SOLITRON DEVICES INC
Form 10QSB/A
July 13, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-QSB/A
AMENDMENT NO. 1

(Mark One)

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

For the quarterly period ended November 30, 2003

|_| 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 No.)

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)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or 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 |_|

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of July 6, 2004: 2,076,351

Transitional Small Business Disclosure Format (check one):

Yes |_| No |X|

SOLITRON DEVICES, INC.

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Amendment No. 1 to the Form 10-QSB amends and restates certain items of the Quarterly Report of Solitron Devices, Inc. (the "Company") as previously filed for the three and nine months ended November 30, 2003. The restatement of certain items of the Company's previously filed Form 10-QSB for the three and nine months ended November 30, 2003 is being made in order to (1) reflect the settlement of a debt obligation to an unsecured creditor and (2) revise related disclosures. Changes related to these items have been made in the following items of the Form 10-QSB.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SOLITRON DEVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	November 30, 2003
	(Unaudited)
	(in tho

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,884
Accounts receivable, less allowance for doubtful accounts of $3,000	859
Inventories	2,766
Prepaid expenses and other current assets	146
TOTAL CURRENT ASSETS	5,655
PROPERTY, PLANT AND EQUIPMENT, net	585
OTHER ASSETS	52
TOTAL ASSETS	$ 6,292
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Current portion of accrued environmental expenses	$ 936
Accounts payable, Post-petition	375
Accounts payable, Pre-petition, current portion	650
Accrued expenses and other liabilities	1,167
TOTAL CURRENT LIABILITIES	3,128
LONG-TERM LIABILITIES, net of current portion	274
TOTAL LIABILITIES	3,402
COMMITMENTS AND CONTINGENCIES	-0-
STOCKHOLDERS' EQUITY	
Preferred stock, $.01 par value, authorized 500,000 shares, none issued	-0-
Common stock, $.01 par value, authorized 10,000,000 shares 2,070,362 shares issued and outstanding	21
Additional paid-in capital	2,617
Accumulated earnings/(deficit)	252
TOTAL STOCKHOLDERS' EQUITY	2,890
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 6,292

The accompanying notes are an integral part of the financial statements.

SOLITRON DEVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended November 30,		Nine Mon
	2003	2002	2003
	(Unaudited)	(Unaudited)	(Unaudite
	(in thousands, except for per share		

NET SALES	$ 1,859	$ 1,821	$ 5,8
Cost of Sales	1,513	1,495	4,7
Gross Profit	346	326	1,1
Selling, general and administrative expenses	278	277	8
Operating Income/(Loss)	68	49	3
OTHER INCOME (EXPENSE):			
Other Income	6	8	1
Interest Expense	(5)	(13)	(
Other, net	(1)	(2)	
Other Income/(Expense) Net	0	(7)	1
Net Income/(Loss)	$ 68	$ 42	$ 4
INCOME/(LOSS) PER SHARE: Basic	$ 0.03	$ 0.02	$ 0.
: Diluted	$ 0.03	$ 0.02	$ 0.
WEIGHTED AVERAGE			
SHARES OUTSTANDING: Basic	2,070,362	2,070,378	2,070,3
: Diluted	2,204,086	2,204,013	2,204,0

The accompanying notes are an integral part of the financial statements

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SOLITRON DEVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine Months Ended November 30, 2003	2002
	(Unaudited)	(Unaudited)
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit (loss)	$ 440	$ 167
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	141	130
Cancellation of debt	(109)	
(Increase)/Decrease in:		
Accounts Receivable	193	94
Inventories	103	5
Prepaid Expenses and other current assets	(7)	(7)
Due from SV Microwave	0	1
Other Assets	0	(1)
Increase/(Decrease) in:		

Accounts Payable	(174)	100
Accounts Payable - Pre-petition	(41)	(35)
Accrued Expenses and other liabilities	48	77
Accrued Environmental Expenses	80	81
Other Long Term Liabilities	(80)	(77)
Total adjustments	154	368
Net cash provided by operating activities	594	535
CASH FLOW FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(158)	(252)
Net cash used in investing activities	(158)	(252)
NET INCREASE (DECREASE) IN CASH	436	283
CASH AT BEGINNING OF PERIOD	$ 1,448	$ 1,335
CASH AT END OF PERIOD	$ 1,884	$ 1,618

Supplemental cash flow disclosure: Interest paid during the nine months ended November 30, 2003 and 2002 was approximately $0 and $39,000 respectively.

The accompanying notes are an integral part of the financial statements

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SOLITRON DEVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General:

The Company has restated its consolidated financial statements for the three and nine month periods ended November 30, 2003 to reflect the settlement of a debt obligation of $114,000 to an unsecured creditor. As a result, the Company recognized other income of $109,000. Consequently, there is an adjustment to reduce the amount of pre-petition accounts payable, current portion; current liabilities; and total liabilities by $109,000 respectively, and an adjustment to increase the amount of other income (expense), net; net income; accumulated earnings; and total stockholders equity by $109,000 respectively.

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, 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, 2003.

3. INVENTORIES:

As of November 30, 2003 net inventories consist of the following:

Raw Materials	$1,497,000
Work-In-Process	1,297,000
Finished Goods	76,000
Gross Inventory	2,870,000
Reserve	(104,000)
Net Inventory	$2,766,000

SOLITRON DEVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

4. INCOME TAXES:

For the nine months ended November 30, 2003, the Company would expect an income tax liability of approximately $150,000. However, because of a tax benefit resulting from net operating loss carry forwards amounting to approximately $15,000,000, the Company will not recognize any current tax liability. The Company does not expect to use up this tax benefit in the foreseeable future.

5. CONCENTRATION OF RISK:

For the nine months ended November 30, 2003, the Company has two customers that made up approximately 34% of the total outstanding accounts receivables and 52% of net sales. These customers are in good standing as of November 30, 2003.

6. PRE-PETITION ACCOUNTS PAYABLE:

During the quarter ended August 31, 2003, the Company settled a debt obligation of $114,000 and recognized $109,000 of other income. As a result of this settlement, the current portion of pre-petition accounts payable has decreased as follows:

Pre-petition accounts payable, current portion, before restatement	$759,000
Adjustment	(109,000)
Pre-petition accounts payable, current portion, as restated	$650,000

Recent Accounting Pronouncements:

In October 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 144, ("SFAS 144"), "Accounting for Impairment or Disposal of Long-Lived Assets," which is effective for fiscal years beginning after December 15, 2001 and interim periods within those fiscal periods. SFAS 144 addresses financial accounting and reporting for the impairment of certain Long-Lived Assets and for Long-Lived Assets to be disposed of. SFAS 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of," and Accounting Principles Board ("APB") Opinion No. 30; however, SFAS 144 retains the requirement of APB Opinion No. 30 to report discontinued operations separately from continuing operations and extends that reporting to a component of an entity that has either been disposed of (by sale, abandonment or in a distribution to owners) or is classified as held for sale. The Company has adopted SFAS 144, and the adoption did not have a material impact on its financial position and results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities" ("SFAS 146"). SFAS 146 addresses significant issues regarding the recognition, measurement, and reporting of costs that are associated with exit and disposal activities, including restructuring activities that are currently accounted for under Emerging Issues Task Force ("EITF") release No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" ("EITF No. 94-3"). The scope of SFAS 146 also includes costs related to terminating a contract that is not a capital lease and termination benefits that employees who are involuntarily terminated receive under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS 146 will be effective for exit or disposal activities that are initiated after December 31, 2002, and early application is encouraged. The Company adopted SFAS 146 during the second quarter of the last fiscal year. The provisions of EITF No. 94-3 shall continue to apply for an exit activity initiated under an exit plan that met the criteria of EITF No. 94-3 prior to the adoption of SFAS 146. SFAS 146 will change, on a prospective basis, the time when restructuring charges are recorded from a commitment date approach to when the liability is incurred. SFAS No. 146 has not had a material impact on its financial position and results of operations.

SOLITRON DEVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

In November 2002, the FASB issued FASB Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 requires that a liability be recorded in the guarantor's balance sheet upon issuance of a guarantee. In addition, FIN 45 requires disclosures about the guarantees that an entity has issued, including a reconciliation of changes in the entity's product warranty liabilities. The initial recognition and initial measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements of FIN 45 are effective for financial statements of interim or annual periods ending after December 15, 2002. FIN 45 is not anticipated to have a material impact on the Company's financial position or results of operations.

In November 2002, the EITF reached a consensus on Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" ("EITF Issue No. 00-21"). EITF Issue No. 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF Issue No. 00-21 will apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company believes that the adoption of this standard will not have a material impact on its financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation, Transition and Disclosure" ("SFAS 148"). SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS 148 also requires that disclosures of the pro forma effect of using the fair value method of accounting for stock-based employee compensation be displayed more prominently and in a tabular format.

Additionally, SFAS 148 requires disclosure of the pro forma effect in interim financial statements. The transition and annual disclosure requirements of SFAS 148 are effective for fiscal years ended after December 15, 2002. The interim disclosure requirements are effective for interim periods beginning after December 15, 2002. SFAS 148 is not anticipated to have a material impact on the Company's financial position or results of operations.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. The Company believes that the adoption of this standard will not have a material impact on its financial statements.

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, 2003 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, 2003, the Company's book-to-bill ratio was approximately 1.03, reflecting an increase in the volume of orders booked when compared to the nine months ended November 30, 2002.

The intake of orders over the last twelve months has decreased approximately 5%. Shipments have increased 9% over the last twelve months. As a result of the current economy and the level of defense spending on the defense programs that the Company participates in, it is anticipated that the sales and order intake will decrease over the next twelve months. Should the level of order intake and shipments fall significantly 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, 2003 Compared to Three Months Ended November 30, 2002:

Net sales for the three months ended November 30, 2003 increased approximately 1.8% to $1,859,000 as compared to $1,821,000 for the three months ended November 30, 2002. 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, 2003 increased to $1,513,000 from $1,495,000 for the comparable period in 2002. Expressed as a percentage of sales, Cost of sales decreased to 81% from 82% for the same periods. This decrease as a percentage of sales was due mainly to decreases 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, 2003 increased to $346,000 from $326,000 for the three months ended November 30, 2002. Accordingly, gross margins on the Company's sales increased to 19% for the three months ended November 30, 2003 in comparison to 18% for the three months ended November 30,

2002. This change was due largely to decreased material and labor costs.

For the three months ended November 30, 2003, the Company shipped 57,268 units as compared with 111,857 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 14% for the three months ended November 30, 2003 as compared to an increase of 73% for the three months ended November 30, 2002. 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 a decrease in the level of booking of approximately 40% for the quarter ended November 30, 2003 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 increased slightly to $278,000 for the three months ended November 30, 2003 from $277,000 for the comparable period in 2002. During the three months ended November 30, 2003, selling, general, and administrative expenses as a percentage of sales remained at 15% as compared to the three months ended November 30, 2002.

Operating Income for the three months ended November 30, 2003 increased to a profit of $68,000 from a profit of $49,000 for the three months ended November 30, 2002. This increase is due largely to decreased material and labor costs.

The Company recorded a net other expense of $0 for the three months ended November 30, 2003 versus a $7,000 net other expense amount for the three months ended November 30, 2002. The variance was due primarily to an increase in the Company's interest income, which resulted from a larger average invested cash balance.

Net income for the three months ended November 30, 2003 increased to a profit of $68,000 from a profit of $42,000 for the same period in 2002. This increase is due largely to decreased material and labor costs.

Results of Operations-Nine Months Ended November 30, 2003 Compared to Nine Months Ended November 30, 2002:

Net sales for the nine months ended November 30, 2003 increased approximately 8% to $5,868,000 as compared to $5,449,000 for the nine months ended November 30, 2002. 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, 2003 increased to $4,715,000 from $4,449,000 for the comparable period in 2002. Expressed as a percentage of sales, Cost of sales decreased to 80% from 82% 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, 2003 increased to $1,153,000 from $1,000,000 for the nine months ended November 30, 2002. Accordingly, gross margins on the Company's sales increased to 20% for the nine months ended

November 30, 2003 in comparison to 18% for the nine months ended November 30, 2002. This change was due partly to a higher level of shipments and partly to reductions in material and labor costs.

For the nine months ended November 30, 2003, the Company shipped 289,121 units as compared with 435,223 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 decreased 5% for the nine months ended November 30, 2003 as compared to an increase of 15% for the nine months ended November 30, 2002. 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 a decrease in the level of booking of approximately 12% for the nine months ended November 30, 2003 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 increased to $836,000 for the nine months ended November 30, 2003 from $826,000 for the comparable period in 2002. During the nine months ending November 30, 2003, selling, general, and administrative expenses as a percentage of sales decreased to 14% as compared with 15% for the nine months ended November 30, 2002. This decrease as a percentage of sales is due to lower salaries and to lower legal fees.

Operating Income for the nine months ended November 30, 2003 increased to a profit of $317,000 from a profit of $174,000 for the nine months ended November 30, 2002. This increase is mainly due to a higher gross profit.

The Company recorded a net other income of $123,000 for the nine months ended November 30, 2003 versus a net other expense of $7,000 for the nine months ended November 30, 2002. The variance was due primarily to other income resulting from the settlement of a debt obligation to an unsecured creditor.

Net income for the nine months ended November 30, 2003 increased to a profit of $440,000 from a profit of $167,000 for the same period in 2002. This increase is due to a higher sales volume, reductions in material and labor costs, and other income of $109,000 due to settlement of a debt obligation to an unsecured creditor.

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, 2003, the Company is currently scheduled to pay approximately $1,791,000 to holders of allowed unsecured claims in quarterly installments of approximately $62,000. After making the November 30, 2003 payment, the Company has paid approximately $439,000 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, 2003.

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 was $800,000, and the closing of the sale was required to take place within 330 days of the execution of the agreement, provided certain contingencies are met. The Port Salerno property was sold on March 17, 2003 and the proceeds were distributed in accordance with the agreement between USEPA and FDEP. 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 were paid to the U.S. Environmental Protection Agency ("USEPA") and the Florida Department of Environmental Protection ("FDEP") 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 FDEP, dated as of October 21, 1993, may need to be modified by the parties to allow for the net proceeds to go to USEPA. FDEP and USEPA have reached an agreement regarding sharing of the proceeds on the sale of the Port Salerno property. 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.

For a more definitive description of environmental matters pertaining to the Port Salerno property, please refer to "Business--Environmental Liabilities" in the Company's Annual Report on Form 10-KSB for the year ended February 28, 2003.

The Company reported a net income of $440,000 and an operating income of $317,000 for the nine months ended November 30, 2003. 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, 2003, February 28, 2003 and November 30, 2002 respectively, the Company had cash of $1,884,000, $1,448,000 and $1,618,000. The increase during the last three months was primarily attributable to higher revenues and to lower expenses. Reduction in accounts receivable contributed $193,000 to the last nine months' positive cash flow generated by ongoing operations.

At November 30, 2003, the Company had working capital of $2,527,000 as compared with a working capital at November 30, 2002 of $2,024,000. At February 28, 2003, the Company had a working capital of $2,194,000. The approximately $333,000 increase for the nine months ended November 30, 2003 was due mainly to increases in cash and accounts receivable.

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:

- sources and availability of liquidity;
- the Company's estimates regarding the decrease of sales and order intake over the next twelve months;
- the Company's estimates regarding income taxes;
- the Company's expectations regarding the impact of certain recent accounting pronouncements;
- the Company's expectations regarding the implementation of further cost cutting or downsizing measures;
- the Company's compliance with environmental laws, orders and investigations and the future costs of such compliance;
- the Company's ability to make payments required under its Plan of Reorganization; and
- other statements contained in this report that address activities, events of 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 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:

- the loss of certification or qualification of the Company's products or the inability of the Company to capitalize on such certifications and/or qualifications;
- unexpected rapid technological change;
- a misinterpretation of the Company's capital needs and sources and availability of liquidity;
- a change in government regulations which hinders the Company's ability to perform government contracts;
- a shift in or misinterpretation of industry trends;
- unforeseen factors which impair or delay the development of any or all of its products;
- inability to sustain or grow bookings and sales;
- inability to capitalize on competitive strengths or a misinterpretation of those strengths;

- the emergence of improved, patented technology by competitors;
- a misinterpretation of the nature of the competition, the Company's competitive strengths or its reputation in the industry;
- inability to respond quickly to customers' needs and to deliver products in a timely manner resulting from unforeseen circumstances;

- inability to generate sufficient cash to sustain operations;
- failure of price or volume recovery;
- failure to successfully implement cost-cutting or downsizing measures, strategic plans or the insufficiency of such measures and plans;
- changes in military or defense appropriations;
- inability to make or renegotiate payments under the Company's Plan of Reorganization;
- inability to move into new market segments based on unforeseen factors;
- unexpected impediments affecting ability to fill backlog;
- inability to be released from environmental liabilities;
- an increase in the expected cost of environmental compliance based on factors unknown at this time;
- changes in law or industry regulation;
- inability to sell certain properties or to obtain expected prices for such properties;
- unexpected growth or stagnation of the business;
- the results of the SEC investigation;
- unforeseen changes that render the Company's headquarters and manufacturing facilities unsuitable or inadequate to meet the Company's current needs; and
- unforeseen effects of inflation; other unforeseen activities, events and developments that may occur in the future.

SIGNATURES

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

SOLITRON DEVICES, INC.

Date: July 13, 2004

/s/ Shevach Saraf

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

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
31	Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to section 906 of the Sarbanes-Oxley Act of 2002.