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MARLTON TECHNOLOGIES INC  
Form 10-Q  
November 14, 2003

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, 2003

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

2828 Charter Road Philadelphia PA 1915

-----  
(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   
-----

Check whether the issuer is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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-----  
 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 stock as of the last practicable date:  
 12,845,096

Item 1. FINANCIAL STATEMENTS

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

ASSETS	September 30, 2003 -----
Current:	
Cash and cash equivalents	\$ 315
Accounts receivable, net of allowance of \$333 and \$309, respectively	6,991
Inventory	6,366
Prepays and other current assets	1,669
	-----
Total current assets	15,341
Investment in affiliates	279
Property and equipment, net of accumulated depreciation of \$10,195 and \$9,168, respectively	3,707
Rental assets, net of accumulated depreciation of \$3,490 and \$3,200, respectively	2,782
Goodwill	2,714
Other assets, net of accumulated amortization of \$1,518 and \$1,349, respectively	489
Notes receivable	154
	-----
Total assets	\$ 25,466 =====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Current portion of long-term debt	\$ 5,603
Accounts payable	4,894
Accrued expenses and other	6,485
	-----
Total current liabilities	16,982
	-----
Long-term debt, net of current portion	271
	-----

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Total liabilities	\$ 17,253
Commitments and contingencies	--
Minority interest	76
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; 12,993,499 issued at September 30, 2003 and at December 31, 2002	--
Stock warrants	742
Additional paid-in capital	32,951
Accumulated deficit	(25,409)
	-----
	8,284
Less cost of 148,403 treasury shares at September 30, 2003 and at December 31, 2002	(147)
	-----
Total stockholders' equity	8,137
	-----
Total liabilities and stockholders' equity	\$ 25,466
	=====

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 ended	
	September 30, 2003	September 30, 2002
	-----	-----
Sales	\$ 12,626	\$ 15,204
Cost of sales	10,400	12,576
	-----	-----
Gross profit	2,226	2,628
Selling expenses	1,818	1,814
Administrative and general expenses	1,627	1,395
Restructuring and other expenses	1,114	-
	-----	-----
Operating loss	(2,333)	(581)
Other income (expense):		
Interest income and other income	3	1
Interest expense	(58)	(124)
Income from investments in affiliates	20	-
Minority interest	19	-
	-----	-----
Loss before income taxes and change in accounting principle	(2,349)	(704)
Provision for (benefit from) income taxes	(433)	(239)
	-----	-----

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Net loss before change in accounting principle	(1,916)	(465)
Cumulative effect of change in accounting principle, net of tax benefit	-	-
	-----	-----
Net loss	\$ (1,916)	\$ (465)
	=====	=====
Loss per common share before change in accounting principle:		
Basic	\$ (0.15)	\$ (0.04)
	=====	=====
Diluted	\$ (0.14)	\$ (0.04)
	=====	=====
Loss per common share after change in accounting principle:		
Basic	\$ (0.15)	\$ (0.04)
	=====	=====
Diluted	\$ (0.14)	\$ (0.04)
	=====	=====

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
	2003
	-----
Cash flows from operating activities:	
Net loss	\$ (1,205)
Adjustments to reconcile net income to cash provided by (used in) operating activities:	
Depreciation and amortization	1,486
(Income) loss from investment in affiliates	(20)
Cumulative effect of change in accounting principle	-
Non-cash compensation and other operating items	-
Change in assets and liabilities, net of businesses acquired:	
Receivables, net	1,092
Inventories	(643)
Prepaid and other assets	(627)
Notes and other receivables	(240)
Accounts payable, accrued expenses and other	(760)
	-----
Net cash provided by operating activities	(917)
	-----
Cash flows from investing activities:	
Capital expenditures	(620)
Acquisition of business, net of cash acquired	(384)
	-----
Net cash used in investing activities	(1,004)
	-----
Cash flows from financing activities:	
Principal (payments for) proceeds from revolving credit facility	1,500

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Payments for loan origination fees	(50)
Payments for promissory note	(113)
Acquisition of minority interest	19
	-----
Net cash (used in) provided by financing activities	1,356
	-----
Decrease in cash and cash equivalents	(565)
Cash and cash equivalents - beginning of period	880
	-----
Cash and cash equivalents - end of period	\$ 315
	=====

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 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, 2002.

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. ACQUISITION AND RESTRUCTURING COSTS:

On August 1, 2003, a Company subsidiary acquired the assets of Exhibit Crafts, Inc., a Los Angeles, CA area manufacturer of trade show exhibits and a 20% interest in International Exposition Services, Inc., (IES), a trade show shipping and installation provider. The initial purchase price was \$694,000, including the assumption of certain liabilities totaling \$310,000. In addition, the sellers received 20% of the subsidiary's common stock. The purchase price approximated the fair value of the net assets acquired. In addition, the asset purchase agreement provides for contingent payments of up to \$750,000 based on operating performance in 2004, 2005 and 2006. The Company relocated its San Diego area manufacturing facility to the newly acquired Los Angeles, CA area facility during the third quarter of 2003. Costs incurred in connection with this relocation and consolidation were approximately \$1.1 million, which included relocation and employee termination expenses and the Company recorded a charge for a portion of the remaining lease obligation related to the vacated

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San Diego area facility.

### 3. MAJOR CUSTOMERS:

During the third quarter and first nine months of 2003, one customer accounted for 24% and 18%, respectively, of the Company's total net sales. During the third quarter and first nine months of 2002, this customer accounted for 30% and 24%, respectively, of the Company's total net sales.

### 4. DEBT:

As of September 30, 2003, the Company was not in compliance with the minimum tangible net worth and fixed charge coverage ratio covenants under its Second Amended and Restated Revolving Credit and Security Agreement dated as of May 16, 2002 with Wachovia Bank, NA, as amended on March 11, 2003. At September 30, 2003, \$5.5 million was outstanding under this \$8 million revolving credit facility. Wachovia Bank has waived this financial covenant non-compliance as of September 30, 2003 under the facility agreements.

The Company has received and accepted a commitment letter from another financial institution for a three year \$12 million revolving credit facility, with a closing required by January 14, 2004. While there can be no assurance that this new commitment will result in a replacement revolving credit facility, the Company is working diligently to accomplish this replacement financing.

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

### 5. 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 m
	September 30, 2003	September 30, 2002	Septembe 30, 200
Net loss before change in accounting principle	\$ (1,916)	\$ (465)	\$ (1,205)
	=====	=====	=====
Net loss after change in accounting principle	\$ (1,916)	\$ (465)	\$ (1,205)
	=====	=====	=====
Weighted average common shares outstanding used to compute basic net income per common share	12,845	12,988	12,845
Additional common shares to be issued assuming the exercise of stock options, net of shares assumed reacquired	1,163	--	1,163
	-----	-----	-----
Total shares used to compute diluted net income per common share	14,008	12,988	14,008
	=====	=====	=====
Before change in accounting principle: Basic net loss per share	\$ (.15)	\$ (.04)	\$ (.09)
	=====	=====	=====

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Diluted net loss per share	\$ (.14)	\$ (.04)	\$ (.09)
	=====	=====	=====
After change in accounting principle:			
Basic net loss per share	\$ (.15)	\$ (.04)	\$ (.09)
	=====	=====	=====
Diluted net loss per share	\$ (.14)	\$ (.04)	\$ (.09)
	=====	=====	=====

Excluded in the computation of diluted income per common share were options and warrants to purchase 336,000 and 7,400,000 shares of common stock, which were outstanding at September 30, 2003 and 2002, respectively, because the option and warrant exercise prices were greater than the market price of the common shares.

### 6. INVENTORIES:

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

	September 30, 2003	December 31, 2002
	-----	-----
Raw materials	\$ 682	\$ 373
Work in process	3,652	4,400
Finished goods	2,032	950
	-----	-----
	\$6,366	\$5,723
	=====	=====

### 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.

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

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. CHANGE IN ACCOUNTING PRINCIPLE (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. The Company recorded an impairment loss of \$12.4 million in the first quarter of 2002 in connection with the adoption of SFAS 142.

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### 9. RECENTLY ISSUED ACCOUNTING STANDARDS:

In June 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities" ("SFAS 146"). SFAS 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 SFAS 146. This new accounting principle had an impact on the timing and recognition of costs associated with the Company's relocation and consolidation of its West Coast operations (see Note 2).

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46") FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The initial recognition provisions of FIN 46 are applicable immediately to new variable interests in variable interest entities created after January 31, 2003. For a variable interest in a variable interest entity created before February 1, 2003, the initial recognition provisions of FIN 46 are to be implemented no later than the beginning of the first interim or annual reporting period beginning after December 15, 2003. The Company will continue to evaluate the impact of FIN 46 on its financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting For Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). SFAS 150 addresses the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. The Company will continue to evaluate the impact of SFAS 150 on its financial statements.

### 10. TERMINATED MERGER AGREEMENT:

The Company and Redwood Acquisition Corp. ("Redwood") entered into a merger agreement in February 2003 pursuant to which all of the outstanding shares of common stock of the Company (other than the shares held by approximately eight shareholders) would be converted into the right to receive \$0.30 per share. On June 19, 2003, the Company's Board of Directors approved a termination proposal submitted by Redwood, which terminated the proposed merger agreement with Redwood. Costs of approximately \$250,000 incurred in connection with this proposed merger agreement were charged to administrative and general expenses in the second and third quarters of 2003.

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## 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, 2003 and 2002.

Sales



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	Three Months Ended	
	(In thousands)	
	September 30, 2003	September 30, 2002
	-----	-----
Trade show exhibits group	\$ 5,263	\$ 6,575
Permanent and scenic displays group	7,363	8,629
	-----	-----
Total sales	\$12,626	\$15,204
	=====	=====

	Nine Months Ended	
	(In thousands)	
	September 30, 2003	September 30, 2002
	-----	-----
Trade show exhibits group	\$30,964	\$31,914
Permanent and scenic displays group	18,982	21,505
	-----	-----
Total sales	\$49,946	\$53,419
	=====	=====

Total net sales of \$12.6 million for the third quarter of 2003 decreased 17% below the third quarter of 2002, and total net sales of \$49.9 million for the first nine months of 2003 decreased 7% from the same prior year period. The third quarter decrease was attributable to lower sales of trade show exhibits, which decreased 20%, and lower sales of permanent and scenic displays (store fixtures and permanent museum exhibits), which decreased 15%. Lower sales of trade show exhibits and related services were primarily due to reductions in certain customers' trade show marketing budgets, which led to cancelled participation in trade shows that these customers attended in the past. These marketing budget reductions also resulted in lower new trade show exhibit construction. The sales decreases for permanent and scenic displays were largely due to lower sales of store fixtures.

Gross Profit

Gross profit, as a percentage of net sales, increased to 17.6% and 22.5% for the third quarter and first nine months of 2003, respectively, from 17.3% and 20.8% in the corresponding 2002 periods. These improvements were due, in large part, to higher gross profit margins generated from sales of store fixtures as well as to cost reduction and profit improvement initiatives implemented in the second half of 2002. Management continues to pursue cost reduction initiatives, including operational improvements and staff reductions, to offset the impact of lower sales volume.

Selling Expenses

Selling expenses increased to 14.4% and 12.7% of net sales in the third quarter and first nine months of 2003, respectively, from 11.9% and 11.6% in the comparable periods of 2002. These increases were principally attributable to the unfavorable impact of lower sales volume as compared with certain fixed selling expenses such as sales office and salary expenses. Management has taken further staff and cost reduction steps in response to the lower sales volume in the fourth quarter of 2003.

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### Administrative and general expenses

Administrative and general expenses increased to \$1.6 million and \$5.3 million in the third quarter and first nine months of 2003, respectively, from \$1.4 million and \$5.1 million in the same periods of 2002. The third quarter increase was attributable to several factors, including higher business insurance costs, integration costs to consolidate the Company's West Coast operations and higher telecommunications costs. The increase for the first nine months of 2003 was largely due to these third quarter factors as well as to costs incurred in connection with the terminated merger transaction (See Note 9.). In the fourth quarter of 2003, management has implemented executive compensation reductions, staff reductions and further cost cutting initiatives in response to the lower sales volume.

### Acquisition and restructuring costs

On August 1, 2003, a Company subsidiary acquired the assets of Exhibit Crafts, Inc., a Los Angeles, CA area manufacturer of trade show exhibits and a 20% interest in International Exposition Services, Inc., (IES), a trade show shipping and installation provider. The initial purchase price was \$694,000, including the assumption of certain liabilities totaling \$310,000. In addition, the sellers received 20% of the subsidiary's common stock. The purchase price approximated the fair value of the net assets acquired. In addition, the asset purchase agreement provides for contingent payments of up to \$750,000 based on operating performance in 2004, 2005 and 2006. The Company relocated its San Diego area manufacturing facility to the Los Angeles, CA area facility during the third quarter of 2003. Costs incurred in connection with this relocation and consolidation were approximately \$1.1 million, which included relocation and employee termination expenses and the Company recorded a charge for a portion of the remaining lease obligation related to the vacated San Diego area facility.

### Operating profit (loss)

An operating loss of \$2.3 million was incurred in the third quarter of 2003 as compared with an operating loss of \$0.6 million in the third quarter of 2002. For the first nine months of 2003 the operating loss increased to \$1.5 million from \$0.2 million in the same prior year period. The increase in operating losses was primarily due to lower sales and the restructuring charge recognized in the third quarter of 2003.

### Other income/(expense)

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.

### Benefit from income taxes

In the third quarter of 2003, the Company recognized the benefit of an expected income tax refund for \$0.4 million related to a net operating loss carry back. In the fourth quarter of 2002, the Company established a valuation allowance for deferred income tax assets. As a result, the Company did not record an income tax benefit from the current period pre-tax loss.

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

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. The Company recorded an impairment loss of \$12.4 million in the first quarter of 2002 in connection with the adoption of SFAS 142.

## Backlog

The Company's backlog of orders was approximately \$16 million at September 30, 2003 and \$17 million at September 30, 2002.

## LIQUIDITY AND CAPITAL RESOURCES

The Company had borrowings of \$5.5 million at September 30, 2003 from its revolving credit facility, which expires May 16, 2004. These borrowings were classified as the current portion of long term, which caused the Company's total liabilities of \$17.3 million to exceed its current assets of \$15.3 million at the end of the third quarter of 2003.

As of September 30, 2003, the Company was not in compliance with the minimum tangible net worth and fixed charge coverage ratio covenants under its Second Amended and Restated Revolving Credit and Security Agreement dated as of May 16, 2002 with Wachovia Bank, NA, as amended on March 11, 2003. At September 30, 2003, \$5.5 million was outstanding under this \$8 million revolving credit facility. Wachovia Bank has waived this financial covenant non-compliance as of September 30, 2003 under the facility agreements.

The Company has received and accepted a commitment letter from another financial institution for a three year \$12 million revolving credit facility, with a closing required by January 14, 2004. While there can be no assurance that this new commitment will result in a replacement revolving credit facility, the Company is working diligently to accomplish this replacement financing.

The Company has 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)				
	2003	2004	2005	2006	2007
	----	----	----	----	----
Lease commitments	\$640	\$2,507	\$2,462	\$1,914	\$1,165
Debt maturities	86	5,589	89	78	32

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

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is responsible for taxes, insurance and other operating expenses. The Company has the option to terminate this lease in 2009 subject to the landlord's ability to relet or sell the premises at minimum specified values.

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### OUTLOOK

The Company expects sales to decrease in the remainder of 2003 and in 2004 from 2002 levels. The Company's trade show exhibit client base of Fortune 1000 companies is expected to closely manage their marketing expense budgets, which would inhibit trade show exhibit sales and profit margins. The Company continues to pursue new sales opportunities while implementing cost reduction initiatives, including executive compensation reductions and staff reductions, to mitigate the impact of lower sales volume.

### RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities" ("SFAS 146"). SFAS 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 SFAS 146. This new accounting principle had an impact on the timing and recognition of costs associated with the Company's relocation and consolidation of its West Coast operations (see Note 2).

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46") FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The initial recognition provisions of FIN 46 are applicable immediately to new variable interests in variable interest entities created after January 31, 2003. For a variable interest in a variable interest entity created before February 1, 2003, the initial recognition provisions of FIN 46 are to be implemented no later than the beginning of the first interim or annual reporting period beginning after December 15, 2003. The Company will continue to evaluate the impact of FIN 46 on its financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting For Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). SFAS 150 addresses the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. The Company will continue to evaluate the impact of SFAS 150 on its financial statements.

### 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

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limited to: the Company's ability to identify and enter new markets, to maintain and expand existing business; 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 sublet or terminate leases for vacated facilities; uncertainties about 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.

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

### 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 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 significant changes in the Company's internal controls or in other factors that would significantly affect these controls subsequent to the date of their evaluation.

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## PART II - OTHER INFORMATION

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

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

(a) Exhibits

Exhibit Page  
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- (2) (a) Agreement and Plan of Merger By and Between Redwood Acquisition Corp. and the Company dated as of February 20, 2003 (Incorporated by reference to the Company's February 26, 2003 Preliminary Proxy Statement, filed with the Commission).
- (2) (b) 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).
- (3) (i) Articles of Incorporation of the Company (Incorporated by reference to the Company's Proxy Statement dated September 27, 2001, filed with the Commission).
- 3(ii) 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).
- 10(a) 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(b) 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(c) 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(d) Subscription Agreement dated 8/23/01 among Scott Tarte, Jeffrey K. Harrow and the Company (Incorporated by reference to the Company's September 27, 2001 Proxy Statement, filed with the Commission).
- 10(e) Subscription Agreement dated 8/23/01 among 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(f) Form of Warrants issued by the Company to Jeffrey K. Harrow, Scott Tarte, Robert B. Ginsburg and Alan I. Goldberg on

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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 (g) Stockholders' Agreement date 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).
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- 10 (h) 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 (i) Amended Agreement of Employment, dated December 11, 1992, between the Company and Alan I. Goldberg (Incorporated by reference to Exhibit 10(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1992, filed with the Commission).\*
- 10 (j) 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).\*
- 10 (k) 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 (l) 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 (m) 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 June 30, 2000, filed with the Commission).\*
- 10 (n) Option Cancellation Agreement dated November 20, 2001 among Robert B. Ginsburg, Alan I. Goldberg and the Company (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 (o) Option Agreements with Outside Directors (Incorporated by reference to Company Proxy Statement dated April 30, 1999, filed with the Commission).\*
- 10 (p) Option Agreements dated August 7, 2000 with Outside Directors

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(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 (q) 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 (r) 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 (s) 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).\*

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- 10 (t) 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 (u) Amendment to Lease 2828 Charter Road, Philadelphia, PA dated February 25, 2000 (Incorporated by reference to Exhibit 10(g) to the Company Annual Report on Form 10-K for the year ended December 31, 1999, filed with the Commission).
- 10 (v) Lease for Premises located at 8125 Troon Circle, Austell, GA 30001 (Incorporated by reference to Exhibit 10(i) to the Company's Annual Report on Form 10-K for the year ended December 31, 1993, filed with the Commission).
- 10 (w) Lease Agreement dated June 29, 1998 between Gillespie Field Partners, LLC and Sparks Exhibits, Ltd. (Incorporated by reference to Exhibit 7(2) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, filed with the Commission).
- 10 (x) Second Amended and Restated Revolving Credit and Security Agreement dated as of May 16, 2002 with Wachovia Bank, NA, (Incorporated by reference to Exhibit 10(bb) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed with the Commission).
- 10 (y) Amendment to Second Amended and Restated Revolving Credit and Security Agreement dated March 11, 2003 with Wachovia Bank, NA (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2002, filed with the Commission).
- 10 (z) 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,



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	2002, filed with the Commission).*	
10 (aa)	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 (bb)	Option Agreement dated October 23, 2002 with Washburn Oberwager (Incorporated by reference to Exhibit 10ee) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, filed with the Commission).*	
10 (cc)	Fourth Amendment to Lease Agreement dated September 11, 2003 for premises located at 8125 Troon Circle, Austell, GA 30001.	19 -----
10 (dd)	Sublease Agreement with Bradco International for premises located at 2025 Gillespie Way, El Cajon, CA 92020.	26 -----
10 (ee)	First Amendment to Lease Agreement dated October 31, 2003 for premises located at 2025 Gillespie Way, El Cajon, CA 92020.	38 -----
10 (ff)	Lease Agreement, First and Second Amendments for premises located at Building J, 10232 Palm Drive, Santa Fe Springs, CA 90670.	44 -----
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10 (gg)	Lease Agreement, First and Second Amendments for premises located at Building G, Heritage Springs Business Park, Santa Fe Springs.	50 -----
21	Subsidiaries of the Company (Incorporated by reference to Exhibit 21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, filed with the Commission).	
31	Section 1350 Certification	55 -----
32 (a)	Rule 13A - 14(a) / 15d - 14(a) Certifications, Chief Executive Officer	56 -----
32 (b)	Rule 13A - 14(a) / 15d - 14(a) Certifications, Chief Financial Officer	57 -----

\*Management contract or compensatory plan or arrangement.

(b) 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

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Robert B. Ginsburg  
President and Chief Executive Officer

/s/ Stephen P. Rolf

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Stephen P. Rolf  
Chief Financial Officer

Dated: November 14, 2003