FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-06-13** | Period of Report: **1995-04-30**
SEC Accession No. 0000047035-95-000008

FILER

HERLEY INDUSTRIES INC /NEW

CIK:**47035**| IRS No.: **232413500** | State of Incorp.:**DE** | Fiscal Year End: **0731**
Type: **10-Q** | Act: **34** | File No.: **000-05411** | Film No.: **95546642**
SIC: **3679** Electronic components, nec

Mailing Address
10 INDUSTRY DRIVE
LANCASTER PA 17603

Business Address
10 INDUSTRY DR
LANCASTER PA 17603
7173972777

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended April 30, 1995

Commission File Number 0-5411

HERLEY INDUSTRIES, INC.
(Exact Name of Registrant as specified in its Charter)

DELAWARE	#23-2413500
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

10 Industry Drive, Lancaster, Pennsylvania	17603
(Address of Principal Executive Offices)	(Zip Code)

(717) 397-2777
(Registrant's Telephone Number, including Area Code)

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.
[X] Yes [ ] No

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

June 9, 1995	3,123,458
(Date)	(Number of Shares)

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HERLEY INDUSTRIES, INC
AND SUBSIDIARIES

INDEX TO FORM 10-Q

For the Quarter Ended April 30, 1995

HERLEY INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	April 30, 1995 (Unaudited)	July 31, 1994 (Audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 362,020	$ 539,729
Accounts receivable	3,687,402	4,940,304
Other receivables	165,689	300,037
Inventories	8,049,506	9,938,190
Prepaid expenses and other	301,400	252,666
Total Current Assets	12,566,017	15,970,926
Property, Plant and Equipment, net	14,171,963	15,542,245
Intangibles, net of amortization	4,920,361	5,124,436
Available-for-sale Securities	5,185,350	11,895,084
Other Investments	3,727,506	3,727,506
Note Receivable	-	1,000,000
Deferred Income Taxes	1,172,422	860,211
Other Assets	468,287	492,257
	$ 42,211,906	$ 54,612,665

The accompanying notes are an integral part of these financial statements.

HERLEY INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)

	April 30, 1995 (Unaudited)	July 31, 1994 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 307,231	$ 552,311
Accounts payable and accrued expenses	7,201,512	6,489,039
Reserve for contract losses	264,000	500,000
Advance payments on contracts	1,145,555	2,513,705
Income taxes payable	37,678	162,543
Total Current Liabilities	8,955,976	10,217,598
Long-term Debt	11,247,867	14,822,834
Deferred Income Taxes	1,493,943	1,291,095
	21,697,786	26,331,527
Commitments and Contingencies		
Shareholders' Equity:		
Common stock, $.10 par value; authorized 10,000,000 shares; issued 3,615,815 at April 30, 1995 and 4,278,189 at July 31 1994.	361,582	427,819
Additional paid-in capital	15,301,806	17,989,374
Retained earnings	5,454,471	10,510,682
	21,117,859	28,927,875
Less (add):		
Unrealized (gain) loss on available-for-sale securities	(24,946)	201,117
Treasury stock at cost	628,685	445,620
Total Shareholders' Equity	20,514,120	28,281,138
	$ 42,211,906	$ 54,612,665

The accompanying notes are an integral part of these financial statements.

HERLEY INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Thirteen weeks ended	
	April 30, 1995	May 1, 1994
Net sales	$ 6,439,622	$ 7,108,987
Cost and expenses:		
Cost of products sold	4,817,881	4,852,940
Selling and administrative expenses	1,331,650	1,862,059
Unusual items	4,870,800	745,663
	11,020,331	7,460,662
Operating (loss)	(4,580,709)	(351,675)
Other income (expense):		
Gain on sale of marketable securities	62,430	734,211
Dividend and interest income	56,767	188,497
Other income	-	690
Interest expense	(220,226)	(323,329)
	(101,029)	600,069
Income (loss) before income taxes	(4,681,738)	248,394
Income tax provision (benefit)	77,000	84,000
Net income (loss)	$(4,758,738)	$ 164,394
Earnings (loss) per common and common equivalent share	$(1.33)	$ 0.04
Weighted average number of common and common equivalent shares outstanding	3,565,234	4,284,733

The accompanying notes are an integral part of these financial statements.

HERLEY INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Thirty-nine weeks ended	
	April 30, 1995	May 1, 1994
Net sales	$ 18,243,592	$ 22,550,872
Cost and expenses:		
Cost of products sold	13,785,211	14,752,586
Selling and administrative expenses	3,540,740	5,761,246
Unusual items	5,447,005	745,663
	22,772,956	21,259,495
Operating income (loss)	(4,529,364)	1,291,377
Other income (expense):		
Gain (loss) on sale of marketable securities	(467,296)	850,302
Dividend and interest income	525,101	603,748
Other income	-	140,331
Interest expense	(743,652)	(949,587)
	(685,847)	644,794
Income (loss) before income taxes	(5,215,211)	1,936,171
Income tax provision (benefit)	(159,000)	488,000
Net income (loss)	$ (5,056,211)	$ 1,448,171
Earnings (loss) per common and common equivalent share	$(1.29)	$ 0.34

Weighted average number of common and

common equivalent shares outstanding	3,905,161	4,319,875
	=========	=========

The accompanying notes are an integral part of these financial statements.

HERLEY INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Thirty-nine weeks ended	
	April 30, 1995	May 1, 1994
Cash flows from operating activities:		
Net income (loss)	$(5,056,211)	$ 1,448,171
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,576,583	1,564,579
(Gain) loss on sale of marketable securities	539,017	(849,762)
Decrease (increase) in deferred tax assets	(323,811)	(365,175)
Increase (decrease) in deferred tax liabilities	202,848	491,939
Common stock issued as compensation	-	6,625
Recovery of unrealized loss on securities	226,063	-
Litigation settlement	5,447,005	-
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	1,252,902	(1,725,689)
Decrease (increase) in other receivables	134,348	(44,091)
Decrease (increase) in inventories	1,888,684	(64,598)
Decrease (increase) in prepaid expenses	(37,134)	940,129
(Decrease) in accounts payable and accrued expenses	(2,494,639)	(1,398,032)
(Decrease)in reserve for contract losses	(236,000)	(1,306,159)
(Decrease) in advance payments on contracts	(1,368,150)	(451,669)
Increase (decrease) in income taxes payable	(124,865)	38,874
Other, net	(585)	(112,805)
Total adjustments	6,682,266	(3,275,834)

Net cash provided by (used in) operating activities	$ 1,626,055	$(1,827,663)

The accompanying notes are an integral part of these financial statements.

HERLEY INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(CONTINUED)

	Thirty-nine weeks ended	
	April 30, 1995	May 1, 1994
Cash flows from investing activities:		
Purchase of available-for-sale securities	$(21,194,485)	$(21,005,041)
Proceeds from sale of available-for-sale securities	27,365,202	20,680,315
Capital expenditures	(114,751)	(409,459)
Net cash provided by (used in) investing activities	6,055,966	(734,185)
Cash flows from financing activities:		
Borrowing under bank line of credit	1,818,102	4,165,361
Proceeds from exercise of stock options	-	92,820
Payments under lines of credit	(7,638,149)	(1,631,252)
Purchase of treasury stock	(2,039,683)	-
Net cash provided by (used in) financing activities	(7,859,730)	2,626,929
Net increase (decrease) in cash and cash equivalents	(177,709)	65,081
Cash and cash equivalents at beginning of period	539,729	595,715
Cash and cash equivalents at end of period	$ 362,020	$ 660,796

The accompanying notes are an integral part of these financial statements.

Herley Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements - (Unaudited)

Note 1.

The consolidated financial statements include the accounts of Herley Industries, Inc. and its subsidiaries, all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of the Company, the accompanying consolidated financial statements reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations and cash flows for the periods presented. These financial statements (except for the balance sheet presented at July 31, 1994) are unaudited and have not been reported on by independent public accountants.

Results of operations for interim periods are not necessarily indicative of the results of operations for a full year due to external factors which are beyond the control of the Company.

Note 2.

Inventories at April 30, 1995 and July 31, 1994 are summarized as follows:

	April 30, 1995	July 31, 1994
Purchased parts and raw materials	$ 4,367,217	$ 5,412,767
Work in process	3,563,110	4,324,393
Finished products	119,179	201,030
	$ 8,049,506	$ 9,938,190

Note 3.

In May 1993 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115, "Accounting for certain Investments in Debt and Equity Securities." The Company adopted the provisions of the new standard for investments held as of or acquired after August 1, 1994. Adoption of this statement did not have a material effect on the financial statements of the Company.

Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Marketable equity securities and debt securities not classified

as held-to-maturity are classified as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported as a separate component of shareholders' equity. Realized gains and losses and declines in value judged to be other-than-temporary are included in other income (expense). The cost of securities sold is based on the specific identification method. Interest and dividends on securities are included in other income (expense).

The following is a summary of available-for-sale securities:

	Available-for-Sale Securities			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
April 30, 1995				
Government bonds	$ 4,870,578	$ 67,288	$ 25,712	$ 4,912,154
Other	269,104	-	-	269,104
Total debt securities	5,139,682	67,288	25,712	5,181,258
Equity securities	4,092	-	-	4,092
	$ 5,143,774	$ 67,288	$ 25,712	$ 5,185,350
July 31, 1994				
Government bonds	$ 6,086,532	$ 20,384	$ 68,528	$ 6,038,388
Municipal bonds	4,646,008	-	247,943	4,398,065

Other	1,327,978	-	-	1,327,978
Total debt securities	12,060,518	20,384	316,471	11,764,431
Equity securities	107,404	23,249	-	130,653
	$ 12,167,922	$ 43,633	$ 316,471	$ 11,895,084

In December 1994, the Company decided to liquidate $6,000,000 of its long-term investments and used the proceeds to pay down a portion of its long-term bank debt. During the quarter ended April 30, 1995, the Company liquidated $685,000 of its long-term investments using the proceeds for the purchase of treasury stock.

Note 4.

The Company has a revolving credit facility with a bank, secured by its portfolio of marketable securities, that provides for the extension of credit in the aggregate principal amount of $12,000,000. The facility

requires the payment of interest only on a monthly basis and payment of the outstanding principal balance on January 31, 1997. Interest is set daily at 1% over the bank s earliest daily rate quoted for Federal Funds applied to outstanding balances up to 80% of the net equity value of certain investments and at the bank's National Commercial Rate for outstanding balances in excess of this limit. In addition, the agreement provides for a fee of 1/8 of 1% of the unused availability under the facility payable quarterly. Borrowings of $5,415,000 were outstanding at April 30, 1995. Interest at the Federal Funds rate (5.9375% at April 30, 1995) plus 1% was applied to $4,424,000 of the outstanding balance, and at the National Commercial Rate of 9.0% on the excess.

The agreement contains various financial covenants, including, among other matters, the maintenance of working capital, tangible net worth and restrictions on cash dividends.

The Company also maintains a letter of credit facility with this bank that provides for the issuance of stand-by letters of credit in the aggregate of $2,000,000. The facility requires the payment of a fee of 1.25% per annum of the amounts outstanding under the facility. The facility expires January, 1996. At April 30, 1995 stand-by letters of credit aggregating $542,611 were outstanding under this facility.

Note 5.

Under the terms of an agreement in 1993 to acquire Carlton Industries, Inc. and its wholly owned subsidiary Vega Precision Laboratories, Inc., certain selling stockholders exercised their option to sell back to the

Company a total of 331,402 (309,074 in December 1994, and 22,328 in March 1995) shares of common stock of the Company at a price of $5.00 per share. Of the proceeds, $1,000,000 was used to pay back the note receivable from the selling stockholders which was secured by the pledge of 200,000 of the shares of common stock sold back to the Company.

Note 6.

During the third quarter of fiscal 1995, the Company settled an action brought by Litton Systems, Inc. Electron Devices Division in April, 1992. The settlement provides for the payment of $2,000,000 in July, 1995 and $2,000,000 in July, 1996, and the entry of an injunction precluding the use by the Company of the alleged misappropriated drawings in connection with the manufacture of beacon magnetrons.

In May, 1995, the Company negotiated a tentative settlement of all claims in connection with two Class Action Complaints filed in May and June, 1994 against the Company and certain of its officers and directors. The settlement, which is subject to the negotiation and execution of a satisfactory Settlement Agreement and Court approval provides for the payment of $450,000, including legal fees, which is partially covered by insurance.

The Consolidated Statements of Operations for the third quarter fiscal 1995 includes an unusual charge of $5,447,005 for settlement costs, legal fees, and related expenses in connection with these matters.

In May, 1995, the Company was served with a Class Action Complaint against the Company and its Chief Executive Officer in the United States District Court for the Eastern District of Pennsylvania. The claim was made under Section 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10 (b)-5 thereunder. The claim relates to the Company's settlement of the Litton Action in the Essex Superior Court of Massachusetts and alleges, inter alia, that there was insufficient disclosure by the Company of its true potential exposure in that claim. The Company believes it has a meritorious defense and intends to vigorously defend against the action.

During the third quarter of fiscal 1994, the Company incurred unusual charges of $745,663 in connection with warranty claims for products shipped by Vega Precision Laboratories, Inc. prior to the acquisition of Vega by the Company.

Note 7.

Supplemental cash flow information is as follows:

	April 30, 1995	May 1, 1994
Cash paid during the period for:		

Interest	$ 696,114	$ 721,202
Income Taxes	121,809	69,699
	=======	=======

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

LIQUIDITY AND CAPITAL RESOURCES

As of April 30, 1995 and July 31, 1994, working capital was approximately $3,610,000 and $5,753,000, respectively, and the ratio of current assets to current liabilities was 1.40 to 1 and 1.56 to 1, respectively.

As is customary in the defense industry, inventory is partially financed by progress payments. The unliquidated balance of these advanced payments was approximately $1,146,000 on April 30, 1995, a decrease of $1,368,000 from July 31, 1994. As receivables are collected from shipments on contracts subject to progress payments, these advanced payments are liquidated. The reduction in accounts receivable of approximately $1,253,000 is consistent with the decline in sales volume.

Net cash provided by investing activities results from the Company's decision to liquidate approximately $6,685,000 of its long-term investments, net of the reinvestment of earnings on its portfolio, and the investment in capital equipment. The proceeds from the sale of investments were used to reduce long-term bank debt and the purchase of treasury stock.

The Company maintains a revolving credit facility with a bank, secured by certain marketable securities, for an aggregate of $12,000,000 which expires January, 1997. As of April 30, 1995 and July 31, 1994, the Company had borrowings outstanding of $5,415,000 and $11,000,000 respectively. Net cash used in financing activities during the quarter is principally attributable to net payments of the credit facility, and the purchase of treasury stock.

At April 30, 1995, the Company owned high grade investment securities having a market value of approximately $5,200,000, and cash and cash equivalents of approximately $362,000.

The Company believes that presently anticipated future cash requirements will be provided by internally generated funds and existing credit facilities. The Company intends to borrow $2,000,000 under its credit facility to pay the initial installment of the legal settlement costs in July, 1995. (See Part II, Item 1 - "Legal Proceedings").

RESULTS OF OPERATIONS

Thirteen weeks ended April 30, 1995 and May 1, 1994
- --

Net sales for the thirteen weeks ended April 30, 1995 decreased by approximately $669,000 or 9% from the comparable period of the prior year due to decreases in flight instrumentation products of approximately $450,000 and decreases in microwave components of approximately $219,000.

Cost of products sold for the thirteen weeks ended April 30, 1995 increased as a percentage of net sales from 68% in 1994 to 75% in 1995. This increase is attributable to a reduction in higher margin foreign sales of approximately $441,000, and a decrease in absorption of fixed costs due to the lower sales volume.

Selling and administrative expenses for the thirteen weeks ended April 30, 1995 decreased approximately $530,000 from the comparable period of the prior year, of which $465,000 is attributable to decreased representative fees on foreign sales, and the transfer of $253,000 of legal fees to the unusual item, offset by an increase of $62,000 in employee medical benefits, a provision of $100,000 for customer disputed charges, and $26,000 in other expenses.

Included in unusual items in 1995 are settlement costs in connection with certain legal actions of $4,310,000, legal fees of $253,000, and related expenses of $308,000. (See Part II, Item 1 - "Legal Proceedings").

The unusual item in 1994 consists of charges of $745,663 in connection with warranty claims for products shipped by Vega Precision Laboratories, Inc. prior to the acquisition of Vega by the Company.

Other income (expense) for the thirteen weeks ended April 30, 1995 decreased $701,000 from the comparable prior year period due to a decrease in gains on the sale of certain long-term investments of $672,000 as compared to 1994, and a decrease in dividend and interest income of $132,000, offset by a decrease in interest expense of $103,000.

Thirty-nine weeks ended April 30, 1995 and May 1, 1994
- ---

Net sales for the thirty-nine weeks ended April 30, 1995 decreased by approximately $4,307,000 or 19% from the comparable period of the prior year due to decreases in flight instrumentation products of approximately $2,973,000 and decreases in microwave components of approximately $1,334,000.

Cost of products sold for the thirty-nine weeks ended April 30, 1995 increased as a percentage of net sales from 65% in 1994 to 76% in 1995. This increase is attributable to a reduction in higher margin foreign sales of approximately $3,803,000, and a decrease in absorption of fixed costs due to the significantly lower sales volume.

Selling and administrative expenses for the thirty-nine weeks ended April 30, 1995 decreased approximately $2,220,000 from the comparable period of the prior year, of which $1,447,000 is attributable to decreased representative fees on foreign sales, $384,000 to a reduction in personnel and related expenses, the transfer of $829,000 of legal fees to the unusual item, which includes an increase in such fees of $354,000 over 1994 (See Part II, Item 1 - "Legal Proceedings"), and $14,000 in other expenses; offset by a provision of $100,000 for customer disputed charges.

Included in unusual items in 1995 are settlement costs in connection with certain legal actions of $4,310,000, legal fees of $829,000, and related expenses of $308,000. (See Part II, Item 1 - "Legal Proceedings").

The unusual item in 1994 consists of charges of $745,663 in connection with warranty claims for products shipped by Vega Precision Laboratories, Inc. prior to the acquisition of Vega by the Company.

Other income (expense) for the thirty-nine weeks ended April 30, 1995 decreased $1,331,000 from the comparable prior year period due to losses on the sales of certain long-term investments of $467,000 as compared to a gain of $850,000 in 1994, decreased dividend and interest income of $79,000, and a decrease of $140,000 in other income (primarily rental income in 1994); offset by a decrease in interest expense of $206,000.

PART II - OTHER INFORMATION
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ITEM 1 - LEGAL PROCEEDINGS:

In April 1992, Litton Systems, Inc. Electron Devices Division ("Litton") commenced an action in the Essex Superior Court of Massachusetts against the Company ("the Litton Action") alleging, among other claims for relief, theft of trade secrets, unfair trade practices and related common law claims in connection with the defendants alleged misappropriation of Litton s beacon magnetron drawings. After trial, the jury rendered a verdict on liability against the Company and the other defendants. Prior to a separate, subsequent trial to determine damages, the Company settled the action for the sum of $4,000,000, and agreed to the entry of an injunction precluding the use by the Company of the alleged misappropriated drawings in connection with the manufacture of beacon magnetrons.

In May and June, 1994, the Company was served respectively, with two Class Action Complaints against the Company and certain of its officers and directors in the United States District Court for the Eastern District of Pennsylvania. The claims were made under Section 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10 (b)-5 thereunder. Another claim was based upon alleged negligence. The claims related to the Company's acquisition of Carlton Industries, Inc. and its subsidiary, Vega Precision Laboratories, Inc. The claims were consolidated into one matter and a consolidated Complaint. In April, 1995, the Court certified that the claims based on the Securities Exchange Act may proceed as a Class Action pursuant to Rule 23(b) (3), but without prejudice to the rights of the parties thereafter to seek modification of the Class or revocation of leave to proceed. The Court refused to certify the negligence claim as a Class Action. In May, 1995, the parties negotiated a tentative settlement of all claims in consideration for a payment of $450,000 subject to the negotiation and execution of a satisfactory Settlement Agreement and Court approval after notice to Class Members. The parties are negotiating the terms of the Settlement Agreement for submission to the Court.

In May, 1995, the Company was served with a Class Action Complaint against the Company and its Chief Executive Officer in the United States District Court for the Eastern District of Pennsylvania. The claim was made under Section 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10 (b)-5 thereunder. The claim relates to the Company's settlement of the Litton Action in the Essex Superior Court of Massachusetts and alleges, inter alia, that there was insufficient disclosure by the Company of its true potential exposure in that claim. The Company believes it has a meritorious defense and intends to vigorously defend against the action.

In or about March, 1994, the principal selling shareholders of Carlton Industries, Inc. ("Carlton") and its subsidiary, Vega Precision Laboratories, Inc. ("Vega"), as claimants, commenced an arbitration proceeding before the American Arbitration Association in New York City pursuant to the terms of

the Stock Purchase Agreement ("Agreement") by which the Company acquired the stock of Carlton and Vega. The claimants principally are seeking to recover damages for the Company's alleged failure to register timely the claimants' shares of the Company's common stock in accordance with the provisions of the Agreement and other breaches of the Agreement. The Company has denied and has contested vigorously the legitimacy of the claimants' claims and has interposed several counterclaims seeking indemnification under the Agreement against the principal selling shareholders, for damages suffered by the Company in an aggregate amount exceeding $1 million as a result of breaches of contractual representations. After several days of hearings, the matter has yet to be determined finally by the Arbitrators.

There is no certainty as to the outcome of these matters. However, in the opinion of management, the ultimate liability on these matters, if any, will not have a material adverse effect on the financial position of the Company.

ITEM 2 - CHANGES IN SECURITIES:

None

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES:

None

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS:

None

ITEM 5 - OTHER INFORMATION:

None

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K:

(a) Exhibit 11: Computation of per share earnings.

(b) During the quarter for which this report is filed, the Registrant filed the following reports under Form 8-K:

None

FORM 10-Q

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HERLEY INDUSTRIES, INC.

Registrant

BY: /S/ Myron Levy

Myron Levy, President

BY: /S/ Anello C. Garefino

Anello C. Garefino
Principal Financial Officer

DATE: June 13, 1995

Exhibit 11

COMPUTATION OF PER SHARE EARNINGS

	Thirteen weeks ended	
	April 30, 1995	May 1, 1994
Net Income (loss)	$(4,758,738)	$ 167,394
Weighted average number of common shares outstanding	3,565,234	4,284,733
Number of shares outstanding	3,615,815	4,278,189
Earnings (loss) per common and common equivalent share:		
Net income (loss)	$(1.33)	$ .04

	Thirty-nine weeks ended	
	April 30, 1995	May 1, 1994
Net Income (loss)	$(5,056,211)	$ 1,448,171
Weighted average number of common shares outstanding	3,905,161	4,319,875
Number of shares outstanding	3,615,815	4,278,189
Earnings (loss) per common and common equivalent share:		
Net income (loss)	$(1.29)	$ .34

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED
FROM THE
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS
ENDED APRIL 30,
1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH
FINANCIAL STATEMENTS.
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<INCOME-TAX>	(159,000)
<INCOME-CONTINUING>	(5,056,211)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(5,056,211)
<EPS-PRIMARY>	(1.29)
<EPS-DILUTED>	(1.29)

</TABLE>