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SOLITRON DEVICES INC
Form 10QSB
January 07, 2003

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U.S. SECURITIES & EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended November 30, 2002

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number: 001-04978

SOLITRON DEVICES, INC.

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

Delaware

22-1684144

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification Number)

3301 Electronics Way, West Palm Beach, Florida 33407

(Address of principal executive offices)

(561) 848-4311

(Issuer's telephone number)

N/A

(Former name, former address and former fiscal year,
if changed since last report)

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common
equity, as of November 30, 2002: 2,070,378.

Transitional Small Business Disclosure Format (check one):

Yes [] No

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SOLITRON DEVICES, INC.

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SOLITRON DEVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

	November 30, 2002 ----- (Unaudited)	February 28, 2002 ----- (Audited)
CURRENT ASSETS:		
Cash	\$ 1,618,000	\$ 1,335,000

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Accounts receivable, less allowance for doubtful accounts of \$2,000	871,000	965,000
Inventories	2,687,000	2,692,000
Prepaid expenses and other current assets	142,000	135,000
Due from S/V Microwave	0	1,000
	-----	-----
Total current assets	\$ 5,318,000	\$ 5,128,000
PROPERTY, PLANT AND EQUIPMENT, net	599,000	477,000
NON-OPERATING PLANT FACILITIES, net of cost to dispose	0	0
OTHER ASSETS	53,000	52,000
	-----	-----
TOTAL ASSETS	\$ 5,970,000	\$ 5,657,000
	=====	=====

The accompanying notes are an integral part
of these financial statements

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SOLITRON DEVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	November 30, 2002	February 28, 2002
	(Unaudited)	(Audited)
CURRENT LIABILITIES:		
Current portion of accrued environmental expenses	\$ 819,000	\$ 738,000
Accounts payable - Post petition	510,000	410,000
Accounts payable - Pre-petition, current portion	616,000	651,000
Accrued expenses and other liabilities	1,349,000	1,271,000
Accrued Chapter 11 administrative expense	0	1,000
	-----	-----
Total current liabilities	\$ 3,294,000	\$ 3,071,000
Other long-term liabilities net of current portion, net of cost to dispose of non-operating plant facilities	353,000	430,000
	-----	-----
TOTAL LIABILITIES	\$ 3,647,000	\$ 3,501,000
	=====	=====
Stockholders' Equity:		
Preferred stock, \$.01 par value, authorized 500,000 shares, 0 shares issued and outstanding	0	0
Common stock \$.01 par value, authorized 10,000,000 shares, issued and outstanding 2,070,821	21,000	21,000
Additional paid-in capital	2,617,000	2,617,000
Accumulated deficit	(315,000)	(482,000)

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Total stockholders' equity	----- 2,323,000 -----	----- 2,156,000 -----
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 5,970,000 =====	\$ 5,657,000 =====

The accompanying notes are an integral part
of these financial statements

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SOLITRON DEVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended November 30, 2002	2001	Nine Months Ended 2002
	-----	-----	-----
NET SALES	\$ 1,821,000	\$ 1,366,000	\$ 5,449,000
Cost of Sales	1,495,000	1,276,000	4,449,000
	-----	-----	-----
Gross Profit	326,000	90,000	1,000,000
Selling, general and administrative Expenses	277,000	287,000	826,000
	-----	-----	-----
Operating Income/(Loss)	49,000	(197,000)	174,000
	-----	-----	-----
OTHER INCOME (EXPENSE):			
Other Income	8,000	13,000	39,000
Interest Expense	(13,000)	(15,000)	(39,000)
Other, net	(2,000)	(2,000)	(7,000)
	-----	-----	-----
Other Income/(Expense), Net	(7,000)	(4,000)	(7,000)
	-----	-----	-----
Net Income/(Loss)	\$ 42,000	\$ (201,000)	\$ 167,000
	=====	=====	=====
INCOME/(LOSS) PER SHARE: Basic	\$ 0.02	\$ (0.10)	\$ 0.08
: Diluted	\$ 0.02	\$ (0.10)	\$ 0.08
WEIGHTED AVERAGE			
SHARES OUTSTANDING: Basic	2,070,378	2,068,731	2,070,378
: Diluted	2,114,923	2,068,731	2,204,013

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

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SOLITRON DEVICES, INC. AND SUBSIDIARIES

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine Months Ended November 30,	
	2002	2001
	-----	-----
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit (loss)	\$ 167,000	\$ (518,000)
	-----	-----
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	130,000	163,000
(Increase)/Decrease in:		
Accounts Receivable	94,000	167,000
Inventories	5,000	(105,000)
Prepaid Expenses and other current assets	(7,000)	(29,000)
Due from SV Microwave	1,000	-
Other Assets	(1,000)	(2,000)
Increase/(Decrease) in:		
Accounts Payable	100,000	161,000
Accounts Payable - Pre-petition	(35,000)	(42,000)
Accrued Expenses and other liabilities	77,000	(58,000)
Accrued Environmental Expenses	81,000	81,000
Other Long Term Liabilities	(77,000)	(88,000)
	-----	-----
Total adjustments	368,000	248,000
	-----	-----
Net cash provided by operating activities	535,000	(270,000)
	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(252,000)	(230,000)
	-----	-----
Net Cash used in investing activities	(252,000)	(230,000)
	-----	-----
NET INCREASE (DECREASE) IN CASH	283,000	(500,000)
CASH AT BEGINNING OF PERIOD	\$ 1,335,000	\$ 2,190,000
	-----	-----
CASH AT END OF PERIOD	\$ 1,618,000	\$ 1,690,000
	=====	=====

Supplemental cash flow disclosure: Interest paid during the nine months ended November 30, 2002 and 2001 was approximately \$39,000 and \$46,000 respectively.

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

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(Unaudited)

1. GENERAL: -----

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for a fair statement of the results for the interim period.

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-QSB. In accordance with such rules and regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted.

The information contained in this Form 10-QSB should be read in conjunction with the Notes to Consolidated Financial Statements appearing in the Company's Annual Report on Form 10-KSB for the year ended February 28, 2002.

The results of operations for the three month and nine month periods ended November 30, 2002 are not necessarily indicative of the results to be expected for the year ended February 28, 2003.

2. ENVIRONMENTAL REGULATION -----

While the Company believes that it has the environmental permits necessary to conduct its business and that its operations conform to present environmental regulations, increased public attention has been focused on the environmental impact of semiconductor operations. The Company, in the conduct of its manufacturing operations, has handled and does handle materials that are considered hazardous, toxic or volatile under federal, state, and local laws and, therefore, is subject to regulations related to their use, storage, discharge, and disposal. No assurance can be made that the risk of accidental release of such materials can be completely eliminated. In the event of a violation of environmental laws, the Company could be held liable for damages and the costs of remediation and, along with the rest of the semiconductor industry, is subject to variable interpretations and governmental priorities concerning environmental laws and regulations. Environmental statutes have been interpreted to provide for joint and several liability and strict liability regardless of actual fault. The Company and its subsidiaries might be required to incur costs to comply with current or future environmental laws or regulations.

The information contained in this Form 10-QSB should be read in conjunction with the "Business - Environmental Liabilities" section appearing in the Company's Annual Report on Form 10-KSB for the year ended February 28, 2002.

3. INVENTORIES: -----

As of November 30, 2002 net inventories consist of the following:

Raw Materials	\$ 1,316,000
Work-In-Process and Finished Goods	1,371,000

Total Net Inventories	\$ 2,687,000

SOLITRON DEVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

4. GOING CONCERN:

The Company's consolidated financial statements are presented on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities as they become due. Although the Company has projected that it will be able to generate sufficient funds to support its ongoing operations, it has significant obligations arising from settlements in connection with its bankruptcy necessitating it to make substantial cash payments which cannot be supported by the current level of operations. The Company must be able to obtain forbearance or be able to renegotiate its bankruptcy related required payments to unsecured creditors, the Environmental Protection Agency ("USEPA"), the Florida Department of Environmental Protection ("FDEP"), and certain taxing authorities or raise sufficient cash in order to pay these obligations as currently due, in order to remain a going concern.

The Company continues to negotiate with its unsecured creditors, the USEPA, the FDEP, and taxing authorities in an attempt to arrive at reduced payment schedules. In addition, the Company has a contingency plan to reduce its size and thereby reduce its cost of operations within certain limitations. However, no assurance can be made that the Company can reach a suitable agreement with the unsecured creditors or taxing authorities or obtain additional sources of capital and/or cash or reduce its costs of operations or that the Company can generate sufficient cash to meet its obligations over the next year.

The financial statements do not include any adjustments to reflect the possible future effect on the recoverability and classification of assets or the amounts and classification of liabilities that could result from the possible inability of the Company to continue as a going concern.

5. OTHER EVENTS:

On June 26, 2002, the Company executed an agreement with Port Salerno Industrial Park, LLC, the "Buyer", for the sale of the Solitron Microwave Superfund Site in Port Salerno, Florida, which consists of a 42,000 square foot building and 23 acres of undeveloped land. The purchase price for the property is \$800,000, and the closing of the sale is required to take place within 330 days of the execution of the agreement, provided certain contingencies are met. After deducting amounts required to satisfy certain non-environmental liens on the property, such as those for taxes, and certain of the Company's expenses in connection with the sale of the property, the net proceeds of the sale will be paid over to the U.S. Environmental Protection Agency ("USEPA") to release certain liens on the property for costs incurred by USEPA in connection with the investigation and remediation of the site. The Consent Final Judgment between the Company and the Florida Department of Environmental Protection, dated as of October 21, 1993, may need to be modified by the parties to allow for the net proceeds to go to USEPA. The release of USEPA's lien does not discharge the Company's alleged liability for clean-up costs of the site, which are currently still under negotiation with USEPA.

In accordance with the Port Salerno sales agreement, the due diligence period

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has expired and as of December 22, 2002, \$20,000 of the deposit funds is non-refundable should the buyer elect to terminate the agreement.

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SOLITRON DEVICES, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS

OVERVIEW:

Solitron Devices, Inc., a Delaware corporation (the "Company" or "Solitron"), designs, develops, manufactures and markets solid-state semiconductor components and related devices primarily for the military and aerospace markets. The Company manufactures a large variety of bipolar and metal oxide semiconductor power transistors, power and control hybrids, junction and MOS field effect transistors, thin film resistors and other related products. Most of the Company's products are custom made in accordance with contracts with customers whose end products are sold to the United States government. Other products, such as Joint Army Navy transistors, diodes and Standard Military Drawings voltage regulators, are sold as standard or catalog items.

The following discussion and analysis of factors which have affected the Company's financial position and operating results during the periods included in the accompanying condensed consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and the related Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-KSB for the fiscal year ended February 28, 2002 and the Condensed Consolidated Financial Statements and the related Notes to Condensed Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-QSB.

TRENDS AND UNCERTAINTIES:

During the nine months ended November 30, 2002, the Company's book-to-bill ratio increased to approximately 1.39, reflecting an increase in the volume of orders booked when compared to the nine months ending November 30, 2001.

The intake of orders and shipments over the last twelve months has increased approximately 10%. As a result of the current economy and the level of defense spending, it is anticipated that the sales and order intake will remain at their current and anticipated levels over the next twelve months. However, there can be no assurance that such levels will continue. Should the level of order intake and shipments fall below current levels, the Company might be required to implement further cost cutting or other downsizing measures to continue its business operations.

RESULTS OF OPERATIONS-THREE MONTHS ENDED NOVEMBER 30, 2002 COMPARED TO THREE

MONTHS ENDED NOVEMBER 30, 2001:

Net sales for the three months ended November 30, 2002 increased approximately

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33.3% to \$1,821,000 as compared to \$1,366,000 for the three months ended November 30, 2001. This increase was primarily attributable to a higher level of shippable orders, as per the delivery schedules requested by the Company's customers.

Cost of sales for the three months ended November 30, 2002 increased to \$1,495,000 from \$1,276,000 for the comparable period in 2001. Expressed as a percentage of sales, Cost of sales decreased to 82.1% from 93.4% for the same periods. This change was due mainly to reductions in material and labor costs that were dictated by the requirements of the shipped product mix.

Gross profit for the three months ended November 30, 2002 increased to \$326,000 from \$90,000 for the three months ended November 30, 2001. Accordingly, gross

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margins on the Company's sales increased to 17.9% for the three months ended November 30, 2002 in comparison to 6.6% for the three months ended November 30, 2001. This change was due partly to a higher level of shipments and partly to reductions in material and labor costs.

For the three months ending November 30, 2002, the Company shipped 111,857 units as compared with 88,010 units shipped during the same period of the prior year. It should be noted that since the Company manufactures a wide variety of products with an average sale price ranging from less than one dollar to several hundred dollars, such periodic variations in the Company's volume of units shipped should not be regarded as a reliable indicator of the Company's performance.

The Company's backlog of open orders increased 72.7% for the three months ended November 30, 2002 as compared to an increase of 12.1% for the three months ended November 30, 2001. Such changes in the backlog are customary and reflect the changes in the intake of orders and in the delivery dates required by customers.

The Company has experienced an increase in the level of booking of approximately 121% for the quarter ended November 30, 2002 as compared to the same period for the previous year. Changes in the level of orders booked depend, to a large extent, on the timing of issuance of orders from key customers and are not necessarily indicative of a trend.

Selling, general, and administrative expenses decreased slightly to \$277,000 for the three months ended November 30, 2002 from \$287,000 for the comparable period in 2001. During the three months ending November 30, 2002, selling, general, and administrative expenses as a percentage of sales decreased to 15.2% as compared with 21.0% for the three months ending November 30, 2001. This decrease is due to lower salaries and to lower legal fees offset slightly by an increase in commissions paid on sales.

Operating Income for the three months ended November 30, 2002 increased to a profit of \$49,000 from a loss of \$197,000 for the three months ended November 30, 2001. This increase is due to a higher gross profit and to a decrease in selling, general and administrative expenses.

The Company recorded a net other expense of \$7,000 for the three months ended November 30, 2002 versus a \$4,000 net other expense amount for the three months ended November 30, 2001. The variance was due primarily to a decrease in the Company's interest income, which resulted from both a smaller average invested cash balance and lower interest rates received from the Company's bank.

Net income for the three months ended November 30, 2002 increased to a profit of \$42,000 from a loss of \$201,000 for the same period in 2001. This increase is

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due to a higher sales volume and to a decrease in selling, general and administrative expenses.

RESULTS OF OPERATIONS-NINE MONTHS ENDED NOVEMBER 30, 2002 COMPARED TO NINE

MONTHS ENDED NOVEMBER 30, 2001:

Net sales for the nine months ended November 30, 2002 increased approximately 15.0% to \$5,449,000 as compared to \$4,738,000 for the nine months ended November 30, 2001. This increase was primarily attributable to a higher level of shippable orders, as per the delivery schedules requested by the Company's customers.

Cost of sales for the nine months ended November 30, 2002 increased to \$4,449,000 from \$4,316,000 for the comparable period in 2001. Expressed as a percentage of sales, Cost of sales decreased to 81.6% from 91.1% for the same periods. This change was due mainly to reductions in material and labor costs that were dictated by the requirements of the shipped product mix.

Gross profit for the nine months ended November 30, 2002 increased to \$1,000,000 from \$422,000 for the nine months ended November 30, 2001. Accordingly, gross margins on the Company's sales increased to 18.4% for the nine months ended November 30, 2002 in comparison to 8.9% for the nine months ended November 30, 2001. This change was due partly to a higher level of shipments and partly to reductions in material and labor costs.

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For the nine months ending November 30, 2002, the Company shipped 435,223 units as compared with 271,671 units shipped during the same period of the prior year. It should be noted that since the Company manufactures a wide variety of products with an average sale price ranging from less than one dollar to several hundred dollars, such periodic variations in the Company's volume of units shipped should not be regarded as a reliable indicator of the Company's performance.

The Company's backlog of open orders increased 32.2% for the nine months ended November 30, 2002 as compared to an increase of 28.5% for the nine months ended November 30, 2001. Such changes in the backlog are customary and reflect the changes in the intake of orders and in the delivery dates required by customers.

The Company has experienced an increase in the level of booking of approximately 16.9% for the nine months ended November 30, 2002 as compared to the same period for the previous year. Changes in the level of orders booked depend, to a large extent, on the timing of issuance of orders from key customers and are not necessarily indicative of a trend.

Selling, general, and administrative expenses decreased to \$826,000 for the nine months ended November 30, 2002 from \$955,000 for the comparable period in 2001. During the nine months ending November 30, 2002, selling, general, and administrative expenses as a percentage of sales decreased to 15.2% as compared with 20.2% for the nine months ending November 30, 2001. This decrease is due to lower salaries and to lower legal fees offset slightly by an increase in commissions paid on sales.

Operating Income for the nine months ended November 30, 2002 increased to a profit of \$174,000 from a loss of \$533,000 for the nine months ended November 30, 2001. This increase is due to a higher gross profit and to a decrease in selling, general and administrative expenses.

The Company recorded a net other expense of \$7,000 for the nine months ended

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November 30, 2002 versus a net other income of \$15,000 for the nine months ended November 30, 2001. The variance was due primarily to a decrease in the Company's interest income, which resulted from both a smaller average invested cash balance and lower interest rates received from the Company's bank.

Net income for the nine months ended November 30, 2002 increased to a profit of \$167,000 from a loss of \$518,000 for the same period in 2001. This increase is due to a higher sales volume and to a decrease in selling, general and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

The Company's sole source of liquidity is cash generated by ongoing operations. The Company's liquidity is expected to be affected adversely due to the anticipated level of revenue in the next twelve months. The Company's liquidity is not expected to improve until the Company's revenue increases above its breakeven point.

Furthermore, the Company's liquidity continues to be adversely affected by significant non-recurring expenses associated with the Company's 1993 bankruptcy petition obligations and the Company's inability to obtain additional working capital through the sale of debt or equity securities or the sale of non-operating assets.

Pursuant to such bankruptcy, the Company is required to make quarterly payments to holders of unsecured claims until such holders receive 35 percent (35%) of their pre-petition claims. At November 30, 2002, the Company is currently scheduled to pay approximately \$1,957,000 to holders of allowed unsecured claims in quarterly installments of approximately \$62,000. After making the November 30, 2002 payment, the Company has paid approximately \$390,000 to its unsecured creditors. The Company expects to continue making these quarterly payments at the same rate as it has done recently, but its ability to do so depends largely upon its ability to generate sufficient cash from operations. For a more complete discussion of the Company's bankruptcy obligations, see "Business - Bankruptcy Proceedings" in the Company's Form 10-KSB filed for the period ended February 28, 2002.

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On June 26, 2002, the Company executed an agreement with Port Salerno Industrial Park, LLC, for the sale of the Solitron Microwave Superfund Site in Port Salerno, Florida, which consists of a 42,000 square foot building and 23 acres of undeveloped land. The purchase price for the property is \$800,000, and the closing of the sale is required to take place within 330 days of the execution of the agreement, provided certain contingencies are met. After deducting amounts required to satisfy certain non-environmental liens on the property, such as those for taxes, and certain of the Company's expenses in connection with the sale of the property, the net proceeds of the sale will be paid over to the U.S. Environmental Protection Agency ("USEPA") to release certain liens on the property for costs incurred by USEPA in connection with the investigation and remediation of the site. The Consent Final Judgment between the Company and the Florida Department of Environmental Protection, dated as of October 21, 1993, may need to be modified by the parties to allow for the net proceeds to go to USEPA. The release of USEPA's lien does not discharge the Company's alleged liability for clean-up costs of the site, which are currently still under negotiation with USEPA. In accordance with the Port Salerno sales agreement, the due diligence period has expired and as of December 22, 2002, \$20,000 of the deposit funds is non-refundable should the buyer elect to terminate the agreement. For a more definitive description of environmental matters pertaining to the Port Salerno property, please refer to "Business--Environmental

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Liabilities" in the Company's Annual Report on Form 10-KSB for the year ended February 28, 2002.

The Company reported a net income of \$167,000 and an operating income of \$174,000 for the nine months ended November 30, 2002. The Company has significant obligations arising from settlements related to its bankruptcy proceeding which require it to make substantial cash payments, which cannot be supported by the Company's current level of operations.

At November 30, 2002, February 28, 2002 and November 30, 2001 respectively, the Company had cash of \$1,618,000, \$1,335,000 and \$1,690,000. The increase during the last three months was primarily attributable to higher revenues and to lower expenses. Reduction in accounts receivable contributed \$94,000 to the last nine months' positive cash flow generated by ongoing operations.

At November 30, 2002, the Company had working capital of \$2,024,000 as compared with a working capital at November 30, 2001 of \$2,152,000. At February 28, 2002, the Company had a working capital of \$2,057,000. The approximately \$33,000 decrease for the nine months ended November 30, 2002 was due mainly to increases in accounts payable - current portion and in accrued expenses.

FORWARD-LOOKING STATEMENTS

Information in this Form 10-QSB, including any information incorporated by reference herein, includes "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934, as amended, and is subject to the safe-harbor created by such sections. The Company's actual results could differ significantly from the results discussed in such forward-looking statements.

Statements regarding:

- o sources and availability of liquidity; o anticipated recovery of volume and price of product sales; o strategic plans to improve the Company's performance;
- o the Company's ability to fill its backlog;
- o the Company's ability to sustain or grow bookings and sales;
- o the Company's ability to implement effectively cost-cutting or downsizing measures;
- o the Company's compliance with environmental laws, orders and investigations and the future costs of such compliance;
- o expectations regarding military and defense spending;
- o the Company's ability to make payments required under its Plan of Reorganization;
- o the Company's ability to generate sufficient cash from operations or otherwise;
- o expectations of being released from certain environmental liabilities and the Company's ability to satisfy such liabilities;

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- o amounts that the Company could receive (or not receive) upon the sale of the Solitron Microwave Superfund Site in Port Salerno, Florida and the expected application of such funds; and
- o other statements contained in this report that address activities, events or developments that the Company expects, believes or anticipates will or could occur in the future, and similar statements are forward-looking statements.

These statements are based upon assumptions and analyses made by the Company in

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light of current conditions, future developments and other factors the Company believes are appropriate in the circumstances, or information obtained from third parties and are subject to a number of assumptions, risks and uncertainties. Readers are cautioned that forward-looking statements are not guarantees of future performance and that actual results might differ materially from those suggested or projected in the forward-looking statements. Factors that could cause actual future events to differ significantly from those predicted or assumed include, but are not limited to:

- o a misinterpretation of the Company's capital needs and sources and availability of liquidity;
- o a change in government regulations which hinders the Company's ability to perform government contracts;
- o a shift in or misinterpretation of industry trends;
- o inability to sustain or grow bookings and sales;
- o inability to capitalize on competitive strengths or a misinterpretation of those strengths;
- o the emergence of improved, patented technology by competitors;
- o a misinterpretation of the nature of the competition, the Company's competitive strengths or its reputation in the industry;
- o inability to respond quickly to customers' needs and to deliver products in a timely manner resulting from unforeseen circumstances;
- o inability to generate sufficient cash to sustain operations;
- o failure of price or volume recovery;
- o failure to successfully implement cost-cutting or downsizing measures, strategic plans or the insufficiency of such measures and plans;
- o changes in military or defense appropriations;
- o inability to make or renegotiate payments under the Company's Plan of Reorganization;
- o unexpected impediments affecting ability to fill backlog;
- o inability to be released from environmental liabilities;
- o an increase in the expected cost of environmental compliance based on factors unknown at this time;
- o changes in law or industry regulation;
- o inability to close the sale of the Solitron Microwave Superfund Site in Port Salerno, Florida;
- o unexpected growth or stagnation of the business; and
- o other unforeseen activities, events and developments that could occur in the future.

Item 3. CONTROLS AND PROCEDURES

Based on the evaluation of the Company's disclosure controls and procedures as of a date within 90 days of the filing date of this quarterly report, Shevach Saraf, Chairman, President, Chief Executive Officer, Treasurer and Chief Financial Officer of the Company, has concluded that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time period specified by the Securities and Exchange Commission's rules and forms.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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ITEM 1. LEGAL PROCEEDINGS:

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS:

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES:

See "Management's Discussion and Analysis - Liquidity and Capital Resources" in this Form 10-QSB and "Business - Bankruptcy Proceedings" in the Company's Form 10-KSB for the period ended February 28, 2002, for a discussion of the status of payments pursuant to the Company's 1993 bankruptcy reorganization.

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

None.

ITEM 5. OTHER INFORMATION:

None.

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

(a) Exhibits:

99.1 Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by the Chairman, President, Chief Executive Officer, Treasurer and Chief Financial Officer.

(b) Reports on Form 8-K: None.

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SIGNATURES

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, therein duly authorized.

SOLITRON DEVICES, INC.

Date: January 7, 2003

/s/ Shevach Saraf

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By: Shevach Saraf
Title: Chairman, President,
Chief Executive Officer, Treasurer and
Chief Financial Officer

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CERTIFICATIONS

I, Shevach Saraf, Chairman, President, Chief Executive Officer, Treasurer and Chief Financial Officer of Solitron Devices, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Solitron Devices, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report any conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;
5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

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6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: January 7, 2003

/s/ Shevach Saraf

Shevach Saraf
Chairman, President,
Chief Executive Officer,
Treasurer and
Chief Financial Officer

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EXHIBIT INDEX

EXHIBIT
NUMBER

DESCRIPTION

99.1	Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Executed by the Chairman, President, Chief Executive Officer, Treasurer and Chief Financial Officer
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