ESSEX CORPORATION
Form 10QSB
August 14, 2002

FORM 10-QSB
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 June 30, 2002

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
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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 AUGUST 5, 2002
Common Stock, no par value per share	5,396,792

Transitional Small Business Disclosure Format (Check One);

YES NO X
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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 for the fiscal year ended December

30, 2001.

ESSEX CORPORATION

BALANCE SHEETS

	June 30, 2002 (unaudited)	December 30, 2001 (audited)
ASSETS		
CURRENT ASSETS		
Cash	$ 362,175	$ 568,178
Accounts receivable, net	175,435	284,649
Prepayments and other	74,247	76,969
Inventory	29,983	29,983
	641,840	959,779
PROPERTY AND EQUIPMENT		
Computers and special equipment	919,333	849,453
Furniture, equipment and other	255,213	260,526
	1,174,546	1,109,979
Accumulated depreciation and amortization	(806,932)	(747,059)
	367,614	362,920
OTHER ASSETS		
Patents, net	270,617	211,030
Other	21,909	19,213
	292,526	230,243
TOTAL ASSETS	$ 1,301,980	$ 1,552,942

ESSEX CORPORATION

BALANCE SHEETS

	June 30, 2002	December 30, 2001

	(unaudited)	(audited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Advance from accounts receivable financing	$ 36,280	$ --
Accounts payable	361,274	313,741
Accrued wages and vacation	245,877	239,476
Capital leases	151,904	130,961
Accrued retirement	37,492	62,000
Other accrued expenses	131,798	101,387
	964,625	847,565
LONG-TERM DEBT		
Capital leases, net of current portion	17,561	60,078
Total Liabilities	982,186	907,643
COMMITMENTS AND CONTINGENCIES (NOTE 4)		
STOCKHOLDERS' EQUITY		
Common stock, no par value; 25 million shares authorized; 5,394,792 and 5,155,605 shares issued and outstanding, respectively	10,209,900	8,870,044
Convertible preferred stock, $0.01 par value; 1 million total shares authorized; 500,000 shares of Series B authorized and outstanding	2,000,000	2,000,000
Additional paid-in capital	2,000,000	2,000,000
Accumulated deficit	(13,890,106)	(12,224,745)
	319,794	645,299
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,301,980	$ 1,552,942

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ESSEX CORPORATION

STATEMENTS OF OPERATIONS
FOR THE TWENTY-SIX WEEK PERIODS
ENDED JUNE 30, 2002 AND JULY 1, 2001

	2002	2001
	(unaudited)	(unaudited)
Revenues	$ 1,492,709	$ 1,135,364
Costs of goods sold and services provided	(747,772)	(566,980)
Research and development	(966,233)	(1,269,645)

Selling, general and administrative expenses	(1,434,046)	(1,074,335)
Operating Loss	(1,655,342)	(1,775,596)
Interest (expense) income, net	(10,019)	9,271
Loss Before Income Taxes	(1,665,361)	(1,766,325)
Provision for income taxes	--	--
Net Loss	(1,665,361)	(1,766,325)
Beneficial conversion feature of convertible preferred stock	--	(500,000)
Net Loss Attributable to Common Stockholders	$ (1,665,361)	$ (2,266,325)
Weighted Average Number of Shares Outstanding	7,289,120	6,081,158
Basic Loss Per Common Share	$ (0.23)	$ (0.37)
Diluted Loss Per Common Share	$ (0.23)	$ (0.37)

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STATEMENTS OF OPERATIONS
FOR THE THIRTEEN WEEK PERIODS
ENDED JUNE 30, 2002 AND JULY 1, 2001

	2002	2001
	(unaudited)	(unaudited)
Revenues	$ 729,433	$ 722,536
Costs of goods sold and services provided	(359,033)	(368,027)
Research and development	(468,184)	(688,069)
Selling, general and administrative expenses	(733,669)	(488,272)
Operating Loss	(831,453)	(821,832)
Interest (expense) income, net	(3,877)	3,577
Loss Before Income Taxes	(835,330)	(818,255)

Provision for income taxes	--	--
Net Loss	(835,330)	(818,255)
Beneficial conversion feature of convertible preferred stock	--	(250,000)
Net Loss Attributable to Common Stockholders	$ (835,330)	$ (1,068,255)
Weighted Average Number of Shares Outstanding	7,353,348	6,288,383
Basic Loss Per Common Share	$ (0.12)	$ (0.17)
Diluted Loss Per Common Share	$ (0.12)	$ (0.17)

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STATEMENTS OF CASH FLOWS
FOR THE TWENTY-SIX WEEK PERIODS
ENDED JUNE 30, 2002 AND JULY 1, 2001

	2002	2001
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (1,665,361)	$ (1,766,325)
Adjustments to reconcile Net Loss to Net Cash Used In Operating Activities:		
Depreciation and amortization	73,258	125,220
Stock option and compensation expense	246,325	34,000
Gain on sale/retirement of fixed assets	(91)	(104)
Change in Assets and Liabilities:		
Accounts receivable	109,214	(69,188)
Prepayments and other assets	2,260	(81,254)
Inventory	--	(41,796)
Accounts payable	47,533	(14,641)
Accrued lease settlement	--	(107,766)
Other liabilities	(58,205)	74,467
Net Cash Used In Operating Activities	(1,245,067)	(1,847,387)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(7,432)	(62,865)
Proceeds from sale of fixed assets	91	104

Net Cash Used In Investing Activities	(7,341)	(62,761)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Sales of common stock	1,000,003	1,000,000
Sale of preferred stock	--	500,000
Exercise of stock options	93,528	5,000
Short-term borrowings, net	36,280	--
Payment of capital lease obligations	(83,406)	(40,130)
Net Cash Provided By Financing Activities	1,046,405	1,464,870
CASH AND CASH EQUIVALENTS		
Net decrease	(206,003)	(445,278)
Balance - beginning of period	568,178	1,015,634
Balance - end of period	$ 362,175	$ 570,356

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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. Years 2002 and 2001 are 52-week fiscal years. Certain amounts from prior annual and quarterly periods have been reclassified to conform to this 2002 presentation.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

The Company has expended significant funds to transition into the commercial marketplace, particularly the productization of its proprietary technologies in telecommunications and optoelectronic processors. Since June 2000, the Company has filed applications to secure patent protection for innovative technologies in two communications device families: Fiberoptic HYPERFINE WDM (wavelength division multiplexing) devices and wireless optical processor enhanced receiver architecture (OPERA(TM)). Since September 2000, the Company has received nearly $6 million in financing from its Investor Group to advance its programs to capitalize upon these inventions. 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.

Primarily due to the increased expenditures for development and marketing of its optoelectronics products and services, particularly the optical telecommunications device technologies, and also due to expenses related to the Company's efforts to raise additional financing, the Company incurred significant losses in the first half of 2002. The Company also incurred such losses in fiscal years 2000 and 2001. The Company plans to continue research and development spending in 2002 in the optoelectronics operations. In order to maintain spending levels, the Company will need additional funds.

The Company is seeking to establish joint ventures or strategic partnerships including licensing of its technologies with major industry participants to facilitate these goals. The Company will also

also additional funds under appropriate terms from private sources 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.

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 was $36,000 of funds advanced as of June 30, 2002. There were no funds advanced as of December 30, 2001.

NOTE 4: Commitments and Contingencies

The Company has entered into several capital leases for special optical test and telephone equipment. The capital equipment cost of these leases was approximately $300,000, the remaining lease terms are less than 2 years and the remaining principal amounts due total $169,000 at June 30, 2002.

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 the remaining 187,500 issued in 2001 for $750,000. 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 expire in September 2005 and can be exercised at a nominal total price of $2,000. 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 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 imputed and recorded in 2000 and 2001 a total deemed dividend of $2,000,000 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"). Such imputed dividends had no impact on net loss from operations or cash flows but had to be considered when calculating loss per share attributable to common stockholders.

In March 2002, the Company amended the latest existing private placement agreements for its common stock with its Investor Group or their affiliates. The agreements were increased from $500,000 to $1.5 million, of which $250,000 was received in December 2001 and $1,000,000 was received in the first half of 2002. The remaining $250,000 is subject to a call by the Company on an as needed basis during 2002. These agreements provide for the shares of common stock to be issued at an initial price per share of $6.50 subject to an antidilution adjustment feature. Under this feature if the Company issues shares at a price less than $6.50 per share to other institutional investors during 2002, the Investor Group's purchase price will be adjusted downward to the lower price, but not less than $3.00 per share.

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

There were $62,000 of new capital leases entered into in the first half of 2002. In the first half of 2001, the Company entered into capital leases for new equipment for $288,000.

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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 upon applications of its proprietary optoelectronics technology and products.

In March 2002, the Company amended the latest existing private placement agreements for its common stock with its Investor Group or their affiliates. These agreements were increased from $500,000 to $1.5 million, of which $250,000 was received in December 2001 and $1,000,000 was received in the first half of 2002. The remaining $250,000 is subject to a call by the Company on an as needed basis during 2002. These agreements provide for the shares of common stock to be issued at an initial price per share of $6.50 subject to an antidilution adjustment feature. Under this feature if the Company issues shares at a price less than $6.50 per share to other institutional investors during 2002, the Investor Group's purchase price will be adjusted downward to the lower price, but not less than $3.00 per share. Prior to December 2001, the Investor Group has invested approximately $4.4 million in the Company beginning in September 2000.

The Company's primary use of the funds is to patent, develop and commercialize its key leading-edge optical technologies, principally the HYPERFINE WDM devices and wireless OPERA(TM) technology. The purpose of the HYPERFINE WDM device is to increase the number of usable communications channels within a single optical fiber. The purpose of OPERA(TM) 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 device and communications fields.

The Company has prototypes of the HYPERFINE WDM technology which are being demonstrated to prospective strategic partners and investors. The Company began placing prototypes of its initial HYPERFINE WDM devices in field trials by potential customers in late September 2001. The Company is developing simulations of its OPERA(TM) wireless receiver device technology and is undertaking to determine the various market entry points for such device technology. The Company is also holding discussions with various established commercial entities that are in the wireless communications market regarding development of initial prototypes.

The development of these devices required a diversion of labor resources from revenue generation in 2001 and continues to do so in 2002. The Company may hire additional personnel to augment existing technical and sales staff. Since the Company is investing the new capital in such research,

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development and marketing, the financial statements reflect higher than normal expenses which increases the Company's reported losses.

Because of the emphasis on development, the Company has been unable to maintain customer 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 or related to the patented ImSyn(TM) Processor and other Essex optical hardware processing and techniques continues for the development of advanced SAR (synthetic aperture radar). These efforts generally fall under SBIR (U.S. Government Small Business Innovative Research) programs. The Company is working to reduce the overall 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 currently does not have sufficient resources to bring its telecommunications and optoelectronics processing devices to market. In order to maintain development and marketing spending levels, the Company will need additional funds. Accordingly, the Company will likely have to partner with or enter into licensing arrangements with major industry participants in order to successfully introduce its technology and products. There can be no assurance that the Company will be successful in entering into such agreements.

REVENUES

Revenues were $729,000 and $723,000 for the second quarters of 2002 and 2001, respectively. Revenues for the first half of 2002 were $1,493,000, an increase of 31% from the $1,135,000 in revenues for the first half of 2001. The increase in revenues was due to the Company beginning in April 2001 a U.S. Government program for application of its proprietary optoelectronics technology and products. The Company is continuing work on this program and others in 2002.

As of June 30, 2002, the Company had a backlog on programs related to services and applications of optoelectronics of approximately $3,460,000, up from $1,105,000 at March 31, 2002.

INCOME (LOSS)

There was an operating loss of $832,000 and $822,000 in the second quarters of 2002 and 2001, respectively. There were operating losses of $1,655,000 and $1,776,000 in the first half periods of 2002 and 2001, respectively. Cost of goods sold and services provided as a percentage of revenues for the first half of 2002 and 2001 were both approximately 50%. In the second quarter of 2002, costs of goods sold and services provided was 49.2% compared to 50.9% in the same period of 2001. The year-to-date net loss declined as a larger amount of fixed expenses were covered by the higher revenue volume.

Research and development (R&D) was approximately $966,000 in the first half of 2002, down 24% from approximately $1,270,000 in the same period in 2001. Expenditures for the initial HYPERFINE WDM development in 2001 required significant outside vendor costs for materials and non-recurring engineering. Such costs have declined in 2002 and are also being managed against available funding. The majority of the R&D costs were incurred on efforts related to optical telecommunications technology. The Company has maintained its R&D spending since the September 2000 capital infusion and, subject to the availability of funds, expects to continue its R&D spending in the optical and telecommunications areas in 2002.

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The Company has increased selling, general and administrative expenses ("SG&A"), particularly in marketing for optoelectronics and telecommunications new device business areas. The Company has also incurred higher expenses related to the Company's efforts to raise additional financing in 2002. 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 half periods of 2002 and 2001.

CORPORATE MATTERS

The Company recognized a $500,000 charge in the first half of 2001 from the beneficial conversion feature of convertible preferred stock. As proceeds were received from the sale of preferred stock in 2001 and 2000, the Company recognized the pro rata beneficial conversion feature on the convertible preferred stock as a deemed dividend for purposes of computing net loss attributable to common stockholders and per share amounts. The total recorded was $750,000 in 2001 and $1,250,000 in 2000. This imputed amount had no effect on net loss (from operations) or cash flows.

Total interest expense was $10,000 in the first half of 2002. In the same period in 2001, the Company netted $9,000 of interest income, primarily from the temporary investment of funds from the private placements.

The Company is in a NOL carryforward position. No provision or benefit from income taxes was recognized in the first half of 2002 or 2001.

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 ($ Thousands)
AS OF

	June 30, 2002	December 30, 2001	July 1, 2001
	(unaudited)	(audited)	(unaudited)

Total Assets	$ 1,302	$ 1,553	$ 1,609
Working Capital (Deficit)	$ (323)	$ 112	$ 395
Current Ratio	0.67:1	1.13:1	1.64:1
Advance from Accounts Receivable Financing	$ 36	$ --	$ --
Capital Leases	170	191	271
Total Debt/Financing	$ 206	$ 191	$ 271
Stockholders' Equity	$ 320	$ 645	$ 863

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The net cash provided by financing activities in 2002 and 2001 is primarily from the Company completing several private placements of equity securities to its Investor Group or their affiliates. The Company received $3,400,000 and $1,250,000 in fiscal 2001 and fiscal 2000, respectively and another $1,000,000 in the first half of 2002 from these private placements. The funds have been and are to be used primarily for the development, marketing and management of the optical telecommunications device technologies.

The net cash used in operating activities has resulted from the significant losses incurred by the Company in 2002 and 2001, primarily due to the increased expenditures for development and marketing of its optoelectronics products and services, particularly in the optical telecommunications device technologies field. The Company's working capital and ratio continue to decrease primarily due to these losses. The Company plans to continue R&D spending in 2002 in the optoelectronics operations. In order to maintain spending levels, the Company will need additional funds.

The Company is seeking to establish joint ventures or strategic partnerships including licensing of its technologies to major industry participants, to facilitate these goals. The Company will 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. As part of this funding effort, commencing in December 2001 the Investor Group or their affiliates committed to purchase an additional $1.5 million of Common Stock at an initial per share price of $6.50 subject to an antidilution adjustment feature. Under this feature if the Company issues shares at a price less than $6.50 per share to other institutional investors during 2002, the Investor Group's purchase price will be adjusted downward to the lower price, but not less than $3.00 per share. Of the $1.5 million, $250,000 was received in December 2001 and $1,000,000 was received in the first half of 2002. The remaining $250,000 is subject to a call by the Company on an as needed basis in 2002. 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 financial position.

The Company has a working capital financing arrangement with an accounts receivable factoring organization. Under such 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 was $36,000 of funds advanced as of June 30, 2002. There were no funds advanced as of December 30, 2001.

The Company believes that it will be able to meet its remaining 2002 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

Exhibit 99.1 - Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(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 14, 2002

/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.)