SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1999-09-10** | Period of Report: **1999-07-31**
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FILER

NORTHSTAR COMPUTER FORMS INC/MN

CIK:**873082**| IRS No.: **410882640** | State of Incorp.:**MN** | Fiscal Year End: **1031**
Type: **10-Q** | Act: **34** | File No.: **000-19056** | Film No.: **99709151**
SIC: **2761** Manifold business forms

Mailing Address	Business Address
7130 NORTHLAND CIRCLE NORTH BROOKLYN PARK MN 55428-1530	*7130 NORTHLAND CIRCLE NORTH BROOKLYN PARK MN 55428-1530 6123388601*

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Securities and Exchange Commission
Washington, D.C. 20549
Form 10-Q

(Mark One)

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

For the quarterly period ended July 31, 1999

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from __________ to __________:

Commission file number 0-19056

Northstar Computer Forms, Inc.
(Exact name of registrant as specified in its charter)

Minnesota	41-0882640
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Numbers)

7130 Northland Circle North Brooklyn Park, Minnesota 55428
(Address or Principal Executive Offices) Zip Code

Registrant's telephone number, including area code (612) 531-7340

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15 (d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 25, 1999
Common Stock, $ .05 par value	2,739,508 Shares

Part 1. Financial Information
Item 1. Financial Statements

NORTHSTAR COMPUTER FORMS, INC.

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CONDENSED CONSOLIDATED BALANCE SHEET

<TABLE>
<CAPTION>

<S>	July 31, 1999 (Unaudited) <C>	October 31, 1998 <C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,489,647	$ 4,162,845
Accounts receivable, less allowance for doubtful accounts of $175,000 at July 31, 1999 and $138,000 at October 31, 1998	6,252,256	4,936,112
Inventories	2,050,872	2,245,338
Other current assets	391,503	687,769
Deferred income taxes	266,456	255,656
Total current assets	12,450,734	12,287,720
Property, plant and equipment	31,576,919	30,433,014
Less accumulated depreciation and amortization	(18,091,624)	(16,279,745)
Net property, plant and equipment	13,485,295	14,153,269
Notes receivable, less current portion	107,487	161,573
Goodwill, net	1,405,163	1,556,293
Other assets, net	1,258,652	1,292,817
Total assets	$ 28,707,331	$ 29,451,672

</TABLE>

See accompanying notes to unaudited Condensed Consolidated Financial Statements

NORTHSTAR COMPUTER FORMS, INC.

CONDENSED CONSOLIDATED BALANCE SHEET, CONTINUED

<TABLE>
<CAPTION>

<S>	July 31, 1999 (Unaudited) <C>	October 31, 1998 <C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 335,000	$ 1,385,000
Accounts payable	2,096,397	1,316,878
Accrued liabilities	1,588,367	1,927,671
Total current liabilities	4,019,764	4,629,549
Deferred compensation	770,081	738,845

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Deferred income taxes	1,783,133	1,526,633
Long-term debt, less current portion	1,675,000	3,945,550
Commitments		
Stockholders' equity:		
Common stock, $ .05 par value authorized, 5,000,000 shares; issued and outstanding, 2,738,158 at July 31, 1999 and 2,714,436 at October 31, 1998	136,908	135,722
Additional paid-in capital	2,785,504	2,671,492
Retained earnings	17,536,941	15,803,881
Total stockholders' equity	20,459,353	18,611,095
Total liabilities and stockholders' equity	$ 28,707,331	$ 29,451,672

</TABLE>

See accompanying notes to unaudited Condensed Consolidated Financial Statements

NORTHSTAR COMPUTER FORMS, INC.
CONDENSED CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited)

<TABLE>
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	Three Months Ended July 31		Nine Months Ended July 31	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Net sales	$ 11,804,045	$ 10,358,271	$ 34,325,932	$ 31,720,241
Cost of goods sold	8,513,908	7,681,180	24,922,662	23,221,113
Gross profit	3,290,137	2,677,091	9,403,270	8,499,128
Selling, general and administrative expenses	2,020,100	1,971,457	6,108,247	6,000,510
Operating income	1,270,037	705,634	3,295,023	2,498,618
Other income (expense):				
Interest expense	(49,053)	(141,542)	(217,275)	(523,244)
Other, net, principally interest income	16,920	47,366	101,580	169,564
Gain (loss)on sale of assets	20,000	(21,546)	27,900	(44,278)
	(12,133)	(115,722)	(87,795)	(397,958)
Earnings before income taxes	1,257,904	589,912	3,207,228	2,100,660
Provision for income taxes	502,500	225,000	1,283,000	799,000
Net earnings	$ 755,404	$ 364,912	$ 1,924,228	$ 1,301,660

Net earnings per common share:

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Basic	$ 0.28	$ 0.14	$ 0.71	$ 0.49
Diluted	$ 0.26	$ 0.12	$ 0.67	$ 0.45
Dividends declared per common share	$ ----	$ ----	$ 0.07	$ 0.066

</TABLE>

See accompanying notes to unaudited Condensed Consolidated Financial Statements

NORTHSTAR COMPUTER FORMS, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (Unaudited)
Increase (Decrease) in Cash and Cash Equivalents
for the nine month periods ended July 31, 1999 and 1998

<TABLE>
<CAPTION>

<S>	1999 <C>	1998 <C>
Cash flows from operating activities:		
Net earnings	$ 1,924,228	$ 1,301,660
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	1,961,441	1,873,296
Amortization	286,775	247,742
Provision for losses on receivables	41,400	41,400
Loss (gain) on sale of equipment	(27,900)	44,278
Deferred income taxes	245,700	115,496
Changes in certain operating assets and liabilities	(303,225)	533,039
Net cash provided by operating activities	4,128,419	4,156,911
Cash flows from investing activities:		
Capital expenditures and equipment deposits	(1,299,167)	(1,347,329)
Capitalized computer software costs	---	(229,261)
Proceeds from sale of equipment	33,600	66,200
Notes receivable repayments	50,487	672,017
Net cash used in investing activities	(1,215,080)	(838,373)
Cash flows from financing activities:		
Principal payments on long-term debt	(3,320,550)	(3,637,500)
Dividends paid	(381,185)	(353,204)
Stock options exercised	115,198	104,398
Net cash used in financing activities	(3,586,537)	(3,886,306)
Net decrease in cash and cash equivalents	(673,198)	(567,768)
Cash and cash equivalents at beginning of period	4,162,845	5,317,881
Cash and cash equivalents at end of period	$ 3,489,647	$ 4,750,113

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Supplemental disclosure of cash flow: Cash paid during the period for:		
Income taxes	$ 606,000	$ 1,422,750
Interest	217,261	486,156

</TABLE>

See accompanying notes to unaudited Condensed Consolidated Financial Statements

NORTHSTAR COMPUTER FORMS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
July 31, 1999

1. Basis of Presentation

The interim condensed consolidated financial statements included in this Form 10-Q have been prepared by Northstar Computer Forms, Inc. (the Company), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed, or omitted, pursuant to these rules and regulations. The year-end balance sheet was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and related notes included in the Company's 1998 Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

The unaudited condensed consolidated financial statements presented herein as of July 31, 1999, and for the three and nine month periods ended July 31, 1999 and 1998 reflect, in the opinion of management, all adjustments (which include only normal, recurring adjustments) necessary for a fair presentation of the financial position, results of operations and cash flows as of and for the periods presented. The results of operations and cash flows for any interim period are not necessarily indicative of results for the full year.

2. Earnings per share

Net earnings per share (EPS) for all periods presented have been computed by dividing net earnings by the weighted average number of common shares outstanding (basic EPS) and by the weighted average number of common and common equivalent shares outstanding (diluted EPS). The Company's common equivalent shares consist of stock options, when their effect is dilutive.

The outstanding options excluded from the computation of diluted EPS because the options' exercise prices were greater than the average market price of the Company's common shares were 9000 for the three month period ended July 31, 1999 and for the three and nine month periods ended July 31, 1998. 39,000 outstanding options were excluded for the nine month period ended July 31, 1999.

For all periods presented, the weighted average common and common equivalent shares outstanding are as follows:
<TABLE>
<CAPTION>

	For the three months ended July 31		For the nine months ended July 31	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Weighted average common shares outstanding	2,732,845	2,660,958	2,727,111	2,650,908

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Common equivalent shares outstanding	188,811	222,941	127,102	221,082
Weighted average common and common equivalent shares outstanding	2,921,656	2,883,899	2,854,213	2,871,990

</TABLE>

3. At July 31, 1999 and October 31, 1998, inventories consisted of the following:

<TABLE>
<CAPTION>

<S>	July 31, 1999 <C>	October 31, 1998 <C>
Raw materials	$1,311,316	$1,394,156
Work in process	471,055	598,846
Finished goods	268,501	252,336
	$2,050,872	$2,245,338

</TABLE>

4. New Accounting Pronouncements
In June 1997, the FASB issued SFAS 130, "Reporting Comprehensive Income," a new standard requiring the reporting and display of "Comprehensive Income" (defined as the change in equity of a business enterprise during a period from sources other than those resulting from investment by owners and distributions to owners) and its components in a full set of general-purpose financial statements. In the fiscal years 1999 and 1998, the Company did not have any changes in equity from nonowner sources other than net income.

In June 1997, the FASB issued SFAS 131, "Disclosures About Segments of an Enterprise and Related Information," a new standard for reporting information about operating or business segments in financial statements. The new standard will be effective for the Company's annual financial statements in fiscal year 1999. The Company has not evaluated what impact, if any, this new standard will have on the Company's future reporting of operating and business segments.

5. Long-Term Debt
During the third quarter ended July 31, 1999, the Company fully repaid its term loan by making a principal payment of $1,533,050 in excess of the scheduled principal payment due.

6. Security Transactions
On February 5, 1999, the Company's Board of Directors (Board) approved an amendment to the Outside Directors Stock Option Plan to permit the granting of additional options to directors and to increase the number of shares available to grant options under the plan by 100,000 shares. The Compensation Committee of the Board granted options for 10,000 shares each to the four outside directors at an exercise price of $8.00 per share.

Under the Company's Incentive Stock Option Plan, the Board granted options to purchase 100,700 shares at $8.00 per share on February 5, 1999. On August 3, 1999, the Board granted additional options to purchase 54,000 shares at $12.00 per share.

NORTHSTAR COMPUTER FORMS, INC.
Item 2 - Management's Discussion and Analysis of
Financial Condition and Results of Operations of
Interim Financial Data (Unaudited)

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Results of Operations
The following discussion and analysis provides information that the Company's management believes is relevant to an assessment and understanding of the Company's results of operations and financial condition.

In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company cautions readers that statements contained herein, other than historical data, may be forward-looking and is subject to risks and uncertainties. The following important factors could cause the Company's actual results to differ materially from those projected in forward-looking statements made by, or on behalf of, the Company.
This list is not intended to present an all-inclusive list of such factors.

- Loss of one or more major customers due to bank consolidations or other reasons,
- Rise in paper prices which outpaces the Company's ability to pass the increase onto its customers,
- Inability to extend existing contracts or successfully negotiate new contracts,
- Technological obsolescence of the Company's products or manufacturing equipment,
- Contracting market for traditional business forms products,
- Competition from large national manufacturers of internal bank forms and custom business forms.

<TABLE>
<CAPTION>

	Three Months Ended July 31		
	Percentage of Net Sales		Increase
	1999	1998	1999 vs. 1998
<S>	<C>	<C>	<C>
Net Sales	100.0%	100.0%	14.0%
Cost of Goods Sold	72.1	74.2	10.8
Gross Profit	27.9	25.8	22.9
Selling, General and Administrative Expenses	17.1	19.0	2.5
Operating Income	10.8	6.8	80.0
Net Earnings	6.4	3.5	107.0

</TABLE>

<TABLE>
<CAPTION>

	Nine Months Ended July 31		
	Percentage of Net Sales		Increase
	1999	1998	1999 vs. 1998
<S>	<C>	<C>	<C>
Net Sales	100.0%	100.0%	8.2%
Cost of Goods Sold	72.6	73.2	7.3
Gross Profit	27.4	26.8	10.6
Selling, General and Administrative Expenses	17.8	18.9	1.8
Operating Income	9.6	7.9	31.9
Net Earnings	5.6	4.1	47.8

</TABLE>

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The following table sets forth unaudited net sales information for the periods indicated for internal bank forms, custom business forms and consolidated net sales of the Company.

	INTERNAL BANK FORMS	%	CUSTOM BUSINESS FORMS	%	CONSOLIDATED SALES
Third Quarter					
1999	$7,399,783	63	$4,404,262	37	$11,804,045
1998	7,092,723	68	3,265,548	32	10,358,271
Increase	$307,060		$1,138,714		$1,445,774
Percentage Change	4.3%		34.9%		14.0%
Nine Months					
1999	$21,851,362	64	$12,474,570	36	$34,325,932
1998	21,914,829	69	9,805,412	31	31,720,241
Increase (Decrease)	$(63,467)		$2,669,158		$2,605,691
Percentage Change	(0.3)%		27.2%		8.2%

RESULTS OF OPERATIONS

NET SALES. Net sales for the third quarter of 1999 increased 14.0 percent. However, as the sales mix shows, internal bank forms increased only 4.3 percent for the quarter and decreased 0.3 percent for the nine month period. Internal bank form sales decreased within the Northstar Financial Forms division which had several sales contracts that expired in the second and third quarters of fiscal 1998 and were not renewed. The other internal bank forms operations had sales increases of approximately 15 percent for the quarter and the nine months with no significant change in product mix, sales prices or customer base. The custom business forms sales increase is, in large part, due to a new negotiable document product line for an existing customer. A significant portion of this new negotiable document business is manufactured at the Northstar Financial Forms division, which utilizes the excess capacity due to the reduction in internal bank form sales at this location. Sales fluctuations were driven primarily by the above described volume and mix changes. Sales prices remained relatively constant during the third quarter and nine month periods ended July 31, 1999.

GROSS PROFIT. For the third quarter, the increased sales allowed for better absorption of fixed costs, while material costs and variable expenses remained relatively constant as a percentage of sales. Direct labor increased approximately 20.0 percent, or a 1.0 percent increase as a percentage of sales, for both the quarter and nine month period. For the nine month period, other manufacturing costs, excluding direct labor, decreased slightly. Direct labor costs increased for the third quarter and nine months as new employees were added to manufacture the increased business as discussed in the "Outlook" section.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE. For both the third quarter and nine month period, selling, general and administrative expenses increased minimally reflecting the relatively fixed nature of these costs. The increased sales for the third quarter reduced these costs as a percentage of sales by approximately 1.0 percent for the nine month period.

OTHER INCOME AND EXPENSE. Other income and expense consists principally of interest expense which decreased $92,489 for the third quarter ($305,969 for the nine months) due to debt repayment.

EARNINGS BEFORE INCOME TAXES. Earnings before income taxes for 1999 were 10.7 percent of net sales for the third quarter and 9.3 percent of net sales for the nine months compared to 5.7 percent for the third quarter and 6.6 percent for

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the nine months of 1998.

PROVISION FOR INCOME TAXES. The provision for income taxes for the nine months was 40.0 percent consistent with the tax rate for the previous fiscal year.

FINANCIAL CONDITION AND LIQUIDITY

LONG-TERM DEBT. The Company's long-term debt consists of Industrial Development Revenue Bonds. During the third quarter ended July 31, 1999, the Company fully repaid its term loan. The original repayment terms of the term loan specified quarterly installments through July 31, 2003. The bonds require annual principal payments and interest at a variable rate based upon comparable tax-exempt issues. The bonds specify limits on capital expenditures and dividends as well as specify working capital, net worth and certain financial ratios that the Company must maintain.

LIQUIDITY. Cash provided by operations was $4,128,419 during the first nine months of 1999, compared to $4,156,911 in 1998. Working capital was $8.4 million on July 31, 1999, compared to $7.7 million on October 31, 1998.

During the first nine months of 1999 the Company continued to expand and modernize its manufacturing capacity by the acquisition of $1,299,167 in equipment compared to capital expenditures of $1,347,329 for equipment for the comparable period of 1998. The Company anticipates that total equipment expenditures for 1999 will approximate $2,000,000.

If necessary to finance operations, the Company has a $1.5 million line of credit at an interest rate equal to the bank's reference rate. The Company did not have to utilize this line of credit during 1999 or 1998. The Company believes its existing financial resources are adequate to fund its 1999 operations, including capital expenditures and dividend payments, and foresees no events or uncertainties that are likely to have a material impact on its liquidity.

OUTLOOK. Merger and acquisition activity in the banking industry remains extremely strong at this time. Banks generally consolidate their purchasing of internal bank forms with one supplier. Therefore, the Company could obtain or lose a significant customer or numerous smaller customers as this consolidation activity continues. To increase and improve market penetration in the internal bank forms market, the Company has developed additional distribution channels by forming two new strategic sales and marketing alliances with other companies in the financial forms industry. Sales with one of these partners began slowly but are now increasing monthly. Sales with the second alliance depends on the partner's ability to sell internal bank forms as ancillary products used in the equipment it sells to the banking industry. In January 1999, the Company signed a new contract to manufacture negotiable documents for its largest customer. The new contract is for a four-year term with additional sales from a new product line estimated at $3.5 million annually. In 1999, the Company signed one other new negotiable document contract for a two year period and has begun producing a new line of custom business forms for a current customer.

Paper price changes, sales volume changes and sales mix changes are three factors with a significant effect on the Company's gross profit. The paper industry increased prices varying from 5.0 percent to 7.0 percent in late spring 1999. Another price increase on bond paper has been announced for later this fall. In addition, carbonless paper prices will increase in September 1999. At this time the Company expects to be able to pass these paper price increases onto its customers. During fiscal 1999, sales volumes are expected to continue to exceed fiscal 1998 volumes in both custom business forms and internal bank forms. Based upon these expectations, the Company expects the gross profit for fiscal 1999 to exceed the fiscal 1998 gross profit in total and as a percentage of sales.

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The Company does not anticipate a significant change in selling, general and administrative costs for 1999. Based on the projected increase in sales volume, these costs are expected to decrease as a percentage of sales for the remainder of 1999.

The outlook for the Company has been positively affected by the internal bank forms computer system which the Company developed and installed in the first location in the last quarter of 1997. This system has been continually enhanced and is now installed in all of the Company's internal bank forms production facilities. The integrated computer system is already increasing operating efficiencies within the internal bank forms plants by streamlining order processing, enhancing equipment utilization and improving billing and reporting capabilities.

NEW ACCOUNTING PRONOUNCEMENTS. In June 1997, the FASB issued SFAS 130, "Reporting Comprehensive Income," a new standard requiring the reporting and display of "Comprehensive Income" (defined as the change in equity of a business enterprise during a period from sources other than those resulting from investment by owners and distributions to owners) and its components in a full-set of general-purpose financial statements. In the nine month period ended July 31, 1999, and in fiscal year 1998, the Company did not have any changes in equity from nonowner sources other than net income.

In June 1997, the FASB issued SFAS 131, "Disclosures About Segments of an Enterprise and Related Information," a new standard for reporting information about operating or business segments in financial statements. The new standard will be effective for the Company's annual financial statements in fiscal year 1999. The Company has not determined what impact, if any, this new standard will have on its reporting of segment information.

READINESS FOR YEAR 2000.

STATE OF READINESS. The Company's Y2K Plan is focused on assessing and ensuring compliance of its hardware, operating systems, software applications and custom applications. Additionally, the Company is reviewing the Year 2000 compliance status of its customers, vendors and other service providers.

HARDWARE, OPERATING SYSTEMS AND SOFTWARE APPLICATIONS. The Company has completed the process of assessing its hardware, operating systems and software applications. The Company's hardware, operating systems and software applications have been upgraded for Y2K compliance or have been certified internally or through the appropriate vendor to be compliant. At this time, the Company does not anticipate any significant additional expenditures for Y2K compliance.

THIRD PARTY RELATIONSHIPS. The Company has communicated with vendors, customers and other business partners to determine their Y2K compliance. At this time the Company does not anticipate any interruption of services from these sources due to Y2K problems.

COST AND CONTINGENCY PLANS. At this time, management's best estimate is that no significant additional costs will be required for Y2K compliance. In the event the Company needs to devote more resources to the process, additional costs may be incurred. Such a situation could have a materially adverse effect on the Company's financial condition and results of operations. Although the Company believes that its systems are Y2K compliant, the Company has developed detailed contingency plans. To the extent that the Company identifies other Year 2000 compliance issues that cannot be addressed on a timely basis, it will continue to develop appropriate contingency plans in order to mitigate its risk.

NORTHSTAR COMPUTER FORMS, INC.

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PART II. - OTHER INFORMATION

Item 3. Financial Instruments

The principal financial instruments the Company maintains are in accounts receivable, notes receivable and long-term debt. The Company believes that the interest rate, credit and market risk related to these accounts is not significant. The Company manages the risk associated with these accounts through periodic reviews of the carrying value for non-collectibility of assets and establishment of appropriate allowances in connection with the Company's internal controls and policies. The Company does not enter into hedging or derivative instruments.

Item 6. Exhibits and Reports on Form 8-K - None.

None of the other items contained in Part II of Form 10-Q is applicable to the Company for the quarter ended July 31, 1999.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Northstar Computer Forms, Inc.
(Registrant)

Date: September 10, 1999

By: Mary Ann Morin

Mary Ann Morin
Chief Financial Officer
(Principal Financial Officer)

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