

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

MARLTON TECHNOLOGIES INC
Form 10-Q
October 31, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)

 OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2005

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 _____ No X

Indicate by check mark whether the issuer is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes _____ No X

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

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

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 stock as of the last practicable date:
12,939,696

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

ASSETS	September 30, 2005 (UNAUDITED)
Current:	
Cash and cash equivalents	\$ 1,305
Accounts receivable, net of allowance of \$554 and \$444, respectively	17,100
Inventories	6,630
Prepaid and other current assets	934
Total current assets	25,969
Property and equipment, net of accumulated depreciation of \$11,370 and \$10,792, respectively	3,069
Rental assets, net of accumulated depreciation of \$4,686 and \$4,239, respectively	2,730
Goodwill	2,750
Other intangible assets, net of accumulated amortization of \$299	4,841
Other assets, net of accumulated amortization of \$1,823 and \$1,781, respectively	105
Notes receivable	122
Total assets	\$ 39,586
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Current portion of long-term debt	\$ 1,067
Accounts payable	6,571
Accrued expenses and other current liabilities	9,951
Total current liabilities	17,589
Long-term liabilities:	
Long-term debt, net of current portion	9,869
Other long-term liabilities	1,674
Total long-term liabilities	11,543

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

Total liabilities	29,132

Commitments and contingencies	--
Stockholders' equity:	
Preferred stock, no par value - shares authorized 10,000,000; no shares issued or outstanding	--
Common stock, no par value - shares authorized 50,000,000; 12,939,696 outstanding at September 30, 2005 and December 31, 2004	--
Stock warrants	1,528
Additional paid-in capital	32,998
Accumulated deficit	(23,924)

	10,602
Less cost of 148,803 treasury shares	(148)

Total stockholders' equity	10,454

Total liabilities and stockholders' equity	\$ 39,586
	=====

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

2

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

	For the three months ended September 30,		For t
	2005	2004	2005
	-----	-----	-----
Sales	\$ 24,723	\$ 16,796	\$ 69,
Cost of sales	19,370	13,462	53,
	-----	-----	-----
Gross profit	5,353	3,334	15,
Selling	2,973	1,889	7,
Administrative and general	1,935	1,524	5,
	-----	-----	-----
Operating profit (loss)	445	(79)	2,
Other income (expense):			
Other income	42	50	
Interest expense	(191)	(156)	(
	-----	-----	-----
Income (loss) before income taxes	296	(185)	1,
Provision for income taxes	--	--	
	-----	-----	-----

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

Net income (loss)	296	(185)	1,
	=====	=====	=====
Net income (loss) per common share:			
Basic	\$ 0.02	\$ (0.01)	\$ 0
	=====	=====	=====
Diluted	\$ 0.02	\$ (0.01)	\$ 0
	=====	=====	=====

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

3

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

	For the nine months ended September 30,	
	2005	2004
	-----	-----
Cash flows from operating activities:		
Net income	\$ 1,804	\$ 1,226
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation and amortization	1,366	1,546
Change in assets and liabilities:		
Increase in accounts receivable, net	(5,630)	(4,020)
(Increase) decrease in inventories	1,005	(77)
(Increase) decrease in prepaid and other assets	(534)	134
Decrease in notes and other receivables	56	246
Increase (decrease) in accounts payable, accrued expenses and other current liabilities	1,668	(267)
Net cash used in operating activities	(265)	(1,212)
	-----	-----
Cash flows from investing activities:		
Acquisition of business	(2,752)	--
Capital expenditures	(668)	(840)
Proceeds from affiliate, net	19	50
Net cash used in investing activities	(3,401)	(790)
	-----	-----
Cash flows from financing activities:		
Proceeds from revolving credit facility, net	4,089	2,511
Proceeds from term loan, net	850	--
Payments for leasehold improvement obligation	(34)	(34)
Proceeds from (payments for) capital lease obligations	(28)	107
Payments for loan origination fees	(40)	(133)
Payments for assumed SBA loan	(76)	--

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

Payments for contingent acquisition obligations	(101)	(163)
	-----	-----
Net cash provided by financing activities	4,660	2,288
	-----	-----
Increase in cash and cash equivalents	994	286
Cash and cash equivalents - beginning of period	311	241
	-----	-----
Cash and cash equivalents - end of period	\$ 1,305	\$ 527
	=====	=====

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES

Acquisition of Showtime Enterprises, Inc. Assets and Specified Liabilities:		
Cash purchase price	\$ 2,752	
Long-term debt incurred	982	
Other long-term liabilities incurred	1,775	
Fair value of stock warrants	786	

Total purchase price	\$ 6,295	
	=====	
Working capital acquired	\$ 343	
Fair value of property, equipment and rental assets acquired	812	
Covenants not to compete acquired	570	
Customer relationships acquired	4,570	

Total purchase price	\$ 6,295	
	=====	

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

4

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 accounting principles generally accepted in the United States of America 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 and nine month periods 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 Form 10-K for the year ended December 31, 2004.

2. ACQUISITION OF BUSINESS:

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

On March 15, 2005, Sparks Exhibits & Environments Corp., a subsidiary of the Company, acquired substantially all of the assets and assumed specified liabilities of Showtime Enterprises, Inc. and its subsidiary, Showtime Enterprises West, Inc. (collectively "Showtime"). Showtime designed, marketed and produced trade show exhibits, point of purchase displays, museums and premium incentive plans. Showtime had sales of approximately \$21 million in 2004. The aggregate purchase price was \$6.3 million, comprised of \$2.8 million paid in cash, \$1.7 million for contingent royalty and percentage of sales payments, \$1 million of long-term debt assumption and \$0.8 million for stock warrants. The Company financed this acquisition by increasing its revolving credit facility borrowing capacity and obtaining a new term loan. The Company's Audit Committee engaged the Company's registered public accounting firm to perform the required audit of Showtime's financial statements. It was subsequently determined that such audit could not be performed. The inability to file these audited financial statements may limit the Company's ability to engage in certain types of transactions requiring Securities and Exchange Commission review, including without limitation, public offerings and certain private offerings of securities and business combination transactions requiring shareholder approval.

The estimated fair values of the assets acquired and liabilities assumed are summarized in the following table. At March 15, 2005 (in thousands)

Current assets	\$1,880
Property, equipment and rental assets	812
Covenants not to compete	570
Customer relationships	4,570

	\$7,832
Current liabilities	\$1,537
Long-term debt	982
Other long-term liabilities	1,775
Stock warrants	786

Net assets acquired	\$2,752
	=====

5

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

Covenants not to compete will be amortized over 6 years and customer relationships will be amortized over an estimated life of 10 years. The covenants not to compete and customer relationships are reviewed periodically by management for impairment.

3. MAJOR CUSTOMERS AND CONCENTRATIONS:

During the first nine months of 2005 and 2004, one customer accounted for 12.8% and 11.3%, respectively, of the Company's total sales. At September 30, 2005, this customer accounted for 12.9% of total accounts receivable and another customer accounted for 16.4% of total accounts receivable.

4. PER SHARE DATA:

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

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

	Three months ended September 30, 2005 2004		Nine months ended September 30, 2005 2004	
	-----	-----	-----	-----
Net income (loss)	\$ 296	\$ (185)	\$ 1,804	\$ 1,226
	=====	=====	=====	=====
Weighted average common shares outstanding used to compute basic net income per common share	12,940	12,845	12,940	12,845
Additional common shares to be issued assuming the exercise of stock options, net of shares assumed reacquired	4,309	--	4,309	1,174
	-----	-----	-----	-----
Total shares used to compute diluted net income per common share	17,249	12,845	17,249	14,019
	=====	=====	=====	=====
Basic net income (loss) per share	\$ 0.02	\$ (0.01)	\$ 0.14	\$ 0.10
	=====	=====	=====	=====
Diluted net income (loss) per share	\$ 0.02	\$ (0.01)	\$ 0.10	\$ 0.09
	=====	=====	=====	=====

Excluded in the computation of diluted income per common share were outstanding options and warrants to purchase 1,120,000 shares of common stock at September 30, 2005 and 333,000 shares of common stock at September 30, 2004 because the option or warrant exercise prices were greater than the market price of the common shares.

5. INVENTORIES:

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

	September 30, 2005	December 31, 2004
	-----	-----
Raw materials	\$ 673	\$ 440
Work in process	2,841	3,231
Finished goods	3,116	3,398
	-----	-----
	\$6,630	\$7,069
	=====	=====

6. RECENTLY ISSUED ACCOUNTING STANDARDS

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

In June 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 146, "Accounting for Exit or Disposal Activities" ("FAS 146"). FAS 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)." Effective in the first quarter of 2003, the Company adopted the provisions of FAS 146. This new accounting principle had an impact on the timing and recognition of costs associated with the Showtime acquisition and subsequent relocation and integration.

In December 2004, FASB issued FASB Statement No. 123 (revised 2004), Share-Based Payment ("FAS123(R)" or the "Statement"). FAS 123(R) requires that the compensation cost relating to share-based payment transactions, including grants of employee stock options, be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. FAS 123(R) covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. The effect of the Statement will require entities to measure the cost of employee services received in exchange for stock options based on the grant-date fair value of the award, and to recognize the cost over the period the employee is required to provide services for the award. FAS 123(R) permits entities to use any option-pricing model that meets the fair value objective in the Statement. The Company will be required to apply FAS 123(R) starting January 1, 2006. FAS 123(R) allows two methods for determining the effects of the transition: the modified prospective transition method and the modified retrospective method of transition. Under the modified prospective transition method, an entity would use the fair value based accounting method for all employee awards granted, modified, or settled after the effective date. As of the effective date, compensation cost related to the non-vested portion of awards outstanding as of that date would be based on the grant-date fair value of those awards as calculated under the original provisions of Statement No. 123; that is, an entity would not re-measure the grant-date fair value estimate of the unvested portion of awards granted prior to the effective date of FAS 123(R). An entity will have the further option to either apply the Statement to only the quarters in the period of adoption and subsequent periods, or apply the Statement to all quarters in the fiscal year of adoption. Under the modified retrospective method of transition, an entity would revise its previously issued financial statements to recognize employee compensation cost for prior periods presented in accordance with the original provisions of Statement No. 123. Although it has not yet completed its study of the transition methods, the Company believes it will elect the modified prospective transition method. Under this method, the Company estimates that the adoption of FAS 123(R) would require the Company to record approximately \$15,000 of stock compensation expense in 2005 related to employee options issued and outstanding at December 31, 2004 and \$235,000 of stock compensation expense in 2005 related to employee options issued in the second quarter of 2005. Based on expected vesting of stock options outstanding at September 30, 2005, the Company may record compensation expense of approximately \$300,000 beginning in 2006 through 2009 and approximately \$55,000 in 2010. Any further impact of this Statement on the Company in fiscal 2005 and beyond will depend upon various factors including future compensation strategy. The pro forma compensation costs are calculated using

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

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

the Black-Scholes option pricing model and may not be indicative of amounts which should be expected in future years.

7. STOCK-BASED COMPENSATION

The Company accounts for grants of stock options under its stock option plans based on the recognition and measurement principles of APB Opinion No. 25 and related Interpretations. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123 to stock-based employee compensation (in thousands except per share data):

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Net income (loss), as reported	\$ 296	\$ (185)	\$1,804	\$1,226
Deduct: Total stock-based employee compensation expense determined under fair value based method, net of tax	(83)	(8)	(180)	(43)
Pro-forma net income	\$ 213	\$ (193)	\$1,624	\$1,183
Net income (loss) per share:				
Basic:				
As Reported	\$ 0.02	\$ (0.01)	\$ 0.14	\$ 0.10
Pro-forma	\$ 0.02	\$ (0.02)	\$ 0.13	\$ 0.09
Diluted:				
As reported	\$ 0.02	\$ (0.01)	\$ 0.10	\$ 0.09
Pro-forma	\$ 0.01	\$ (0.02)	\$ 0.09	\$ 0.08

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model.

8. REVERSE STOCK SPLIT

On September 22, 2005, the Company announced that its Board of Directors approved a reverse stock split of its Common Stock to relieve the Company of the substantial and increasing expense of remaining a Securities and Exchange Commission ("SEC") reporting company. If approved by the Company's shareholders, the reverse stock split will reduce shareholders of record to less than 300, which will permit the Company to terminate its obligation to file reports with the SEC. As a result of the reverse stock split, the Company's Common Stock would be delisted from the American Stock Exchange, but would be expected to trade in the over-the-counter market.

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

The Board's approval followed the recommendation of a special committee of independent directors which was established to review the reverse stock split. The special committee retained an investment

8

banking firm to advise it and to review the fairness of the consideration to be paid to shareholders in the reverse stock split.

Pursuant to the terms of the 1 for 5,000 reverse stock split approved by the Company's Board, shareholders owning less than 5,000 shares would be paid \$1.25 in cash per share. Shareholders owning more than 5,000 shares would remain as shareholders of the Company after the reverse stock split and would have fractional shares redeemed at the same rate. The Company estimates that an aggregate of \$1,600,000 would be paid to its shareholders to complete the reverse stock split. Funding for the transaction is anticipated to be provided under the Company's existing revolving credit facility, subject to certain conditions on availability under the borrowing formula.

The Board will recommend that Company's shareholders approve the reverse stock split in proxy materials to be filed with the SEC in connection with a special meeting of shareholders to be held in December 2005.

9

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

RESULTS OF OPERATIONS

For the three and nine months ended September 30, 2005 and 2004.

SALES

	(In thousands)		
	Three months ended September 30,		
	2005	2004	% change
	-----	-----	-----
Trade show exhibits group	\$14,394	\$ 8,191	75.7%
Permanent and scenic displays group	10,329	8,605	20.0%
	-----	-----	-----
Total sales	\$24,723	\$16,796	47.2%
	=====	=====	=====
	Nine months ended September 30,		
	2005	2004	% change
	-----	-----	-----

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

Trade show exhibits group	\$45,273	\$ 34,892	29.8%
Permanent and scenic displays group	24,255	21,009	15.5%
	-----	-----	-----
Total sales	\$69,528	\$ 55,901	24.4%
	=====	=====	=====

Total net sales of \$24.7 million for the third quarter of 2005 increased 47.2% from the third quarter of 2004, and total net sales of \$69.5 million for the first nine months of 2005 increased 24.4% above the comparable prior year period. The third quarter increase was principally attributable to incremental sales of \$4.7 million resulting from the Showtime business acquired on March 15, 2005 and to new customers obtained near the end of 2004. The sales increase for the first nine months of 2005 was primarily due to sales of \$8.7 million contributed by the Showtime business as well as to sales to new customers.

GROSS PROFIT

Gross profit, as a percentage of net sales, increased to 21.7% in the third quarter of 2005 from 19.8% in the same prior year period and to 22.5% for the first nine months of 2005 from 22.1% in the comparable period of 2004. The third quarter improvement was primarily due to the favorable effect of higher sales volume as compared with fixed manufacturing overhead costs. The improvement for the nine month period was also due to the leverage of higher sales volume on fixed costs, partially offset by transition costs incurred in connection with the Showtime business acquisition.

10

SELLING EXPENSES

Selling expenses increased \$1.1 million in the third quarter of 2005 and \$1.9 million for the nine months of 2005 from the corresponding prior year periods. As a percentage of net sales, selling expenses increased to 12.0% and 11.4% in the third quarter and first nine months of 2005, respectively, from 11.4% and 10.8% for the same 2004 periods. These increases were largely the result of additional selling costs incurred in connection with the Showtime business acquisition and to the impact of higher sales on variable selling expenses.

ADMINISTRATIVE AND GENERAL EXPENSES

Administrative and general expenses increased \$0.4 million in the third quarter of 2005 and \$0.8 million in the first nine months of 2005 from the expense levels for the comparable periods of 2004. The third quarter increase was largely due to higher accrued incentive compensation and costs incurred in connection with the proposed reverse stock split discussed under liquidity and capital resources. The increase in general and administrative expenses for the nine months of 2005 was due to these third quarter factors, as well as to costs incurred in connection with the Showtime business acquisition.

OPERATING PROFIT

Operating profit of \$445,000 for the third quarter of 2005 compared favorably to an operating loss of \$79,000 for the same 2004 period. For the nine months of 2005, operating profit increased to \$2.2 million from \$1.6 million reported for the comparable prior year period. These increases were primarily due to higher sales, partially offset by costs incurred in connection with the Showtime business acquisition.

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

OTHER INCOME/(EXPENSE)

Interest expense increased to \$191,000 in the third quarter of 2005 from \$156,000 in the same 2004 period and to \$513,000 for the first nine months of 2005 from \$381,000 for the nine months of 2004. These increases were primarily due to higher borrowing from the Company's revolving credit facility largely as a result of financing higher accounts receivable as well as the Showtime business acquisition and as a result of higher interest rates on the Company's credit facility discussed below.

PROVISION FOR INCOME TAXES

The Company is currently using operating loss carry-forwards to offset its taxable income. As a result, the Company did not record an income tax provision for the first nine months of 2005 or 2004. The Company currently has a full valuation allowance against its operating loss carry-forwards. This allowance is reviewed by management for possible recovery on a periodic basis.

NET INCOME

The Company generated net income of \$296,000 (\$0.02 per fully diluted share) in the third quarter of 2005 as compared with a net loss of \$185,000 (\$0.01 per fully diluted share) in the same prior year period. For the first nine months of 2005, net income increased to \$1.8 million (\$0.10 per fully diluted share) from \$1.2 million (\$0.09 per fully diluted share) for the comparable 2004 period. These improvements were principally attributable to higher sales volume, partially offset by costs incurred in connection with the Showtime business acquisition.

11

BACKLOG

The Company's backlog of orders was approximately \$35 million at September 30, 2005 and \$16 million at September 30, 2004. This increase includes large multi-year permanent exhibit projects, as well as the backlog of orders from the Showtime business and new customers. The increase in the backlog is expected to yield lower gross profit margins, as a percentage of sales, due to changes in sales mix. Specifically, a significant portion of the backlog increase is related to permanent and scenic display projects which generally yield lower gross profit margins than the Company's trade show exhibit and other projects.

LIQUIDITY AND CAPITAL RESOURCES

On February 6, 2004, the Company replaced its revolving credit and security agreement with a new credit facility provided by a commercial asset-based lender. The new credit facility originally expired on February 6, 2007 and provided for maximum borrowing capacity of up to \$12 million based on a percentage of eligible accounts receivable and inventories. This facility has interest based on the 30-day dealer placed commercial paper rate plus a formula-determined spread, restricts the Company's ability to pay dividends, and includes certain financial covenants (fixed charge coverage ratio and maximum capital expenditure amount). The effective interest rate for this credit facility was 7.45% at September 30, 2005.

On March 21, 2005, the Company amended its credit facility to increase the maximum borrowing capacity from \$12 million to \$15 million, to increase the

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

maximum borrowings on certain inventories and to extend the term by one year to February 6, 2008. The Company also obtained a one-year term loan for \$1 million, bearing interest at the commercial paper rate plus 3.75% and requiring monthly principal payments of \$25,000 starting on April 1, 2005, with the remaining balance of \$700,000 due on March 21, 2006. This credit facility amendment and term loan were obtained to finance the Showtime acquisition. The Company had borrowings of approximately \$9.1 million and additional borrowing capacity of approximately \$3.5 million at September 30, 2005. In September 2005, the Company's commercial lender sold this credit facility to a bank.

The Company's working capital increased \$3.9 million in the first nine months of 2005 to \$8.4 million at September 30, 2005 from \$4.5 million at December 31, 2004, largely due to a \$6.9 million increase in accounts receivable and a \$1 million increase in cash, partially offset by a \$4.2 million increase in current liabilities. The accounts receivable increase was principally attributable to higher sales at the end of the third quarter of 2005 as compared with sales at the end of 2004. The increase in cash was largely due to the timing of accounts payable payments. The increase in current liabilities was largely due to timing of accounts payable payments, an increase in customer deposits and the term loan discussed above.

The Company anticipates capital expenditures of approximately \$1 million for 2005.

On September 22, 2005, the Company announced that its Board of Directors approved a reverse stock split of its Common Stock to relieve the Company of the substantial and increasing expense of remaining a Securities and Exchange Commission ("SEC") reporting company. If approved by the Company's shareholders, the reverse stock split will reduce shareholders of record to less than 300, which will permit the Company to terminate its obligation to file reports with the SEC. As a result of the reverse stock split, the Company's Common Stock would be delisted from the American Stock Exchange, but would be expected to trade in the over-the-counter market.

12

The Board's approval followed the recommendation of a special committee of independent directors which was established to review the reverse stock split. The special committee retained an investment banking firm to advise it and to review the fairness of the consideration to be paid to shareholders in the reverse stock split.

Pursuant to the terms of the 1 for 5,000 reverse stock split approved by the Company's Board, shareholders owning less than 5,000 shares would be paid \$1.25 in cash per share. Shareholders owning more than 5,000 shares would remain as shareholders of the Company after the reverse stock split and would have fractional shares redeemed at the same rate. The Company estimates that an aggregate of \$1,600,000 would be paid to its shareholders to complete the reverse stock split. Funding for the transaction is anticipated to be provided under the Company's existing revolving credit facility, subject to certain conditions on availability under the borrowing formula.

The Board will recommend that Company's shareholders approve the reverse stock split in proxy materials to be filed with the SEC in connection with a special meeting of shareholders to be held in December 2005.

The Company has lease commitments for certain facilities under non-cancelable operating leases. Timing of future lease commitments as well as maturities of

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

long-term debt is as follows:

Contractual Obligations	Total	Payment due by period (in thousands)		
-----	-----	2005	2006 to 2008	2009 to 2011
Long-Term Debt Obligations	\$10,936	\$129	\$10,348	\$ 459
Capital Lease Obligations	--	--	--	--
Operating Lease Obligations	6,306	587	4,993	726
Purchase Obligations	--	--	--	--
Other Long-Term Liabilities Reflected on the Registrant's Balance Sheet Under GAAP	1,674	--	1,318	356
Total	\$18,916	\$716	\$16,659	\$1,541
	=====	=====	=====	=====

The Company jointly leases a 31,000 square foot facility with International Expo Services ("IES"), in which the Company holds a minority interest. The annual lease commitment for this facility is \$214,000 through September 22, 2007, which is not included with the above future operating lease commitments since IES occupies this entire facility and pays the rent.

The Company leases a facility from a partnership controlled by two shareholders of the Company. This lease, which expires on May 14, 2019, contains an option for the Company to terminate after May 14, 2009 subject to the landlord's ability to re-rent the premises. The minimum annual rent is \$771,000 through May 14, 2009 and is reset thereafter (not included in the table above). The Company is also responsible for taxes, insurance and other operating expenses for this facility.

13

OUTLOOK

The Company expects sales volume in 2005 and 2006 to increase from the 2004 sales level due to new clients and the Showtime acquisition. Sales increases from a higher backlog of orders are expected to yield lower margins due to less favorable sales mix.

The Company wrote off accounts receivable and inventories in 2001 as a result of K-Mart, a Sparks Custom Retail LLC customer, filing for bankruptcy. The subsequent settlement from its bankruptcy claim was for shares of Sears Holding Corp (previously K-Mart) common stock. Based on the current market price of Sears Holding Corp common stock, the Company has a contingent additional bad debt recovery of approximately \$90,000 for the remaining 753 shares from this bankruptcy settlement.

The Company acquired a past-due accounts receivable from mPhase Technologies, Inc. ("mPhase") in connection with the 2003 acquisition of Exhibit Crafts, Inc. In March 2005, the Company settled the claim with this customer for 213,000 shares of mPhase restricted common stock. Based on the current market value of

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

this common stock, the Company has a contingent gain of approximately \$50,000. Any gain will be recognized when the restrictions on the Company's right to sell this common stock expire.

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 146, "Accounting for Exit or Disposal Activities" ("FAS 146"). FAS 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)." Effective in the first quarter of 2003, the Company adopted the provisions of FAS 146. This new accounting principle had an impact on the timing and recognition of costs associated with the Showtime acquisition and subsequent relocation and integration.

In December 2004, FASB issued FASB Statement No. 123 (revised 2004), Share-Based Payment ("FAS123(R)" or the "Statement"). FAS 123(R) requires that the compensation cost relating to share-based payment transactions, including grants of employee stock options, be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. FAS 123(R) covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. The effect of the Statement will require entities to measure the cost of employee services received in exchange for stock options based on the grant-date fair value of the award, and to recognize the cost over the period the employee is required to provide services for the award. FAS 123(R) permits entities to use any option-pricing model that meets the fair value objective in the Statement. The Company will be required to apply FAS 123(R) starting January 1, 2006. FAS 123(R) allows two methods for determining the effects of the transition: the modified prospective transition method and the modified retrospective method of transition. Under the modified prospective transition method, an entity would use the fair value based accounting method for all employee awards granted, modified, or settled after the effective date. As of the effective date, compensation cost related to the non-vested portion of awards outstanding as of that date would be based on the grant-date fair value of those awards as calculated under the original provisions of Statement No. 123; that is, an entity would not re-measure the grant-date fair value estimate of the unvested portion of awards granted prior to the effective date of FAS

123(R). An entity will have the further option to either apply the Statement to only the quarters in the period of adoption and subsequent periods, or apply the Statement to all quarters in the fiscal year of adoption. Under the modified retrospective method of transition, an entity would revise its previously issued financial statements to recognize employee compensation cost for prior periods presented in accordance with the original provisions of Statement No. 123. Although it has not yet completed its study of the transition methods, the Company believes it will elect the modified prospective transition method. Under this method, the Company estimates that the adoption of FAS 123(R) would require the Company to record approximately \$15,000 of stock compensation expense in 2005 related to employee options issued and outstanding at December 31, 2004 and

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

\$235,000 of stock compensation expense in 2005 related to employee options issued in the second quarter of 2005. Based on expected vesting of stock options outstanding at September 30, 2005, the Company may record compensation expense of approximately \$300,000 beginning in 2006 through 2009 and approximately \$55,000 in 2010. Any further impact of this Statement on the Company in fiscal 2005 and beyond will depend upon various factors including future compensation strategy. The pro forma compensation costs are calculated using the Black-Scholes option pricing model and may not be indicative of amounts which should be expected in future years.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. When used in this report, the words "intends," "believes," "plans," "expects," "anticipates," "probable," "could" 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 integrate the acquired Showtime business and maintain the customer base; the Company's proposed reverse stock split; continued availability of financing to provide additional sources of funding for capital expenditures, working capital and investments; the Company's ability to continue to identify and enter new markets and expand existing business; 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; uncertainties about the impact of the threat of future terrorist attacks on business travel and related trade show attendance; 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

Fluctuations in interest rates, foreign currency exchange rates and commodity prices do not significantly affect the Company's financial position and results of operations. The Company's revolving credit facility bears an interest rate based on 30-day dealer placed commercial paper rate, plus a formula amount based on the Company's fixed charge ratio, which resulted in 7.45% at September 30, 2005.

15

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

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

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

and procedures, and established ongoing procedures to monitor and evaluate these controls and procedures in the future. Based upon that evaluation, within the 90 days prior to the date of this report, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in alerting them on a timely basis 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 changes in the Company's internal controls over financial reporting identified in connection with the Item 4 (a) evaluation that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

16

PART II - OTHER INFORMATION

Exhibits

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
2.1	Agreement and Plan of Merger of the Company (Incorporated by reference to the Company's Proxy Statement dated September 27, 2001, filed with the Commission).
2.2	Asset Purchase Agreement made as of January 11, 2005, by and among Showtime Enterprises, Inc., Showtime Enterprises West, Inc., and Sparks Exhibits & Environments Corp. (Incorporated by reference to Exhibit 2.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).
2.3	Order entered March 4, 2005 in the United States Bankruptcy Court for the District of New Jersey in Showtime Enterprises, Inc. and Showtime Enterprises West, Inc. (Case Nos. 05-11089 and 05-11090). (Incorporated by reference to Exhibit 2.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).
3.1	Articles of Incorporation of the Company (Incorporated by reference to the Company's Proxy Statement dated September 27, 2001, filed with the Commission).
3.2	Amended and Restated By-laws of the Company (Incorporated by reference to Exhibit 3(ii)(a) of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, filed with the Commission).
4.1	Warrant issued to Argosy Investment Partners II, L.P. to acquire shares of Marlton common stock at an exercise price of \$0.98 per share (Incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

- 4.2 Warrant issued to Argosy Investment Partners II, L.P. to acquire shares of Marlton common stock at an exercise price of \$1.48 per share. (Incorporated by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).
- 4.3 Warrant issued to Alliance Mezzanine Investors, L.P. to acquire shares of Marlton common stock at an exercise price of \$0.98 per share. (Incorporated by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).

17

- 4.4 Warrant issued to Alliance Mezzanine Investors, L.P. to acquire shares of Marlton common stock at an exercise price of \$1.48 per share. (Incorporated by reference to Exhibit 4.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).
- 10.1 Amended and Restated Employment Agreement dated November 20, 2001 between the Company and Robert B. Ginsburg (Incorporated by reference to the Company's September 27, 2001 Proxy Statement, filed with the Commission).*
- 10.2 Employment Agreement dated 11/20/01 between the Company and Jeffrey K. Harrow (Incorporated by reference to the Company's September 27, 2001 Proxy Statement, filed with the Commission).*
- 10.3 Employment Agreement dated 11/20/01 between the Company and Scott Tarte (Incorporated by reference to the Company's September 27, 2001 Proxy Statement, filed with the Commission).*
- 10.4 Form of Warrants issued by the Company to Jeffrey K. Harrow, Scott Tarte, Robert B. Ginsburg and Alan I. Goldberg on 11/20/01 (Incorporated by reference to the Company's September 27, 2001 Proxy Statement, filed with the Commission). Schedule of grants (Incorporated by reference to Exhibit 10(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2001, filed with the Commission).
- 10.5 Stockholders' Agreement dated 11/20/01 among Jeffrey K. Harrow, Scott Tarte, Robert B. Ginsburg and the Company (Incorporated by reference to the Company's September 27, 2001 Proxy Statement, filed with the Commission).*
- 10.6 Registration Rights Agreement dated 11/20/01 among Jeffrey K. Harrow, Scott Tarte, Robert B. Ginsburg, Alan I. Goldberg and the Company (Incorporated by reference to the Company's September 27, 2001 Proxy Statement, filed with the Commission).
- 10.7 Amended Agreement of Employment, dated December 11, 1992, between the Company and Alan I. Goldberg. (Incorporated by reference to Exhibit 10(g) to the Company's Annual Report on

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

Form 10-K for the year ended December 31, 2003, filed with the Commission).*

10.8 Letter Agreement dated January 2, 1998 to Amended Employment Agreement with Alan I. Goldberg (Incorporated by reference to Exhibit 7(2) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998, filed with the Commission).*

18

10.9 Letter Agreement dated 11/20/01 to Amended Employment Agreement with Alan I. Goldberg. (Incorporated by reference to Exhibit 10(k) to the Company's Annual Report on Form 10-K for the year ended December 31, 2001, filed with the Commission).*

10.10 Employment Agreement dated November 24, 1999 with Stephen P. Rolf (Incorporated by reference to Exhibit 10(l) to the Company Annual Report of Form 10-K for the year ended December 31, 1999, filed with the Commission).*

10.11 Option Agreement dated January 10, 2000 with Stephen P. Rolf (Incorporated by reference to Exhibit 10(x) to the Company Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, filed with the Commission).*

10.12 Option Agreements with Outside Directors (Incorporated by reference to Company Proxy Statement dated April 30, 1999, filed with the Commission).*

10.13 Option Agreements dated August 7, 2000 with Outside Directors (Incorporated by reference to Exhibit 10(x) to the Company Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, filed with the Commission).*

10.14 Option Agreements dated March 1, 2002 with Outside Directors (Incorporated by reference to Exhibit 10(e) to the Company's Annual Report on Form 10-K for the year ended December 31, 2001, filed with the Commission).*

10.15 2000 Equity Incentive Plan (Incorporated by reference to Exhibit 10(n) to the Company's Annual Report on Form 10-K for the year ended December 31, 2001, filed with the Commission).*

10.16 2001 Equity Incentive Plan (Incorporated by reference to Exhibit 10(ee) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001, filed with the Commission).*

10.17 Lease for Premises located at 2828 Charter Road, Philadelphia, PA dated May 14, 1999 (Incorporated by reference to Exhibit 10(f) to the Company Annual Report on Form 10-K for the year ended December 31, 1999, filed with the Commission).

10.18 Amendment to Lease 2828 Charter Road, Philadelphia, PA dated February 25, 2000 (Incorporated by reference to Exhibit 10(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999, filed with the Commission).

- 10.19 Lease for Premises located at 8125 Troon Circle, Austell, GA 30001 (Incorporated by reference to Exhibit 10(s) to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, filed with the Commission).
- 10.20 Exhibit removed.
- 10.21 Loan and Security Agreement dated as of February 6, 2004 with General Electric Capital Corporation. (Incorporated by reference to Exhibit 10(u)) to the Company's Annual Report on Form 10-KK for the year ended December 31, 2003, filed with the Commission).
- 10.22 Option Agreement dated June 3, 2002 with Robert B. Ginsburg (Incorporated by reference to Exhibit 10(cc) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed with the Commission).*
- 10.23 Option Agreement dated June 3, 2002 with Alan I. Goldberg (Incorporated by reference to Exhibit 10(dd) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed with the Commission).*
- 10.24 Option Agreement dated October 23, 2002 with Washburn Oberwager (Incorporated by reference to Exhibit 10(ee) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, filed with the Commission).*
- 10.25 Fourth Amendment to Lease Agreement dated September 11, 2003 for premises located at 8125 Troon Circle, Austell, GA 30001 (Incorporated by reference to Exhibit 10(cc) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, filed with the Commission).
- 10.26 Exhibit removed.
- 10.27 Exhibit removed
- 10.28 Lease Agreement, First and Second Amendments for Premises located at Building J, 10232 Palm Drive, Santa Fe Springs, CA 90670 (Incorporated by reference to Exhibit 10(ff) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, filed with the Commission).
- 10.29 Lease Agreement, First and Second Amendments for Premises located at Building G, Heritage Springs Business Park, Santa Fe Springs (Incorporated by reference to Exhibit 10(gg) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, filed with the Commission).
- 10.30 Option Agreement dated May 13, 2004 with Stephen P. Rolf (Incorporated by reference to Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, filed with the Commission).*

- 10.31 Fifth Amendment to Lease Agreement dated April 27, 2004 for the Premises located at 8125 Troon Circle, Austell, GA (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).
- 10.32 Lease dated November 17, 1998 by and between Sunset & Valley Distribution Center Joint Venture (the "Joint Venture") and Showtime Enterprises West, Inc. ("Showtime West"), as amended by and together with, the first amendment thereto dated June 22, 1999, the second amendment thereto dated March 31, 2000, by and between The Northwestern Mutual Life Insurance Company ("Northwestern"), Sunset and Valley View Partners ("Partners") and Showtime West the third amendment thereto dated March 27, 2003 by and between Northwestern, Partners and Showtime West and the fourth amendment thereto dated February 29, 2004 by and between Northwestern, Partners and Showtime West. (Incorporated by reference to the Company's Annual Report dated December 31, 2004, filed with the Commission).
- 10.33 Employment Agreement dated March 15, 2005 by and between Sparks Exhibits & Environments Corp. and David S. Sudjian* (Incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).
- 10.34 Employment Agreement dated March 15, 2005 by and between Sparks Exhibits & Environments Corp. and Harold Jensen.* (Incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).
- 10.35 Royalty Agreement dated March 15, 2005 by and among Sparks Exhibits & Environments Corp., Argosy Investment Partners II, LP and Alliance Mezzanine Investors, L. P. (Incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).
- 10.36 Stock Option Agreement dated as of March 15, 2005 by Marlton Technologies, Inc and David S. Sudjian with respect to the grant of 500,000 shares of Marlton common stock.* (Incorporated by reference to Exhibit 10.36 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).
- 10.37 Stock Option Agreement dated as of March 15, 2005 by Marlton Technologies, Inc and Harold Jensen with respect to the grant of 500,000 shares of Marlton common stock.* ((Incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

- 10.38 Letter agreement dated March 15, 2005 by and among Sparks Exhibits & Environments Corp., David S. Sudjian and Harold Jensen.* (Incorporated by reference to Exhibit 10.38 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).
- 10.39 First Amendment to Loan and Security Agreement with General Electric Capital Corporation (Incorporated by reference to Exhibit 10(f) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, filed with the Commission).
- 10.40 Consent and Second Amendment to Loan and Security Agreement dated as of March 15, 2005 by and among General Electric Capital Corporation, Sparks Exhibits & Environments Corp., Sparks Exhibits & Environments, Ltd., Sparks Exhibits & Environments, Inc. and DMS Store Fixtures LLC. (Incorporated by reference to Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).
- 10.41 Term Note issued by Sparks Exhibits & Environments Corp. in favor of General Electric Capital Corporation. (Incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).
- 10.42 Note dated April 23, 2002 in favor of the United States Business Administration (the "SBA Note"). (Incorporated by reference to Exhibit 10.42 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).
- 10.43 Promissory Note made by Sparks Exhibits & Environments Corp. in face amount of \$257,144 in favor of Argosy Investment Partners II, L.P. (Incorporated by reference to Exhibit 10.43 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).
- 10.44 Promissory Note made by Sparks Exhibits & Environments Corp. in face amount of \$142,856 in favor of Alliance Mezzanine Investors, L.P. (Incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).
- 10.45 Agreement for Assumption of Indebtedness dated December 14, 2004 by and among the U.S. Small Business Administration, Showtime Enterprises, Inc. and Sparks Exhibits & Environments Corp. (Incorporated by reference to Exhibit 10.45 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).
- 10.46 Unconditional Guarantee issued by Marlton Technologies, Inc. in favor of the U.S. Small Business Administration with

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

- respect to the SBA Note . (Incorporated by reference to Exhibit 10.46 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).
- 10.47 Option Agreement with Jeffrey Harrow dated December 20, 2004 * (Incorporated by reference to Exhibit 10.47 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed with the Commission).
- 10.48 Option Agreement with Scott Tarte, dated December 20, 2004 * (Incorporated by reference to Exhibit 10.48 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed with the Commission).
- 10.49 Agreement dated March 15, 2005 by and between Sparks Exhibits & Environments Corp., Argosy Investment Partners II, L.P. and Alliance Mezzanine Investors, L.P. (Incorporated by reference to Exhibit 10.49 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission).
- 10.50 Amendment to Employment Agreement with Scott Tarte dated May 12, 2005 * (Incorporated by reference to Exhibit 10.50 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed with the Commission).
- 10.51 Amendment to Employment Agreement with Jeffrey Harrow dated May 12, 2005* (Incorporated by reference to Exhibit 10.51 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed with the Commission).
- 10.52 Amendment to Employment Agreement with Robert B. Ginsburg dated May 12, 2005* (Incorporated by reference to Exhibit 10.52 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed with the Commission).
- 10.53 Amendment to Employment Agreement with Alan I. Goldberg dated May 12, 2005* (Incorporated by reference to Exhibit 10.53 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed with the Commission).5
- 10.54 Amendment to Employment Agreement with Stephen P. Rolf dated May 12, 2005* (Incorporated by reference to Exhibit 10.54 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed with the Commission).
- 23
- 10.55 Lease for premises located at 2001 Woodhaven Road, Philadelphia, Pennsylvania 19154, dated October 12, 2005.
- 10.56 Bank of America consent letter with respect to proposed reverse stock split
- 14 Code of Ethics (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, filed with the Commission)

Edgar Filing: MARLTON TECHNOLOGIES INC - Form 10-Q

- 21 Subsidiaries of the Company (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, filed with the Commission)
- 31.1 Rule 13a - 14(a) / 15(d) - 14 (a) Certification, Chief Executive Officer
- 31.2 Rule 13a - 14(a) / 15(d) - 14 (a) Certification, Chief Financial Officer
- 32 Section 1350 Certifications

* Management contract or compensatory plan or arrangement

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.

By: /s/ Robert B. Ginsburg

Robert B. Ginsburg
President and Chief Executive Officer

By: /s/ Stephen P. Rolf

Stephen P. Rolf
Chief Financial Officer

Dated: October 31, 2005