under the letter agreement are also conditioned upon compliance with the non-disclosure and non-competition agreements we have with the executive officers.

Response to 2012 Say-On-Pay Vote. Prior to and after the 2012 Annual Meeting, we increased our shareholder engagement and outreach efforts to enable the Compensation Committee to understand the 2012 advisory vote on named executive officer compensation (the say-on-pay vote). Those efforts included over 115 e-mail, telephone and in-person conversations with over 78 different investors, including 33 in-person meetings. In general, these shareholders supported a greater emphasis on performance-based compensation. The Compensation Committee took this shareholder feedback and the 2012 say-on-pay vote into consideration as it designed the long-term incentive program that was approved in February 2013. The long-term incentive program is a performance-based program that incorporates stock price as a performance measure, as well as performance measures relating to our disc publishing and software businesses. The program is also designed to operate as a retention tool.

Our Compensation Philosophy

Our philosophy with respect to the compensation of executive officers is based upon the following principles:

Executive base compensation levels should be established by comparison of job responsibility to similar positions in comparable companies and be adequate to retain highly-qualified personnel; and

Variable compensation should be established to provide incentive to improve performance and shareholder value.

The Compensation Committee reviews our compensation philosophy and our compensation programs regularly (no less than annually). The Compensation Committee s review is two-fold: first, to ensure our philosophy and programs meet our objectives of providing compensation that attracts and retains superior executive talent and encourages our executive officers to achieve our business goals and second, to identify changes and trends in executive compensation policies and practices.

2012 Compensation Elements and Determinations

The Compensation Committee followed the guiding principles outlined above in the development and administration of compensation programs for the named executive officers. During 2012, the components of our executive compensation programs consisted of the following:

Base salary; and

Cash incentive compensation delivered through the 2012 Incentive Plan.

While long-term equity compensation delivered through stock option and restricted stock awards under the 2007 Plan have historically been a component of our executive compensation program, the Compensation Committee did not make any stock option, restricted stock or other equity awards to the named executive officers in 2012. At the time it approved significant equity awards in October 2011 as an exception to our equity granting policy, the Compensation Committee determined not to make equity awards that would have been typically granted to the named executive officers at the 2012 Annual Meeting or at this Annual Meeting. In fulfillment of that commitment, the Compensation Committee did not make any equity awards to our executive officers at the time of the 2012 Annual Meeting or otherwise during 2012.

The named executive officers were also eligible to participate in the same benefit programs as were available to our other employees. Because the Compensation Committee does not believe that personal benefits or perquisites are appropriate as a significant element of compensation, the value of perks to any named executive officer was less than $10,000 in 2012.

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In addition to selecting the components of compensation, the Compensation Committee also determined the relative weight of each component for each of the named executive officers. Performance-based, variable compensation is intended to be a meaningful portion of overall compensation. For 2012, the Compensation Committee continued its practice of weighting this type of compensation more heavily than fixed compensation, such as base salary.

2012 Base Salaries

On February 20, 2012, the Compensation Committee recommended, and the Board of Directors approved an increase in the annual base salaries of James R. Stewart, Samir Mittal, and Christopher A. Wells. Effective April 1, 2012, Mr. Stewart s annual base salary was set at $250,300, Mr. Mittal s annual base salary was set at $235,000, and Mr. Wells annual base salary was set at $227,200. The base salary of Mr. Black was not changed from the $375,000 amount set by the Compensation Committee when Mr. Black was appointed to our Chief Executive Officer effective January 1, 2010. The base salary of Raymond R. Hood was also not changed from the $300,000 amount that was set in October 2011 when he was hired as our Senior Vice President and General Manager, Qumu.

The Compensation Committee approved increases in base salaries based upon an analysis of peer group base salary information and merit. See Compensation Information and How it is Used in the Determining Compensation below for an explanation of the information the Compensation Committee used in determining the base salaries of executive officers and how the Compensation Committee used this information in 2012 to determine compensation.

2012 Incentive Plan

On February 20, 2012, the Compensation Committee approved and the Board of Directors ratified the establishment of the 2012 Incentive Plan, including the minimum, target and maximum goals under the 2012 Incentive Plan and the cash incentive pay that the named executive officers then serving could earn under the 2012 Incentive Plan based upon percentages of their respective salaries.

Under the 2012 Incentive Plan, the Compensation Committee determined minimum, target and maximum performance goals applicable to the named executive officers under three matrices: one relating to our disc publishing business, one relating to our Qumu business and one relating to our online publishing product. With respect to the disc publishing matrix, the Compensation Committee set 2012 quarterly and annual performance goals at the minimum, target and maximum level related to sales and operating income as a percentage of sales. Each quarter s performance goals account for 15% of the bonus at target and the full year 2012 accounts for 40% of the bonus at target. With respect to the Qumu business, the Compensation Committee set 2012 annual performance goals at the minimum, target and maximum level for contracted commitments (the dollar value of signed customer purchase commitments) for all software products and operating expense (excluding the amortization of Qumu intangibles, but including an allocated portion of general and administrative expense). With respect to the online publishing product, the Compensation Committee set 2012 annual performance goals at the minimum, target and maximum level for revenue and contracted commitments (the dollar value of signed customer purchase commitments) for the online publishing product.

Under the 2012 Incentive Plan, the maximum incentive amount that may be achieved for any period by any executive will not exceed two times his incentive amount at the target level, even if actual performance exceeds the maximum for the performance goals. Further, no incentive amount will be earned by any executive for the measurement period if the minimum performance goals for that period as set by the matrix are not achieved. If performance is between the established performance goals, incentive amounts will be interpolated.

For Messrs. Black and Stewart, the three matrices were weighted 50% to the disc publishing business matrix, 35% to the Qumu business matrix and 15% to the online publishing product matrix. Based upon the performance under the three matrices at the 50%-35%-15% weighting, the company average bonus opportunity will be determined. For Mr. Wells, the bonus opportunity was weighted 60% to the disc publishing matrix and 40% to the company average. For Mr. Mittal, the bonus opportunity was weighted 60% to the online publishing matrix and 40% to the company average. For Mr. Hood, the bonus opportunity was weighted 100% to the Qumu business matrix.

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All incentive amounts earned in 2012 were paid in the first quarter of 2013 and an executive officer must have been employed by us as of December 31, 2012 and as of the payment date in order to receive payout of any incentive amounts earned during the year unless termination of employment is due to death, disability or follows a change in control. Additionally, all incentive payments are subject to clawback to the extent required by federal law.

The following chart shows the incentive opportunity, as a percentage of the named executive officer s salary, that may have been earned by the named executive officers under the 2012 Incentive Plan upon our achievement at the target and maximum level under each matrix for each performance period.

	Incentive Opportunity Under 2012 Incentive Plan As a Percentage of Base Salary	
Named Executive Officer	**Target Goals Achieved**	**Maximum Goals Achieved**
Sherman L. Black	75%	150%
James R. Stewart	50%	100%
Samir Mittal	50%	100%
Christopher A. Wells	55%	110%
Raymond R. Hood	50%	100%

Below is a table showing the target performance goals established under the 2012 Incentive Plan for each measurement period under each of the three matrices, our actual performance for 2012 as compared to these goals, and the percentage by which our actual performance exceeded or was less than target for each period. In determining the disc publishing third quarter operating income as a percentage of sales for the purposes of the 2012 Incentive Plan, the Compensation Committee excluded expenses for legal fees in excess of budget and settlement costs associated with a patent litigation lawsuit; these adjusted amounts of operating income as a percentage of sales are reflected in the table below.

Disc Publishing Business Matrix

Measurement Period	Target Sales (in millions)	Actual Sales (in millions)	% Above or (Below) Target	Target Operating Income as a Percentage of Sales	Actual Operating Income as a Percentage of Sales	% Above or (Below) Target
First Quarter 2012	$ 18.6	$ 18.1	(2.7)%	11.2%	11.9%	6.3%
Second Quarter 2012	$ 19.5	$ 16.9	(13.3)%	14.7%	6.9%	(53.1)%
Third Quarter 2012	$ 20.3	$ 18.2	(10.3)%	17.4%	14.6%	(16.1)%
Fourth Quarter 2012	$ 20.0	$ 16.4	(18.0)%	15.9%	7.8%	(50.9)%
Fiscal Year 2012	$ 78.4	$ 69.6	(11.2)%	14.9%	10.4%	(30.2)%

Qumu Business Matrix

Measurement Period	Contracted Commitments (in millions)	Actual Contracted Commitments (in millions)	% Above or (Below) Target	Operating Expense (in millions)	Actual Operating Expense (in millions)	% Above or (Below) Target
Fiscal Year 2012	$ 21.9	$ 19.7	(10.0)%	$ 18.8	$ 17.9	(4.8)%

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Online Publishing Product Matrix

Measurement Period	Revenue (in millions)	Actual Revenue (in millions)	% Above or (Below) Target	Contracted Commitments (in millions)	Actual Contracted Commitments (in millions)	% Above or (Below) Target
Fiscal Year 2012	$ 1.0	$ 0.16	(98.4)%	$ 2.5	$ 0.49	(98.0)%

Under the disc publishing business matrix, the Compensation Committee set the target amounts for 2012 quarterly and annual revenue at levels that were at or slightly below our actual performance in 2011 for these periods. The Compensation Committee believed that this was appropriate given that the disc publishing business is mature and challenged by technology substitution. The Compensation Committee set targets for 2012 operating income as a percentage of revenue for the disc publishing business matrix at levels that were higher than our 2011 achievement because this measure for 2012 reflects the impact of allocating general and administrative expense to the Qumu business and the online publishing product. The Compensation Committee intended the target amounts under the Qumu business matrix and the online publishing product matrix to encourage meaningful progress in developing these new sources of revenue, which is part of our continuing process of transforming Rimage into a higher performing business. Accordingly, the Compensation Committee set Qumu annual contracted commitments at a target level that was 78% higher than 2011 actual contracted commitments. The Compensation Committee also set annual revenue and contracted commitment targets for our online publishing product, which was introduced in the second quarter of 2012, at a target level it believed appropriate for a new revenue stream given the positive customer feedback during proof of concept testing and the sales and marketing resources devoted to the product launch.

Based on our results for each fiscal quarter and for 2012, the named executive officers earned the amounts shown below under the 2012 Incentive Plan. Company Average represents the performance under the three matrices weighted at 50% to the disc publishing matrix, 35% to the Qumu business matrix, and 15% to the online publishing product matrix.

Measurement Period	Named Executive Officer and Payout Attributable to Measurement Period: Sherman L. Black	James R. Stewart	Samir Mittal
Disc Publishing Business Matrix			
First Quarter 2012	$ 20,672	$ 9,199	
Second Quarter 2012	$ 0	$ 0	
Third Quarter 2012	$ 7,172	$ 3,191	
Fourth Quarter 2012	$ 0	$ 0	
Fiscal Year 2012	$ 0	$ 0	
Total Disc Publishing Business Matrix	$ 27,844	$ 12,390	
Qumu Business Matrix	$ 112,219	$ 49,935	
Online Publishing Product Matrix	0	$ 0	$ 0
Company Average			$ 23,406
Total	$ 140,063	$ 62,325	$ 23,406
Percent of 2012 Base Salary	27.0%	24.9%	10.0%

The amounts earned by Messrs. Black, Stewart and Mittal under the 2012 Incentive Plan were significantly less than target payouts, with the amounts representing 49.8%, 49.8% and 19.9% of their respective 2012 Incentive Plan target amounts.

2012 Equity Awards

In October 2011, the Compensation Committee determined to allow an exception to a portion of our equity granting policy and make awards to the executive officers at that time in lieu of awards at the 2012 Annual Meeting in May 2012 for 2011 performance and at the 2013 Annual Meeting in May 2013 for 2012 performance. The Compensation Committee determined that it was appropriate to make an exception to this portion of the equity granting policy in order to more closely align management s incentives with our future growth and to aid in retention.

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Accordingly, because of the exception made by the Compensation Committee in October 2011, the Compensation Committee did not make any equity awards to our executive officers at the time of the 2012 Annual Meeting of Shareholders in May 2012 or otherwise in 2012. The Compensation Committee also will not make any equity awards to our executive officers at the time of this 2013 Annual Meeting of Shareholders.

Compensation Information and How it is Used in Determining Compensation

The Compensation Committee used information from a variety of sources in determining compensation for the named executive officers for 2012.

Compensation Consultant. The Compensation Committee did not engage a compensation consultant to assist it in determining executive compensation for 2012. However, the Compensation Committee did engage a compensation consultant, Radford, to assist it in determining executive compensation for 2011 and the Compensation Committee relied upon this information in determining 2012 executive compensation. The Compensation Committee also reviewed surveys, reports and other market data against which it measured the competitiveness of our compensation programs for 2012.

Input from Management. In determining compensation for named executive officers, other than the Chief Executive Officer, the Compensation Committee solicits input from the Chief Executive Officer regarding the duties and responsibilities of the other executive officers and the results of performance reviews. The Chief Executive Officer also recommends to the Compensation Committee the base salary for all named executive officers, the awards under the cash incentive compensation program, and, in prior years, the awards under the long-term equity program. The Chief Executive Officer also recommended to the Compensation Committee the financial performance goals under the 2012 Incentive Plan. No named executive officer, other than the Chief Executive Officer, has a role in establishing executive compensation. From time to time, the named executive officers are invited to attend meetings of the Compensation Committee. However, no named executive officer attends any executive session of the Compensation Committee or is present during deliberations or determination of such named executive officer s compensation.

CEO Performance Review. Annually, our Governance Committee establishes and oversees a process for the evaluation of the performance of the Chief Executive Officer by the whole Board, including a self-assessment by the Chief Executive Officer. The Compensation Committee then considers the results of that performance review in determining compensation of the Chief Executive Officer.

In 2011, the Compensation Committee developed, with Radford s assistance, a benchmarking system for base salary, short-term cash incentive compensation, total cash compensation (base salary and short-term cash incentive compensation), long-term equity incentives and total direct compensation (total cash compensation plus long-term equity incentive values). In connection with this benchmarking system, the Compensation Committee selected in 2011 a benchmark peer group composed of other similarly sized publicly-held companies located both in Minnesota and in other states in the software, computer peripheral and device, and data storage industries. As was the case for 2011, in determining 2012 executive compensation, the Compensation Committee focused in some instances on the peer companies located in the Minneapolis area, which is where we primarily compete for executive talent. For 2012, the Compensation Committee reviewed information for the 2011 peer group companies consisting of:

Compellent Technologies, Inc.	Guidance Software, Inc.	Vital Images, Inc.
Datalink Corp.	Image Sensing Systems, Inc.	Wave Systems Corp.
Digi International Inc.	Isilon Systems, Inc.	Xata Corporation
Dot Hill Systems Corp.	SPS Commerce, Inc.	
Falconstor Software, Inc.	Stratasys, Inc.	

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As in the past, the Compensation Committee considered the competitiveness of elements of executive compensation and the need for adjustments for competitiveness when determining 2012 compensation for the named executive officers. In reviewing competitiveness of named executive officer compensation, the Compensation Committee focused on the 50th percentile of the peer group for base salary and the 50th percentile of the peer group for total cash compensation at the target levels of achievement under our cash incentive program.

In past years, the Compensation Committee has focused on the 50th percentile of the peer group in reviewing the competitiveness of the long-term equity incentives to the named executive officers. In determining value of compensation comprised of long-term equity incentive compensation, the Compensation Committee has typically considered the following factors in addition to the information set forth above: (i) previously made grants to the named executive officer; (ii) progress toward meeting our stock ownership guidelines; (iii) the type of equity award and the standard terms of that type of award; (iv) our historical grant practices; (v) the potential cash compensation to the named executive officer and (vi) the position of the named executive officer to ensure that those in positions of increased responsibility have an opportunity to receive a correspondingly larger portion of the overall value of long-term equity compensation for the year. As explained above, the Compensation Committee did not make any equity awards to our executive officers at the time of the 2012 Annual Meeting of Shareholders in May 2012 or otherwise in 2012.

Compensation Policies

Executive Compensation Clawback Policy. We have added an expanded recoupment or clawback provision to the 2007 Plan that was approved by our shareholders at the 2011 Annual Meeting. Additionally, we added clawback provisions to our cash incentive compensation program beginning with the program we adopted in 2011 and continuing with the 2012 Incentive Plan. These clawback provisions require an executive officer to forfeit and allow us to recoup any payments or benefits received by the executive officer under these compensation plans under certain circumstances, such as certain restatements of our financial statements, certain terminations of employment, and breach of an agreement between us and the executive officer.

Equity Granting Policy. The policy of the Compensation Committee has been to make awards of equity-based compensation to Rimage employees, including executive officers, at a regularly scheduled meeting of the Compensation Committee held in conjunction with a meeting of the Board of Directors on the day of the Annual Meeting of Shareholders, typically scheduled in May of each year. The equity awards granted by the Compensation Committee at the time of the Annual Meeting of Shareholders are in respect of performance in the prior year.

In October 2011, the Compensation Committee adopted an exception to this portion of the equity granting policy and approved awards to our executive officers at that time in lieu of awards at the 2012 Annual Meeting in respect of 2011 performance and at the time of the 2013 Annual Meeting in respect of 2012 performance. Accordingly, the Compensation Committee did not make any equity awards to our executive officers at the time of the 2012 Annual Meeting of Shareholders in May 2012 or otherwise in 2012. The Compensation Committee also will not make any equity awards to our executive officers at the time of this 2013 Annual Meeting of Shareholders.

In addition to annual awards, awards of equity-based compensation to newly hired employees or employees being recognized for their achievement may be made by the Compensation Committee or by the Chief Executive Officer under authority delegated by the Compensation Committee. For awards by the Compensation Committee to newly-hired employees or employees being recognized for their achievement, the grant date will be the later of (i) the first day of employment with Rimage or the date the employee is recognized for achievement, as the case may be, or (ii) the date the Compensation Committee takes action to approve the award. However, if this date is not within an open window period, the grant date will be the first day of the open window period following the latest of (i) and (ii).

All stock options granted in 2012 have an exercise price of the fair market value of our common stock on the date of grant. The date of grant is determined under the 2007 Plan by reference to the closing market price of our common stock on the date the Compensation Committee meets (or takes action in writing in lieu of meeting) and determines the award recipient, the number of shares underlying stock option awards and the other material terms of the stock option grant, or such future date specified as the grant date by the Compensation Committee when all material terms of the stock option grant are determined.

The Compensation Committee s policy is to grant all equity awards under shareholder approved equity compensation plans, such as the 2007 Plan, except in limited and special circumstances.

Our policy is to grant equity awards at a time that Rimage s directors and executive officers are not in possession of material, non-public information and during the periods of time that trading would be permitted under our trading policy, which is referred to above as an open window period.

Delegation of Authority under 2007 Plan. The Compensation Committee has delegated authority to the Chief Executive Officer to grant equity awards under the 2007 Plan to employees who are not executive officers of Rimage. The Chief Executive Officer s delegation authority is limited to grants to any individual of no more than the lesser of (i) 1.5 times the recommended annual grant corresponding to that individual s position with Rimage and (ii) 10,000 equity awards, and the delegation authority may not exceed, in the aggregate, the total amount established on an annual basis by the Compensation Committee. Equity awards mean stock options and restricted shares and unless otherwise determined by the Compensation Committee, grants of restricted shares shall reduce the limits set forth above on the basis of 2.5 equity awards for each restricted share granted. Further, the Chief Executive Officer must memorialize the terms of the award in a written form contemporaneously with his approval of the award and must advise the Compensation Committee of such awards at a Compensation Committee meeting following such award. The terms of option and restricted stock awards by the Chief Executive Officer must be those contained in our standard form of non-qualified stock option agreement or standard form of restricted stock agreement, with the lapse of restrictions on the restricted stock over a period of 1 to 4 years as determined by the Chief Executive Officer consistent with the terms of the 2007 Plan.

For awards by the Chief Executive Officer to newly-hired non-executive employees or non-executive employees being recognized for their achievement, the grant date will be the second Tuesday of the month following the employee s start date or the date the employees is recognized for achievement, or if the Nasdaq Stock Market was closed on such second Tuesday, the next succeeding day on which the Nasdaq Stock Market is open for regular trading.

Stock Ownership Guidelines. In May 2006, we established stock ownership guidelines for our executive officers and directors. These guidelines are reviewed annually. The ownership guidelines for executive officers are based upon the following multiples of base pay, with the multiple depending upon management level: Chief Executive Officer, five times; President, Chief Operating Officer, Chief Technical Officer and Chief Financial Officer, three times; and all other executive officers, two times. In the event an individual holds positions in more than one management level, the multiple applicable to the highest management level applies to that individual. The ownership guideline for directors is three times the annual retainer (exclusive of meeting fees or other retainers) paid to directors by us. Ownership levels will be determined by including stock acquired through open market transactions, employee stock purchase plan purchases (if any), shares granted under time vested restricted stock or restricted stock unit awards, shares earned under performance stock awards, as well as the in-the-money value of vested stock options. We recommend that executive officers and directors meet the applicable guidelines within five years of the date he or she first becomes subject to the guidelines and meet the applicable guidelines associated with an increase in his or her management level within five years of such change.

Although executive officers and directors are not required to meet the applicable guidelines until five years from the date he or she first becomes subject to the guidelines (at the earliest May 2011), on February 21, 2013, the Compensation Committee reviewed the progress of the named executive officers and directors toward the ownership guidelines. As of that date, the four directors that were required to meet the ownership guidelines met them. Two other directors are not required to meet the guidelines until 2017. The named executive officers are required to meet the ownership guidelines at the earliest in 2014. The Compensation Committee believes our executive officers will be challenged to meet the stock ownership guidelines, despite the stock options and stock held by them, because no stock options were in-the-money at February 21, 2013 and because of the price of our stock at that time.

Post-Termination Compensation. Our practice has been to enter into a form of agreement relating to severance and change in control benefits with each person appointed by the Board as an executive officer. As of December 31, 2012, we were a party to such an agreement with Messrs. Black, Stewart, and Mittal, our named executive officers then serving.

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The Compensation Committee believes that severance and change in control arrangements for the named executive officers are consistent with competitive pay practices, aid in the recruitment and retention of executive officers, and provide incentives for executive officers to grow our business and maintain focus on returning value to shareholders. The Compensation Committee believes that providing protection to executive officers whose employment is terminated in connection with a change in control strikes an appropriate balance among the interests of our executive officers and the interests of others in a change in control transaction. In particular, the Compensation Committee believes that these arrangements are appropriate in part because the benefits under the agreement are only payable upon termination without cause prior to a change in control or both the occurrence of a change in control and the termination of employment without cause or for good reason, and that the severance and change in control benefits are conditioned upon compliance with non-disclosure and non-competition agreements. See Executive Compensation Employment Arrangements with Named Executive Officers and Post-Employment Compensation in this proxy statement for a discussion of the terms of the agreement with the named executive officers and the value of benefits payable under that agreement.

Engagement of Compensation Consultant. Under its charter, the Compensation Committee has the sole authority to retain or replace the compensation consultant and the compensation consultant reports to the Compensation Committee. The Compensation Committee did not engage a compensation consultant with respect to 2012 compensation. However, the Compensation Committee did engage a consultant, Radford (an Aon Hewitt Company), in 2012 to assist it in developing among other things, the long-term incentive program the Compensation Committee approved in February 2013 that is discussed below under Consideration of 2012 Say-on-Pay Vote. The Compensation Committee has reviewed information relating to potential conflicts of interest involving Radford, and determined that no conflict of interest existed with respect to Radford.

Consideration of 2012 Say-on-Pay Vote

Prior to and after the 2012 Annual Meeting, we increased our shareholder engagement and outreach efforts to enable the Compensation Committee to understand the 2012 advisory vote on named executive officer compensation (the say-on-pay vote). During 2012, our management had over 115 e-mail, telephone and in-person conversations on various topics with over 78 different investors, including 33 in-person meetings. The general feedback we received from our shareholders relating to executive compensation was that they continue to be particularly attentive to the strength of the connection between performance and pay and the role of performance-based compensation in overall compensation of named executive officers.

Following the 2012 say-on-pay vote, the Compensation Committee devoted significant efforts to developing a performance based long-term performance and retention program for executive officers and key employees. In connection with this effort, the Compensation Committee engaged an independent compensation consultant in early Fall 2012 to assist with the design of the programs. For executive officers, the Compensation Committee determined to incorporate stock price as a performance measure. The culmination of the Compensation Committee s work on this program was a long-term incentive program for executive officers adopted in February 2013. This program is designed to incentivize stock price appreciation and financial performance of our disc publishing and software businesses for the two twelve month periods ending December 31, 2013 and 2014, as well as retain talent through delayed payouts conditioned upon continued employment with us.

The long-term incentive program was recommended by the Compensation Committee after taking into consideration 2012 say-on-pay vote and information gleaned from our shareholder engagement and outreach efforts during 2012, as well as information provided by an independent compensation consultant.

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Consideration of Risk in Compensation

The Compensation Committee believes that promoting the creation of long-term value discourages behavior that leads to excessive risk. The Compensation Committee believes that the following features of our compensation programs provide incentives for the creation of long-term shareholder value and encourage high achievement by our executive officers without encouraging inappropriate or unnecessary risks:

Our long-term incentives in the form of stock options or restricted stock are at the discretion of the Compensation Committee and are granted pursuant to a disciplined process.

Stock options become exercisable over a four year period and remain exercisable for up to ten years (seven years for options issued beginning in 2008) from the date of grant, and restricted shares vest over periods up to four years, encouraging executives to look to long-term appreciation in equity values.

We balance short- and long-term decision-making with the annual cash incentive program and stock options and restricted stock awards that vest over four years.

Beginning with 2011 awards, the Compensation Committee granted a greater proportion of the value of long-term equity incentives in the form of restricted stock. These awards more directly tie the interests of our named executive officers to the interests of our shareholders, but also discourage inappropriate or unnecessary risk-taking that adversely affects the price of our stock.

Because of our stock ownership guidelines, our named executive officers could lose significant value if our stock price were exposed to inappropriate or unnecessary risks.

The three matrices established under the 2012 Incentive Plan focus on three distinct revenue streams: the disc publishing business, our Qumu business and our online publishing product. The Compensation Committee believes that the three matrices in combination balance the opportunities and risk reflected in our three revenue streams in 2012.

The metrics used to determine the amount of a named executive officer s bonus under the 2012 Incentive Plan provide for a balance of revenue focused performance measures and income or operating expense focused performance measures.

For each named executive officer, the Compensation Committee determined the relative weight of three matrices under the 2012 Incentive Plan, which balance the interdependencies of our businesses and the named executive officers with the individual areas of accountability for the named executive officer.

The bonus amount under our 2012 Incentive Plan cannot exceed two times the target amount, no matter how much financial performance exceeds the maximum level of performance set for each matrix. Additionally, there is no payout attributable to a matrix or the overall company performance unless a minimum level of performance is achieved. These features are designed to limit windfalls.

Through our 2007 Stock Incentive Plan, the Compensation Committee has the right to claw back stock incentives or cash incentives from a participant or to seek repayment from a participant through a variety of means in certain circumstances such as certain restatements of our financial statements, certain terminations of employment, and breach of an agreement between us and the executive officer. The Compensation Committee also has, and has in the past exercised, negative discretion in respect of compensation of the named executive officers.

Our corporate compliance systems and policies, which are overseen by the Audit Committee, further mitigate against excessive or inappropriate risk taking.

Based on their consideration of these and other factors, the Compensation Committee concurred with our management s determination that none of its compensation policies and practices is reasonably likely to have a material adverse effect on Rimage.

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Report of the Compensation Committee

The following report of the Compensation Committee shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the 1934 Securities Exchange Act, as amended, except to the extent that we specifically incorporate it by reference in such filing.

The Compensation Committee has reviewed and discussed the section of this proxy statement entitled Compensation Discussion and Analysis (the CD&A) for the year ended December 31, 2012 with management. In reliance on the reviews and discussions referred to above, the Compensation Committee recommended to the Board that the CD&A be included in the proxy statement for the 2013 Annual Meeting of Shareholders for filing with the Securities and Exchange Commission.

By the Compensation Committee of the Board of Directors:

Steven M. Quist (Chair)
Lawrence M. Benveniste
Robert F. Olson

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Summary Compensation Table

The following table shows, for our Chief Executive Officer, our Chief Financial Officer, our one other executive officer serving at the end of 2012, and two former executive officers (together referred to as our named executive officers), information concerning compensation earned for services in all capacities during the years ended December 31, 2012, 2011 and 2010.

Name and Position	Year	Salary ($)	Stock Awards ($) (1)	Option Awards ($) (1)	Non-Equity Incentive Plan Compen-sation ($) (2)	All Other Compen-sation ($) (3)	Total ($)
	2012	$ 379,288			$ 140,063	$ 6,651	$ 526,002
Sherman L. Black	2011	375,418	570,108	166,257	369,309	5,980	1,487,072
Chief Executive Officer	2010	374,231		388,706	296,550	6,284	1,065,771
James R. Stewart	2012	$ 245,306			$ 62,325	$ 8,104	$ 315,735
Chief Financial Officer	2011	230,363	207,312	60,457	152,155	7,359	657,646
	2010	95,192	83,850				