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MARLTON TECHNOLOGIES INC  
Form 10-Q  
August 13, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2002

OR

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 1-7708

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MARLTON TECHNOLOGIES, INC.

-----  
(Exact name of issuer as specified in its charter)

Pennsylvania

22-1825970

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(IRS Employer  
Identification No.)

2828 Charter Road

Philadelphia

PA

-----  
(Address of principal executive offices)

-----  
City

-----  
State

Issuer's telephone number

(215) 676-6900

-----

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

Check whether the issuer (1) has filed all reports required to be filed by  
Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding  
12 months (or for such shorter period that the registrant was required to file  
such reports), and (2) has been subject to such filing requirements for the past  
90 days.

Yes    X

No

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APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY



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Accrued expenses and other	9,187
	-----
Total current liabilities	15,240
	-----
Long-term debt, net of current portion	4,804
Other long-term liabilities	--
Deferred income taxes	--
	-----
Total liabilities	20,044
Commitments and contingencies	--
Stockholders' equity:	
Preferred stock, \$.10 par - shares authorized 10,000,000; no shares issued or outstanding	--
Common stock, no par value - shares authorized 50,000,000; 12,993,499 issued at March 31, 2002 and December 31, 2001	1,299
Stock warrants	742
Additional paid-in capital	31,652
Accumulated deficit	(18,028)
	-----
	15,665
Less cost of 5,000 treasury shares	(112)
	-----
Total stockholders' equity	15,553
	-----
Total liabilities and stockholders' equity	\$ 35,597
	=====

The accompanying notes and the notes in the financial statements included in the Regi  
Annual Report on Form 10-K are an integral part of these financial statements.

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MARLTON TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)  
(In thousands except per share data)

	For the three months en	
	June 30, 2002	June 30,
	-----	-----
Sales	\$ 21,419	\$ 22,1
Cost of sales	17,090	16,9
	-----	-----
Gross profit	4,329	5,1
Selling	2,187	2,6
Administrative and general	1,969	2,0
	-----	-----
Operating profit	173	4

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Other income (expense):		
Interest income and other income	64	
Interest expense	(162)	(3)
Loss from investments in affiliates	--	
	-----	-----
Income (loss) before income taxes and change in accounting principle	75	1
Provision for income taxes	30	
	-----	-----
Net income (loss) before change in accounting principle	45	1
Cumulative effect of change in accounting principle, net of tax benefit	--	
	-----	-----
Net income (loss)	\$ 45	\$ 1
	=====	=====
Income (loss) per common share before change in accounting principle:		
Basic	--	\$ 0.
	=====	=====
Diluted	--	\$ 0.
	=====	=====
Income (loss) per common share after change in accounting principle:		
Basic	--	\$ 0.
	=====	=====
Diluted	--	\$ 0.
	=====	=====

The accompanying notes and the notes in the financial statements included in the Registrant's Annual report on Form 10-K are an integral part of these financial statements.

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MARLTON TECHNOLOGIES, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)  
(In thousands)

	For the six months ended
	-----
	2002
	-----
Cash flows from operating activities:	
Net income	\$ (13,623)
Adjustments to reconcile net income to cash provided by (used in) operating activities:	
Depreciation and amortization	1,174
Loss from investment in affiliates	1,156
Cumulative effect of change in accounting principle	12,385
Non-cash compensation and other operating items	191
Change in assets and liabilities:	
(Increase) decrease in accounts receivable, net	(1,987)
Decrease in inventory	337

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(Increase) decrease in prepaid and other assets	(122)
Decrease in notes receivable	216
Increase (decrease) in accounts payable, accrued expenses and other	1,656
	-----
Net cash provided by (used in) operating activities	1,383
	-----
Cash flows from investing activities:	
Guaranteed payments to sellers	--
Capital expenditures	(558)
	-----
Net cash used in investing activities	(558)
	-----
Cash flows from financing activities:	
Principal payments on revolving credit facility	(1,800)
Payments for loan origination fees	(50)
Payments for promissory note	(78)
	-----
Net cash (used in) provided by financing activities	(1,928)
	-----
Increase/(decrease) in cash and cash equivalents	(1,103)
Cash and cash equivalents - beginning of period	1,233
	-----
Cash and cash equivalents - end of period	\$ 130
	=====

The accompanying notes and the notes in the financial statements included in the Re  
Annual Report on Form 10-K are an integral part of these financial statements.

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### MARLTON TECHNOLOGIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

#### 1. BASIS OF PRESENTATION:

The consolidated financial statements included herein are unaudited and have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission regulations. 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 such rules and regulations. In the opinion of management, the financial statements reflect all adjustments (of a normal and recurring nature), which are necessary to present fairly the financial position, results of operations and cash flows for the interim periods. Operating results for the quarter are not necessarily indicative of the results that may be expected for the full year or for future periods. These financial statements should be read in conjunction with the Annual Report to Shareholders and Form 10-K for the year ended December 31, 2001.

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The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates.

### 2. EXCLUSIVE SUBCONTRACTOR ARRANGEMENT:

The Company's San Diego trade show exhibit subsidiary, Sparks Exhibits and Environments, Ltd., entered into an interim operating agreement on July 15, 2002 to manufacture and service trade show exhibit projects as the exclusive subcontractor for Exhibitron, Inc., a San Diego area trade show exhibit company currently in Chapter 11 proceedings. Exhibitron specializes in the design and sale of trade show exhibits in a wide range of industries including electronic games, communications and entertainment, and had sales of approximately \$6,000,000 in 2001. Under this interim operating agreement, Sparks will fulfill Exhibitron's production needs, and Exhibitron will continue as a sales and design entity. Sparks also has had discussions regarding the acquisition of Exhibitron's assets as part of Exhibitron's plan of reorganization, but any acquisition would be subject to future mutual agreement and approval through the Exhibitron bankruptcy proceedings.

### 3. MAJOR CUSTOMERS:

During the second quarter and first six months of 2002, one customer accounted for 27% and 22%, respectively, of the Company's total net sales. During the second quarter and first six months of 2001, no customer accounted for over 10% of the Company's total net sales.

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### 4. PER SHARE DATA:

The following table sets forth the computation of basic and diluted net income per common share (in thousands except per share data):

	Three months ended		Six months
	June 30,	June 30,	June 30,
	2002	2001	2002
	----	----	----
Net income (loss) before change in accounting principle	\$ 45 =====	\$ 104 =====	\$ (1,238) =====
Net income (loss) after change in accounting principle	\$ 45 =====	\$ 104 =====	\$ (13,623) =====
Weighted average common shares outstanding used to compute basic net income per common share	12,988	7,499	12,988

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Additional common shares to be issued assuming the exercise of stock options, net of shares assumed reacquired	44 -----	-- -----	-- -----
Total shares used to compute diluted net income per common share	13,032 =====	7,499 =====	12,988 =====
Before change in accounting principle:			
Basic net income (loss) per share	\$.00 =====	\$.01 =====	\$ (.10) =====
Diluted net income (loss) per share	\$.00 =====	\$.01 =====	\$ (.10) =====
After change in accounting principle:			
Basic net income (loss) per share	\$.00 =====	\$.01 =====	\$ (1.05) =====
Diluted net income (loss) per share	\$.00 =====	\$.01 =====	\$ (1.05) =====

The increase in the weighted average number of common shares outstanding was principally attributable to an investment transaction on November 20, 2001 whereby the Company issued 5,300,000 shares of its common stock for an aggregate of \$2,650,000.

Excluded in the computation of diluted income per common share were options and warrants to purchase 534,000 and 2,113,000 shares of common stock, which were outstanding at June 30, 2002 and 2001, respectively, because the option and warrant exercise prices were greater than the average market price of the common shares.

5. INVENTORIES:

Inventories, as of the respective dates, consists of the following (in thousands):

	June 30, 2002 -----	December 31, 2001 -----
Raw materials	\$ 408	\$ 395
Work in process	3,671	3,636
Finished goods	2,182	2,567
	-----	-----
	\$6,261 =====	\$6,598 =====

6. EMPLOYMENT AGREEMENTS:

Certain employment agreements were mutually terminated on January 23, 2001, which reduced administrative and general expenses by \$544,000 in the first quarter of 2001.

7. INVESTMENTS IN AFFILIATES:

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The Company recorded an impairment loss of \$1.2 million for its investment in a portable trade show exhibit manufacturer in the first quarter of 2002. No income tax benefit was recorded in connection with this capital loss.

During the first quarter of 2002 the Company also recorded a valuation allowance of \$191,000 against a deferred tax asset associated with a capital loss, which resulted from the write-off of an investment in an affiliate located in the United Kingdom. Management has concluded that the Company will most likely not be able to generate capital gains in the next two years that would be sufficient to realize the tax benefit from this capital loss.

### 8. ACCOUNTING CHANGE (ADOPTION OF SFAS NO. 142)

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142), which eliminates amortization of these assets and requires annual testing for impairment. The Company's reporting units for purposes of applying the provisions of SFAS 142 are the DMS Store Fixtures business ("DMS") and the Sparks Exhibits & Environments businesses ("Sparks"). SFAS 142 requires a comparison of the reporting unit's fair value, which is determined based on discounted cash flows, to its carrying value to determine potential impairment. If the fair value is less than the carrying value, an impairment loss is recognized.

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The following table reconciles net income and net income per share for the first six months of 2002 and 2001 adjusted for SFAS 142:

	June 30, ----- 2002 -----
(In thousands except per	
Net income (loss) before change in accounting principle	\$ (1,238)
Add back: goodwill amortization, net of tax of \$100	----- --
Adjusted net income (loss) before change in accounting principle	\$ (1,238)
Cumulative effect of change in accounting principle, net of tax of \$3,500	----- (12,385)
Adjusted net income (loss)	\$ (13,623) =====
Net income per share:	
Basic net income (loss) per share before change in accounting principle	\$ (.10)
Add back: goodwill amortization, net of tax	----- --



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Adjusted basic net income (loss) per share before accounting change	\$(.10)
Cumulative effect of change in accounting principle, net of tax	(.95) -----
Adjusted basic net income (loss) per share	\$(1.05) =====
Diluted net income (loss) per share before change in accounting principle	\$(.10)
Add back: goodwill amortization, net of tax	-- -----
Adjusted diluted net income (loss) per share before accounting change	\$(.10)
Cumulative effect of accounting change, net of tax	(.95) -----
Adjusted diluted net income (loss) per share	\$(1.05) =====

Changes in the carrying amount of goodwill for the recognized in 2002 are as follows:

	DMS -----	Sparks -----
Balance at December 31, 2001	\$ 15,885	\$ 2,714
Impairment write-down in the first quarter 2002	(15,885) -----	-- -----
Balance at June 30, 2002	-- -----	\$ 2,714 =====

The tax effect of the accounting change is approximately \$3.5 million after giving effect to the portion of the goodwill that was not deductible for tax reporting purposes. The Company has recognized non-current deferred tax assets of approximately \$3.8 million that primarily reflect the tax effect of the impairment of the Company's goodwill. The amount of the deferred tax asset considered realizable could be reduced if the Company does not generate taxable income in the future.

### 9. RECENTLY ISSUED ACCOUNTING STANDARDS

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets" (SFAS 144). SFAS 144, which addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of, supersedes SFAS No. 121 and is effective for fiscal years beginning after December 15, 2001. The Adoption of SFAS 144 did not have a material impact on the Company's financial position or results of operations.

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In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statement No., 4, 44 and 64 Amendment of SFAS 13 and Technical Connections" (SFAS 145). SFAS 145 rescinds SFAS 4, "Reporting Gains and Losses from Extinguishment of Debt" and the amendment to SFAS 4, SFAS 64 "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements". Through this rescission, SFAS 145 eliminates the requirement (in both SFAS 4 and SFAS 64) that gains and losses from the extinguishments of debt be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. The adoption of SFAS 145 is not expected to have a material effect on the Company's financial position or results of operations.

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### ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### RESULTS OF OPERATIONS

For the three and six month periods ended June 30, 2002 and 2001.

#### Sales

	Three Months Ended (In thousands)	
	June 30, 2002	June 30, 2001
Trade show exhibits group	\$12,873	\$ 15,190
Permanent and scenic displays group	8,546	6,960
	-----	-----
Total sales	\$21,419	\$ 22,150
	=====	=====

  

	Six Months Ended (In thousands)	
	June 30, 2002	June 30, 2001
Trade show exhibits group	\$25,338	\$ 31,798
Permanent and scenic displays group	12,876	11,229
	-----	-----
Total sales	\$38,214	\$ 43,027
	=====	=====

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Total net sales of \$21.4 million for the second quarter of 2002 decreased 3.3% below the second quarter of 2001, and total net sales \$38.2 million for the first six months of 2002 decreased 11.2% from the same prior year period. These decreases were attributable to lower sales of trade show exhibits and related services, which decreased 15.3% below comparable sales for the second quarter of 2001 and 20.3% from the prior year first six month results. Lower sales of trade show exhibits were largely the result of reductions in many customers' trade show marketing budgets in response to a slower economy. The loss of a trade show exhibit client also accounted for approximately one third of the decrease. Sales of permanent and scenic displays for the second quarter and six-month periods of 2002 increased 22.8% and 14.7%, respectively, over the comparable periods of 2001. These sales increases were principally attributable to higher sales of store fixtures.

### Operating Profit

Gross profit, as a percentage of net sales, decreased to 20.2% in the second quarter and to 22.2% for the first six months of 2002 from 23.3% and 24% in the respective prior year periods. These decreases were due in large part to higher sales of store fixtures, which yield lower gross profit percentages than the Company's other products and services. Cost reduction initiatives, including production facility consolidation, mitigated the impact of lower sales volume for the Company's trade show exhibits.

Selling expenses were reduced to 10.2% of net sales in the second quarter and to 11.5% for the first six months of 2002 from 12.1% and 12.2% in the same periods of 2001. These reductions were principally attributable to higher store fixture sales, which are subject to lower selling expenses, as a percentage of net sales, than the Company's trade show exhibits. The Company also reduced its discretionary marketing expenses in 2002.

Administrative and general expenses of \$2 million were essentially unchanged in the second quarter of 2002 as compared with the second quarter of 2001 and increased to \$3.7 million in the first half of 2002 from \$3.6 million for the same prior year period. A write down of \$200,000 for a note receivable was recorded in the second quarter of 2002. Excluding this write down, the second

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quarter decrease in administrative and general expenses was principally attributable to staff reductions. Certain employment agreements were mutually terminated in the first quarter of 2001, which reduced administrative and general expenses, by \$544,000 in the prior year first quarter. This prior year expense decrease was matched with staff and cost reductions in 2002, which led to relatively flat overall administrative and general expenses. Management is taking further cost reduction actions in the third quarter of 2002, including shortened workweek time schedules, to mitigate the impact of lower sales volume.

Operating profit decreased to \$0.2 million in the second quarter of 2002 from \$0.4 million in the second quarter of 2001 and to \$0.4 million for the first six months of 2002 from \$1.5 million in the same prior year period. The second quarter decrease was primarily due to a lower gross profit percentage in 2002 resulting from the higher sales mix of store fixtures, and the decrease for the six month period was largely due to lower sales in the first quarter of 2002 as compared with 2001.

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### Other Income/(Expense)

Interest expense was reduced to \$162,000 and to \$277,000 in the second quarter and first six months of 2002, respectively, from \$336,000 and \$637,000 in the comparable 2001 periods. These reductions were principally attributable to significantly lower borrowings under the Company's revolving credit facility and to lower interest rates.

A loss of \$1.2 million from investments in affiliates was recorded in the first quarter of 2002 to write-down the Company's investment in a portable trade show exhibit manufacturer.

### Net Income/(Loss) Before Change in Accounting Principle

Net income of \$45,000 before change in accounting principle for the second quarter of 2002 decreased \$59,000 from the same prior year period. Lower operating profit was largely offset by lower interest expense in the second quarter of 2002 as compared with 2001 results. For the first six months of 2002, a net loss before change in accounting principle of \$1.2 million was incurred in 2002 as compared with net income of \$0.5 million reported for the same prior year period. This decrease was largely the result of the \$1.2 million loss from investment in affiliates recognized in the first quarter of 2002 and lower sales in the first quarter of 2002.

### Provision for Income Taxes

The Company's effective income tax rate was approximately 40% for the second quarter of 2002 and 2001. The Company did not recognize an income tax benefit from the \$1.2 million write down of investments in affiliates recorded in the first quarter of 2002 because this capital loss is not expected to be offset by capital gains within the required statutory period. The provision for income taxes recorded in the first quarter of 2002 also included a valuation allowance of \$191,000 related to a 1999 capital loss incurred in connection with the Company's investment in a United Kingdom affiliate. Excluding the impact of these capital loss transactions, the effective income tax rate was 40% of pre-tax profits for the first six months of 2002 and 2001.

### Cumulative Effect of Change in Accounting Principle

The Company recorded an impairment loss of \$12.4 million (net of expected \$3.5 million income tax benefit) in connection with adoption of Statement of Financial Accounting Standards No. 142 (SFAS 142) discussed below under the discussion of "Recently Issued Accounting Standards."

### Backlog

The Company's backlog of orders was approximately \$17 million at June 30, 2002 and \$16 million at June 30, 2001.

### Exclusive Subcontractor Arrangement

The Company's San Diego trade show exhibit subsidiary, Sparks Exhibits and Environments, Ltd., entered into an interim operating agreement on July 15, 2002 to manufacture and service trade show exhibit projects as the exclusive subcontractor for Exhibitron, Inc., a San Diego area trade show exhibit company currently in Chapter 11 proceedings. Exhibitron specializes in the design and sale of trade show exhibits in a wide range of industries including electronic

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games, communications and entertainment, and had sales of approximately \$6,000,000 in 2001. Under this interim operating agreement, Sparks will fulfill Exhibitron's production needs, and Exhibitron will continue as a sales and design entity. Sparks also has had discussions regarding the acquisition of Exhibitron's assets as part of Exhibitron's plan of reorganization, but any acquisition would be subject to future mutual agreement and approval through the Exhibitron bankruptcy proceedings.

### LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital decreased \$1 million to \$5.9 million at June 30, 2002 from \$6.9 million at December 31, 2001. Available cash and cash generated from operating activities was used to reduce long-term debt by \$1.8 million to \$4.8 million at June 30, 2002 from \$6.6 million at December 31, 2001. Accounts receivable increased \$2 million in the first half of 2002 to \$12.6 million at June 30, 2002 from \$10.6 million at December 31, 2001. This increase was principally attributable to higher sales at the end of the second quarter of 2002 as compared with sales at the end of the fourth quarter of 2001. The events of September 11 resulted in cancelled trade shows and conventions, which inhibited sales of trade show exhibits and related services in the fourth quarter of 2001 and into 2002. Accounts payable increased \$2.1 million to \$6 million at June 30, 2002 from \$3.9 million at December 31, 2001 due, in large part, to timing of jobs in progress at the end of the second quarter of 2002 as compared with those at the end of the fourth quarter of 2001.

On May 16, 2002, the Company amended its Revolving Credit and Security Agreement (the "Facility") with its bank to change from an EBITDA basis to an asset-based arrangement. The new arrangement provides for borrowings of up to \$12 million based on a percentage of qualified accounts receivable and a percentage of up to \$6.7 million of inventories. The Facility, which expires on January 1, 2004, is collateralized by all the Company's assets and bears interest at rates based primarily on the London Inter Bank Offering Rate (LIBOR), plus 3.25%. The Facility includes certain financial covenants requiring a minimum tangible net worth and maintenance of certain financial ratios and restricts the Company's ability to pay dividends. Borrowings under this Facility were \$4.7 million at June 30, 2002. The Company's borrowing capacity under the new arrangement was \$10.2 million at June 30, 2002.

The Company has off-balance sheet lease commitments for several facilities under non-cancelable operating leases. Timing of future lease commitments as well as maturities of long-term debt are as follows:

	(In thousands)				
	2002	2003	2004	2005	2006
	----	----	----	----	----
Lease commitments	\$1,010	\$1,728	\$1,704	\$1,686	\$987
Debt maturities	62	135	4,700	--	--

The Company leases a facility from a partnership controlled by two shareholders of the Company. This lease, which expires on May 14, 2019, requires minimum annual rent of \$771,000 at a fixed rate for the first 10 years, and the Company is responsible for taxes, insurance and other operating expenses.

In connection with the DMS Store Fixtures acquisition, employment agreements were made with two shareholders of the Company, which provided for guaranteed minimum payments. These agreements were mutually terminated in January 2001

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eliminating the guaranteed minimum payments after February 2, 2001, which reduced administrative and general expenses by \$544,000 in the first quarter of 2001.

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On November 20, 2001, the Company issued 5,300,000 shares of its common stock and warrants expiring on November 19, 2011 to purchase 5,300,000 shares of its common stock for an aggregate of \$2,650,000. The Company's shareholders at the Annual Meeting of Shareholders held on November 7, 2001 approved this transaction. Costs incurred in connection with this transaction were \$378,000.

### OUTLOOK

The Company expects sales to decrease in 2002 from 2001 levels. In view of current economic conditions, the Company's trade show exhibit client base of Fortune 1000 companies is expected to curtail their marketing budgets, which would adversely impact the Company's trade show exhibit sales and profit margins. Adversely affected Internet and technology-driven businesses, particularly in the Western Region, have also led to a decline in trade show exhibit sales. In addition, the events of September 11, 2001 may continue to reduce business travel, trade show attendance and related spending. The Company continues to explore new sales opportunities while pursuing operating efficiency improvements and cost reduction initiatives to mitigate the impact of lower sales volume.

### RECENTLY ISSUED ACCOUNTING STANDARDS

In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141. "Business Combinations" (SFAS 141), which supersedes Accounting Principles Board Opinion No. 16 "Business Combinations" (APB 16) and SFAS No. 38 "Accounting for Preacquisition Contingencies of Purchased Enterprises" (SFAS 38). It is expected that SFAS 141 will improve the transparency of the accounting and reporting for business combinations by requiring that all business combinations be accounted for under the purchase method. Use of the pooling-of-interests method is no longer permitted. The Company adopted SFAS 141 in the third quarter of 2001. The adoption of SFAS 141 has not had a material effect on the Company's financial position or results of operations.

In July 2001, the FASB issued SFAS No. 142 "Goodwill and Other Intangible Assets" (SFAS 142), which supersedes APB No. 17 "Intangible Assets". SFAS 142 requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment. It is expected that this change will provide investors with greater transparency regarding the economic value of goodwill and its impact on earnings. The Company adopted SFAS 142 effective January 1, 2002. This new accounting standard requires a two-step test for operating units having unamortized goodwill balances. The first step requires a comparison of the book value of the net assets to the fair value of the respective operating unit. If the fair value is determined to be less than the book value, a second step is required to determine the impairment. This second step includes evaluation of other intangible assets, and any shortfall of the adjusted book value below fair value determines the amount of the goodwill impairment. Goodwill amortization expense was \$354,000 (net of a tax benefit of \$100,000) in the first six months of 2001. The impact of adopting SFAS 142 reduced net income by \$12.4 million (\$15.9 million goodwill write down, net of \$3.5 million for a deferred tax asset from the expected future income tax benefit) in the first quarter of 2002, identified as a cumulative effect of a change in accounting principle. This charge, which reduced the carrying value of goodwill recognized in connection with the 1997 acquisition of DMS Store Fixtures, differs from the previous

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accounting standard method, which was based on undiscounted cash flows, because the new method is based on fair value measurement estimates as of January 1, 2002.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets" (SFAS 144). SFAS 144, which addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of, supersedes SFAS No. 121 and is effective for fiscal years beginning after December 15, 2001. The Adoption of SFAS 144 did not have a material impact on the Company's financial position or results of operations.

In April 2002, the FASB issued SFAS 145, "Rescission of FASB Statement No., 4, 44 and 64 Amendment of SFAS 13 and Technical Connections". SFAS 145 rescinds SFAS 4, "Reporting Gains and Losses from Extinguishment of Debt" and the amendment to SFAS 4, SFAS 64 "Extinguishments of Debt Made to Satisfy

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Sinking-Fund Requirements". Through this rescission, SFAS 145 eliminates the requirement (in both SFAS 4 and SFAS 64) that gains and losses from the extinguishments of debt be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. The adoption of SFAS 145 is not expected to have a material effect on the Company's financial position or results of operations.

### FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. When used in this report, the words "intends," "believes," "plans," "expects," "anticipates" and similar words are used to identify these forward looking statements. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, there are certain important factors that could cause the Company's actual results to differ materially from those included in such forward-looking statements. Some of the important factors which could cause actual results to differ materially from those projected include, but are not limited to: the Company's ability to continue to identify and enter new markets, execute and manage acquisitions and expand existing business; the actions and approvals of third parties; continued availability of financing to provide additional sources of funding for capital expenditures, working capital and investments; the effects of competition on products and pricing; growth and acceptance of new product lines through the Company's sales and marketing programs; changes in material and labor prices from suppliers; changes in customers' financial condition; the Company's ability to attract and retain competent employees; the Company's ability to add and retain customers; changes in sales mix; the Company's ability to integrate and upgrade technology; uncertainties regarding accidents or litigation which may arise; the financial impact of facilities consolidations; the impact from the events of September 11, 2001 on business travel, trade show attendance and related spending; and the effects of, and changes in the economy, monetary and fiscal policies, laws and regulations, inflation and monetary fluctuations as well as fluctuations in interest rates, both on a national and international basis.

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's revolving credit facility bears a floating rate of interest, based on LIBOR rates, plus an applicable spread. The Company had borrowings of \$4.7 million from its revolving credit facility at June 30, 2002.

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Fluctuations in foreign currency exchange rates do not significantly affect the Company's financial position and results of operations.

### ENVIRONMENTAL

The Company believes it is in compliance with federal, state and local provisions regulating discharge of materials into the environment or otherwise relating to protection of the environment. Federal or state authorities have not identified the Company as a potentially responsible party for environmental clean-ups at any of its sites.

### LITIGATION

The Company from time to time is a defendant and counterclaimant in various lawsuits that arise out of, and are incidental to, the conduct of its business. The resolution of pending legal matters should not have a material effect on the financial position of the Company.

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## PART II - OTHER INFORMATION

Responses to Items 1, 2, 3, and 5 are omitted since these items are either inapplicable or the response thereto would be negative.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Shareholders of the Company was held on June 12, 2002. At the Annual Meeting, Jeffrey K. Harow, Scott J. Tarte, AJ Ararwal, Robert B. Ginsburg, Alan I. Goldberg, Jerome Goodman and Richard Vague were elected as directors of the Company. The matters voted on at the Annual Meeting and the results of voting are as follows:

		For	Withhel
		---	-----
Election of Directors			
	Jeffrey K. Harow	9,471,791	
	Scott J. Tarte	9,471,791	
	AJ Agarwal	9,471,791	
	Robert B. Ginsburg	9,459,258	
	Alan I. Goldberg	9,459,291	
	Jerome Goodman	9,459,291	
	Richard Vague	9,471,791	

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10(bb)

Second Amended and Restated Revolving Credit and Security Agreement



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dated May 16, 2002 with Wachovia Bank

10(cc) Option Agreement dated June 3, 2002 with Robert B. Ginsburg

10(dd) Option Agreement dated June 3, 2002 with Alan I. Goldberg

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the quarter for which this report is filed

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SIGNATURES

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In accordance with 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.

MARLTON TECHNOLOGIES, INC.

/s/ Robert B. Ginsburg

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Robert B. Ginsburg  
President and Chief Executive Officer

/s/ Stephen P. Rolf

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Stephen P. Rolf  
Chief Financial Officer

Dated: August 13, 2002

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Marlton Technologies, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Robert B. Ginsburg Chief Executive Officer of the Company and Stephen P. Rolf, Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Robert B. Ginsburg  
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Robert B. Ginsburg  
Chief Executive Officer

August 13, 2002

/s/ Stephen P. Rolf  
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Stephen P. Rolf  
Chief Financial Officer

August 13, 2002