EXX INC/NV/
Form 10-Q
November 13, 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 September 30, 2001 or

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

For the transition period from ________ to ________

Commission file number 1-5654

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 September 30, 2001:
11,051,807 Class A Shares and 617,853 Class B Shares.

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

A. Balance Sheets

ASSETS	September 30, 2001 (unaudited)	December 31, 20
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,716,000	$ 7,772,000
Short-term investments	-	599,000
Accounts receivable, less allowances of $88,000 and $88,000	3,070,000	2,863,000
Inventories, at lower of cost or market:		
Raw materials	334,000	979,000
Work in process	153,000	214,000
Finished goods	1,758,000	1,802,000
	2,245,000	2,995,000
Other current assets	202,000	356,000
Refundable income taxes	-	152,000
Deferred income taxes	276,000	276,000
TOTAL CURRENT ASSETS	14,509,000	15,013,000
Property, plant and equipment, at cost:		
Land	41,000	41,000
Buildings and improvements	2,987,000	2,987,000
Machinery and equipment	6,459,000	6,444,000
	9,487,000	9,472,000
Less accumulated depreciation and amortization	7,630,000	7,447,000
	1,857,000	2,025,000
Other assets	413,000	394,000
TOTALS	$ 16,779,000	$ 17,432,000

See Notes to Financial Statements

A. Balance Sheets (continued)

LIABILITIES	September 30, 2001 (unaudited)	December 31,
CURRENT LIABILITIES:		
Long-term debt, current portion	$ 68,000	$ 63,00
Accounts payable and other current liabilities	3,550,000	3,657,00
Income taxes payable	175,000	-
TOTAL CURRENT LIABILITIES	3,793,000	3,720,00
LONG-TERM DEBT:		
Notes payable, less current portion	1,569,000	1,627,00
Pension Liability	473,000	473,00
Deferred Tax Liability	185,000	185,00
	2,227,000	2,285,00
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	121,00
Common stock, Class B $.01 par value, Authorized 1,000,000 shares; 624,953 shares issued	6,000	6,00
Capital in excess of par value	2,670,000	2,670,00
Accumulated other comprehensive loss	(312,000)	(312,00
Retained earnings	8,939,000	9,230,00
Less Treasury Stock 1,009,800 and 403,800 Shares of Class A Common Stock and 7,100 and 6,300 shares of Class B Common Stock, at cost, respectively	(665,000)	(288,00
TOTAL STOCKHOLDERS' EQUITY	10,759,000	11,427,00
TOTALS	$ 16,779,000	$ 17,432,00

See Notes to Financial Statements

B. Statements of Income (Unaudited)

	For the Three-Month Period Ended		For the Nine-
	September 30, 2001	September 30, 2000	September 30, 200
Net sales	$ 4,900,000	$ 4,490,000	$ 14,805,00
Cost of sales	3,206,000	3,077,000	9,741,00
Gross profit	1,694,000	1,413,000	5,064,00
Selling, general and administrative expenses	976,000	939,000	3,185,00
Operating income	718,000	474,000	1,879,00
Interest expense	(23,000)	(24,000)	(94,00
Other income	83,000	85,000	320,00
Equity in losses of Newcor, Inc.	(1,680,000)	(130,000)	(1,680,00
Income before provision for income taxes	(902,000)	405,000	425,00
Provision for income taxes	265,000	182,000	716,00
Net income (loss)	(1,167,000)	223,000	(291,00
Net income (loss) per common share			
Basic	$ (.10)	$ .02	$ (.0
Diluted	$ (.10)	$ .02	$ (.0
Weighted average shares outstanding			
Basic	11,801,601	12,676,047	12,055,41
Diluted	11,801,601	13,024,215	12,055,41

See Notes to Financial Statements

C. Statements of Cash Flow (Unaudited)

	For the Nine-Month Peri	
	September 30, 2001	Septem
Operating activities:		
Net income	$ (291,000)	$ 1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and Amortization	183,000	
Provision for bad debts	-	
Equity in losses of Newcor, Inc.	1,680,000	
Deferred Income taxes	-	
Increase (decrease) in cash attributable to changes in operating assets and liabilities:		
Accounts receivable	(207,000)	
Inventories	750,000	
Other current assets	154,000	
Other assets	(19,000)	
Refundable income taxes	152,000	
Accounts payable and other current liabilities	(107,000)	
Income Taxes Payable	175,000	
Net cash provided by operating activities	2,470,000	1
Cash flows from investing activities:		
Purchase and Sale of property and equipment (net)	(15,000)	
Proceeds from sale of Short Term Investments	599,000	4
Purchase of investments and advances in Newcor, Inc.	(1,680,000)	
Net cash provided by (used in) investing activities	(1,096,000)	3
Cash flows from financing activities		
Payments on notes payable	(53,000)	
Purchases of Treasury Stock	(377,000)	
Net cash used in financing activities	(430,000)	
Net increase in cash and cash equivalents	944,000	4
Cash and cash equivalents, beginning of period	7,772,000	2
Cash and cash equivalents, end of period	$ 8,716,000	$ 7

See Notes to Financial Statements

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

	For the Nine-Month Peri	
	September 30, 2001	Septem
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 94,000	$
Income taxes	$ 391,000	$

Supplemental schedule of non-cash investing and financing activities:

NONE

See Notes to Financial Statements

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D. Notes to Financial Statements

Note 1: The unaudited consolidated financial statements as of September 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 consolidated 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: Change in Control of Newcor, Inc.

On July 23, 2001, Newcor, Inc. ("Newcor") amended its Rights Agreement and Newcor, EXX INC ("EXX") 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.

Note 3: Accounting Changes

Prior to EXX's acquisition of the additional shares of Newcor referred to in Note 2, the Company accounted for its investment in Newcor as an available for sale marketable security. The changes in the market value of the Newcor shares were recorded as comprehensive income in each applicable period. The additional acquisition increased the company's ownership percentage in Newcor to 31.23% thereby requiring the Company to use the equity method of accounting for this investment in accordance with Accounting Principles Board Opinion No. 18. The changes to the equity method is considered a change in entity, requiring EXX to give retroactive effect to this change in all prior periods that Newcor stock was held. The financial statements for all periods prior to September 30, 2001 have been restated to give effect to this change. In addition, on October 5, 2001 Newcor incurred an event of default on its subordinated notes. EXX believes that its equity in the losses of Newcor has reduced its investment to zero and accordingly has reflected this change on EXX's books for the quarter ending September 30, 2001.

Note 4: Earnings per share

The difference between the number of shares used to compute basic net income per share and diluted net income per share relates to additional shares to be issued upon the assumed exercise of stock options, net of shares hypothetically repurchased at the average price with the proceeds of exercise. For the three months ended September 30, 2000 and the nine months ended September 30, 2000, these amounted to 348,168, and 563,639 respectively. The additional shares have not been included for the three months and nine months ended September 30, 2001, since their effect would be antidilutive.

See Notes to Financial Statements

Note 5: Long-Term Debt

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

	September 30, 2001
Notes Payable - SBA Loans	$ 825,000
Capital lease payable	812,000
	1,637,000
Current Portion of Long-Term Debt	68,000
	$ 1,569,000

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 $150,000 sub-limit for documentary letters of credit all secured by certain of the Company's money market funds.

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

Note 6: Comprehensive Income (loss)

Comprehensive Income (loss) is as follows:

	For the Three-Month Period Ended		For the Nine
	September 30, 2001	September 30, 2000	September 30, 20
Net income (loss)	$ (1,167,000)	$ 223,000	$ (291,00
Unrealized gains on debt and equity securities net of taxes:	-	2,000	-
Comprehensive Income (loss)	$ (1,167,000)	$ 225,000	$ (291,00

Note 7: The following information is reported as required for industry segment

disclosure.

	Three Months Ended September 30, 20		
	Mechanical Equipment	Toys	Corporate
Sales	$ 2,409,000	$ 2,491,000	$ -
Operating income (loss)	$ 379,000	$ 452,000	$ (113,000)
Interest expense	-	(23,000)	-
Interest income	2,000	-	63,000
Other income	12,000	6,000	-
Equity in losses of Newcor, Inc.	-	-	(1,680,000)
Income (loss) before Income taxes (benefit)	$ 393,000	$ 435,000	$ (1,730,000)

	Nine Months Ended September 30, 20		
	Mechanical Equipment	Toys	Corporate
Sales	$ 8,488,000	$ 6,317,000	$ -
Operating income (loss)	$ 1,367,000	$ 902,000	$ (390,000)
Interest expense	-	(69,000)	(25,000)
Interest income	13,000	-	236,000
Other income	44,000	27,000	-
Equity in losses of Newcor, Inc.	-	-	(1,680,000)
Income (loss) before Income taxes (benefit)	$ 1,424,000	$ 860,000	$ (1,859,000)

Note 7 - Cont'd

	Three Months Ended September 30, 20		
	Mechanical Equipment	Toys	Corporate
Sales	$ 2,598,000	$ 1,892,000	$ -
Operating income	$ 360,000	$ 296,000	$ (182,000)
Interest expense	-	(24,000)	-
Interest income	7,000	-	105,000
Other income	(43,000)	12,000	4,000
Equity in losses of Newcor, Inc.	-	-	(130,000)
Income (loss) before Income taxes (benefit)	$ 324,000	$ 284,000	$ (203,000)

	Nine Months Ended September 30, 20		
	Mechanical Equipment	Toys	Corporate
Sales	$ 8,801,000	$ 5,207,000	$ -
Operating income	$ 1,628,000	$ 631,000	$ (473,000)
Interest expense	-	(72,000)	-
Interest income	38,000	-	295,000
Other income	17,000	18,000	4,000
Equity in losses of Newcor, Inc.	-	-	(118,000)
Income (loss) before Income taxes (benefit)	$ 1,683,000	$ 577,000	$ (292,000)

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 third quarter of 2001 were $4,900,000 compared to $4,490,000 in 2000, a 9% increase. For the nine month period, 2001 sales were $14,805,000 compared to $14,008,000 in 2000. The Mechanical equipment group's third quarter sales totaled $2,409,000 compared to $2,598,000 in 2000, while the nine month sales totaled $8,488,000 compared to $8,801,000 in 2000. The Toy Segment's third quarter sales totaled $2,491,000 compared to $1,892,000 in 2000, while the nine month 2001 sales totaled $6,317,000 compared to $5,207,000, in 2000.

Gross profit for the third quarter 2001 totaled $1,694,000 compared to $1,413,000 in 2000. For the nine-month period, 2001 gross profits were $5,064,000 compared to $4,841,000 in 2000.

Third quarter Mechanical Equipment Group sales reflect some improvement in the telecommunications area countered by a reduction in the motor segment. The general economic climate continues to negatively impact on the motor operations requiring management's stringent efforts to competitively maintain and attempt to increase market share.

While third quarter Toy division sales show an increase from the comparable prior year quarter, management continues to believe that the changes are not indicative of any trend but of the results of customers balancing inventory levels. Management remains committed to increase its customer base while attempting to improve sales in a highly competitive and flat market.

Operating income was $718,000 for the third quarter 2001 compared to $474,000 in 2000. For the nine months, operating profit was $1,879,000 compared to $1,786,000 in 2000.

Interest expense was $23,000 for the third quarter 2001 compared to $24,000 in the same period last year. For the nine months of 2001, interest expense was $94,000 compared to $72,000 for 2000.

The net loss for the third quarter of 2001, after charges for the equity in losses of Newcor, Inc., was ($1,167,000) or 10 cents per share (basic and diluted), compared to net income of $223,000 or 2 cents per share (basic and diluted) in the comparable period of 2000. On a nine month basis, the net loss after charges for the equity in losses of Newcor, Inc., was ($291,000) or 2 cents per share (basic and diluted) compared to net income of $1,258,000 or 10 cents per share (basic and diluted) for the 2000 period.

B. Liquidity and Capital Resources

For the nine months ended September 30, 2001, the Company generated $2,470,000 from operating activities as compared to generating $1,223,000 in the corresponding period of the preceding year. For the nine months ended September 30, 2001, the Company utilized $1,096,000 for investing activities. In the corresponding period of the preceding year, the Company generated $3,624,000 from investing activities, principally from the sale of short-term investments. Cash used in financing activities during the nine months ended September 30, 2001 of $430,000 relates principally to the purchase of treasury stock as compared to $93,000 in the prior period ended September 30, 2000 which relates to the payments of notes payable and purchases of treasury stock.

At September 30, 2001, the Company had working capital of approximately $10,716,000 and a current ratio of 3.8 to 1. In addition, as described in Notes to Financial Statements, the Registrant's Handi-Pac subsidiary has $1,637,000 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 $150,000 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

Not applicable.

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: November 13, 2001