ESSEX CORPORATION

FORM 10-QSB/A NO. 1
U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended April 1, 2001

Commission File Number 0-10772

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

Virginia	54-0846569
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9150 Guilford Road, Columbia, Maryland	21046
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including area code: (301) 939-7000

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 class of Common Stock as of the latest practicable date.

CLASS	OUTSTANDING AT APRIL 27, 2001
Common Stock, no par value per share	4,700,361

Transitional Small Business Disclosure Format (Check One);

YES ____ NO X

ESSEX CORPORATION
PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The interim financial statements are unaudited but, in the opinion of management, reflect all adjustments for a fair presentation of results for such period. The results of operations for any interim period are not necessarily indicative of results for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-KSB/A No. 2 for the fiscal year ended December 31, 2000.

ESSEX CORPORATION

BALANCE SHEETS

	April 1, 2001	December 31, 2000
	(unaudited)	(audited)
ASSETS		
CURRENT ASSETS		
Cash	$ 725,667	$ 1,015,634
Accounts receivable, net	132,843	165,614
Inventory	58,770	49,857
Prepayments and other	59,645	33,433
	976,925	1,264,538
PROPERTY AND EQUIPMENT		
Computers and special equipment	987,625	737,980
Furniture, equipment and other	237,770	225,508
	1,225,395	963,488
Accumulated depreciation and amortization	(867,561)	(863,254
	357,834	100,234
OTHER ASSETS		
Patents, net	166,066	158,100
Other	77,561	96,461
	243,627	254,561
TOTAL ASSETS	$ 1,578,386	$ 1,619,333

ESSEX CORPORATION

BALANCE SHEETS

	April 1, 2001	December 2000
	(unaudited)	(audite
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 159,236	$ 1
Accrued wages and vacation	168,981	1
Capital leases	132,034	
Other accrued expenses	78,030	
Accrued lease settlement	--	1
	538,281	5
LONG-TERM DEBT		
Capital leases, net of current portion	113,401	
Total Liabilities	651,682	5
COMMITMENTS AND CONTINGENCIES (NOTE 4)		
STOCKHOLDERS' EQUITY		
Common stock, no par value; 25 million shares authorized; 4,695,361 and 4,570,361 shares issued and outstanding, respectively	7,030,320	6,4
Convertible preferred stock, $0.01 par value; 1 million total shares authorized; 500,000 shares of Series B authorized, 375,000 and 312,500 shares outstanding, respectively	1,500,000	1,2
Additional paid-in capital	1,500,000	1,2
Accumulated deficit	(9,103,616)	(7,9
	926,704	1,0
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,578,386	$ 1,6

4

ESSEX CORPORATION

STATEMENTS OF OPERATIONS
FOR THE THIRTEEN WEEK PERIODS
ENDED APRIL 1, 2001 AND MARCH 26, 2000

	2001	2000

	(unaudited)	(unaudited
Revenues	$ 412,828	$ 975
Costs of goods sold and services provided	(198,953)	(401
Research and development	(581,576)	(117
Selling, general and administrative expenses	(586,063)	(457
Operating Loss	(953,764)	
Interest income (expense), net and debenture financing amortization	5,694	(8
Loss Before Income Taxes	(948,070)	(8
Provision for income taxes	--	
Net Loss	(948,070)	(8
Beneficial conversion feature of convertible preferred stock	(250,000)	
Net Loss Attributable to Common Stockholders	$ (1,198,070)	$ (8
Weighted Average Number of Shares Outstanding	5,873,932	4,397
Basic Loss Per Common Share	$ (0.20)	$ (0
Diluted Loss Per Common Share	$ (0.20)	$ (0

5

ESSEX CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE THIRTEEN WEEK PERIODS
ENDED APRIL 1, 2001 AND MARCH 26, 2000

	2001	2000
	(unaudited)	(unaudi
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (948,070)	$
Adjustments to reconcile Net Loss to Net Cash (Used In) Provided By Operating Activities:		

Depreciation and amortization	53,436	
Gain on sale/retirement of fixed assets	--	
Stock option compensation expense	34,000	
Change in Assets and Liabilities:		
Accounts receivable	32,771	
Inventory	(8,913)	
Prepayments and other assets	(26,212)	
Accounts Payable	27,302	
Accrued lease settlement	(107,766)	
Other Liabilities	(42,012)	
Net Cash (Used In) Provided By Operating Activities	(985,464)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(36,800)	
Proceeds from sale of fixed assets	--	
Net Cash (Used In) Provided By Investing Activities	(36,800)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Sale of preferred stock	250,000	
Sales of common stock	500,000	
Short-term repayments (borrowings), net	--	
Payment of capital lease obligations	(17,703)	
Net Cash Provided By (Used In) Financing Activities	732,297	
CASH AND CASH EQUIVALENTS		
Net (decrease) increase	(289,967)	
Balance - beginning of period	1,015,634	
Balance - end of period	$ 725,667	$

ESSEX CORPORATION
NOTES TO INTERIM FINANCIAL INFORMATION

NOTE 1: General

FISCAL YEAR AND PRESENTATION

Essex Corporation (the "Company") is on a 52/53-week fiscal year ending the last Sunday in December. Year 2000 was a 53-week fiscal year. Year 2001 is a 52-week fiscal year. Certain amounts for 2000 have been reclassified to conform to the

2001 presentation.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for uncollectible accounts receivable, inventory obsolescence and valuation, depreciation and amortization, intangible assets, employee benefit plans and contingencies, among others. Actual results could differ from those estimates.

IMPORTANT BUSINESS RISK FACTORS

The Company has historically been principally a supplier of technical services under contracts or subcontracts with departments or agencies of the U.S. Government, primarily the military services and other departments and agencies of the Department of Defense. In recent years, the Company's revenues had been principally from a commercial customer in the satellite communications business area. This work substantially ended in December 1999 and limited other satellite communications work has continued.

The Company has expended significant funds to transition into the commercial marketplace, particularly the productization of its proprietary technologies in optoelectronic processors. In June 2000, the Company announced that it had filed applications to secure patent protection for innovative technologies in two communications device families: Fiberoptic HyperFine Wavelength Division Multiplex channelizers (HfWDM) and Optical Processor Enhanced Receiver Architecture (OPERA). In September 2000, the Company obtained $2 million in financing from an Investor Group to advance its programs to capitalize upon these inventions. In March 2001, the Company received a commitment for an additional $2 million in financing from the same Investor Group, of which $500,000 has been received.

The Company incurred significant losses in the first quarter of 2001, primarily due to the increased expenditures for development of its optoelectronics products and services, particularly the optical telecommunications device technologies. The Company plans to continue research and development spending in 2001 in the optoelectronics operations. The long-term success of the Company in these areas is dependent on its ability to successfully develop and market products related to its communications devices and optoelectronic processors. The success of these efforts is subject to changing technologies, availability of additional financing, competition and ultimately market acceptance.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred. Such costs include direct labor and materials as well as a reasonable allocation of indirect costs. However, no general and administrative costs are included. Equipment which has alternative future uses is capitalized and charged to expense over its estimated useful life.

NOTE 2: Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per common share are computed using the weighted average number of common shares outstanding during the period and common shares issuable upon the required conversion of preferred stock. Diluted earnings per common share would incorporate the incremental shares issuable upon the assumed exercise of stock options and warrants. Such incremental shares were anti dilutive for the periods presented.

NOTE 3: Accounts Receivable Financing

The Company has a working capital financing agreement with an accounts receivable factoring organization. Under such an agreement, the factoring organization may purchase certain of the Company's accounts receivable subject to full recourse against the Company in the case of nonpayment by the customers. The Company generally receives 85%-90% of the invoice amount at the time of purchase and the balance when the invoice is paid. The Company is charged an interest fee and other processing charges, payable at the time each invoice is paid. There were no funds advanced as of April 1, 2001 or December 31, 2000.

NOTE 4: Commitments and Contingencies

In early 2001, the Company entered into several capital leases for special optical test and telephone equipment. The capital equipment cost of these leases is approximately $250,000 and the lease terms are 2-3 years.

NOTE 5: Common Stock; Warrants; Preferred Stock

The Company's Articles of Incorporation authorize 1 million shares of preferred stock, par value $0.01 per share, the series and rights of which may be designated by the Board of Directors in accordance with applicable state and federal law. In September 2000, the Board designated 500,000 shares of such preferred stock as Series B. There were 312,500 shares of Series B issued in 2000 for $1,250,000 and an additional 62,500 shares issued in 2001 for $250,000 to the Investor Group. The remaining 125,000 shares are subscribed for by the Investor Group at $500,000 which will be paid in equal installments in June and September 2001. Each Series B share must be converted into 4 shares of common stock before September 12, 2002. The Series B has 51% voting rights, subject to certain terms and conditions, on all stockholder matters. No Series A preferred shares are currently outstanding.

In connection with the issuance of the preferred stock, the Company also issued common stock warrants to the preferred stock holders. These warrants are for an additional 2 million shares of common stock. The warrants have a term of 5 years and can be exercised at a nominal price. The warrants become exercisable under certain terms and conditions, such as the market price of the common stock exceeding $10 through $20 per share for 5 consecutive days, or the

8

ESSEX CORPORATION

occurrence of an additional private placement of $10 million where the valuation of the Company exceeds $50 million. The warrants would also become exercisable upon a sale of all or substantially all of the assets of the Company or a merger or acquisition of the Company. The Company has determined that the warrants had a nominal fair value at issuance due to the restrictive covenants. The Company has reserved 4 million shares of common stock in connection with the convertible preferred stock and the possible exercise of the related common stock warrants.

In accordance with Emerging Issues Task Force Issue No. 98-5 "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios", the Company has imputed and recorded a deemed dividend of $1,500,000 on its Series B Preferred Stock equal to the difference between the estimated current market price at original date of issuance and the conversion price (the "beneficial conversion feature"). There remains an additional $500,000 of beneficial conversion feature to be recorded as a deemed dividend when the remaining preferred stock is issued. Such imputed dividends have no impact on net income (loss) from operations or cash flows but have to be considered when calculating earnings (loss) per share attributable to common stockholders.

In March 2001, the Company closed on a private placement funding transaction with the same Investor Group. Under the terms of the funding, the Company received $500,000 immediately and will receive payments of $500,000 in June, August and October 2001. The Company will issue 500,000 shares in total of its common stock in connection with this transaction.

NOTE 6: Income Taxes

The Company is in a net operating loss (NOL) carryforward position for book and tax purposes. No tax benefit will be recognized until taxable income is realized.

NOTE 7: Statements of Cash Flows - Supplemental Disclosure

In 2001, the Company entered into capital leases for new equipment for $241,000. There were no new capital leases entered into in the first quarter of 2000.

NOTE 8: Restatement of Certain 2000 Financial Data

The Company has restated components of stockholders' equity to reflect the effect of the beneficial conversion feature of the Series B Convertible Preferred Stock, by increasing Additional Paid-In Capital to $1,250,000 from $0 and changing Accumulated Deficit by a like amount, from $(6,655,546) to $(7,905,546). There was no change to total stockholders' equity of $1,090,774.

9

ESSEX CORPORATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION AND OTHER SECTIONS CONTAIN FORWARD-LOOKING STATEMENTS THAT ARE BASED ON MANAGEMENT'S EXPECTATIONS, ESTIMATES, PROJECTIONS AND ASSUMPTIONS. WORDS SUCH AS "EXPECTS", "ANTICIPATES", "PLANS", "BELIEVES", "ESTIMATES" AND VARIATIONS OF SUCH WORDS AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY SUCH FORWARD-LOOKING STATEMENTS THAT INCLUDE, BUT ARE NOT LIMITED TO, PROJECTIONS OF REVENUES, EARNINGS, SEGMENT PERFORMANCE, CASH FLOWS AND CONTRACT AWARDS. SUCH FORWARD-LOOKING STATEMENTS ARE MADE PURSUANT TO THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE CERTAIN RISKS AND UNCERTAINTIES THAT ARE DIFFICULT TO PREDICT. THEREFORE, ACTUAL FUTURE RESULTS AND TRENDS MAY DIFFER MATERIALLY FROM WHAT IS INDICATED IN FORWARD-LOOKING STATEMENTS DUE TO A VARIETY OF FACTORS.

STATUS

The Company's business is focused increasingly upon applications of its proprietary optoelectronics technology and products.

In September 2000 the Company closed on a private placement funding transaction with GEF Optical Investment Company, LLC and Networking Ventures L.L.C. (together, the "Investor Group"). Under the terms of the funding, the Company has received $1,500,000 and will receive another $500,000 in 2001. The Investor

Group received preferred stock that is convertible into 1,500,000 shares of common stock. Additional preferred stock convertible into another 500,000 common shares will be issued as payments are made. The Investor Group was also issued warrants for an additional 2 million shares of common stock. The warrants can be exercised for a nominal price under certain terms and conditions. In December 2000 the Company received a separate investment of $400,000 from the Investor Group through the purchase of Common Stock. In March 2001, the Company received a commitment for an additional $2 million in financing from the same Investor Group. The Company received $500,000 in March and will receive payments of $500,000 in June, August and October of 2001. See Note 5 of Notes to Financial Statements for further details.

The Company's primary use of the funds is to patent, develop and commercialize its key leading-edge optical technologies, principally the fiberoptic HyperFine Wavelength Division Multiplex channelizers (HfWDM) and wireless Optical Processor Enhanced Receiver Architecture (OPERA). The Company began the internal work to support patent filings and the related development work on the technology devices during the third quarter of 2000. The purpose of the HfWDM is to increase the number of usable communications channels within a single optical fiber. The purpose of the OPERA is to increase capacity and improve voice and data quality of wireless systems. These inventions arose from the Company's work and expertise in the optical devices and communications fields.

The Company has a working laboratory model of the HfWDM which is being demonstrated to prospective strategic partners and investors. The Company expects that prototype units of its HyperFine family of devices will be available for evaluation by customers beginning in mid-summer 2001. The Company is developing simulations of its OPERA wireless receiver device technology and is undertaking to determine the various market entry points for such device technology. The Company is also having discussions with various established commercial entities

10

ESSEX CORPORATION

that are in the wireless communications market in order to determine the best commercial applications of such technology.

The development of these devices has required a diversion of labor resources from revenue generation since mid 2000 and is expected to continue to do so for the remainder of 2001. The Company has begun to hire additional personnel to augment existing technical staff. Since the Company is investing the new capital in such research and development, the financial statements reflect higher than normal expenses which increase the Company's reported losses.

Because of the emphasis on development, the Company has been unable to maintain programs of sufficient volume and to expand such work to consistently achieve an overall breakeven or better level of operations on such revenues. Work based on the patented ImSyn(TM) Processor continues on application contracts for U.S. Government customers for the development of advanced synthetic aperture radar (SAR) techniques. The remaining value of these contracts is approximately $740,000. The Company received $1.4 million in new contract awards in April 2001 from the Department of Defense. The largest contract, for $1 million for work to be performed in 2001, is to apply improvements made to ImSyn(TM) optoelectronic processors for high speed image processing.

The Company is working to reduce the deficit from operations and to improve its cash flows. Backlog and order issues will continue to be major concerns until substantial improvements realized from customer funded development programs have been achieved. The Company has established significant reserves against its

ImSyn(TM) inventory for such changes and delays in the introduction of these first units.

REVENUES

Revenues were $413,000 and $975,000 for the first quarters of 2001 and 2000, respectively. The first quarter 2000 revenues include approximately $148,000 for recovery of excess indirect costs on a government contract completed in 1994. There was no such cost recovery in the first quarter of 2001. Without this recovery, first quarter 2000 revenues would have been $827,000. Revenues in the first quarter of 2001 were therefore 50% lower than the first quarter of 2000. The decline in revenues was due to the diversion of labor resources to continuing development work and the delay in receipt of new contract awards until April 2001.

As of April 1, 2001, the Company had a backlog on programs related to services and applications of optoelectronics of approximately $1,943,000, up from $997,000 at December 31, 2000. The Company had no firm orders for ImSyn(TM) units as of the date of this report.

INCOME (LOSS)

There was an operating loss of $954,000 and $400 in the first quarters of 2001 and 2000, respectively. There was a net loss of $948,000 and $9,000 in the first quarters of 2001 and 2000, respectively. Without the approximately $148,000 recovery of excess costs on a previously completed contract, the first quarter 2000 operating and net losses would have been larger by this amount. Cost of goods sold and services provided as a percentage of revenues (excluding revenue from recovery of prior year excess costs) for the first quarter of 2001 was 48.2%, which was slightly lower than the 48.5% in 2000.

Research and development (R&D) increased in 2001 to approximately $582,000 from approximately $117,000 in 2000. In 2001, the majority of the R&D costs were incurred on efforts

related to optical telecommunications technology. In 2000, the majority of the expenditures were on ImSyn development. The Company has greatly increased its R&D spending since the September 2000 capital infusion and expects to continue its increased R&D spending in the optical and telecommunications areas in 2001.

The Company has increased selling, general and administrative expenses ("SG&A"), particularly as related to optoelectronics and telecommunications new device business areas. Overall, SG&A expenses remain high relative to the revenue volume as the Company seeks to commercialize its optoelectronic telecommunications products and services. The high SG&A expenses contributed to the operating losses in the first quarters of 2001 and 2000.

CORPORATE MATTERS

In 2001, the Company netted $6,000 of interest income, primarily from the temporary investment of funds from the private placements. Total interest expense and debenture financing amortization costs were $8,000 in the first quarter of 2000.

The Company is in a net operating loss (NOL) carryforward position. No provision or benefit from income taxes was recognized in the first quarters of 2001 or 2000.

FINANCIAL CONDITION - LIQUIDITY AND CAPITAL RESOURCES

The Company evaluates its liquidity position using various factors. The following represents some of the more important factors:

	SELECTED FINANCIAL DATA ($ Tho AS OF	
	April 1, 2001	December 31, 2000
	(unaudited)	(audited)
Total Assets	$ 1,578	$ 1,619
Working Capital	$ 439	$ 736
Current Ratio	1.81:1	2.39:1
Advance from Accounts Receivable Financing	$ --	$ --
Convertible Debentures	--	--
Capital Leases	245	23
Total Debt/Financing	$ 245	$ 23
Stockholders' Equity	$ 927	$ 1,091

In late 2000, the Company received $1,250,000 of a $2 million commitment from the private placement sale of 312,500 shares of Series B Preferred Stock to the Investor Group. In the first quarter of 2001, the Company received $250,000 from this commitment. The Company will receive the remaining $500,000 from equal payments in June and September 2001 in exchange for

12

ESSEX CORPORATION

an additional 125,000 shares of Series B Preferred Stock. The funds are to be used primarily for the development of the optical telecommunications device technologies.

The Company paid off the $376,000 of Convertible Debentures in November 2000. In December 2000, the Company received proceeds of $400,000 from the sale of 160,000 shares of common stock to the Investor Group.

In March 2001, the Company negotiated an additional investment of $2 million with the Investor Group. The additional investment is structured as a private placement of 500,000 shares of Essex common stock. The funds will be received in four equal installments during 2001 and the first payment was received in March 2001. The proceeds will primarily be used to expand development in the Company's optoelectronic telecommunications device technologies.

The Company incurred significant losses in the first quarter of 2001, primarily due to the increased expenditures for development of its optoelectronics products and services, particularly the optical telecommunications device technologies. The Company plans to continue research and development spending in 2001 in the optoelectronics operations.

The Company is seeking to establish joint ventures or strategic partnerships including licensing of its technologies to major industrial concerns to facilitate these goals. The Company may also seek additional funds under appropriate terms from private sources, including the Investor Group, to continue to finance development and to achieve initial market penetration. Significant delays in the commercialization of the Company's optoelectronic products, failure to market such products or failure to raise substantial additional working capital would have a significant adverse effect on the Company's future operating results and future financial position.

The Company has a working capital financing arrangement with an accounts receivable factoring organization. Under such an agreement, the factoring organization may purchase certain of the Company's accounts receivable subject to full recourse against the Company in the case of nonpayment by the customers. The Company generally receives 85%-90% of the invoice amount at the time of purchase and the balance when the invoice is paid. The Company is charged an interest fee and other processing charges, payable at the time each invoice is paid. There were no funds advanced as of April 1, 2001 or December 31, 2000.

The Company believes that it will be able to meet its 2001 funding requirements and obligations from the aforementioned sources of revenue and capital, and if necessary, by cost reductions. However, there can be no assurances in this regard and the Company expects that it will need significant additional financing in the future.

THE PRECEDING PARAGRAPHS DISCUSSING THE COMPANY'S FINANCIAL CONDITION CONTAIN FORWARD-LOOKING STATEMENTS. THE FACTORS AFFECTING THE ABILITY OF THE COMPANY TO MEET ITS FUNDING REQUIREMENTS AND MANAGE ITS CASH RESOURCES INCLUDE, AMONG OTHER THINGS, THE AMOUNT AND TIMING OF PRODUCT SALES, INVENTORY TURNOVER, THE MAGNITUDE OF FIXED COSTS AND THE ABILITY TO OBTAIN WORKING CAPITAL, ALL OF WHICH INVOLVE RISKS AND UNCERTAINTIES THAT ARE DIFFICULT TO PREDICT.

ESSEX CORPORATION
PART II - OTHER INFORMATION

Item 6. Exhibits and Report on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURE

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ESSEX CORPORATION
(Registrant)

Date: August 22, 2001

/s/ Joseph R. Kurry, Jr.

Joseph R. Kurry, Jr.
Senior Vice President
Treasurer and Chief Financial Officer

(Mr. Kurry is the Principal Financial and Accounting Officer and has been duly authorized to sign on behalf of the Registrant.)

14