MARLTON TECHNOLOGIES INC
Form 10-Q
November 12, 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 September 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

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	19154
(Address of principal executive offices)	City	State	Zip

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 ____

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by court

Yes _______________ No _______________

APPLICABLE ONLY TO CORPORATE ISSUERS: State the number of shares outstanding of each of the issuer's classes of common equity as of the last practicable date: 12,988,499

Transitional Small Business Disclosure Form (check one):

Yes ______________ No X

MARLTON TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(In thousands except share data)

ASSETS	September 30, 2002
Current:	
Cash and cash equivalents	$ 720
Accounts receivable, net of allowance of $312 and $836, respectively	10,440
Inventory	5,127
Prepaids and other current assets	1,379
Deferred income taxes	779
Total current assets	18,445
Investment in affiliates	259
Deferred income taxes	3,796
Property and equipment, net of accumulated depreciation of $9,095 and $7,976, respectively	4,190
Rental assets, net of accumulated depreciation of $3,030 and $2,765, respectively	2,680
Goodwill, net of accumulated amortization of $4,183 at December 31, 2001	2,714
Other assets, net of accumulated amortization of $1,293 and $1,063, respectively	216
Notes receivable	394
Total assets	$ 32,694

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Current portion of long-term debt	$ 150
Accounts payable	4,673
Accrued expenses and other	8,283
Total current liabilities	13,106
Long-term debt, net of current portion	4,500
Total liabilities	17,606
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 September 30, 2002 and December 31, 2001	1,299
Stock warrants	742
Additional paid-in capital	31,652
Accumulated deficit	(18,493)
	15,200
Less cost of 5,000 treasury shares	(112)
Total stockholders' equity	15,088
Total liabilities and stockholders' equity	$ 32,694

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

	For the three months e	
	September 30, 2002	Septembe 2001
Sales	$ 15,204	$ 17,
Cost of sales	12,576	13,
Gross profit	2,628	3,
Selling	1,814	2,
Administrative and general	1,395	1,
Operating profit (loss)	(581)	

Other income (expense):		
Interest income and other income	1	
Interest expense	(124)	(
Loss from investments in affiliates	--	(
Income (loss) before income taxes and change in accounting principle	(704)	(
Provision for (benefit from) income taxes	(239)	(
Net income (loss) before change in accounting principle	(465)	(
Cumulative effect of change in accounting principle, net of tax benefit	--	
Net income (loss)	$ (465)	$ (
Income (loss) per common share before change in accounting principle:		
Basic	($ 0.04)	($ 0
Diluted	($ 0.04)	($ 0
Income (loss) per common share after change in accounting principle:		
Basic	($ 0.04)	($ 0
Diluted	($ 0.04)	($ 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 nine months ended	
	September 30, 2002	September 3 2001
Cash flows from operating activities:		
Net income (loss)	$(14,088)	$ 232
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization	1,614	2,261
Loss from investment in affiliates	1,156	283

Cumulative effect of change in accounting principle	12,385	--
Non-cash compensation and other operating items	191	(51)
Change in assets and liabilities:		
Decrease in accounts receivable, net	206	5,474
Decrease in inventory	1,471	553
(Increase) decrease in prepaid and other assets	(132)	1,036
Decrease in notes receivable	383	--
Decrease in accounts payable, accrued expenses and other	(551)	(6,307)
Net cash provided by operating activities	2,635	3,481
Cash flows from investing activities:		
Guaranteed payments to sellers	--	(18)
Capital expenditures	(985)	(1,016)
Net cash used for investing activities	(985)	(1,034)
Cash flows from financing activities:		
Principal payments on revolving credit facility	(2,000)	(3,000)
Payments for loan origination fees	(50)	(60)
Payments for promissory and seller notes	(113)	(55)
Net cash used for financing activities	(2,163)	(3,115)
Increase / (decrease) in cash and cash equivalents	(513)	(668)
Cash and cash equivalents - beginning of period	1,233	749
Cash and cash equivalents - end of period	$ 720	$ 81

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.

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. 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.

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. ("Sparks"), 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 in Chapter 11 proceedings. In early October 2002, the bankruptcy court dismissed Exhibitron's bankruptcy proceedings. Subsequently, Sparks hired three of Exhibitron's former sales and telemarketing employees, and Sparks continues to perform in accordance with certain of the economic provisions of the interim operating agreement. Sparks also has had discussions regarding the acquisition of certain Exhibitron assets, but any acquisition would be subject to future mutual agreement and approval by Exhibitron creditors.

3. MAJOR CUSTOMERS:

During the third quarter and first nine months of 2002, one customer accounted for 30% and 24%, respectively, of the Company's total net sales. During the third quarter and first nine months of 2001, no customer accounted for over 10% of the Company's total net sales.

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

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		Nine
	September	September	September

	30, 2002	30, 2001	30, 2002
Net income (loss) before change in accounting principle	$(465)	$(256)	$ (1,703)
Net income (loss) after change in accounting principle	$(465)	$(256)	$(14,088)
Weighted average common shares outstanding used to compute basic net income per common share	12,988	7,520	12,988
Additional common shares to be issued assuming the exercise of stock options, net of shares assumed reacquired	--	--	--
Total shares used to compute diluted net income per common share	12,988	7,520	12,988
Before change in accounting principle:			
Basic net income (loss) per share	$ (.04)	$ (.03)	$ (.13)
Diluted net income (loss) per share	$ (.04)	$ (.03)	$ (.13)
After change in accounting principle:			
Basic net income (loss) per share	$ (.04)	$ (.03)	$ (1.08)
Diluted net income (loss) per share	$ (.04)	$ (.03)	$ (1.08)

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 7,400,000 and 2,110,000 shares of common stock, which were outstanding at September 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):

	September 30, 2002	December 31, 2001
Raw materials	$ 431	$ 395
Work in process	3,383	3,636
Finished goods	1,313	2,567
	$5,127	$6,598

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

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:

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 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.

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

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

	September, 30, 2002
	(In thousands except per

Net income (loss) before change in accounting principle	$(1,703)
Add back: goodwill amortization, net of tax of $114	--
Adjusted net income (loss) before change in accounting principle	$(1,703)
Cumulative effect of change in accounting principle, net of tax of $3,500	(12,385)
Adjusted net income (loss)	$(14,088)
Net income per share:	
Basic net income (loss) per share before change in accounting principle	$(.13)
Add back: goodwill amortization, net of tax	--
Adjusted basic net income (loss) per share before accounting change	$(.13)
Cumulative effect of change in accounting principle, net of tax	(.95)
Adjusted basic net income (loss) per share	$(1.08)
Diluted net income (loss) per share before change in accounting principle	$(.13)
Add back: goodwill amortization, net of tax	--
Adjusted diluted net income (loss) per share before accounting change	$(.13)
Cumulative effect of accounting change, net of tax	(.95)
Adjusted diluted net income (loss) per share	$(1.08)

Changes in the carrying amount of goodwill for the impairment write-down 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 September 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.

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

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.

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.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities." SFAS No. 146 addresses significant issues regarding the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities that are currently accounted for pursuant to the guidance that the Emerging Issues Task Force (EITF) has set forth in EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 will be effective for exit or disposal activities that are initiated after December 31, 2002. The Company believes this Statement will not materially affect the Company's financial position or results of operations.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

For the three and nine month periods ended September 30, 2002 and 2001.

Sales

	Three Months Ended (In thousands)		
	September 30, 2002	September 30, 2001	% In
Trade show exhibits group	$ 6,575	$ 7,486	(
Permanent and scenic displays group	8,629	9,586	(
Total sales	$ 15,204	$17,072	(

	Nine Months Ended (In thousands)		
	September 30, 2002	September 30, 2001	% In
Trade show exhibits group	$31,914	$39,284	(
Permanent and scenic displays group	21,505	20,815	
Total sales	$53,419	$60,099	(

Total net sales of $15.2 million for the third quarter of 2002 decreased 10.9% below the third quarter of 2001, and total net sales of $53.4 million for the first nine months of 2002 decreased 11.1% from the same prior year period. The third quarter decrease was attributable to lower sales of trade show exhibits, which decreased 12.2%, and lower sales of permanent and scenic displays (store fixtures and permanent museum exhibits), which decreased 10% due to lower sales of store fixtures. The sales decrease for the first nine months of 2002 was primarily due to lower sales of trade show exhibits and related services, which was 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 sales decrease for the first nine months of 2002.

Gross Profit

Gross profit, as a percentage of net sales, decreased to 17.3% in the third quarter and to 20.8% for the first nine months of 2002 from 23.1% and 23.7% in the respective prior year periods. These decreases were due in large part to lower gross profit percentages generated by sales of store fixtures, and higher permanent museum exhibit sales, which generate a lower gross profit percentage than trade show exhibits. Cost reductions, including production facility consolidation, mitigated the impact of lower sales volume for the Company's trade show exhibits. Management continues to pursue cost reduction initiatives, including facility and staff reductions, to offset lower sales volume.

Selling Expenses

Selling expenses were reduced to 11.9% of net sales in the third quarter and to 11.6% for the first nine months of 2002 from 12.2% in the same periods of 2001. These decreases were principally attributable to reductions in discretionary marketing expenses in 2002 and to lower variable selling expenses for store fixture sales.

Administrative and general expenses

Administrative and general expenses were reduced $0.4 million to $1.4 million in the third quarter of 2002 from $1.8 million for the same prior year period. This reduction was attributable to several factors, including staff and cost reductions implemented at the Company's West Coast operations, shortened workweek time schedules during the third quarter of 2002 and the elimination of goodwill amortization expense in connection with the adoption of a new accounting principle discussed below under "Recently Issued Accounting Standards." For the first nine months of 2002, administrative and general expenses were reduced $0.3 million to $5.1 million from $5.4 million in the comparable period of 2001. This reduction was attributable to several factors, including staff and cost reduction initiatives. Management is planning further profit improvement initiatives in the fourth quarter of 2002 and into 2003, to mitigate the impact of lower sales volume.

Operating profit (loss)

An operating loss of $0.6 million was incurred in the third quarter of 2002 as compared with a breakeven level for 2001, and an operating loss of $0.2 million was incurred for the first nine months of 2002 as compared with operating profit of $1.5 million for the first nine months of 2001. The third quarter decrease was primarily due to lower overall sales volume and lower gross profits generated by store fixture sales and permanent museum exhibit sales. The decrease for the nine-month period was also attributable in large part to these factors.

Other income/(expense)

Interest expense was reduced to $0.1 million and to $0.3 million in the third quarter and first nine months of 2002, respectively, from $0.3 million and $0.9 million 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, versus a loss of $0.3 million in 2001 primarily for a write-down of the Company's investment in its Sparks Europe affiliate.

Provision for (benefit from) income taxes

The Company established a valuation allowance for the 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.

Cumulative effect of change in accounting principle

The Company recorded an impairment loss of $12.4 million (net of $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 $27 million at September 30, 2002 and $19 million at September 30, 2001. This increase is primarily due to a higher backlog of permanent and scenic displays.

Exclusive Subcontractor Arrangement

The Company's San Diego trade show exhibit subsidiary, Sparks Exhibits and Environments, Ltd. ("Sparks"), 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 in Chapter 11 proceedings. In October 2002, the bankruptcy court dismissed Exhibitron's bankruptcy proceedings. Subsequently, Sparks hired three of Exhibitron's former sales and telemarketing employees, and Sparks continues to perform in accordance with certain of the economic provisions of the interim operating agreement. Sparks also has had discussions regarding the acquisition of certain Exhibitron assets, but any acquisition would be subject to future mutual agreement and approval by Exhibitron creditors.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital decreased $1.6 million to $5.3 million at September 30, 2002 from $6.9 million at December 31, 2001. This decrease was primarily due to inventory reductions totaling $1.5 million, which was largely the result of lower store fixture inventories.

Net cash of $2.6 million generated from operating activities in the first nine months of 2002 plus available cash were used to reduce long-term debt by $2.1 million and for capital expenditures of $1 million in the first nine months of 2002.

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 Facility 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 $4.5 million at September 30, 2002. The Company's borrowing capacity under the Facility was $7.9 million at September 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 is as follows:

(In thousands)

	2002	2003	2004	2005	2006
Lease commitments	$514	$1,728	$1,704	$1,686	$987
Debt maturities	--	150	4,500	--	--

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

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.

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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, including 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. Although the Company currently expects sales to stabilize or increase slightly in 2003 as compared with expected levels in 2002, the sales mix is expected to increase margin pressure. Specifically, the higher backlog is primarily attributable to new permanent and scenic exhibits, which yield lower profit margins than the Company's trade show exhibits. The Company continues to explore new sales opportunities while pursuing operating efficiency improvements and cost reduction initiatives to mitigate the impact of lower trade show exhibit sales and lower overall margins.

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 $502,000 (net of a tax benefit of $114,000) in the first nine 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 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 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.

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In June 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities." SFAS No. 146 addresses significant issues regarding the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities that are currently accounted for pursuant to the guidance that the Emerging Issues Task Force (EITF) has set forth in EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 will be effective for exit or disposal activities that are initiated after December 31, 2002. The Company believes this Statement will not materially affect 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 Company's ability to generate sufficient pre-tax income to utilize deferred income tax assets; 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.

ITEM 3. 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 $4.5 million from its revolving credit facility at September 30, 2002.

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.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

Within the 90 days prior to the date of this report, the Company established a Disclosure Committee chaired by the Company's Chief Financial Officer and comprised of managers representing the Company's major areas, including financial reporting and control, sales, operations and information technology. This Committee carried out an evaluation of the effectiveness and operation of the Company's disclosure controls and procedures, and established ongoing procedures to monitor and evaluate these controls and procedures in the future. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

(b) Changes in internal controls

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II - OTHER INFORMATION

Responses to Items 1, 2, 3, 4 and 5 are omitted since these items are either inapplicable or the response thereto would be negative.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

		Page
3(ii)(a)	Amended and Restated Bylaws -October 23, 2002	18
10(ee)	Option Agreement dated October 23, 2002 with Washburn Oberwager	31

(b) Reports on Form 8-K.
No reports on Form 8-K were filed during the quarter for which this report is filed.

SIGNATURES

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

Robert B. Ginsburg
President and Chief Executive Officer

/s/ Stephen P. Rolf

Stephen P. Rolf
Chief Financial Officer

Dated: November 12, 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 September 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, based on 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

(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	/s/ Stephen P. Rolf
Robert B. Ginsburg	Stephen P. Rolf
Chief Executive Officer	Chief Financial Officer
November 12, 2002	November 12, 2002

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert B. Ginsburg and Stephen P. Rolf, certify that:

1. I have reviewed this quarterly report on Form 10-Q for Marlton Technologies, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ Robert B. Ginsburg	/s/ Stephen P. Rolf
Robert B. Ginsburg	Stephen P. Rolf
Chief Executive Officer	Chief Financial Officer