

MERRIMAC INDUSTRIES INC
Form 10-Q/A
November 18, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

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

For the quarterly period ended June 28, 2008

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

For the transition period from _____ to _____

Commission File No. 0-11201

Merrimac Industries, Inc.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

22-1642321
(I.R.S. Employer
Identification No.)

41 FAIRFIELD PLACE
WEST CALDWELL, NEW JERSEY 07006
(Address of Principal Executive Offices) (Zip Code)

(973) 575-1300
(Registrant's Telephone Number)

Former name, former address and former fiscal year, if changed since last report: N/A

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities 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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer, large accelerated filer and a smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [] No []

As of November 17, 2008, there were 2,951,324 shares of Common Stock, par value \$.01 per share, outstanding.

Explanatory note

We are filing this Amendment No. 1 on Form 10-Q/A to Merrimac Industries, Inc. Quarterly Report on Form 10-Q for the quarterly period ended June 28, 2008, which was originally filed with the Securities and Exchange Commission (“SEC”) on August 18, 2008 (the “Original Form 10-Q”) to reflect the restatements of our consolidated balance sheet, at June 28, 2008; our consolidated statements of income for the quarter and six months ended June 28, 2008, our Consolidated Statement of Shareholders’ Equity for the six months ended June 28, 2008, our consolidated statements of cash flows for the six months ended June 28, 2008 and the related notes.

On November 17, 2008, the Audit Committee of Merrimac Industries, Inc. determined that reissuing the previously filed financial statements for the fiscal 2008 second quarter was appropriate to correct certain accounting errors. These errors arose from control deficiencies created by changes of accounting personnel and the failure to properly implement a new financial accounting system. The second quarter errors include a \$33,937 overstatement of net sales and corresponding \$33,937 understatement of customer deposits; a \$211,603 understatement of inventory and corresponding \$211,603 overstatement of cost of sales; and a \$177,666 understatement of net income.

The Audit Committee concluded that the aggregate impact of these errors is material to the fiscal 2008 second quarter financial statements. Therefore, the Company is restating the previously filed financial statements and the financial statements contained in the Original Form 10-Q should no longer be relied upon.

As a result of the adjustments, the fiscal 2008 second quarter is restated as follows:

Consolidated Statement of Operations	Three Months Ended June 28, 2008 (\$)		Six Months Ended June 28, 2008 (\$)	
	Previously Reported	Restated	Previously Reported	Restated
Net Sales	7,524,203	7,490,266	13,281,889	13,247,952
Cost of Sales	4,308,912	4,097,309	7,760,872	7,549,269
Net Income	383,672	561,338	11,437	189,103
Net Income per Common Share - Basic	.13	.19	0	.06
Net Income per Common Share - Diluted	.13	.19	0	.06

Consolidated Balance Sheet	As Of June 28, 2008 (\$)	
	Previously Reported	Restated
Inventories, Net	6,462,065	6,673,668
Total Current Assets	15,023,672	15,235,275
Total Assets	25,845,158	26,056,761
Customer Deposits	483,393	517,330
Total Current Liabilities	4,315,747	4,349,684
Total Liabilities	7,616,025	7,649,962
Retained Earnings	1,185,361	1,363,027

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Total Stockholders' Equity	18,229,133	18,406,799
Total Liabilities and Stockholders' Equity	25,845,158	26,056,761

The Audit Committee also concluded that the Company's internal control over financial reporting were not effective for the second quarter of fiscal year 2008 due to material weaknesses in internal control. Accordingly, management's report on Controls and Procedures included in the Company's Quarterly Report on Form 10-Q for the period ended June 28, 2008 should no longer be relied upon.

This Form 10-Q/A amends and restates only certain information in the following sections as a result of the current restatement described above:

Part I—Item 1 - Financial Statements

Part I— Item 2 - Management’s Discussion and Analysis of Financial Condition and Results of Operations

Part I— Item 4 - Controls and Procedures

In addition, we are also including currently dated Sarbanes Oxley Act Section 302 and Section 906 certifications of the Chief Executive Officer and Principal Financial Officer that are attached to this Form 10-Q/A as Exhibits 31.1 and 32.1.

For the convenience of the reader, this Amendment No. 1 on Form 10-Q/A sets forth the entire Form 10-Q for the quarterly period ended June 28, 2008. However, this Form 10-Q/A only amends and restates the Items described above to reflect the effects of the restatements and no attempt has been made to modify or update other disclosures presented in our Form 10-Q for the quarterly period ended June 28, 2008. Accordingly, except for the foregoing amended information, this Form 10-Q/A continues to speak as of August 18, 2008 (the original filing date of our Form 10-Q for the quarterly period ended June 28, 2008) and does not reflect events occurring after the filing of our Form 10-Q for the quarterly period ended June 28, 2008 and does not modify or update those disclosures affected by subsequent events. Forward looking statements made in the Form 10-Q for the quarterly period ended June 28, 2008 have not been revised to reflect events, results or developments that have become known to us after the date of the original filing (other than the current restatements described above), and such forward looking statements should be read in their historical context. Unless otherwise stated, the information in this Form 10-Q/A not affected by such restatements is unchanged and reflects the disclosures made at the time of the original filing.

MERRIMAC INDUSTRIES, INC.
41 Fairfield Place
West Caldwell, NJ 07006
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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****MERRIMAC INDUSTRIES, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)**

	Quarters Ended		Six Months Ended	
	June 28, 2008 Restated	June 30, 2007	June 28, 2008 Restated	June 30, 2007
CONTINUING OPERATIONS				
Net sales	\$ 7,490,266	\$ 5,371,471	\$ 13,247,952	\$ 9,882,917
Costs and expenses:				
Cost of sales	4,097,309	3,004,761	7,549,269	5,818,881
Selling, general and administrative	2,353,395	1,976,729	4,597,965	4,193,731
Research and development	374,581	335,262	747,399	819,507
	6,825,285	5,316,752	12,894,633	10,832,119
Operating income (loss)	664,981	54,719	353,319	(949,202)
Interest and other (expense) income, net	(48,607)	4,231	(109,180)	16,401
Income (loss) from continuing operations before				
income taxes	616,374	50,488	244,139	(932,801)
Provision (benefit) for income taxes	-	-	-	-
Income (loss) from continuing operations	616,374	50,488	244,139	(932,801)
DISCONTINUED OPERATIONS				
Loss from discontinued operations, after				
income taxes in 2007	(55,036)	(3,519,411)	(55,036)	(3,799,924)
Net income (loss)	\$ 561,338	\$ (3,468,923)	\$ 189,103	\$ (4,732,725)
Income (loss) per common share from continuing				
operations-basic	\$.21	\$.02	\$.08	\$ (.31)
Loss per common share from discontinued				
operations-basic	\$ (.02)	\$ (1.21)	\$ (.02)	\$ (1.27)
Net income (loss) per common share-basic	\$.19	\$ (1.19)	\$.06	\$ (1.58)
Income (loss) per common share from continuing				
operations-diluted	\$.21	\$.02	\$.08	\$ (.31)
Loss per common share from discontinued				
operations-diluted	\$ (.02)	\$ (1.20)	\$ (.02)	\$ (1.27)
Net income (loss) per common share-diluted	\$.19	\$ (1.18)	\$.06	\$ (1.58)
Weighted average number of shares outstanding-basic	2,939,788	2,910,711	2,936,155	3,003,513

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Weighted average number of shares				
outstanding-diluted	2,945,203	2,947,464	2,948,287	3,003,513
COMPREHENSIVE INCOME (LOSS)				
Net income (loss)	\$ 561,338	\$ (3,468,923)	\$ 189,103	\$ (4,732,725)
Comprehensive income (loss):				
Foreign currency translation adjustment	-	307,131	-	368,514
Comprehensive income (loss)	\$ 561,338	\$ (3,161,792)	\$ 189,103	\$ (4,364,211)

See accompanying notes.

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MERRIMAC INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS

	June 28, 2008 Restated (UNAUDITED)	December 29, 2007 (Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 409,374	\$ 2,004,471
Accounts receivable, net	7,609,252	5,299,753
Inventories, net	6,673,668	5,039,770
Other current assets	542,981	774,007
Due from assets sale contract	-	664,282
Total current assets	15,235,275	13,782,283
Property, plant and equipment	37,949,701	37,556,672
Less accumulated depreciation and amortization	27,650,605	26,600,240
Property, plant and equipment, net	10,299,096	10,956,432
Restricted cash	-	250,000
Other assets	470,390	531,633
Deferred tax assets	52,000	52,000
Total Assets	\$ 26,056,761	\$ 25,572,348
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 1,050,000	\$ 550,000
Accounts payable	1,085,015	943,481
Accrued liabilities	1,645,339	1,965,403
Customer deposits	517,330	363,296
Deferred income taxes	52,000	52,000
Total current liabilities	4,349,684	3,874,180
Long-term debt, net of current portion	3,237,500	3,762,500
Deferred liabilities	62,778	61,300
Total liabilities	7,649,962	7,697,980
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$.01 per share:		
Authorized: 1,000,000 shares		
No shares issued		
Common stock, par value \$.01 per share:		
20,000,000 shares authorized; 3,310,486 and 3,289,103 shares issued; and 2,947,581 and 2,926,198 shares outstanding, respectively		
	33,105	32,891
Additional paid-in capital	20,132,831	19,789,717
Retained earnings	1,363,027	1,173,924
	21,528,963	20,996,532
Less treasury stock, at cost - 362,905 shares at June 28, 2008 and December 29, 2007		
	(3,122,164)	(3,122,164)
Total stockholders' equity	18,406,799	17,874,368
Total Liabilities and Stockholders' Equity	\$ 26,056,761	\$ 25,572,348

See accompanying notes.

MERRIMAC INDUSTRIES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 28, 2008
(UNAUDITED)
Restated

	Common Stock		Additional	Retained	Treasury Stock		Total
	Shares	Amount	Paid-in Capital	Earnings	Shares	Amount	
Balance, December 29, 2007	3,289,103	\$ 32,891	\$ 19,789,717	\$ 1,173,924	362,905	\$ (3,122,164)	\$ 17,874,368
Net income				189,103			189,103
Share-based compensation			257,480				257,480
Stock Purchase Plan sales	9,301	93	57,344				57,437
Exercise of stock options	4,082	41	28,290				28,331
Vesting of restricted stock	8,000	80					80
Balance, June 28, 2008	3,310,486	\$ 33,105	\$ 20,132,831	\$ 1,363,027	362,905	\$ (3,122,164)	\$ 18,406,799

See accompanying notes.

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MERRIMAC INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended	
	June 28, 2008	June 30, 2007
	Restated	
Cash flows from operating activities:		
Net income (loss)	\$ 189,103	\$ (4,732,725)
Less, loss from discontinued operations	(55,036)	(3,799,924)
Income (loss) from continuing operations	244,139	(932,801)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,270,228	1,157,836
Amortization of deferred financing costs	16,080	14,716
Share-based compensation	257,560	132,496
Changes in operating assets and liabilities:		
Accounts receivable	(2,309,499)	644,552
Inventories	(1,633,898)	(825,915)
Other current assets	125,749	187,107
Other assets	125,891	(198,602)
Accounts payable	141,534	170,648
Accrued liabilities	(295,515)	9,204
Customer deposits	154,034	102,000
Deferred liabilities	1,479	11,730
Net cash provided by (used in) operating activities of continuing operations	(1,902,218)	472,971
Net cash (used in) operating activities of discontinued operations	(55,036)	(295,948)
Net cash provided by (used in) operating activities	(1,957,254)	177,023
Cash flows from investing activities:		
Purchases of capital assets	(612,893)	(755,796)
Cash proceeds from sale of discontinued operations	664,282	-
Net cash provided by (used in) investing activities of continuing operations	51,389	(755,796)
Net cash used in investing activities of discontinued operations	-	(171,265)
Net cash provided by (used in) investing activities	51,389	(927,061)
Cash flows from financing activities:		
Repurchase of common stock for the treasury	-	(2,148,300)
Borrowings under revolving credit facility	500,000	-
Repayment of long-term debt	(525,000)	(275,000)
Restricted cash returned	250,000	-
Proceeds from the exercise of stock options	28,331	73,800
Proceeds from Stock Purchase Plan sales	57,437	7,495
Net cash provided by (used in) financing activities of continuing operations	310,768	(2,342,005)
Net cash used in financing activities of discontinued operations	-	(68,496)
Net cash provided by (used in) financing activities	310,768	(2,410,501)
Effect of exchange rate changes	-	16,410

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Net decrease in cash and cash equivalents	(1,595,097)	(3,144,129)
Cash and cash equivalents at beginning of period, including \$0 and \$562,205 reported under assets held for sale	2,004,471	5,961,537
Cash and cash equivalents at end of period including \$0 and \$42,905 reported under assets held for sale	\$ 409,374	\$ 2,817,408