MERRIMAC INDUSTRIES INC
Form 10QSB
August 13, 2002

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

FORM 10-QSB

Quarterly Report Pursuant to Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For the quarterly period ended June 29, 2002 Commission file No. 0-11201

MERRIMAC INDUSTRIES, INC.

(Exact name of small business issuer as specified in its charter)

Delaware	22-1642321
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
41 Fairfield Place, West Caldwell, New Jersey	07006
(Address of principal executive offices)	(Zip code)

Registrant's telephone number including area code (973) 575-1300

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
Common Stock	American Stock Exchange
Common Stock Purchase Rights	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Exchange Act: None

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

Class	Outstanding at August 9, 2002
Common Stock ($.01 par value)	3,139,518

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

MERRIMAC INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS

	June 29, 2002 (Unaudited)	December 29, 2001 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,610,514	$ 1,844,434
Accounts receivable, net	4,827,260	5,632,008
Income tax refunds receivable	213,496	195,323
Inventories	4,685,550	4,797,205
Other current assets	306,631	691,712
Deferred tax assets	548,000	548,000
Total current assets	12,191,451	13,708,682
Property, plant and equipment at cost	35,564,740	33,568,651
Less accumulated depreciation and amortization	15,874,754	14,605,751
Property, plant and equipment, net	19,689,986	18,962,900
Other assets	838,477	676,073
Deferred tax assets, non-current	1,194,000	1,194,000
Goodwill	2,586,892	2,451,037
Total Assets	$36,500,806	$36,992,692
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 390,775	$ 4,368,565
Accounts payable	2,112,752	3,577,922
Accrued liabilities	1,370,714	1,620,305
Income taxes payable	153,205	268,274
Total current liabilities	4,027,446	9,835,066
Long-term debt, net of current portion	3,749,067	3,871,635
Deferred compensation	139,136	155,768
Deferred liabilities	183,538	118,597
Deferred tax liabilities	958,000	958,000
Total liabilities	9,057,187	14,939,066
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:		
Authorized: 20,000,000 shares		
Issued: 3,190,229 and 2,859,249 shares	31,902	28,592
Common stock warrants..........................	837,200	837,200
Additional paid-in capital	17,783,905	14,327,586
Retained earnings	9,620,083	9,531,445
Accumulated comprehensive loss..................	(116,776)	(327,066)
	28,156,314	24,397,757
Less treasury stock, at cost:		
15,000 and 208,904 shares......................	(128,695)	(1,760,131)
Less loan to officer-stockholder	(584,000)	(584,000)
Total stockholders' equity	27,443,619	22,053,626
Total Liabilities and Stockholders' Equity ...	$36,500,806	$36,992,692

See accompanying notes.

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MERRIMAC INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME

(Unaudited)

	Quarters Ended		Six Months
	June 29, 2002	June 30, 2001	June 29, 2002
OPERATIONS			
Net sales	$6,462,328	$6,766,165	$13,312,915
Costs and expenses:			
Cost of sales	3,476,721	3,160,798	7,133,028
Selling, general and administrative	2,286,887	2,460,016	4,630,667
Research and development	612,104	909,932	1,187,651
Amortization of goodwill..................	-	37,152	-
Reincorporation charge....................	-	-	-
Restructuring charge......................	240,000	-	240,000
	6,615,712	6,567,898	13,191,346
Operating income (loss).....................	(153,384)	198,267	121,569
Interest and other expense (income), net	40,815	(13,184)	102,931
Income (loss) before income taxes...........	(194,199)	211,451	18,638
Provision (benefit) for income taxes	(140,000)	75,000	(70,000)

Net income (loss)	$ (54,199)	$ 136,451	$ 88,638
Basic and diluted net income (loss) per common share:			
Net income (loss)	$(.02)	$ .05	$ .03
Weighted average number of shares outstanding:			
Basic	3,186,387	2,619,338	3,010,884
Diluted	3,186,387	2,761,152	3,092,809
COMPREHENSIVE INCOME			
Net income (loss)	$ (54,199)	$ 136,451	$ 88,638
Comprehensive income:			
Foreign currency translation adjustment	223,897	150,822	210,290
Comprehensive income	$ 169,698	$ 287,273	$ 298,928

See accompanying notes.

MERRIMAC INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended	
	June 29, 2002	June 30, 2001
Cash flows from operating activities:		
Net income	$ 88,638	$ 105,755
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,231,355	1,099,594
Amortization of goodwill	-	74,544
Amortization of deferred income	(43,644)	(43,652)
Deferred and other compensation	4,371	5,286
Deferred income taxes	-	-
Changes in operating assets and liabilities:		
Accounts receivable	804,748	(3,156)
Income tax refunds receivable	(18,173)	9,700
Inventories	111,655	(818,228)
Other current assets	385,081	(168,014)
Other assets	(162,404)	109,684
Accounts payable	(1,731,577)	(106,979)
Accrued liabilities	(249,591)	(427,278)
Income taxes payable	(115,069)	(158,972)
Deferred compensation	(21,003)	(32,574)

Other liabilities	108,585	118,837
Net cash provided by (used in) operating activities	392,972	(235,453)
Cash flows from investing activities:		
Purchase of capital assets	(1,634,242)	(4,917,803)
Net cash used in investing activities	(1,634,242)	(4,917,803)
Cash flows from financing activities:		
Borrowing under revolving credit facility	-	3,000,000
Borrowing under lease facility	-	419,192
Borrowing under mortgage facility	2,500,000	-
Repayment of borrowings	(6,632,317)	(76,039)
Repurchase of common stock	(128,695)	-
Proceeds from the issuance of common stock, net	5,110,347	-
Proceeds from the exercise of stock options	109,413	167,125
Net cash provided by financing activities	958,748	3,510,278
Effect of exchange rate changes	48,602	(24,952)
Net decrease in cash and cash equivalents	(233,920)	(1,667,930)
Cash and cash equivalents at beginning of year	1,844,434	3,425,390
Cash and cash equivalents at end of period	$1,610,514	$1,757,460
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Income taxes	$ 78,905	$ 297,955
Loan interest	$ 126,794	$ 27,232
Unpaid purchases of capital assets	$ 266,000	$ -

See accompanying notes.

MERRIMAC INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Basis of presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-QSB and therefore do not include all information and footnote disclosures otherwise required by Regulation S-B. The financial statements do, however, reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position of the Company as of June 29, 2002 and its results of operations and cash flows for the periods presented. Results of operations of interim periods are not necessarily indicative of results for a full year. These financial statements should be read in conjunction with the audited consolidated financial statements in the Company's Annual Report on Form 10-KSB for December 29, 2001. Certain prior year amounts have been reclassified to conform to current year presentation.

B. Contract revenue recognition

Sales and related cost of sales on fixed-price contracts that require customization of standard products to customer specifications are recorded as title to these products transfers to the customer, which is generally on the date of shipment. Prior to shipment, manufacturing costs incurred on such contracts are recorded as work in process inventory. Anticipated losses on contracts are charged to operations when identified. Revenue related to non-recurring engineering charges is generally recognized upon shipment of the initial units produced or based upon contractually established stages of completion.

C. Private placement of common stock

On February 28, 2002, the Company entered into a stock purchase agreement with DuPont Electronic Technologies pursuant to which the Company sold 528,400 shares of Common Stock, representing approximately 16.6% of the Company's outstanding Common Stock after giving effect to the sale, for an aggregate purchase price of $5,284,000. The Company and DuPont Electronic Technologies have also agreed to work together to better understand the dynamics of the markets for high-frequency electronic components and modules. David B. Miller, Vice President and General Manager of DuPont Electronic Technologies, was appointed to the Company's Board of Directors. As a result of this sale, certain contractual anti-dilution provisions affected both the exercise price and the number of shares subject to the Warrants issued in October 2000. The exercise price of the Warrants was reduced to $17.80 and the number of shares subject to the Warrants was increased to 429,775.

In connection with DuPont's purchase of the Company's Common Stock, the Company and DuPont also entered into a registration rights agreement which provides DuPont with two demand registrations at any time following February 28, 2004 and the right to register shares on Form S-3 up to twice per year at anytime after February 28, 2004.

D. New accounting standards

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which established new accounting and reporting standards and requires that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded as assets or liabilities in the balance sheet measured at fair value. SFAS No. 133 requires that changes in the fair value of derivatives be recognized currently in earnings unless specific hedge accounting criteria are met. The Company adopted the provisions of the Statement in 2001. The Company does not currently hold derivative instruments or engage in hedging activities and therefore the adoption of SFAS No. 133 has not had any impact on the Company's financial position, results of operations or cash flows.

On June 30, 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting and eliminates the pooling method of accounting. SFAS No. 141 will not have an impact on the Company's business since the Company has accounted for all of its business combinations using the purchase method of accounting.

MERRIMAC INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

With the adoption of SFAS No. 142 by the Company on December 30, 2001, goodwill is no longer subject to amortization over its estimated useful life. However, goodwill will be subject to at least an annual assessment for impairment and more frequently if circumstances indicate a possible impairment. The Company is required to perform a fair value-based goodwill impairment test. In addition, under SFAS No. 142, an acquired intangible asset should be separately recognized if the benefit of the intangible is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented, or exchanged. Intangible assets will be amortized over their estimated useful lives. Any write-down of goodwill would be charged to results of operations in the periods in which the recorded value of goodwill and certain intangibles is more than its fair value. On an annualized basis, the Company expects that the adoption of this accounting standard will reduce the amortization of goodwill and intangibles by approximately $150,000 commencing in 2002, unless future impairment reviews result in periodic write-downs of goodwill. In connection with the adoption of SFAS No. 142, the Company has completed the first of the impairment tests of goodwill as of December 30, 2001 required by the standard which indicated there was no impairment of goodwill. The Company will perform the required annual assessment during the second half of 2002.

The following information provides the required disclosures and describes the impact the adoption of SFAS No. 142 had on the Company during the periods reported:

Goodwill:

The changes in the carrying amount of goodwill for the six month periods ended June 29, 2002 and June 30, 2001 are as follows:

	2002	2001
Balance, beginning of year	$2,451,037	$2,774,248
Goodwill amortized	-	(74,544)
Foreign currency adjustment	135,855	(32,880)
Balance, end of period	$2,586,892	$2,666,824

The current impact that the adoption of SFAS No. 142 had on net income (loss) and net income (loss) per share for the periods presented is as follows:

	Quarters Ended		Six Months End	
	June 29, 2002	June 30, 2001	June 29, 2002	June 20
Reported net income (loss) for the period	$(54,199)	$136,451	$88,638	$105
Add back: Amortization of goodwill	-	37,152	-	74
Adjusted net income (loss) for the periods	$(54,199)	$173,603	$88,638	$180

Basic net income (loss) per share:			
Reported net income (loss)	$(.02)	$ .05	$ .03
Amortization of goodwill	-	.02	-
Adjusted net income (loss)	$(.02)	$.07	$ .03
Diluted net income (loss) per share:			
Reported net income (loss)	$(.02)	$ .05	$ .03
Amortization of goodwill	-	.01	-
Adjusted net income (loss)	$(.02)	$.06	$ .03

MERRIMAC INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In July 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 requires that asset retirement obligations that are identifiable upon acquisition and construction, and during the operating life of a long-lived asset be recorded as a liability using the present value of the estimated cash flows. A corresponding amount would be capitalized as part of the asset's carrying amount and amortized to expense over the asset's useful life. The Company is required to adopt the provisions of SFAS No. 143 effective January 5, 2003. The Company is currently evaluating the impact of adoption of this statement. The Company does not expect that the adoption of SFAS No. 143 will have a material impact on the Company's financial position or results of operations.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which is effective for fiscal periods beginning after December 15, 2001. SFAS No. 144 establishes an accounting model for impairment or disposal of long-lived assets to be disposed of by sale. The Company does not expect that the adoption of SFAS No. 144 will have a material impact on the Company's financial position or results of operations.

In April 2002, the Financial Accounting Standards Board issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 62, Amendment of FASB Statement No 13 and Technical Corrections". For most companies, SFAS No. 145 will require gains and losses on extinguishments of debt to be classified as income or loss from continuing operations rather than as extraordinary items as previously required under SFAS No. 4. Extraordinary treatment will be required for certain extinguishments as provided in APB Opinion No. 30. The statement also amended SFAS No. 13 for certain sale-leaseback and sublease accounting. The Company is required to adopt the provisions of SFAS No. 145 effective January 5, 2003. The Company is currently evaluating the impact of adoption of this statement, however, the Company does not expect that the adoption of SFAS No. 145 will have a material impact on the Company's financial position or results of operations.

In July 2002, the Financial Accounting Standards Board issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," and nullifies EITF Issue No. 94-3. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, whereas EITF No. 94-3 had recognized the liability at the commitment date to an exit plan. The Company is required to adopt the provisions of SFAS No. 146 effective for exit or disposal activities initiated after January 4, 2003. The Company is currently evaluating the impact of adoption of this statement, however, the Company does not expect that the adoption of SFAS No. 146 will have a material impact on the Company's financial position or results of operations.

E. Delaware reincorporation

On February 22, 2001, the Company (previously incorporated in the State of New Jersey) was reincorporated in the State of Delaware. In connection with the reincorporation, each share of Common Stock, par value $.50 per share, of the Company prior to the reincorporation was converted into one share of Common Stock, par value $.01 per share, of the Company, as reincorporated in Delaware. As a result of the reincorporation, the authorized capital stock of the Company was increased to 20 million shares of common stock, par value $.01 per share (from 5 million shares of Common Stock prior to the reincorporation), and one million shares of preferred stock, par value $.01 per share.

The Company incurred $330,000 of costs in connection with the reincorporation in Delaware. Such expense was reflected as a reincorporation charge in the accompanying statement of operations in 2001. The reincorporation charge, net of tax benefits, was $198,000 or $.07 per share in the first quarter of 2001.

The Board of Directors has the authority to issue up to one million shares of Preferred Stock and to fix the number of shares constituting any series and the designation of such series, and to determine the preferences, rights and qualifications or limitations of such series of Preferred Stock, without any further vote or action by the Company's stockholders.

F. Inventories

Inventories consist of the following:

	June 29, 2002	December 29, 2001
Finished goods	$ 416,867	$ 490,135
Work in process	2,215,845	2,057,036
Raw materials and purchased parts ...	2,052,838	2,250,034
Total	$4,685,550	$4,797,205

Total inventories are net of valuation allowances for obsolescence of $957,000 at June 29, 2002 and $991,000 at December 29, 2001.

G. Net income (loss) per common share

SFAS No. 128, "Earnings per Share," establishes the computation and presentation of net income per common share. Under the standard, both basic and diluted net income per common share are presented.

Basic net income per common share is calculated by dividing net income, less dividends on preferred stock, if any, by the weighted average common shares outstanding during the period.

The calculation of diluted net income per common share is similar to that of basic net income per common share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if all potentially dilutive common shares, principally those issuable under stock options, were issued during the reporting period.

Stock options and warrants were excluded from the computation of diluted loss per share in the second quarter 2002 since they were antidilutive.

H. Comprehensive income

In June 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income. SFAS No. 130 defines comprehensive income, which includes items in addition to those reported in the statement of operations, and requires disclosures about the components of comprehensive income. Comprehensive income includes all changes in stockholders' equity during a period except those resulting from investments by or distributions to stockholders. The Company has determined the components of comprehensive income (loss) impacting the Company consists primarily of cumulative translation adjustments.

I. Accounting period

The Company's fiscal year is the 52-53 week period ending on the Saturday closest to December 31. The Company has quarterly dates that correspond with the Saturday closest to the last day of each calendar quarter and each quarter consists of 13 weeks in a 52-week year. Every fifth year, the additional week to make a 53-week year (fiscal year 1997 was the last and fiscal year 2002 will be the next) is added to the fourth quarter, making such quarter consist of 14 weeks.

J. Transactions with management and loan to officer-stockholder

In May 1998, the Company sold 22,000 shares of Common Stock to Mason N. Carter, Chairman, President and Chief Executive Officer of the Company, at a price of $11.60 per share, which approximated the average closing price of the Company's Common Stock during the second quarter of 1998. The Company lent Mr. Carter $255,000 in connection with the purchase of these shares and combined that loan with a prior loan to Mr. Carter in the amount of $105,000. The resulting total principal amount of $360,000 was payable May 4, 2003 and bore interest at a variable interest rate based on the prime rate of the Company's lending bank. This loan was further amended on July 29, 2002. Accrued interest of $40,000 was added to the principal, bringing the new principal amount of the loan to $400,000, the due date was extended to May 4, 2006, and interest (at the same rate as was previously applicable) is now payable monthly. Mr. Carter has pledged 33,000 shares of Common Stock as security for this loan which is a full-recourse loan.

On August 31, 2000, in connection with an amendment of Mr. Carter's employment agreement, the Company loaned Mr. Carter an additional $280,000. Interest on the loan will be calculated at a variable interest rate based on the prime rate of the Company's lending bank, payable in accordance with Mr. Carter's employment agreement. Each year the Company will forgive 20% of the amount due under this loan and the accrued interest thereon. During 2001, the amount of $56,000 principal and $23,000 of accrued interest was forgiven. For fiscal year 2002, the Company projects that $56,000 of principal and $18,000 of accrued interest will be forgiven.

MERRIMAC INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

K. Current and long-term debt

The Company was obligated under the following debt instruments at June 29, 2002 and December 29, 2001:

	June 29, 2002	December 29, 2001
Fleet Bank (A):		
Revolving credit facility, interest 1/2% below prime	$ -	$4,000,000
Mortgage loan, callable March 2007, interest 1/2% below prime	3,456,250	3,500,000
The Bank of Nova Scotia (B):		
Capital leases, interest 7.0%, due October 2002.............	100,605	131,662
Capital leases, interest 8.7%, due May 2005.................	235,010	248,191
Capital leases, interest 7.3%, due April 2006...............	189,916	197,033
Capital leases, interest 7.9%, due June 2006................	158,061	163,314
	4,139,842	8,240,200
Less current portion..	390,775	4,368,565
Long-term portion...	$3,749,067	$3,871,635

(A) The Company commenced borrowing in April 2001 under its existing revolving credit facility with Fleet Bank (formerly Summit Bank), at an interest rate of one-half percent below the bank's floating prime rate, which was 7.0% at that time. During 2001, the Company borrowed an aggregate amount of $7,500,000 under this facility. The weighted average interest rate on the borrowings under this facility during 2002 was 4.25% and the current interest rate is 4.25%.

During the first quarter of 2002, the Company obtained an additional increase of $2,500,000 in the Company's lines of credit with Fleet Bank which were increased to a total of $10,000,000, $3,500,000 of which consists of a first mortgage callable in March 2007 on the Company's West Caldwell, New Jersey manufacturing facility. The $6,500,000 revolving line of credit has been extended for one year to June 30, 2003.

The Company successfully completed a private placement of 528,400 shares of Company Common Stock on February 28, 2002 that raised $5,284,000 before offering expenses. The Company repaid the Fleet Bank revolving credit facility from the proceeds of that offering. The Company borrowed $500,000 on July 29, 2002 from its line of credit with Fleet Bank and currently has $6,000,000 available under its existing revolving credit facility.

The revolving credit facility and mortgage loan are secured by substantially all assets located within the United States.

(B) Capital leases included in property, plant and equipment, net, have a depreciated cost of approximately $615,000 at June 29, 2002 and $632,000 at December 29, 2001.

MERRIMAC INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

L. Private placements of Common Stock and Warrants to purchase Common Stock

On April 7, 2000, the Company entered into a stock purchase and exclusivity agreement with Ericsson Microelectronics, A.B. ("Ericsson") and Ericsson Holding International, B.V. ("EHI") pursuant to which the Company sold to EHI 375,000 shares of Common Stock, representing approximately 17.5% of the Company's outstanding Common Stock after giving effect to the sale, for an aggregate purchase price of $3,375,000. The stock purchase and exclusivity agreement also provides that the Company will design, develop and produce exclusively for Ericsson Multi-Mix(R) products that incorporate active RF power transistors for use in wireless base station applications, television transmitters and certain other applications that are intended for Bluetooth transceivers. The Company also agreed that it will generally be the priority supplier for such products.

In connection with EHI's purchase of the Company's Common Stock, the Company and EHI also entered into a registration rights agreement which provides EHI with two demand registrations at any time following April 7, 2002.

On October 26, 2000, the Company entered into subscription agreements for common stock and three-year warrants to purchase shares of Common Stock ("Warrants") with a group of investors led by Adam Smith Investment Partners, L.P. and certain of its affiliates (the "Adam Smith Investors"), EHI, and three members of the board of directors of the Company (the "Director Investors"). The Company sold to the investors units at a price of $12.80 per unit, each unit consisting of one share of Common Stock and one Warrant with an exercise price of $21.25, which expire on October 26, 2003 ("Units"). The Adam Smith Investors purchased 240,000 Units, EHI purchased 100,000 Units and the Director Investors purchased 20,000 Units for an aggregate purchase price of $4,608,000. The Common Stock portion of the Units represented an aggregate of approximately 14% of the outstanding Common Stock of the Company after giving effect to the sales. The Warrants contain certain anti-dilution provisions.

The Warrants were valued using the Black-Scholes option valuation model with a resulting allocation of the aggregate proceeds from the Units attributable to the Warrants of $837,200, net of issue costs. The following assumptions were utilized to value the Warrants: price per share of common stock of $15.25; expected life of three years; expected volatility of 40%; a risk free interest rate of 6%; an expected yield of 0.0%; and a liquidity discount of 33%.

In connection with the purchase by EHI and the Adam Smith Investors of Merrimac Common Stock and Warrants, the Company, EHI and the Adam Smith Investors also entered into registration rights agreements which provide EHI and the Adam Smith Investors each with two demand registrations at any time following October 26, 2002.

As a result of the sale of 528,400 shares of common stock at $10.00 per share on February 28, 2002 (See Note C Private placement of common stock), certain contractual anti-dilution provisions affected both the exercise price and the number of shares subject to the Warrants issued in October 2000. The exercise price of the Warrants was reduced to $17.80 and the number of shares subject to the Warrants was increased to 429,775.

M. Lease modification and facility sharing agreement

The Company entered into an agreement effective January 2001, with a customer to relinquish to this customer approximately half of the Company's 17,000 square-foot leased manufacturing facility in Costa Rica. Associated with the transaction, the Company entered into a new four-year lease agreement with a five-year renewal option with its Costa Rica landlord for the reduced space. In addition, the Company transferred certain employees to its customer, agreed to share certain personnel resources and common costs, and committed to provide certain management, administrative and other services to its customer.

In connection with the transaction, the Company received $200,000 from its customer and will receive further payments of $250,000 over a two-year period. The Company will reduce its facility occupancy expenses by approximately $87,000 during each of the next four years that commenced January 2000 to an aggregate amount of approximately $348,000.

The Company deferred approximately $102,000 of costs at December 30, 2000 incurred in connection with entering into this agreement and other incremental costs, for the purpose of providing this customer with trained personnel and certain other services required for their dedicated manufacturing capability. Such costs classified in the balance sheet as other assets at December 30, 2000 were recovered through the $200,000 payment received in January 2001 as described above. In January 2002, the Company received the second payment of $150,000 and the final payment of $100,000 is due January 2003. At June 29, 2002, the unamortized amount of $118,000 in payments received is included in deferred liabilities.

N. Pro forma weighted average number of common shares outstanding

Had the sale of 528,400 shares of common stock on February 28, 2002 referred to in Note C, Private placement of common stock, occurred at the beginning of the year, the pro forma basic and diluted weighted average number of common shares outstanding would have been:

	Six Months Ended June 29, 2002
Basic and diluted:	
Actual	3,010,884
Adjustments for sale of Common Stock on February 28, 2002	174,202
Basic - pro forma	3,185,086

Effect of dilutive securities-	
Stock options	81,925
Diluted - pro forma	3,267,011

MERRIMAC INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

O. Business segment data

The Company's operations are conducted primarily through two business segments: (1) electronic components and (2) microwave micro-circuitry. These segments, and the principal operations of each, are as follows:

Electronic components: Design, manufacture and sale of electronic component devices offering extremely broad frequency coverage and high performance characteristics for communications, defense and aerospace applications. Of the identifiable assets, 81% are located in the United States and 19% are located in Costa Rica.

Microwave micro-circuitry: Design, manufacture and sale of microstrip, bonded stripline and thick metal-backed Teflon(R) (PTFE) and mixed dielectric multilayer circuits for communications, defense and aerospace applications. Of the identifiable assets all are located in Canada.

Information about the Company's operations in different industries follows. Operating income is net sales less operating expenses. Operating expenses exclude interest expense, other income and income taxes. Assets are identified with the appropriate operating segment and are substantially all located in the North America geographic area. Corporate assets consist principally of cash. Corporate expenses and inter-segment sales are immaterial.

	Quarters Ended		Six Months Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 200
	(In thousands of dollars)		(In thousands of doll	
Industry segments:				
Sales to unaffiliated customers:				
Electronic components	$ 5,724	$ 5,700	$11,760	$10,3
Microwave micro-circuitry	738	1,066	1,553	2,5
Consolidated	$ 6,462	$ 6,766	$13,313	$12,8
Income before provision for income taxes:				
Operating income (loss):				
Electronic components	$ (91)	$ 205	$ 199	$ (
Microwave micro-circuitry	(62)	(7)	(77)	1
Interest and other income (expense), net	(41)	13	(103)	

Consolidated	$ (194)	$ 211	$ 19	$ 1
Identifiable assets:				
Electronic components			$29,812	$23,3
Microwave micro-circuitry			5,078	5,3
Corporate			1,611	1,7
Consolidated			$36,501	$30,4
Depreciation and amortization:				
Electronic components	$ 566	$ 474	$ 1,110	$ 9
Microwave micro-circuitry	52	130	121	2
Consolidated	$ 618	$ 604	$ 1,231	$ 1,1
Capital expenditures, net:				
Electronic components	$ 869	$ 3,608	$ 1,541	$ 4,5
Microwave micro-circuitry	56	257	93	4
Consolidated	$ 925	$ 3,865	$ 1,634	$ 4,9

P. Restructuring and related charges

As a result of a decline in orders received from its customers during the first six months of 2002, the Company reduced head count by 23 persons, principally involved in production, manufacturing support and selling. We recorded a personnel restructuring charge of $240,000 consisting of severance and certain other personnel costs, during the second quarter of 2002. The company expects to pay substantially all of the accrued restructuring charge of $240,000 during the third quarter of 2002.

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

CONSOLIDATED STATEMENTS OF OPERATIONS SUMMARY

(Unaudited)

The following table displays line items in the Consolidated Statements of Operations as a percentage of net sales.

	Percentage of Net Sales		Percentage of Ne
	Quarters Ended		Six Months
	June 29, 2002	June 30, 2001	June 29, 2002

Net sales	100.0%	100.0%	100.0%
Costs and expenses:			
Cost of sales	53.8	46.7	53.6
Selling, general and administrative	35.4	36.5	34.8
Research and development	9.5	13.4	8.9
Amortization of goodwill	-	.5	-
Reincorporation charge	-	-	-
Restructuring charge	3.7	-	1.8
	102.4	97.1	99.1
Operating income (loss)	(2.4)	2.9	.9
Interest and other expense (income), net	.6	(.2)	.8
Income (loss) before income taxes	(3.0)	3.1	.1
Provision (benefit) for income taxes	(2.2)	1.1	(.6)
Net income (loss)	(.8%)	2.0%	.7%

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

Critical Accounting Estimates and Policies

The Company's management makes certain assumptions and estimates that impact the reported amounts of assets, liabilities and stockholders' equity, and revenues and expenses. These assumptions and estimates are inherently uncertain. The management judgments that are currently the most critical are: related to the accounting for the Company's investments in Multi-Mix(R) Microtechnology, contract revenue recognition, inventory valuation and valuation of goodwill. Below we describe these policies further as well as the estimates and policies involved.

The following is a summary of the carrying amounts of the Multi-Mix(R) Microtechnology net assets included in the Company's consolidated financial statements at June 29, 2002 and the related future planned purchases and lease obligation commitments through January 2006.

Net assets:	
Property, plant and equipment, at cost	$13,874,000
Less accumulated depreciation and amortization	1,608,000
Property, plant and equipment, net	12,266,000
Inventories	981,000
Other assets, net	636,000
Total net assets at June 29, 2002	$13,883,000
Commitments:	
Planned equipment purchases for 2002	$ 600,000

Lease obligations through January 2006	1,035,000
Total commitments	$ 1,635,000
Total net assets and commitments	$15,518,000

The Company anticipates increasing order levels during 2002 for its Multi-Mix(R) Microtechnology products, for which substantial research and development costs have been incurred. Due to economic and market conditions in the wireless industry, the telecommunications system service providers have significantly reduced their capital equipment purchases from our customers. These circumstances have caused the Company's customers to delay Multi-Mix(R) Microtechnology product purchases that had been anticipated for fiscal year 2001 and thus far during 2002. A continued delay or reduction from planned levels in new orders for these products could require the Company to pursue alternatives related to the utilization or realization of these assets and commitments, the net result of which could be materially adverse to the financial results and position of the Company. The Company has made no such determination at this time.

The Company's planned equipment purchases and other commitments are expected to be funded through a revolving credit facility of $6,500,000, which has been extended to June 30, 2003, supplemented by cash resources and cash flows that are expected to be provided by operations.

Contract revenue recognition and related costs on fixed-price contacts that require customization of standard products to customer specifications are recorded when title transfers to the customer, which is generally on the date of shipment. Prior to shipment, manufacturing costs incurred on such contracts are recorded as work in process inventory. Anticipated losses on contracts are charged to operations when identified. Revenue related to non-recurring engineering charges is generally recognized upon shipment of the initial units produced or based upon contractually established stages of completion.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
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Inventories are valued at the lower of average cost or market. Inventories are periodically reviewed for their projected manufacturing usage utilization and, when slow-moving or obsolete inventories are identified, a provision for a potential loss is made and charged to operations. As of June 29, 2002, the Company held inventories valued at $4,686,000 which is net of a $957,000 valuation allowance for obsolescence.

With the adoption of SFAS No. 142 by the Company on December 30, 2001, goodwill is no longer subject to amortization over its estimated useful life. However, goodwill will be subject to at least an annual assessment for impairment and more frequently if circumstances indicate a possible impairment. Based on an appraisal conducted by a third-party appraisal firm, we believe the estimated fair value of the Company's wholly-owned subsidiary Filtran Microcircuits Inc. ("FMI") at December 30, 2001 exceeds the carrying value of the net assets of the microwave micro-circuitry reporting segment and, therefore, there was no impairment of goodwill. The company will perform the required annual assessment during the second half of 2002.

Second quarter and the first six months of 2002 compared to the second quarter and the first six months of 2001

Consolidated results of operations for the second quarter of 2002 reflect a decrease in net sales from the second quarter of 2001 of $304,000 or 4.5% to $6,462,000. This decrease was primarily attributable to a $328,000 decrease in net sales of microwave micro-circuitry products from FMI partially offset by a $25,000 increase in net sales of electronic components. Consolidated results of operations for the first six months of 2002 reflect an increase in net sales compared to the first six months of the prior year of $456,000 or 3.5% to $13,313,000. This increase was primarily attributable to a $1,442,000 increase in the net sales of electronic components, which was partially offset by a $986,000 decrease in sales of microwave micro-circuitry products from FMI. The decreases during the second quarter and the first six months of 2002 in FMI sales reflected softness in the telecommunications sector that FMI serves, principally millimeter wave applications for wireless broadband solutions.

Orders of $6,710,000 were received during the second quarter of 2002, a decrease of $209,000 or 3.0% compared to $6,919,000 in orders received during the second quarter of 2001. Orders received during the second quarter of 2002 exceeded the second quarter of 2002 sales level by approximately 3.8%. Orders of $12,535,000 were received for the first six months of 2002, a decrease of $1,941,000 or 13.4% compared to $14,476,000 in orders received for the first six months of 2001. The first six months 2002 sales level exceeded orders received during the first six months of 2002 by approximately 6.2%. As a result, backlog decreased by $778,000 or 6.6% to $11,079,000 at the end of the second quarter of 2002, compared to $11,857,000 at year-end 2001.

The Company believes that the current economic downturn, resulting in reduced spending by wireless service providers, has caused many wireless companies to delay or forego purchases of the Company's products. This is reflected in the decrease in the Company's backlog. However, the Company expects that its satellite and defense customers should continue to maintain their approximate current levels of orders during fiscal year 2002, although there are no assurances they will do so. The Company also anticipates increased levels of orders during the second-half of fiscal year 2002 for its new Multi-Mix(R) Microtechnology products, for which the Company has made a significant capital investment and incurred substantial research and development costs. The Company expects that softness in the telecommunications sector that FMI serves may continue into the second half of fiscal year 2002.

Consolidated cost of sales increased $316,000 or 10.0%, and as a percentage of net sales increased 7.1 percentage points to 53.8%, for the second quarter of 2002. Consolidated cost of sales increased $1,028,000 or 16.8%, and as a percentage of net sales increased 6.1 percentage points to 53.6%, for the first six months of 2002. Cost of sales increased $622,000 and $1,684,000 for the second quarter and the first six months of 2002, respectively, in the electronic components segment, resulting from higher sales levels and manufacturing cost increases that were attributable to increases in insurance expense, depreciation, rent and other occupancy expenses and unabsorbed overhead expenses related to the expansion of the Company's West Caldwell, New Jersey and Costa Rica manufacturing production facilities. Cost of sales declined $306,000 and $656,000 for the second quarter and the first six months of 2002, respectively, in the microwave micro-circuitry segment, resulting from the decline in segment sales in the second quarter and the first six months of 2002 of approximately 30.8% and 38.8%, respectively, compared to the second quarter and the first six months of 2001.

Depreciation expense included in cost of sales for the second quarter of 2002 was $491,000, an increase of $67,000 compared to the second quarter of 2001. For the second quarter of 2002, approximately $276,000 of depreciation expense was associated with Multi-Mix(R) Microtechnology capital assets. Depreciation expense included in the cost of sales for the first six months of 2002 was $1,032,000, an increase of $174,000 compared to the first six months of 2001. For the first six months of 2002, approximately $551,000 of depreciation expense was associated with Multi-Mix(R) Microtechnology capital assets. Other increases in depreciation expense were a result of higher capital equipment purchases in the current and prior years and the commencement of depreciation expense associated with the West Caldwell, New Jersey 19,200 square-foot building expansion, which was placed into service during the first quarter of 2002.

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

Consolidated gross profit for the second quarter and the first six months of 2002 were impacted by the items referred to in the above discussion of consolidated cost of sales. Consolidated gross profit for the second quarter of 2002 was $2,986,000 or 46.2% of sales compared to consolidated gross profit of $3,605,000 or 53.3% of sales for the second quarter of 2001. Gross profit for the second quarter of 2002 for the electronic components segment decreased by $597,000 or 18% to $2,635,000 which represented 46.0% of segment net sales of $5,724,000, compared to a gross profit of $3,232,000 or 56.7% of segment net sales of $5,700,000 in the second quarter of 2001. Gross profit for the second quarter of 2002 for the microwave micro-circuitry segment decreased by $23,000 to $350,000 which represented 47.5% of segment net sales of $738,000, compared to $373,000 or 35.0% of segment net sales of $1,067,000 in the second quarter of 2001. Consolidated gross profit for the first six months of 2002 was $6,180,000 or 46.4% of sales compared to consolidated gross profit of $6,752,000 or 52.5% of sales for the first six months of 2001. Gross profit for the first six months of 2002 for the electronic components segment decreased by $242,000 or 4.3% to $5,441,000 which represented 46.3% of segment net sales of $11,760,000 compared to gross profit of $5,683,000 or 55.5% of segment net sales of $10,318,000 for the first six months of 2001. Gross profit for the first six months of 2002 for the microwave micro-circuitry segment decreased by $329,000 or 30.9% to $738,000 which represented 47.6% of segment net sales of $1,553,000, compared to $1,068,000 or 42.1% of segment net sales of $2,539,000 for the first six months of 2001.

Selling, general and administrative expenses of $2,287,000 for the second quarter of 2002 decreased by $210,000 or 8.4%, and when expressed as a percentage of net sales, decreased by 1.5 percentage points to 35.4% compared to the second quarter of 2001. The dollar decreases resulted from lower sales commission expenses due to lower sales for the second quarter of 2002 and lower personnel recruitment costs and professional fees. Selling, general and administrative expenses of $4,631,000 for the first six months of 2002 decreased by $102,000 or 2.2%, and when expressed as a percentage of net sales, decreased by two percentage points to 34.8% compared to the first six months of 2001. The dollar decreases resulted from decreases in personnel recruitment costs, marketing expenses and other administrative expenses, which were partially offset by higher sales commission expenses on increased sales for the first six months of 2002.

Research and development expenses for new products were $612,000 for the second quarter of 2002, a decrease of $298,000 or 32.7% compared to the second quarter of 2001. Except for $106,000 of research and development expenses at FMI, an increase of $34,000 over the second quarter of 2001, substantially all of the research and development expenses were related to Multi-Mix(R) Microtechnology and Multi-Mix PICO(TM) products. Research and development expenses for new products were $1,188,000 for the first six months of 2002, a decrease of $360,000 or 23.3% compared to the first six months of 2001. Except for $254,000 of research and development expenses at FMI, an increase of $103,000 over the first six months of 2001, substantially all of the research and development expenses were related to Multi-Mix(R) Microtechnology and Multi-Mix PICO(TM) products.

As a result of a decline in orders received from its customers during the first six months of 2002, the Company reduced head count by 23 persons, principally involved in production, manufacturing support and selling. We recorded a personnel restructuring charge of $240,000, consisting of severance and certain other personnel costs, during the second quarter of 2002. The Company expects to pay substantially all of the accrued restructuring charge of $240,000 during the third quarter of 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
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Consolidated operating income for the second quarter of 2002 was $87,000, before giving effect to the $240,000 personnel restructuring charge and, the Company incurred an operating loss for the second quarter of 2002 of $153,000 after inclusion of the personnel restructuring charge. We reported consolidated operating income of $198,000 for the second quarter of 2001. For the first six months of 2002, consolidated operating income was $362,000, before giving effect to the personnel restructuring charge and, after including the personnel restructuring charge, was $122,000. Consolidated operating income for the first six months of 2001 was $396,000 before the effect of charges associated with the reincorporation in Delaware of $330,000 recorded in the first quarter of 2001 and, after including the reincorporation charge, was $66,000.

Operating income for the electronic components segment was $107,000 before giving effect to this segment's personnel restructuring charge which was $198,000 for the second quarter of 2002, and, after this segment's personnel restructuring charge, resulted in an operating loss of $91,000 compared to $205,000 of operating income in the second quarter of 2001. The Company incurred an operating loss for its microwave micro-circuitry segment of $20,000 before giving effect to this segment's personnel restructuring charge which was $42,000 for the second quarter of 2002 and, after this segment's personnel restructuring charge, was $62,000 which compares to an operating loss of $7,000 for the second quarter of 2001. For the first six months of 2002, the Company's operating income for its electronic components segment was $396,000 before the effect of charges associated with the personnel restructuring charge and, after inclusion of the $198,000 second quarter personnel restructuring charge, was $198,000. Before the effect of charges associated with the reincorporation in Delaware of $330,000 recorded in the first quarter of 2001, operating income for the electronic components segment for the first six months of 2001 was $234,000 and, after the inclusion of the reincorporation charge, resulted in an operating loss of $96,000.

Net interest expense was $41,000 for the second quarter of 2002, which compares to net interest income of $13,000 for the second quarter of 2001. Net interest expense was $103,000 for the first six months of 2002 compared to net interest income of $50,000 for the first six months of 2001. Interest expense of $23,000 was capitalized to property, plant and equipment in the second quarter and the first six months of 2001. Interest expense for the second quarter of 2002 was principally incurred on borrowings under our revolving credit facility and a mortgage loan in connection with capital equipment purchases and the building expansion constructed during fiscal year 2001. Interest income for the second quarter of 2001 was primarily due to interest earned on the proceeds received from the issuance of common stock in private placements in fiscal year 2000 that offset interest expense.

An income tax benefit of $140,000 was recorded for the second quarter of 2002 with an effective tax benefit rate of 72.2% compared to a provision for income taxes of $75,000 for the second quarter of 2001 with an effective tax rate of 35.5%. The principal adjustments to the statutory Federal income tax rate of 34% for the second quarter of 2002 relates to $29,000 in tax credits associated with research and development expenditures and foreign sales corporation tax benefits of $17,000. An income tax benefit of $70,000 was recorded for the first six months of 2002 compared to a provision for income taxes of $10,000 for the first six months of 2001. The principal adjustments to the statutory Federal income tax rate of 34% for the first six months of 2002 relates to $63,000 in tax credits associated with research and development expenditures and foreign sales corporation tax benefits of $30,000.

During the period ended June 29, 2002, the Company completed the first of the required impairment tests required under SFAS No. 142, which was adopted effective December 30, 2001, related to goodwill. Under the new rules, goodwill is no longer subject to amortization but it is reviewed for potential impairment upon adoption and thereafter annually or upon the occurrence of an impairment indicator. The annual amortization of goodwill, which would have approximated $150,000, is no longer required. Goodwill of approximately $3,100,000, which arose from the acquisition of FMI in 1999, was being amortized on a straight-line basis over twenty years. Amortization of goodwill of $37,000 and $75,000 were recorded for the second quarter and the first six months of 2001, respectively.

The Company incurred a net loss for the second quarter of 2002 of $54,000, after the after-tax effect of the personnel restructuring charge of $150,000, compared to net income of $136,000 recorded for the second quarter of 2001. On a per share basis, we recorded a net loss of $.02 per share for the second quarter of 2002, after the after-tax effects of the personnel restructuring charge which equated to $.05 per share, compared to net income of $.05 per share reported for the second quarter of 2001.

Net income for the first six months of 2002 was $89,000 after giving effect to the personnel restructuring charge of $150,000. For the first six months of 2001, we reported net income of $106,000, after the after-tax effects of the first quarter 2001 reincorporation charge of $198,000.

Net income was $.03 per share for the first six months of 2002 after deducting the $.05 per share personnel restructuring charge. For the first six months of 2001, net income per diluted share of $.04 per share was reported, after the after-tax effects of a $.07 per share reincorporation charge reported in the first quarter of 2001.

The weighted average number of basic shares outstanding increased by approximately 567,000 shares or 21.6% for the second quarter of 2002 compared to the second quarter of 2001, and 399,000 shares or 15.3% for the first six months of 2002 compared to the first six months of 2001, primarily resulting from the issuance of 528,000 new shares to DuPont Electronic Technologies during the first quarter of 2002.

Liquidity and Capital Resources

The Company had liquid resources comprised of cash and cash equivalents totaling approximately $1,600,000 at the end of the second quarter of 2002 compared to approximately $1,800,000 at the end of 2001. The Company's working capital was approximately $8,200,000 and its current ratio was 3.0 to 1 at the end of the second quarter of 2002 compared to $4,000,000 and 1.4 to 1, respectively, at the end of 2001.

Our operating activities provided net positive cash flows of $393,000 during the first six months of 2002 compared to negative cash flows of $235,000 during the first six months of 2001. The primary reason for the positive operating cash flows resulted from depreciation and amortization charges of $1,231,000 and decreases in accounts receivable, inventories and other current assets. These positive cash flows were offset primarily by payments made during the first six months of 2002 that reduced year-end 2001 accounts payable and accrued liabilities amounts.

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

The Company made net capital investments in property, plant and equipment of $1,634,000 during the first six months of 2002 (which excludes unpaid invoices for additional capital investments of $266,000 at June 29, 2002), compared to net capital investments made in property, plant and equipment of $4,918,000 during the first six months of 2001. These capital expenditures are related to new production facilities and processing equipment capabilities in connection with the manufacturing of new products and enhancements to existing products. The depreciated cost of capital equipment associated with Multi-Mix(R) Microtechnology was $12,266,000 at the end of the second quarter of 2002, an increase of $914,000 compared to $11,352,000 at the end of fiscal year 2001.

In April 2001, the Company commenced borrowing under its $7,500,000 revolving credit facility with Fleet Bank (formerly Summit Bank), at an interest rate of one-half percent below the bank's floating prime rate. During fiscal year 2001, the Company borrowed an aggregate amount of $7,500,000 under this facility. The weighted average interest rate on the borrowings under this facility during the second quarter and the first six months of 2002 was 4.25%, which is currently the same interest rate.

During the first quarter of 2002, the Company obtained an increase of $2,500,000 in the Company's lines of credit with Fleet Bank to a total of $10,000,000, $3,500,000 of which consists of a first mortgage callable in March 2007 on the Company's West Caldwell, New Jersey manufacturing facility. The $6,500,000 revolving line of credit has been extended for one year to June 30, 2003. The Company successfully completed a private placement of 528,400 shares of common stock on February 28, 2002 that raised $5,284,000 before offering expenses. The Company repaid $5,000,000, all of its then revolving borrowings, to Fleet Bank from the proceeds of that offering. The Company borrowed $500,000 on July 29, 2002 from its line of credit with Fleet Bank and currently has

$6,000,000 available under this line of credit.

Management believes that its current revolving credit facility, together with its present liquid resources and cash flows that are expected to be provided by operations, should provide sufficient resources for currently contemplated operations during fiscal year 2002 and the first six months of fiscal year 2003.

Capital expenditures for new projects and production equipment exceeded depreciation and amortization expenses during the second quarter of 2002 by approximately $307,000, and we anticipate that capital expenditures will exceed depreciation and amortization expenses in fiscal year 2002. The Company intends to issue up to $700,000 of purchase order commitments for building modifications and for capital equipment from various vendors. The Company anticipates that such equipment will be purchased and become operational and building modifications will be completed during the second half of 2002.

In February 2001, the Company entered into a new five-year lease in Costa Rica for an approximately 36,200 square-foot facility for manufacturing new Multi-Mix(R) Microtechnology products. The leasehold improvements and capital equipment for this manufacturing facility were recently completed at a cost of approximately $4,800,000 and this facility was opened for production in August 2002. The Company also leases an 8,200 square-foot facility in Costa Rica and the lease ends December 2004.

The Company has been authorized by its Board of Directors to repurchase shares of its Common Stock, from time to time, depending on market conditions and availability of resources. During the second quarter of 2002, the Company repurchased 15,000 shares of Common Stock at a cost of approximately $129,000. Subsequent to the end of the second quarter of 2002, the Company repurchased 43,200 additional shares at a cost of approximately $307,000. No shares were repurchased during fiscal 2001 or fiscal 2000. All shares that were repurchased prior to fiscal year 2000 have been reissued in private placements of common stock during the current fiscal year and in fiscal year 2000.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
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Related Party Transactions

In May 1998, the Company sold 22,000 shares of Common Stock to Mason N. Carter, Chairman, President and Chief Executive Officer of the Company, at a price of $11.60 per share, which approximated the average closing price of the Company's Common Stock during the second quarter of 1998. The Company lent Mr. Carter $255,000 in connection with the purchase of these shares and combined that loan with a prior loan to Mr. Carter in the amount of $105,000. The resulting total principal amount of $360,000 was payable May 4, 2003 and bore interest at a variable interest rate based on the prime rate of the Company's lending bank. This loan was further amended on July 29, 2002. Accrued interest of $40,000 was added to the principal, bringing the new principal amount of the loan to $400,000, the due date was extended to May 4, 2006, and interest (at the same rate as was previously applicable) is now payable monthly. Mr. Carter has pledged 33,000 shares of Common Stock as security for this loan which is a full-recourse loan.

On August 31, 2000, in connection with an amendment of Mr. Carter's employment agreement, the Company loaned Mr. Carter an additional $280,000.

Interest on the loan varies and is based on the prime rate of the Company's lending bank, payable in accordance with Mr. Carter's employment agreement. Each year the Company will forgive 20% of the amount due under this loan and the accrued interest thereon. For fiscal year 2002, the Company projects that $56,000 of principal and $18,000 of accrued interest will be forgiven.

The Company is a party to a stockholder's agreement, dated as of October 30, 1998, with a former director and Chairman of the Company. Pursuant to the stockholder's agreement, this former director is required to vote his shares of Common Stock as directed by the Board of Directors or the Chief Executive Officer of the Company. There are no other obligations of the Company pursuant to this agreement.

During the second quarter and the first six months of 2002, the Company's General Counsel, KMZ Rosenman, was paid $124,000 and $226,000, respectively, for providing legal services to the Company. A director of the Company is Counsel to the Firm of KMZ Rosenman.

During 2002, the Company retained Career Consultants, Inc. and SK Associates to perform executive searches and to provide outplacement services to the Company. The Company paid an aggregate of $8,500 and $17,500, respectively, to these companies during the second quarter and the first six months of 2002. A director of the Company is the Chairman and Chief Executive Officer of each of these companies.

During the second quarter and the first six months of 2002, a director of the Company was paid $9,000 and $18,000, respectively, for providing financial-related consulting services to the Company.

During the second quarter and the first six months of 2002, a director of the Company was paid $9,000 and $18,000, respectively, for providing technology-related consulting services to the Company.

Each director who is not an employee of the Company receives a monthly director's fee of $1,500, plus an additional $500 for each meeting of the Board and of any Committees of the Board attended. The directors are also reimbursed reasonable travel expenses incurred in attending Board and Committee meetings. In addition, pursuant to the 2001 Stock Option Plan, each non-employee director is granted an immediately exercisable option to purchase 2,500 shares of the Common Stock of the Company on the date of each Annual Meeting of Stockholders. Each such grant is priced at the fair market value of the Common Stock on the date of such grant. On June 12, 2002, non-qualified stock options to purchase an aggregate of 17,500 shares were issued to seven directors at an exercise price of $9.90 per share.

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

On April 7, 2000, the Company entered into a stock purchase and exclusivity agreement with Ericsson Microelectronics, A.B. ("Ericsson") and Ericsson Holding International, B.V. ("EHI") pursuant to which the Company sold to EHI 375,000 shares of Common Stock, representing approximately 17.5% of the Company's outstanding Common Stock after giving effect to the sale, for an aggregate purchase price of $3,375,000. The stock purchase and exclusivity agreement also provides that the Company will design, develop and produce exclusively for Ericsson Multi-Mix(R) products that incorporate active RF power transistors for use in wireless basestation applications, television transmitters and certain other applications that are intended for Bluetooth transceivers. The Company also agreed that it will generally be Ericsson's priority supplier for such products.

On October 26, 2000, the Company entered into subscription agreements for Common Stock and three-year warrants to purchase shares of Common Stock ("Warrants") with a group of investors led by Adam Smith Investment Partners, L.P. and certain of its affiliates (the "Adam Smith Investors"), EHI and Messrs. E. Cohen, Goldberg and Fuller, members of the Board (the "Director Investors"). The Company sold to the investors units at a price of $12.80 per unit, each unit consisting of one share of Common Stock and one Warrant with an exercise price of $21.25 which expire on October 26, 2003 ("Units"). The Adam Smith Investors purchased 240,000 Units, EHI purchased 100,000 Units and Messrs. E. Cohen, Goldberg and Fuller purchased 5,000, 11,000 and 4,000 Units, respectively, for an aggregate purchase price of $4,608,000. The Common Stock portion of the Units represented an aggregate of approximately 14% of the outstanding Common Stock of the Company after giving effect to the sales. The Warrants contain certain anti-dilution provisions.

On February 28, 2002, the Company entered into a stock purchase agreement with DuPont Electronic Technologies pursuant to which the Company sold 528,400 shares of Common Stock, representing approximately 16.6% of the Company's outstanding Common Stock after giving effect to the sale, for an aggregate purchase price of $5,284,000. The Company and DuPont Electronic Technologies have also agreed to work together to better understand the dynamics of the markets for high-frequency electronic components and modules. David B. Miller, Vice President and General Manager of DuPont Electronic Technologies, was appointed to the Company's Board of Directors. As a result of this sale, certain contractual anti-dilution provisions affected both the exercise price and the number of shares subject to the Warrants issued in October 2000. The exercise price of the Warrants was reduced to $17.80 and the number of shares subject to the Warrants was increased to 429,775.

Recent Accounting Pronouncements

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which established new accounting and reporting standards and requires that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded as assets or liabilities in the balance sheet measured at fair value. SFAS No. 133 requires that changes in the fair value of derivatives be recognized currently in earnings unless specific hedge accounting criteria are met. The Company adopted the provisions of the Statement in 2001. The Company does not currently hold derivative instruments or engage in hedging activities and therefore the adoption of SFAS No. 133 has not had any impact on the Company's financial position, results of operations or cash flows.

On June 30, 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting and eliminates the pooling method of accounting. SFAS No. 141 will not have an impact on the Company's business since the Company has accounted for all of its business combinations using the purchase method of accounting.

With the adoption of SFAS No. 142 by the Company on December 30, 2001, goodwill is no longer subject to amortization over its estimated useful life. However, goodwill will be subject to at least an annual assessment for impairment and more frequently if circumstances indicate a possible impairment. The Company is required to perform a fair value-based goodwill impairment test. In addition, under SFAS No. 142, an acquired intangible asset should be separately recognized if the benefit of the intangible is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented, or exchanged. Intangible assets will be amortized over their estimated useful lives. Any write-down of goodwill would be charged to results of operations in the periods in which the recorded value of goodwill and certain intangibles is more than its fair value. On an annualized basis, the Company expects that the adoption of this accounting standard will reduce the amortization of goodwill and intangibles by approximately $150,000 commencing in 2002, unless future impairment reviews result in periodic write-downs of goodwill. In connection with the adoption of SFAS No. 142, the Company has completed the first of the impairment tests of goodwill as of December 30, 2001 required by the standard which indicated there was no impairment of goodwill. The Company will perform the required annual assessment during the second half of 2002.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 requires that asset retirement obligations that are identifiable upon acquisition and construction, and during the operating life of a long-lived asset be recorded as a liability using the present value of the estimated cash flows. A corresponding amount would be capitalized as part of the asset's carrying amount and amortized to expense over the asset's useful life. The Company is required to adopt the provisions of SFAS No. 143 effective January 5, 2003. The Company is currently evaluating the impact of adoption of this statement. The Company does not expect that the adoption of SFAS No. 143 will have a material impact on the Company's financial position or results of operations.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which is effective for fiscal periods beginning after December 15, 2001. SFAS No. 144 establishes an accounting model for impairment or disposal of long-lived assets to be disposed of by sale. The Company does not expect that the adoption of SFAS No. 144 will have a material impact on the Company's financial position or results of operations.

In April 2002, the Financial Accounting Standards Board issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 62, Amendment of FASB Statement No 13 and Technical Corrections". For most companies, SFAS No. 145 will require gains and losses on extinguishments of debt to be classified as income or loss from continuing operations rather than as extraordinary items as previously required under SFAS No. 4. Extraordinary treatment will be required for certain extinguishments as provided in APB Opinion No. 30. The statement also amended SFAS No. 13 for certain sale-leaseback and sublease accounting. The Company is required to adopt the provisions of SFAS No. 145 effective January 5, 2003. The Company is currently evaluating the impact of adoption of this statement, however, the Company does not expect that the adoption of SFAS No. 145 will have a material impact on the Company's financial position or results of operations.

In July 2002, the Financial Accounting Standards Board issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," and nullifies EITF Issue No. 94-3. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, whereas EITF No. 94-3 had recognized the liability at the commitment date to an exit plan. The Company is required to adopt the provisions of SFAS No. 146 effective for exit or disposal activities initiated after January 4, 2003. The Company is currently evaluating the impact of adoption of this statement, however, the Company does not expect that the adoption of SFAS No. 146 will have a material impact on the Company's financial position or results of operations.

Forward-Looking Statements

This quarterly report on Form 10-QSB contains statements relating to future results of the Company (including certain projections and business trends) that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected as a result of certain risks and uncertainties. These risks and uncertainties include, but are not limited to: general economic and industry conditions; slower than anticipated penetration into the satellite communications, defense and wireless markets; the risk that the benefits expected from the acquisition of Filtran Microcircuits Inc. are not realized; the ability to protect proprietary information and technology; competitive products and pricing pressures; the risk that the Company will not be able to continue to raise sufficient capital to expand its operations as currently contemplated by its business strategy; risks relating to governmental regulatory actions in communications and defense programs; risks associated with demand for and market acceptance of existing and newly developed products; and inventory risks due to technological innovation and product obsolescence, as well as other risks and uncertainties, including but not limited to those detailed from time to time in the Company's Securities and Exchange Commission filings. These forward-looking statements are made only as of the date hereof, and the Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information

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PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

On June 12, 2002, the Company held its Annual Stockholders Meeting at which the stockholders (i) elected three members to the Company's Board of Directors and (ii) ratified the appointment of Ernst & Young LLP as the Company's independent auditors for the current fiscal year. The stockholders of the Company elected Mason N. Carter, Albert H. Cohen and David B. Miller as Class III Directors whose terms expire at the 2005 Annual Stockholders Meeting.

The following sets forth the number of votes cast for, against or withheld, as well as the number of abstentions and broker non-votes, voted upon at the Company's June 12, 2002 Annual Stockholders Meeting:

Election of Directors.

	For	Withheld
Mason N. Carter	2,847,668	229,907
Albert H. Cohen	2,857,458	220,117

David B. Miller	2,859,529	218,046

Ratification of Ernst & Young LLP as the Company's independent auditors.

For	Against	Abstained
2,861,784	12,170	203,621

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

EXHIBIT NO.	DESCRIPTION
3(a)	By-laws of Merrimac are hereby incorporated by reference to Exhibit 3(ii)(b) to Post-Effective Amendment No. 2 to the Registration Statement on Form S-8 (No. 33-68862) of Merrimac dated February 23, 2001.
3(b)	Certificate of Incorporation of Merrimac is hereby incorporated by reference to Exhibit 3(i)(b) to Post-Effective Amendment No. 2 to the Registration Statement on Form S-8 (No. 33-68862) of Merrimac dated February 23, 2001.
4(a)	Stockholder Rights Agreement dated as of March 9, 1999, between Merrimac and ChaseMellon Stockholder Services, L.L.C., as Rights Agent, is hereby incorporated by reference to Exhibit 1 to Merrimac's Current Report on Form 8-K for the period ending March 9, 1999.
4(b)	Amendment No. 1 dated as of June 9, 1999, to the Stockholder Rights Agreement dated as of March 9, 1999, between Merrimac and ChaseMellon Stockholder Services, L.L.C., as Rights Agent, is hereby incorporated by reference to Exhibit 1 to Merrimac's Current Report on Form 8-K for the period ending June 9, 1999.
4(c)	Amendment No. 2 dated as of April 7, 2000, to the Stockholder Rights Agreement dated as of March 9, 1999, between Merrimac and ChaseMellon Stockholder Services, L.L.C., as Rights Agent, is hereby incorporated by reference to Exhibit 2 to Merrimac's Current Report on Form 8-K for the period ending April 10, 2000.
4(d)	Amendment No. 3 dated as of October 26, 2000, to the Stockholder Rights Agreement dated as of March 9, 1999, between Merrimac and ChaseMellon Stockholder Services, L.L.C., as Rights Agent, is hereby incorporated by reference to Exhibit 2 to Merrimac's Current Report on Form 8-K for the period ending October 27, 2000.
4(e)	Amendment No. 4 dated as of February 21, 2001, to the Stockholder Rights Agreement dated as of March 9, 1999,

	between Merrimac and Mellon Investor Services, L.L.C. (formerly known as ChaseMellon Stockholder Services, L.L.C.), as Rights Agent, is hereby incorporated by reference to Exhibit 1(d) to Merrimac's Current Report on Form 8-K for the period ending February 21, 2001.
4(f)	Amendment No. 5, dated February 28, 2002, to the Rights Agreement, between Merrimac and Mellon Investor Services LLC (f.k.a. ChaseMellon Shareholder Services, L.L.C.), as Rights Agent is hereby incorporated by reference to Exhibit 99.4 to Merrimac's Form 8-K for the period ending March 6, 2002.

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EXHIBIT NO.	DESCRIPTION
10(a)	Stock Purchase and Exclusivity Letter Agreement dated April 7, 2000, among Ericsson Microelectronics, A.B., Ericsson Holdings International, B.V. and Merrimac is hereby incorporated by reference to Exhibit 10(a) to Merrimac's Quarterly Report on Form 10-QSB for the period ending August 15, 2000.
10(b)	Registration Rights Agreement dated as of April 7, 2000, between Merrimac and Ericsson Holding International, B.V. is hereby incorporated by reference to Exhibit 10(b) to Merrimac's Quarterly Report on Form 10-QSB for the period ending August 15, 2000.
10(c)	Profit Sharing Plan of Merrimac is hereby incorporated by reference to Exhibit 10(n) to Merrimac's Registration Statement on Form S-1 (No. 2-79455).*
10(d)	1983 Key Employees Stock Option Plan of Merrimac effective March 21, 1983, is hereby incorporated by reference to Exhibit 10(m) to Merrimac's Annual Report on Form 10-KSB for the year ending March 31, 1983.*
10(e)	1993 Stock Option Plan of Merrimac effective March 31, 1993, is hereby incorporated by reference to Exhibit 4(c) to Merrimac's Registration Statement on Form S-8 (No. 33-68862) dated September 14, 1993.*
10(f)	1997 Long-Term Incentive Plan of Merrimac is hereby incorporated by reference to Exhibit A to Merrimac's Proxy Statement for the period ending April 11, 1997.*
10(g)	Resolutions of the Stock Option Committee of the Board of Directors of Merrimac adopted June 3, 1998, amending the 1983 Key Employees Stock Option Plan of Merrimac, the 1993 Stock Option Plan of Merrimac and the 1997 Long-Term Incentive Plan of Merrimac and adjusting outstanding awards thereunder to give effect to Merrimac's 10% stock dividend paid June 5, 1998, are hereby incorporated by reference to Exhibit 10(f) to Merrimac's Annual Report on Form 10-KSB for the year ending March 30, 1999.*

10(h)(1)	1995 Stock Purchase Plan of Merrimac is hereby incorporated by reference to Exhibit A to the Proxy Statement of Merrimac for the period ending December 31, 1994.*
10(h)(2)	Resolutions of the Stock Purchase Plan Committee of the Board of Directors of Merrimac adopted June 3, 1998, amending the 1995 Stock Purchase Plan of Merrimac and adjusting outstanding awards thereunder to give effect to Merrimac's 10% stock dividend paid June 5, 1998, are hereby incorporated by reference to Exhibit 10(g)(2) to Merrimac's Annual Report on Form 10-KSB for the year ending January 2, 1999.*
10(i)(1)	1996 Stock Option Plan for Non-Employee Directors of Merrimac is hereby incorporated by reference to Exhibit 10(d) to Merrimac's Annual Report on Form 10-KSB for the year ending December 28, 1996.*

EXHIBIT NO.	DESCRIPTION
10(i)(2)	Resolutions of the Board of Directors of Merrimac, adopted June 3, 1998, amending the 1996 Stock Option Plan for Non-Employee Directors of Merrimac and adjusting outstanding awards thereunder to give effect to Merrimac's 10% stock dividend paid June 5, 1998, are hereby incorporated by reference to Exhibit 10(h)(2) to Merrimac's Annual Report on Form 10-KSB for the year ending January 2, 1999.*
10(j)	Amended and Restated Employment Agreement dated as of January 1, 1998, between Merrimac and Mason N. Carter is hereby incorporated by reference to Exhibit 10(a) to Merrimac's Quarterly Report on Form 10-QSB for the year ending July 4, 1998.*
10(k)	Amendment dated August 31, 2000 to the Amended and Restated Employment Agreement dated January 1, 1998, between Merrimac and Mason N. Carter is hereby incorporated by reference to Exhibit 10(a) to Merrimac's Quarterly Report on Form 10-QSB for the period ending September 30, 2000.*
10(l)	Amended and Restated Pledge Agreement dated as of July 29, 2002, between Merrimac and Mason N. Carter.*
10(m)	Amended and Restated Promissory Note dated as of July 29, 2002, executed by Mason N. Carter in favor of Merrimac.*
10(n)	Registration Rights Agreement dated as of May 4, 1998, between Merrimac and Mason N. Carter is hereby incorporated by reference to Exhibit 10(e) to Merrimac's

	Quarterly Report on Form 10-QSB for the period ending July 4, 1998.*
10(o)(1)	Form of Severance Agreement entered into with certain officers of Merrimac is hereby incorporated by reference to Exhibit 10(i) to Merrimac's Annual Report on Form 10-KSB for the year ending January 3, 1998.*
10(o)(2)	Schedule of officers with substantially identical agreements to the form filed as Exhibit 10(o)(1) hereto is hereby incorporated by reference to Exhibit 10(j) to Merrimac's Annual Report on Form 10-KSB for the year ending January 3, 1998.*
10(p)	Consulting Agreement dated as of January 1, 1998, between Merrimac and Arthur A. Oliner is hereby incorporated by reference to Exhibit 10 to Merrimac's Quarterly Report on Form 10-QSB for the period ending April 4, 1998.*
10(q)	Separation Agreement dated as of December 31, 1998, between Merrimac and Eugene W. Niemiec is hereby incorporated by reference to

EXHIBIT NO.	DESCRIPTION
	Exhibit 10(p) to Merrimac's Annual Report on Form 10-KSB for the year ending January 2, 1999.*
10(r)	Stockholder's Agreement dated as of October 30, 1998, between Merrimac and Charles F. Huber II is hereby incorporated by reference to Exhibit 10 to Merrimac's Quarterly Report on Form 10-QSB for the year ending October 3, 1998.
10(s)	Stockholder's Agreement dated as of June 3, 1999, among Merrimac, William D. Witter, Inc. and William D. Witter is hereby incorporated by reference to Exhibit 10 to Merrimac's Quarterly Report on Form 10-QSB for the period ending July 3, 1999.
10(t)	Subscription Agreement for Common Stock and Warrants dated October 26, 2000, between Merrimac and Ericsson Holding International, B.V. (with a form of Warrant attached) is hereby incorporated by reference to Exhibit 10(t) to Merrimac's Annual Report on Form 10-KSB for the year ending December 30, 2000.
10(u)	Registration Rights Agreement dated October 26, 2000, between Merrimac and Ericsson Holding International, B.V. is hereby incorporated by reference to Exhibit 10(u) to Merrimac's Annual Report on Form 10-KSB for the year ending December 30, 2000.
10(v)	Subscription Agreement for Common Stock and Warrants dated October 26, 2000, between Merrimac and certain

	entities and individuals related to Adam Smith Investment Partners, L.P. (with a form of Warrant attached) is hereby incorporated by reference to Exhibit 10(v) to Merrimac's Annual Report on Form 10-KSB for the year ending December 30, 2000.
10(w)	Registration Rights Agreement dated October 26, 2000, between

EXHIBIT NO.	DESCRIPTION
	Merrimac and certain entities and individuals related to Adam Smith Investment Partners, L.P. is hereby incorporated by reference to Exhibit 10(w) to Merrimac's Annual Report on Form 10-KSB for the year ending December 30, 2000.
10(x)	Subscription Agreement for Common Stock and Warrants dated October 26, 2000, among Merrimac, Edward H. Cohen, Joseph B. Fuller and Joel H. Goldberg (with a form of Warrant attached) is hereby incorporated by reference to Exhibit 10(x) to Merrimac's Annual Report on Form 10-KSB for the year ending December 30, 2000.
10(y)	2001 Key Employee Incentive Plan is hereby incorporated by reference to Exhibit 4.01 to Merrimac's Form S-8 (No. 333-63434) dated June 30, 2001.
10(z)	2001 Stock Option Plan is hereby incorporated by reference to Exhibit 4.01 to Merrimac's Form S-8 (No. 333-63436) dated June 20, 2001.
10(aa)	2001 Stock Purchase Plan is hereby incorporated by reference to Exhibit 4.01 to Merrimac's Form S-8 (No. 333-63438) dated June 20, 2001.
10(bb)	2001 Amended and Restated Stock Option Plan is hereby incorporated by reference to Exhibit 4(i) to Merrimac's Quarterly Report on Form 10-QSB for the period ending June 30, 2001.
10(cc)	Subscription Agreement, dated February 28, 2002 between Merrimac and DuPont Chemical and Energy Operations, Inc., a subsidiary of E.I. DuPont de Nemours and Company is hereby incorporated by reference to Exhibit 99.2 to Merrimac's Form 8-K for the period ending February 28, 2002.
10(dd)	Registration Rights Agreement, dated February 28, 2002 between Merrimac and DuPont Chemical and Energy Operations, Inc., a subsidiary of E.I. DuPont de Nemours and Company is hereby incorporated by reference to Exhibit 99.3 to Merrimac's Form 8-K for the period ending February 28, 2002.
11	Statement re: Computation of earnings per share.

99.1	Certification Pursuant to Section 1350 to Chapter 63 of Title 18 of the United States Code as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Indicates that exhibit is a management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K

A Current Report on Form 8-K was filed on April 26, 2002, reporting the termination of the Company's relationship with its auditor Arthur Andersen LLP. The Company reported the hiring of Ernst & Young LLP to serve as the Company's independent auditors.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) 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.

MERRIMAC INDUSTRIES, INC.
(Registrant)

Date: August 13, 2002

By: /s/ Mason N. Carter

Mason N. Carter
Chairman, President and
Chief Executive Officer

Date: August 13, 2002

By: /s/ Robert V. Condon

Robert V. Condon
Vice President, Finance, Treasurer,
Secretary and Chief Financial Officer