EXX INC/NV/
Form 10-Q
August 10, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
X --- Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2001 or

--- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act nof 1934

For the transition period from ________________ to ______________________________

Commission file number 1-5654

EXX INC

(Exact Name of Registrant as Specified in Its Charter)

Nevada	88-0325271
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
1350 East Flamingo Road, Suite 689, Las Vegas, Nevada	89119-5263
(Address or Principal Executive Offices)	(Zip Code)

(702) 598-3223

(Registrant's Telephone Number, Including Area Code)

NONE

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports),

and (2) has been subject to such filing requirements for the past 90 days.

Yes X NO

Number of shares of common stock outstanding as of June 30, 2001:

11,290,807 Class A Shares and 617,853 Class B Shares.

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

A. Balance Sheets

ASSETS	June 30, 2001	December 31, 2000
	(unaudited)	(audited)
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,305,000	$ 7,772,000
Short-term investments	301,000	599,000
Accounts receivable, less allowances of $88,000 and $84,000	2,751,000	2,863,000
Inventories, at lower of cost or market:		
Raw materials	550,000	979,000
Work in process	221,000	214,000
Finished goods	2,098,000	1,802,000
	2,869,000	2,995,000
Other current assets	259,000	356,000
Refundable income taxes	--	152,000
Deferred income taxes	560,000	594,000
TOTAL CURRENT ASSETS	16,045,000	15,331,000
Property, plant and equipment, at cost:		
Land	41,000	41,000
Buildings and improvements	2,987,000	2,987,000
Machinery and equipment	6,448,000	6,444,000
	9,476,000	9,472,000
Less accumulated depreciation and amortization	7,568,000	7,447,000
	1,908,000	2,025,000
Long Term Investments	1,094,000	526,000
Other assets	414,000	394,000
TOTALS	$19,461,000	$18,276,000

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A. Balance Sheets (continued)

LIABILITIES	June 30, 2001	December 31, 2000
	(unaudited)	(audited)
CURRENT LIABILITIES:		
Long-term debt, current portion	$ 68,000	$ 63,000
Accounts payable and other current liabilities	3,504,000	3,657,000
Income taxes payable	197,000	-
TOTAL CURRENT LIABILITIES	3,769,000	3,720,000
LONG-TERM DEBT:		
Notes payable, less current portion	1,586,000	1,627,000
Pension Liability	473,000	473,000
Deferred tax liability	380,000	185,000
	2,439,000	2,285,000
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value; Authorized 5,000,000 shares;		
Common stock, Class A $.01 par value, authorized 25,000,000 shares; 12,061,607 shares issued	121,000	121,000
Common stock, Class B $.01 par value, Authorized 1,000,000 shares; 624,953 shares issued	6,000	6,000
Capital in excess of par value	2,670,000	2,670,000
Accumulated other comprehensive loss	(588,000)	(929,000)
Retained earnings	11,567,000	10,691,000
Less Treasury Stock 770,800 and 403,800 shares of Class A Common Stock and 7,100 and 6,300 shares of Class B Common Stock, at cost, respectively	(523,000)	(288,000)
TOTAL STOCKHOLDERS' EQUITY	13,253,000	12,271,000
TOTALS	$19,461,000	$18,276,000

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B. Statements of Income (Unaudited)

	For the Three-Month Period Ended		For the Six-Month Period Ended	
	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 2000
Net sales	$ 4,927,000	$ 4,098,000	$ 9,905,000	$ 9,518,000
Cost of sales	3,071,000	2,832,000	6,535,000	6,090,000
Gross profit	1,856,000	1,266,000	3,370,000	3,428,000
Selling, general and administrative expenses	1,220,000	1,054,000	2,209,000	2,116,000
Operating income	636,000	212,000	1,161,000	1,312,000
Interest expense	23,000	23,000	71,000	48,000
Other income	122,000	192,000	237,000	287,000
Income before provision for income taxes	735,000	381,000	1,327,000	1,551,000
Provision for income taxes	250,000	130,000	451 ,000	528,000
Net income	$ 485,000	$ 251,000	$ 876,000	$ 1,023,000
Net income per common share Basic	$ .04	$ .02	$ .07	$ .08
Diluted	$ .04	$ .02	$ .07	$ .08
Weighted average shares outstanding Basic	12,114,874	12,686,560	12,184,391	12,686,560
Diluted	12,173,993	13,078,920	12,241,907	13,078,920

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C. Statements of Cash Flow (Unaudited)

	For the Six-Month Period Ended	
	June 30, 2001	June 30, 2000
Operating activities:		
Net income	$ 876,000	$ 1,023,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and Amortization	121,000	120,000
Provision for bad debts	2,000	2,000
Deferred tax liability	(32,000)	(80,000)
Increase (decrease) in cash attributable to changes in operating assets and liabilities:		
Accounts receivable	110,000	952,000
Inventories	126,000	(453,000)
Other current assets	97,000	(230,000)
Other assets	(20,000)	219,000
Refundable Income Taxes	152,000	111,000
Deferred Income Taxes	34,000	--
Accounts payable and other current liabilities	(153,000)	(707,000)
Income Taxes Payable	197,000	--
Net cash provided by operating activities	1,510,000	957,000
Cash flows from investing activities		
Purchase of property and equipment	(4,000)	(108,000)
Proceeds from sale of Short Term Investments	298,000	4,029,000
Purchase of Long Term Investments	--	(114,000)
Net cash provided by investing activities	294,000	3,807,000
Cash flows from financing activities		
Payments on notes payable	(36,000)	(24,000)
Purchases of Treasury Stock	(235,000)	--
Net cash used in financing activities	(271,000)	(24,000)
Net increase in cash and cash equivalents	1,533,000	4,740,000
Cash and cash equivalents, beginning of period	7,772,000	2,315,000
Cash and cash equivalents, end of period	$ 9,305,000	$ 7,055,000

C. Statements of Cash Flow (unaudited) (continued)

	For the Six-Month Period Ended	
	June 30, 2001	June 30, 2000
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	$ 71,000	$ 48,000
Income taxes	$ 104,000	$ 536,000

Supplemental schedule of non-cash investing and financing activities

NONE

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D. Notes to Financial Statements

Note 1: The unaudited financial statements as of June 30, 2001 and 2000 reflect all adjustments which are necessary in the opinion of management for a fair presentation of the results for the periods stated. All adjustments so made are of a normal recurring nature. Certain financial information and footnote disclosures normally included in financial statements in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. The reader is referred to the audited consolidated financial statements and notes thereto included in the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000.

Note 2: Long -Term Debt

Long-Term debt represents obligations of the Handi-Pac subsidiary as follows:

	June 30, 2001
Notes payable - SBA Loans	$ 836,000
Capital lease payable	818,000
	1,654,000
Current Portion of Long-Term debt	68,000
	$1,586,000

During the first quarter 1998, the Company opened a limited credit facility with a bank for two subsidiaries which includes a $300,000 sub-limit for direct borrowings and a $100,000 sub-limit for documentary letters of credit all secured by certain of the Company's money market funds.

As of June 30, 2001, there was no other bank debt for the other subsidiaries except as noted above.

Note 3: Stock Dividend

Effective March 8, 2000, the Company paid a 400% stock dividend to all shareholders of the Company's Class A and B common stock of record as of December 16, 1999. The dividend was four shares of the Company's Class A common stock for each share of Class A and/or Class B common stock owned by a shareholder. All transactions and disclosures in the consolidated financial statements, related to the Company's Class A and Class B common stock have been restated to reflect the effects of the stock dividend. In addition, at the time of this transaction, the Company retired the Treasury Stock in its possession, namely 5,591,407 Class A shares and 304,153 Class B shares.

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Note 4: Comprehensive Income

Comprehensive Income is as follows:

	For the Three-Month Period Ended		For the Six-Month Period Ended	
	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 2000
Net income	$485,000	$251,000	$ 876,000	$1,023,000
Unrealized gains on debt and equity securities net of taxes:	50,000	498,000	341,000	656,000
Comprehensive Income	$535,000	$749,000	$1,217,000	$1,679,000

Note 5: The following information is reported as required for industry segment disclosure.

Three Months Ended June 30, 2001

Mechanical

	Equipment	Toy	Corporate	Consolidated
Sales	$3,239,000	$1,688,000	$ -	$4,927,000
Operating income (loss)	$ 642,000	$ 130,000	$(136,000)	$ 636,000
Interest expense	-	(23,000)	-	(23,000)
Interest income	5,000	-	80,000	85,000
Other income	21,000	16,000	-	37,000
Income (loss) before Income taxes (benefit)	$ 668,000	$ 123,000	$ (56,000)	$ 735,000

	Six Months Ended June 30, 2001			
	Mechanical Equipment	Toy	Corporate	Consolidated
Sales	$6,079,000	$3,826,000	$ -	$9,905,000
Operating income (loss)	$ 988,000	$ 450,000	$(277,000)	$1,161,000
Interest expense	-	(46,000)	(25,000)	(71,000)
Interest income	11,000	-	173,000	184,000
Other income	32,000	21,000	-	53,000
Income (loss) before Income taxes (benefit)	$1,031,000	$ 425,000	$(129,000)	$1,327,000

Note 5 - cont'd

	Three Months Ended June 30, 2000			
	Mechanical Equipment	Toy	Corporate	Consolidated
Sales	$2,611,000	$1,487,000	$ -	$4,098,000
Operating income (loss)	$ 273,000	$ 96,000	$(157,000)	$ 212,000
Interest expense	-	(23,000)	-	(23,000)

Interest income	20,000	-	114,000	134,000
Other income	54,000	4,000	-	58,000
Income (loss) before Income taxes (benefit)	$ 347,000	$ 77,000	$ (43,000)	$ 381,000

Six Months Ended June 30, 2000

	Mechanical Equipment	Toy	Corporate	Consolidated
Sales	$6,203,000	$3,315,000	$ -	$9,518,000
Operating income (loss)	$1,268,000	$ 335,000	$(291,000)	$1,312,000
Interest expense	-	(48,000)	-	(48,000)
Interest income	31,000	-	190,000	221,000
Other income	60,000	6,000	-	66,000
Income (loss) before income taxes (benefit)	$1,359,000	$ 293,000	$(101,000)	$1,551,000

Note 6: Subsequent Events

On July 23, 2001, Newcor Inc. amended its Rights Agreement and Newcor, EXX INC and David A. Segal amended their existing Agreement to permit EXX to increase its ownership to 34.9% of Newcor's outstanding shares. On the same date, six of Newcor's directors resigned and three new directors were appointed to the Newcor Board of Directors. The three new directors are also directors of EXX. Simultaneously, the number of directors constituting the board of directors of Newcor was reduced to six directors. Further, on the same date, EXX purchased 679,994 shares of Newcor common stock and $500,000 principal amount of Newcor's 9.875% Senior Subordinated Notes Due 2008 from five of the resigning directors and 24,000 shares from David A. Segal, bringing EXX's ownership to approximately 31% of Newcor's outstanding shares. In connection with such purchases, EXX paid an aggregate of $1,679,238 in cash. For additional information about the transactions, see Newcor's current report on Form 8-K filed July 31, 2001.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following management's discussion and analysis of results of operations and financial condition contains certain forward-looking statements which are covered under the safe harbor provisions of the Private Securities Legislation Reform Act of 1995 with respect to the Company's future financial performance.

Although EXX INC believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be realized. Forward-looking statements involve known and unknown risks which may cause EXX INC's actual results and corporate developments to differ materially from those expected. Factors that could cause results and developments to differ materially from EXX INC's expectations include, without limitation, changes in manufacturing and shipment schedules, delays in completing plant construction and acquisitions, new product and technology developments, competition within each business segment, cyclicality of the markets for the products of a major segment, litigation, significant cost variances, the effects of acquisitions and divestitures, and other risks.

A. Results of Operations

Sales for the second quarter of 2001 were $4,927,000 compared to $4,098,000 in 2000. For the six month period, 2001 sales were $9,905,000 compared to $9,518,000 in 2000, a 4% increase. The Mechanical equipment group's second quarter sales totaled $3,239,000 compared to $2,611,000 in 2000, while the six month sales totaled $6,079,000 compared to $6,203,000 in 2000, a 2% decrease. The Toy segment's second quarter sales totaled $1,688,000 compared to $1,487,000 in 2000, while the six month 2001 sales totaled $3,826,000 compared to $3,315,000 in 2000.

Gross profit for the second quarter 2001 totaled $1,856,000 compared to $1,266,000 in 2000. For the six month period, 2001 gross profit was $3,370,000 compared to $3,428,000 in 2000. The Mechanical Equipment Group produced increased gross profits for the comparable three month periods, but showed decreased gross profits for the comparable six month periods. The Toy Division produced increased gross profits for both the three and six month comparable periods.

Second quarter Mechanical Equipment Group sales reflect some improvement in the Telecommunications area. The Motor segment continues to present the greater challenge due to the current economic conditions and our continuing need to maintain and increase our market penetration in a very competitive market environment.

While second quarter Toy sales have increased from the prior year and the six months sales also reflect an increase from the prior year, management still believes the increase represents a build-up in customers inventories and not any indication of any industry upturn. As stated in the prior quarter, there have been no changes in the Toy industry to indicate anything to the contrary.

Operating income was $636,000 for the second quarter 2001 compared to operating income of $212,000 in 2000. For the six months, operating income was $1,161,000 compared to operating income of $1,312,000 in 2000.

Interest expense was $23,000 for the second quarter 2001 compared to $23,000 in the same period last year. For the six months, interest expense was $71,000 compared to $48,000 for 2000.

The net income for the second quarter of 2001 was $485,000 or 4 cents per share (basic and diluted) compared to net income of $251,000 or 2 cents per share (basic and diluted) in the comparable period of 2000. On a six months basis, the net income was $876,000 or 7 cents per share (basic and diluted) compared to net income of $1,023,000 or 8 cents per share (basic and diluted) for the 2000 period.

B. Liquidity and Capital Resources

For the six months ended June 30, 2001, the Company was provided with $1,510,000 from operating activities as compared to $957,000 in the corresponding period of the preceding year. For the six months ended June 30, 2001, the Company was provided with $294,000 from investing activities, principally from the sale of Short Term investments. In the corresponding period of the preceding year, the Company was provided with $3,807,000 for investing activities, principally from the sale of short tem investments. Cash used in financing activities during the six months ended June 30, 2001 of $271,000 relates, to note repayments and purchase of Treasury Stock as compared to $24,000 in the prior period ended June 30, 2000 which related to note repayments.

At June 30, 2001, the Company had working capital of approximately $12,276,000 and a current ratio of 4.3 to 1. In addition, as described in Notes to Financial Statements, the Registrant's Handi-Pac subsidiary has $1,654,000 of long-term debt outstanding. During the first quarter 1998, the Company opened a limited credit facility with a bank for two subsidiaries which includes a $300,000 sub-limit for direct borrowings and a $100,000 sub-limit for documentary letters of credit all secured by certain of the Company's money market funds. The Registrant considers its working capital, as described above, to be more than adequate to handle its current operating capital needs.

PART II. OTHER INFORMATION

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

(a) The Annual Meeting of Shareholders was held on June 1, 2001.

(b)(c) (1) The proposal to re-elect the one Class A director was passed by a vote of 11,288,059 shares in favor and 190,014 shares abstaining.

(2) The proposal to re-elect the three Class B directors was passed by a vote of 528,630 shares in favor and 1,171 shares abstaining.

(3) There were no other proposals brought up at this meeting.

SIGNATURE

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.

EXX INC

By: /s/ David A. Segal

David A. Segal
Chairman of the Board
Chief Executive Officer
Chief Financial Officer

Date: August 10, 2001

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