SOLITRON DEVICES INC
Form 10-K
May 29, 2008

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

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended February 29, 2008
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to _______
Commission File No. 1-4978

SOLITRON DEVICES, INC.
(Name of Registrant 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)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (561) 848-4311

Securities registered under Section 12(b) of the Exchange Act:

Title of Each Class	Name of Each Exchange on Which Registered
None	N/A

Securities registered pursuant to Section 12(g) of the Exchange Act:

Common Stock, $0.01 par value
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ¨ No x

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90

days. Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of August 31, 2007 was $4,297,819 (based on the closing sales price of the registrant's common stock on that date).

The number of shares of the registrant's common stock, $0.01 par value, outstanding as of May 22, 2008 was 2,262,904.

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PART I

ITEM 1. BUSINESS

GENERAL

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 ("MOS") power transistors, power and control hybrids, junction and power MOS field effect transistors ("Power MOSFETS"), field effect transistors and other related products. Most of the Company's products are custom made pursuant to contracts with customers whose end products are sold to the United States government. Other products, such as Joint Army/Navy ("JAN") transistors, diodes and Standard Military Drawings ("SMD") voltage regulators, are sold as standard or catalog items.

The Company was incorporated under the laws of the State of New York in March 1959, and reincorporated under the laws of the State of Delaware in August 1987. During the fiscal year ended February 29, 2008, the Company dissolved its subsidiaries, all of which were inactive, by board resolution and will drop the titles "Consolidated" and "And Subsidiaries" from its financial statements. For information concerning the Company's financial condition, results of operations, and related financial data, you should review the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the "Financial Statements and Supplementary Data" sections of this document. You should also review and consider the risks relating to the Company's business, operations, financial performance, and cash flows below under "Risk Factors."

PRODUCTS

The Company designs, manufactures and assembles bipolar and MOS power transistors, power and control hybrids, junction and Power MOSFETs, field effect transistors and other related products.

Set forth below by principal product type are the percentage (i) contributions to the Company's total sales of each of the Company's principal product lines for the fiscal year ended February 29, 2008 and for the fiscal year ended February 28, 2007 and (ii) contributions to the Company's total order backlog at February 29, 2008 and February 28, 2007.

Product	% of Total Sales for Fiscal Year Ended February 29, 2008	% of Total Sales for Fiscal Year Ended February 28, 2007	% Backlog at February 29, 2008	% Backlog at February 28, 2007
Power Transistors	15%	20%	12%	11%
Hybrids	58%	56%	64%	69%
Field Effect Transistors	11%	7%	10%	11%
Power MOSFETS	16%	17%	14%	9%
	100%	100%	100%	100%

The Company's backlog at February 29, 2008 and revenue for the year ended February 29, 2008 reflect demand for the Company's products at such date and for such period. For more information, see "Backlog". The variation in the proportionate share of each product line for each period reflects changes in demand, changes emanating from the Congressional appropriations process and timing associated with awards of defense contracts, as well as shifts in technology and consolidation of defense prime contractors.

The Company's semiconductor products can be classified as active electronic components. Active electronic components are those that control and direct the flow of electrical current by means of a control signal such as a voltage or current. The Company's active electronic components include bipolar transistors and MOS transistors.

It is customary to subdivide active electronic components into those of a discrete nature and those which are non-discrete. Discrete devices contain one single semiconductor element; non-discrete devices consist of integrated circuits or hybrid circuits, which contain two or more elements, either active or passive, interconnected to make up a selected complete electrical circuit. In the case of an integrated circuit, a number of active and passive elements are incorporated onto a single silicon chip. A hybrid circuit, on the other hand, is made up of a number of individual components that are mounted onto a suitable surface material, interconnected by various means, and suitably encapsulated. Hybrid and integrated circuits can either be analog or digital; presently, the Company manufactures only analog components. The Company's products are either standard devices, such as catalog type items (e.g., transistors and voltage regulators), or application-specific devices, also referred to as custom or semi-custom products. The latter are designed and manufactured to meet a customer's particular requirements. For the fiscal year ended February 29, 2008 approximately 90% of the Company's sales have been of custom products, and the remaining 10% have been of standard or catalog products.

Approximately 90% of the semiconductor components produced by the Company are manufactured pursuant to approved Source Control Drawings (SCD) from the United States government and/or its prime contractors; the remainder are primarily JAN qualified products approved for use by the military. The Company's semiconductor products are used as components of military, commercial, and aerospace electronic equipment, such as ground and airborne radar systems, power distribution systems, missiles, missile control systems, and spacecraft. The Company's products have been used on the space shuttle and on spacecraft sent to the moon, to Jupiter (on Galileo) and, most recently, to Mars (on Global Surveyor and Mars Sojourner). Approximately 88% of the Company's sales have been attributable to contracts with customers whose products are sold to the United States government. The remaining 12% of sales are for non-military, scientific and industrial applications.

Custom products are typically sold to the United States Government and defense or aerospace companies such as Raytheon Company, Lockheed Martin, Smith Industries, Harris Corporation, General Electric Aviation, and Northrop Grumman Systems Corporation, while standard products are sold to the same customer base and to the general electronic industry and incorporate such items as power supplies and other electronic control products. The Company has standard and custom products available in all of its major product lines.

The following is a general description of the principal product lines manufactured by the Company.

Power Transistors:

Power transistors are high current and/or high voltage control devices commonly used for active gain applications in electronic circuits. The Company manufactures a large variety of power bipolar transistors for applications requiring currents in the range of 0.1A to 150A or voltages in the range of 30V to 1000V. The Company employs over 60 types of silicon chips to manufacture over 500 types of power bipolar transistors and is currently expanding this line in response to increased market demand resulting from other companies' (e.g., Motorola—now "On" Semiconductors) departure from the military market. The Company also manufactures power diodes under the same military specification. Additionally, it manufactures power N-Channel and P-Channel Power MOSFET transistors and is continuously expanding that line in accordance with customers' requirements. The Company is qualified to deliver these products under MIL-PRF-19500 in accordance with JAN, JANTX and JANTXV. JAN, JANTX AND JANTXV denotes various quality military screening levels. The Company manufactures both standard and custom power transistors.

The Company has been certified and qualified since 1968 under MIL-PRF-19500 (and its predecessor) standards promulgated by the Defense Supply Center Columbus ("DSCC"). These standards specify the uniformity and quality of bipolar transistors and diodes purchased for United States military programs. The purpose of the program is to standardize the documentation and testing for bipolar semiconductors for use in United States military and aerospace applications. Attainment of certification and/or qualification to MIL-PRF-19500 requirements is important since it is a

prerequisite for a manufacturer to be selected to supply bipolar semiconductors for defense-related purposes. MIL-PRF-19500 establishes specific criteria for manufacturing construction techniques and materials used for bipolar semiconductors and assures that these types of devices will be manufactured under conditions that have been demonstrated to be capable of continuously producing highly reliable products. This program requires a manufacturer to demonstrate its products' performance capabilities. A manufacturer receives certification once its Product Quality Assurance Program Plan is reviewed and approved by DSCC. A manufacturer receives qualification once it has demonstrated that it can build and test a sample product in conformity with its certified Product Quality Assurance Program Plan. The Company expects that its continued maintenance of MIL-PRF-19500 qualification will continue to improve its business posture by increasing product marketability.

Hybrids:

Hybrids are compact electronic circuits that contain a selection of passive and active components mounted on printed substrates and encapsulated in appropriate packages. The Company manufactures thick film hybrids, which generally contain discrete semiconductor chips, integrated circuits, chip capacitors and thick film or thin film resistors. Most of the hybrids are of the high-power type and are custom manufactured for military and aerospace systems. Some of the Company’s hybrids include high power voltage regulators, power amplifiers, power drivers, boosters and controllers. The Company manufactures both standard and custom hybrids.

The Company has been certified (since 1990) and qualified (since 1995) under MIL-PRF-38534 Class H (and its predecessor) standards promulgated by the DSCC. These standards specify the uniformity and quality of hybrid products purchased for United States military programs. The purpose of the program is to standardize the documentation and testing for hybrid microcircuits for use in United States military and aerospace applications. Attainment of certification and/or qualification under MIL-PRF-38534 Class H requirements is important since it is a prerequisite for a manufacturer to be selected to supply hybrids for defense-related purposes. MIL-PRF-38534 Class H establishes definite criteria for manufacturing construction techniques and materials used for hybrid microcircuits and assure that these types of devices will be manufactured under conditions that have been demonstrated to be capable of continuously producing highly reliable products. This program requires a manufacturer to demonstrate its products’ performance capabilities. Certification is a prerequisite of qualification. A manufacturer receives certification once its Product Quality Assurance Program Plan is reviewed and approved by DSCC. A manufacturer receives qualification once it has demonstrated that it can build and test a sample product in conformity with its certified Product Quality Assurance Program Plan. The Company expects that its continued maintenance of MIL-PRF-38534 Class H qualification will continue to improve its business posture by increasing product marketability.

Voltage Regulators:

The Company also qualified a line of voltage regulators in accordance with Class M of MIL-PRF-38535, which allows it to sell these products in accordance with SMD specifications published by DSCC. The Company also makes standard and custom voltage regulators.

Field Effect Transistors:

Field effect transistors are surface-controlled devices where conduction of electrical current is controlled by the electrical potential applied to a capacitively coupled control element. The Company manufactures about 30 different types of junction and MOS field effect transistor chips. They are used to produce over 350 different field effect transistor types. Most of the Company’s field effect transistors conform to standard Joint Electronic Device Engineering Council designated transistors, commonly referred to as standard 2N number types. The Company is currently expanding its product offering. The Company manufactures both standard and custom field effect transistors.

MANUFACTURING

The Company’s engineers design its transistors, diodes, field effect transistors and hybrids, as well as other customized products, based upon requirements established by customers, with the cooperation of the product and marketing personnel. The design of standard or catalog products is based on specific industry standards.

Each new design is first produced on a CAD/CAE (Computer Aided Design/Computer Aided Engineering) computer system. The design layout is then reduced to the desired micro size and transferred to silicon wafers in a series of steps that include photolithography, chemical or plasma etching, oxidation, diffusion and metallization. The wafers then go through a fabrication process. When the process is completed, each wafer contains a large number of silicon chips,

each chip being a single transistor device or a single diode. The wafers are tested using a computerized test system prior to being separated into individual chips. The chips are then assembled in standard or custom packages, incorporated in hybrids or sold as chips to other companies. The chips are normally mounted inside a chosen package using eutectic, soft solder or epoxy die attach techniques, and then wire bonded to the package pins using gold or aluminum wires. Many of the packages are manufactured by the Company and, in most cases, the Company plates its packages with gold, nickel or other metals utilizing outside vendors to perform the plating operation.

In the case of hybrids, design engineers formulate the circuit and layout designs. Ceramic substrates are then printed with thick film gold conductors to form the interconnect pattern and with thick film resistive inks to form the resistors of the designed circuit. Semiconductor chips, resistor chips, capacitor chips and inductors are then mounted on the substrates and sequential wire bonding is used to interconnect the various components to the printed substrate, as well as to connect the circuit to the external package pins. The Company manufactures approximately 20% of the hybrid packages it uses and purchases the balance from suppliers.
In addition to Company-performed testing and inspection procedures, certain of the Company's products are subject to source inspections required by customers (including the United States government). In such cases, designated inspectors are authorized to perform a detailed on-premise inspection of each individual device prior to encapsulation in a casing or before dispatch of the finished unit to ensure that the quality and performance of the product meets the prescribed specifications.

ISO 9001:2000

In March 2000, Underwriters Laboratories awarded the Company ISO 9001 qualification. The ISO 9001 Program is a series of quality management and assurance standards developed by a technical committee of the European Community Commission working under the International Organization for Standardization. During an August 2004 surveillance audit, the Company was subsequently qualified as meeting the new ISO 9001:2000 standard. During the fiscal year ended February 28, 2006 the Company underwent an additional surveillance audit that resulted in recertification.

MARKETING AND CUSTOMERS

The Company's products are sold throughout the United States and abroad primarily directly and through a network of manufacturers' representatives and distributors. The Company is represented (i) in the United States by three representative organizations that operate out of 4 different locations with 6 salespeople and 2 stocking distributor organizations that operate out of 30 locations with 88 salespeople and (ii) in the international market by 2 representative organizations in Israel and the United Kingdom with 4 salespeople. Some of the international groups serve as distributors as well as sales representatives. The Company also directly employs several sales, marketing, and application engineering personnel to coordinate operations with the representatives and distributors and to handle key accounts.

During the fiscal year ended February 29, 2008, the Company sold products to approximately 132 customers. Of these 132 customers, 51 had not purchased products from the Company during the previous fiscal year. During the fiscal year ended February 29, 2008, Raytheon Company accounted for approximately 34% of total sales, as compared to the 41% it accounted for during the fiscal year ended February 28, 2007. During the fiscal year ended February 29, 2008, sales to the U.S. Government remained at approximately 10% of total sales, as it did during the fiscal year ended February 28, 2007. Other than Raytheon Company and the U.S. Government, the Company had no customers that accounted for more than 10% of net sales during the last fiscal year. Fifteen of the Company's customers accounted for approximately 84% of the Company's sales during the fiscal year ended February 29, 2008. It has been the Company's experience that a large percentage of its sales have been attributable to a relatively small number of customers in any particular period. As a result of the mergers and acquisitions in general, and among large defense contractors in particular, the number of large customers will most likely continue to decline in number, but this does not necessarily mean that the Company will experience a decline in sales. The Company expects customer concentration to continue. The loss of any major customer without offsetting orders from other sources would have a material adverse effect on the business, financial condition and results of operations of the Company.

During the fiscal year ended February 29, 2008 and since that date, a substantial portion of the Company's products were sold pursuant to contracts or subcontracts with or to customers whose end products are sold to the United States Government. Accordingly, the Company's sales may be adversely impacted by Congressional appropriations and

changes in national defense policies and priorities. As a result of recent Congressional appropriations and significant increases in military spending on programs that the Company participates in, the Company had a 46% increase in net bookings during the fiscal year ended February 29, 2008 as compared to the previous year. All of the Company's contracts with the United States Government or its prime contractors contain provisions permitting termination at any time at the convenience of the United States Government or the prime contractor upon payment to the Company of costs incurred plus a reasonable profit.

In recognition of the changes in global geopolitical affairs and in United States military spending, the Company is attempting to increase sales of its products for non-military, scientific and industrial niche markets, such as medical electronics, machine tool controls, satellites, telecommunications networks and other market segments in which purchasing decisions are generally based primarily on product quality, long-term reliability and performance rather than on geopolitical affairs, appropriations for military spending and product price.

Although average sales prices are typically higher for products with military and space applications than for products with non-military, scientific and industrial applications, the Company hopes to minimize this differential by focusing on these quality-sensitive niche markets where price sensitivity is very low. There can be no assurance; however, that the Company will be successful in increasing its sales to these market segments, which increase in sales could be critical to the future success of the Company. To date, the Company has made only limited inroads in penetrating such markets.

In addition to these newer sales efforts, the Company is also attempting to offer additional products to the military and aerospace markets that are complementary to those currently sold by the Company to the military markets, but as of yet has not made significant inroads in this endeavor.

Sales to foreign customers, located mostly in Canada, Western Europe and Israel, accounted for approximately 12% of the Company's net sales for the fiscal year ended February 29, 2008 as compared to 14% for the year ended February 28, 2007. All sales to foreign customers are conducted utilizing exclusively U.S. dollars.

BACKLOG

The Company's order backlog, which consists of semiconductor and hybrid related open orders, more than 96% of which are scheduled for delivery within 12 months, was approximately $5,826,000 at February 29, 2008, as compared to $4,472,000 as of February 28, 2007. The entire backlog consisted of orders for electronic components. The Company currently anticipates that the majority of its open order backlog will be filled by February 28, 2009. In the event that bookings in the long-term decline significantly below the level experienced in the last fiscal year, the Company may be required to implement cost-cutting or other downsizing measures to continue its business operations. Such cost-cutting measures could inhibit future growth prospects. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Bookings and Backlog."

The Company's backlog as of any particular date may not be representative of actual sales for any succeeding period because lead times for the release of purchase orders depend upon the scheduling practices of individual customers. The delivery times of new or non-standard products can be affected by scheduling factors and other manufacturing considerations, variances in the rate of booking new orders from month to month and the possibility of customer changes in delivery schedules or cancellations of orders. Also, delivery times of new or non-standard products are affected by the availability of raw material, scheduling factors, manufacturing considerations and customer delivery requirements.

The rate of booking new orders varies significantly from month to month, mostly as a result of sharp fluctuations in the government budgeting and appropriation process. The Company has historically experienced somewhat decreased levels of bookings during the summer months, primarily as a result of such budgeting and appropriation activities. For these reasons, and because of the possibility of customer changes in delivery schedules or cancellations of orders, the Company's backlog as of any particular date may not be indicative of actual sales for any succeeding period. See "Management's Discussions and Analysis of Financial Conditions - Result of Operations" for a discussion of the increase in bookings for the year ended February 29, 2008 as compared to the previous year.

PATENTS AND LICENSES

The Company owned approximately 33 patents (all of which have now expired or have been allowed to lapse) relating to the design and manufacture of its products. The terminations of these patents have not had a material adverse effect on the Company. The Company believes that engineering standards, manufacturing techniques and product reliability are more important to the successful manufacture and sale of its products than the old patents it had.

COMPETITION

The electronic component industry, in general, is highly competitive and has been characterized by price erosion, rapid technological changes and foreign competition. However, in the market segments in which the Company operates, while highly competitive and subject to the same price erosion, technological change is slow and minimal. The Company believes that it is well regarded by its customers in the segments of the market in which competition is dependent less on price and more on product reliability, performance and service. Management believes, however, that to the extent the Company's business is targeted at the military and aerospace markets, where there has been virtually no foreign competition, it is subjected to less competition than manufacturers of commercial electronic components. Additionally, the decline in military orders in programs the Company participates in and the shift in the requirement of the Defense Department whereby the use of Commercial Off The Shelf (COTS) components is encouraged over the use of high reliability components that the Company manufactures, prompting the number of competitors to decline, afford the Company the opportunity to increase its market share. As the Company attempts to shift its focus to the sale of products having non-military, non-aerospace applications it will be subject to greater price erosion and foreign competition. The Company continues its efforts to identify a niche market for high-end industrial custom power modules and custom motor controllers where the Company's capabilities can offer a technological advantage to customers in the motor driver, and power supplies industries. However, there is no guarantee that the Company will be successful in this effort.

The Company has numerous competitors across all of its product lines. The Company is not in direct competition with any other semiconductor manufacturer for an identical mixture of products; however, one or more of the major manufacturers of semiconductors manufactures some of the Company's products. A few such major competitors (e.g., IXYS Corporation, Motorola Inc. (now On Semiconductors), Intersil Corporation, Fairchild Semiconductor, among others) have elected to withdraw from the military market altogether. However, there is no assurance that the Company's business will increase as a result of such withdrawals. Other competitors in the military market include International Rectifier (the Omnirel Division), Microsemi Corporation (the NES Division), M.S. Kennedy Corporation, Natel Engineering Company and Sensitron Semiconductor. The Company competes principally on the basis of product quality, turn-around time, customer service and price. The Company believes that competition for sales of products that will ultimately be sold to the United States government has intensified and will continue to intensify as United States defense spending on high reliability components continues to decrease and the Department of Defense pushes for implementation of its 1995 decision to purchase COTS standard products in lieu of products made in accordance with more stringent military specifications.

The Company believes that its primary competitive advantage is its ability to produce high quality products as a result of its years of experience, its sophisticated technologies and its experienced staff. The Company believes that its ability to produce highly reliable custom hybrids in a short period of time will give it a strategic advantage in attempting to penetrate high-end commercial markets and in selling military products complementary with those currently sold, as doing so would enable the Company to produce products early in design and development cycles. The Company believes that it will be able to improve its capability to respond quickly to customer needs and deliver products on time.

EMPLOYEES

At February 29, 2008, the Company had 83 employees (as compared to 81 at February 28, 2007), 55 of whom are engaged in production activities, 3 in sales and marketing, 6 in executive and administrative capacities and 19 in technical and support activities. Of the 83 employees, 79 were full time employees and 4 were part time employees.

The Company has never had a work stoppage, and none of its employees are represented by a labor organization. The Company considers its employee relations to be good.

SOURCES AND AVAILABILITY OF RAW MATERIAL

The Company purchases its raw materials from multiple suppliers and has a minimum of two suppliers for most of its material requirements. A few of the key suppliers of raw materials and finished packages purchased by the Company are: Egide USA Inc., Platronics Seals, CPS Technologies Corporation, Coining Inc., IXYS Corporation, Purecoat International LLC, and Stellar Industries Inc. Because of a diminishing number of sources for components and packages in particular, and the sharp increase in the prices of raw silicon semiconductor wafers, precious metals and gold (used in the finish of the packages), the Company has been obliged to pay higher prices, which consequently has increased costs of goods sold. Should a shortage of three-inch silicon wafers occur, we might not be able to switch our manufacturing capabilities to another size wafer in time to meet our customer’s needs, leading to lost revenues.

EFFECT OF GOVERNMENT REGULATION

The Company received DSCC approval to supply its products in accordance with MIL-PRF-19500, Class H of MIL-PRF-38534, and some products in accordance with Class M of MIL-PRF-38535. These qualifications are required to supply to the U.S. Government or its prime contractors. The Company expects that its continued maintenance of these qualifications will continue to improve its business posture by increasing product marketability.

RESEARCH AND DEVELOPMENT

During the last two fiscal years, the Company has not spent any significant funds on research and development. This may have an adverse effect on future operations. The cost of designing custom products is borne in full by the customer, either as a direct charge or is amortized in the unit price charged to the customer.

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 manufacturing 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. In addition, the Company, 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. There can be no assurance that the Company and its subsidiaries will not be required to incur costs to comply with, or that the operations, business or financial condition of the Company will not be materially adversely affected by current or future environmental laws or regulations.

ENVIRONMENTAL LIABILITIES

The Company entered into an Ability to Pay Multi-Site Settlement Agreement with the United States Environmental Protection Agency ("USEPA"), effective February 24, 2006 ("Settlement Agreement"), to resolve the Company's alleged liability to USEPA at the following sites: Solitron Microwave Superfund Site, Port Salerno, Florida ("Port Salerno Site"); Petroleum Products Corporation Superfund Site, Pembroke Park, Florida; Casmalia Resources Superfund Site, Santa Barbara, California "(Casmalia Site"); Solitron Devices Site, Riviera Beach, Florida (the "Riviera Beach Site"); and City Industries Superfund Site, Orlando, Florida (collectively, the "Sites"). The Settlement Agreement required the Company to pay to USEPA the sum of $74,000 by February 24, 2008; the Company paid the entire sum of $74,000 to USEPA on February 27, 2006. In addition, the Company is required to pay to USEPA the sum of $10,000 or 5% of Solitron's net after-tax income over the first $500,000, if any, whichever is greater, for each year from 2008 to 2012. For payment to USEPA to be above $10,000 for any of these five years, the Company's net income must exceed $700,000 for such year, which has happened in fiscal year 2001, fiscal year 2006, and the current fiscal year. The Company accrued $50,000 for its remaining obligations under the Settlement Agreement.

In consideration of the payments made by the Company under the Settlement Agreement, USEPA agreed not to sue or take any administrative action against the Company with regard to any of the Sites. The Company has also been notified by a group of alleged responsible parties formed at the Casmalia Site ("Casmalia PRP Group") that, based on their review and lack of objection to the Settlement Agreement, the Casmalia PRP Group does not anticipate pursuing Solitron for cost recovery at the Casmalia Site.

On October 21, 1993, a Consent Final Judgment was entered into between the Company and the Florida Department of Environmental Protection (“FDEP”) in the Circuit Court of the Nineteenth Judicial Circuit of Florida in and for Martin County, Florida, in Case No. 91-1232 CA (the “Consent Final Judgment”). The Consent Final Judgment required the Company to remediate the Port Salerno Site and Riviera Beach Site, make monthly payments to escrow accounts for each Site until the sale of the Sites to fund the remediation work, take all reasonable steps to sell the two Sites and, upon the sale of the Sites, apply the net proceeds from the sales to fund the remediation work. Both Sites have been sold (Riviera Beach Site on October 12, 1999 and Port Salerno Site on March 17, 2003) pursuant to purchase agreements approved by FDEP.

Prior to the sale of the Port Salerno Site and Riviera Beach Site, USEPA took over from FDEP as the lead regulatory agency for the remediation of the Sites. At the closing of the sale of each Site, the net proceeds of sale were distributed to USEPA and/or FDEP or other parties, as directed by the agencies. In addition, upon the sale of the Riviera Beach Site, the Riviera Beach Escrow Account was transferred to USEPA, as directed by the agencies. The current balance in the Port Salerno Escrow Account is approximately $58,000. At present, work at the Port Salerno Site is being performed by USEPA. Work at the Riviera Beach Site is being performed by Honeywell, Inc. (“Honeywell”), pursuant to an Administrative Order on Consent entered into between Honeywell and USEPA. The Company has been notified by FDEP that the performance of remediation work by USEPA at the Port Salerno Site and by Honeywell at the Riviera Beach Site will be construed by FDEP as discharging the Company’s remediation obligations under the Consent Final Judgment.

There remains a possibility that FDEP will determine at some time in the future that the final remedy approved by USEPA and implemented at either, or both of, the Port Salerno Site and Riviera Beach Site does not meet the State cleanup requirements imposed by the Consent Final Judgment. If such a final determination is made by FDEP, there is a possibility that FDEP will require the Company to implement additional remedial action at either, or both of, the Port Salerno Site and Riviera Beach Site.

By letter dated November 16, 2006, FDEP notified the Company that FDEP has unreimbursed expenses associated with the Port Salerno Site and Riviera Beach Site of $214,800. FDEP further notified the Company that FDEP required the Company to resume payments under the Consent Final Judgment to ensure that there are adequate funds to cover FDEP’s unreimbursed expenses and the Company’s residual liability under the Consent Final Judgment. During a follow up telephone conversation with the Company’s attorney, FDEP advised the Company that FDEP will prepare a justification for the asserted unreimbursed expenses. Upon receipt of the cost reimbursement package, the Company is required to transfer $58,000.00 from the Port Salerno Escrow Account to FDEP as partial payment for FDEP’s unreimbursed expenses that are otherwise recoverable under the Consent Final Judgment. FDEP further stated, during the telephone conversation, that FDEP will work with the Company to establish a reduced payment schedule for the Company to resume under the Consent Final Judgment based on an appropriate showing by the Company of financial hardship. The Company is currently awaiting receipt of FDEP’s cost reimbursement package. Upon receipt of that documentation, the Company will be required to provide a recommendation to FDEP for resumption of payments to FDEP under the Consent Final Judgment based on the Company’s present ability to pay.

On August 7, 2002, the Company received a Request for Information from the State of New York Department of Environmental Conservation (“NYDEC”), seeking information on whether the Company had disposed of certain wastes at the Clarkstown Landfill Site located in the Town of Clarkstown, Rockland County, New York (The Clarkstown Landfill Site”). By letter dated August 29, 2002, the Company responded to the Request for Information and advised NYDEC that the Company’s former Tappan, New York facility had closed in the mid-1980’s, prior to the initiation of the Company’s bankruptcy proceedings described below. The Company contends that, to the extent that NYDEC has a claim against the Company as a result of the Company’s alleged disposal of wastes at the Clarkstown Landfill Site prior to the closing of the Company’s former Tappan facility in the mid-1980’s, the claim was discharged in bankruptcy as a result of the Bankruptcy Court’s August 1993 Order. At NYDEC’s request, the Company entered into a revised Tolling Agreement with NYDEC on January 17, 2007, which provides for the tolling of applicable statutes of limitation through the earlier of October 28, 2008, or the date the State institutes a suit against the Company for any claims associated with the Clarkstown Landfill Site. It is not known at this time whether NYDEC will pursue a claim against the Company in connection with the Clarkstown Landfill Site. As of the date of this filing, no such claim has been made.

BANKRUPTCY PROCEEDINGS

On January 24, 1992 (the “Petition Date”), the Company and its wholly-owned subsidiary, Solitron Specialty Products, Inc. (f/k/a Solitron Microwave, Inc.), a Delaware corporation, filed voluntary petitions seeking reorganization under

Chapter 11 (“Chapter 11”) of the United States Bankruptcy Code, as amended (the “Bankruptcy Code”), in the United States Bankruptcy Court for the Southern District of Florida (the “Bankruptcy Court”). On August 20, 1993, the Bankruptcy Court entered an Order (the “Order of Confirmation”) confirming the Company’s Fourth Amended Plan of Reorganization, as modified by the Company’s First Modification of Fourth Amended Plan of Reorganization (the “Plan of Reorganization” or “Plan”). The Plan became effective on August 30, 1993 (the “Effective Date”). On July 12, 1996, the Bankruptcy Court officially closed the case.

Pursuant to the Plan of Reorganization, beginning in approximately May 1995, the Company was required to begin making quarterly payments to holders of unsecured claims until they received 35% of their claims. However, due to negotiations between the parties, the unsecured creditors agreed to a deferment of this payment and the Company agreed to make payments until its obligations are fulfilled (for more information see “Management’s Discussion and Analysis of Financial Condition and Results of Operations”). At the time, it was estimated that there was an aggregate of approximately $7,100,000 in unsecured claims and, accordingly, that the Company was required to pay approximately $2,292,000 to holders of allowed unsecured claims in quarterly installments of approximately $62,000. On February 29, 2008 the remaining balance of these was approximately $1,114,000.

Beginning on the date the Company’s net after tax income exceeds $500,000, the Company is obligated to pay (on an annual basis) each of the holders of unsecured claims (pro rata) and Vector Trading and Holding Corporation (“Vector”), a successor to certain assets and liabilities of the Company, and Vector’s participants and successors, 5% of its net after tax income in excess of $500,000 until the tenth anniversary of the Effective Date, up to a maximum aggregate of $1,500,000 to the holders of unsecured claims (pro rata) and up to a maximum aggregate of $1,500,000 to Vector participants and their successors (the “Profit Participation”). As the Company earned $637,000 in the fiscal year ended February 28, 2001, net after the accrual of $15,000 for the Profit Participation, it distributed, during the fiscal year ended February 28, 2002 approximately $7,500 to its unsecured creditors and approximately $7,500 to Vector and its successors in interest as contemplated by the Plan. As net income for the fiscal years ended February 28, 2003, 2004 and 2005 did not exceed $500,000, there were no distributions related to those fiscal years. As of August 2005, this obligation for profit participation had expired.

ITEM 1A. RISK FACTORS

The following important business risks and factors, and those business risks and factors described elsewhere in this report or our other Securities and Exchange Commission filings, could cause our actual results to differ materially from those stated in our forward-looking statements, and which could affect the value of an investment in the Company. All references to “we”, “us”, “our” and the like refer to the Company.

Our complex manufacturing processes may lower yields and reduce our revenues.

Our manufacturing processes are highly complex, require advanced and costly equipment and are continuously being modified in an effort to improve yields and product performance. Minute impurities or other difficulties in the manufacturing process can lower yields. Our manufacturing efficiency will be an important factor in our future profitability, and we cannot assure you that we will be able to maintain our manufacturing efficiency or increase manufacturing efficiency to the same extent as our competitors.

In addition, as is common in the semiconductor industry, we have from time to time experienced difficulty in effecting transitions to new manufacturing processes. As a consequence, we may suffer delays in product deliveries or reduced yields. We may experience manufacturing problems in achieving acceptable yields or experience product delivery delays in the future as a result of, among other things, capacity constraints, construction delays, upgrading or expanding existing facilities or changing our process technologies, any of which could result in a loss of future revenues. Our operating results could also be adversely affected by the increase in fixed costs and operating expenses related to increases in production capability if revenues do not increase proportionately.

Our ability to repair and maintain the aging manufacturing equipment we own may adversely affect our ability to deliver products to our customers’ requirements. We may be forced to expend significant funds in order to acquire replacement capital equipment that may not be readily available, thus resulting in manufacturing delays.

Our business could be materially and adversely affected if we are unable to obtain qualified supplies of raw materials, parts and finished components on a timely basis and at a cost-effective price.

The Company relies on its relationships with certain key suppliers for its supply of raw materials, parts and finished components that are qualified for use in the end-products the Company manufactures. While the Company currently has favorable working relationships with its suppliers, it cannot be sure that these relationships will continue in the future. Additionally, the Company cannot guarantee the availability or pricing of raw materials. The price of qualified raw materials can be highly volatile due to several factors, including a general shortage of raw materials, an unexpected increase in the demand for raw materials, disruptions in the suppliers' business and competitive pressure among suppliers of raw materials to increase the price of raw materials. Suppliers may also choose, from time to time, to extend lead times or limit supplies due to a shortage in supplies. Additionally, some of the Company's key suppliers of raw materials may have the capability of manufacturing the end products themselves and may therefore cease to supply the Company with its raw materials and compete directly with the Company for the manufacture of the end-products. Any interruption in availability of these qualified raw materials may impair the Company's ability to manufacture its products on a timely and cost-effective basis. If the Company must identify alternative sources for its qualified raw materials, it would be adversely affected due to the time and process required in order for such alternative raw materials to be qualified for use in the applicable end-products. Any significant price increase in the Company's raw materials that cannot be passed on to customers or a shortage in the supply of raw materials could have a material adverse effect on the Company's business, financial condition or results of operations.

We are dependent on government contracts, which are subject to termination, price renegotiations and regulatory compliance, which can increase the cost of doing business and negatively impact our revenues.

All of our contracts with the U.S. government and its prime contractors contain customary provisions permitting termination at any time at the convenience of the U.S. government or its prime contractors upon payment to us for costs incurred plus a reasonable profit. Certain contracts are also subject to price renegotiations in accordance with U.S. government sole source procurement provisions. Nevertheless, we cannot assure you that the foregoing government contracting risks will not materially and adversely affect our business, prospects, financial condition or results of operations. Furthermore, we cannot assure you that we would be able to procure new government contracts to offset any revenue losses incurred due to early termination or price renegotiation of existing government contracts.

Our government business is also subject to specific procurement regulations, which increase our performance and compliance costs. These costs might increase in the future, reducing our margins. Failure to comply with procurement regulations could lead to suspension or debarment, for cause, from government subcontracting for a period of time. Among the causes for debarment are violations of various statutes, including those related to procurement integrity, export control, government security regulations, employment practices, protection of the environment, and accuracy of records. The termination of a government contract or relationship as a result of any of these violations would have a negative impact on our reputation and operations, and could negatively impact our ability to obtain future government contracts.

Changes in government policy or economic conditions could negatively impact our results.

A large portion of the Company's sales are to military and aerospace markets which are subject to the business risk of changes in governmental appropriations and changes in national defense policies and priorities. Any such changes could result in reduced demand for the Company's products, which could have a material and adverse effect on the Company's business, prospects, financial condition and results of operations.

Our results may also be affected by changes in trade, monetary and fiscal policies, laws and regulations, or other activities of U.S. and non-U.S. governments, agencies and similar organizations. Furthermore, our business, prospects, financial condition and results of operations may be adversely affected by the shift in the requirement of the U.S.

Department of Defense policy toward the use of standard industrial components over the use of high reliability components that we manufacture. Our results may also be affected by social and economic conditions, which impact our sales, including in markets subject to ongoing political hostilities, such as regions of the Middle East.

Our inventories may become obsolete and other assets may be subject to risks.

The life cycles of some of our products depend heavily upon the life cycles of the end products into which our products are designed. Products with short life cycles require us to manage closely our production and inventory levels. Inventory may also become obsolete because of adverse changes in end-market demand. We may in the future be adversely affected by obsolete or excess inventories which may result from unanticipated changes in the estimated total demand for our products or the estimated life cycles of the end products into which our products are designed. The asset values determined under Generally Accepted Accounting Principles for inventory and other assets each involve the making of material estimates by us, many of which could be based on mistaken assumptions or judgments.

Environmental regulations could require us to incur significant costs.

In the conduct of our manufacturing operations, we have handled and do handle materials that are considered hazardous, toxic or volatile under federal, state and local laws and, therefore, are 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, we could be held liable for damages and the cost of remediation and, along with the rest of the semiconductor industry, we are 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. There can be no assurance that we will not be required to incur costs to comply with, or that our operations, business or financial condition will not be materially affected by, current or future environmental laws or regulations. See “Business - Environmental Liabilities.”

Our business is highly competitive, and increased competition could reduce gross profit margins and the value of an investment in our Company.

The semiconductor industry, and the semiconductor product markets specifically, are highly competitive. Competition is based on price, product performance, quality, turn-around time, reliability and customer service. The gross profit margins realizable in our markets can differ across regions, depending on the economic strength of end-product markets in those regions. Even in strong markets, price pressures may emerge as competitors attempt to gain more share by lowering prices. Competition in the various markets in which we participate comes from companies of various sizes, many of which are larger and have greater financial and other resources than we have and thus can better withstand adverse economic or market conditions. In addition, companies not currently in direct competition with us may introduce competing products in the future.

Downturns in the business cycle could reduce the revenues and profitability of our business.

The semiconductor industry is highly cyclical. Semiconductor industry-wide sales declined significantly in 2001, 2002 and 2004. Our markets may experience other, possibly more severe and prolonged, downturns in the future. We may also experience significant changes in our operating profit margins as a result of variations in sales, changes in product mix, price competition for orders and costs associated with the introduction of new products.

Our operating results may decrease due to the decline of profitability in the semiconductor industry.

Intense competition and a general slowdown in the demand for military-rated semiconductors worldwide have resulted in decreases in the profitability of many of our products. We expect that profitability for our products will continue to decline in the future. A decline in profitability for our products, if not offset by reductions in the costs of manufacturing these products, would decrease our profits and could have a material adverse effect on our business, financial condition and results of operations.

Uncertainty of current economic conditions, domestically and globally, could continue to affect demand for our products and negatively impact our business.

Current conditions in the domestic and global economies are extremely uncertain. As a result, it is difficult to estimate the level of growth for the economy as a whole. It is even more difficult to estimate growth in various parts of the economy, including the markets in which we participate. Because all components of our budgeting and forecasting are dependent upon estimates of growth in the markets we serve and demand for our products, the prevailing economic uncertainties render estimates of future income and expenditures even more difficult than usual to make. The future direction of the overall domestic and global economies will have a significant impact on our overall performance.

Cost reduction efforts may be unsuccessful or insufficient to improve our profitability and may adversely impact productivity.

During fiscal year 2007, and fiscal year 2008, we continued certain cost-cutting measures originally begun several years ago, and we have a plan to implement further cost-saving measures if necessary. The impact of these cost-reduction efforts on our profitability may be influenced by:

- our ability to successfully complete these ongoing efforts;
- the possibility that these efforts may not generate the level of cost savings we expect or enable us to effectively compete and return to profitability; and
- the risk that we may not be able to retain key employees.

Since these cost-reduction efforts involve all aspects of our business, they could adversely impact productivity to an extent we did not anticipate and may inhibit future growth prospects.

We may not achieve the intended effects of our new business strategy, which could adversely impact our business, financial condition and results of operations.

In recognition of the changes in global geopolitical affairs and in United States military spending, we are attempting to increase sales of our products for non-military, scientific and industrial niche markets, such as medical electronics, machine tool controls, satellites, telecommunications networks and other market segments in which purchasing decisions are generally based primarily on product quality, long-term reliability and performance, rather than on product price. We are also attempting to offer additional products to the military markets that are complementary to those we currently sell to the military markets. We cannot assure you that these efforts will be successful and, if they are, that they will have the intended effects of increasing profitability. Furthermore, as we attempt to shift our focus to the sale of products having non-military, non-aerospace applications, we will be subject to greater price erosion and foreign competition.

Our inability to introduce new products could result in decreased revenues and loss of market share to competitors; new technologies could also reduce the demand for our products.

Rapidly changing technology and industry standards, along with frequent new product introductions, characterize the semiconductor industry. Our success in these markets depends on our ability to design, develop, manufacture, assemble, test, market and support new products and enhancements on a timely and cost-effective basis. There can be no assurance that we will successfully identify new product opportunities and develop and bring new products to market in a timely and cost-effective manner or those products or technologies developed by others will not render our products or technologies obsolete or noncompetitive. A fundamental shift in technology in our product markets could have a material adverse effect on us. In light of the fact that many of our competitors have substantially greater revenues than us and that we have not spent any funds on research and development in recent years, we may not be able to accomplish the foregoing, which might have a material adverse effect on the Company, our business, prospects, financial condition or results of operations.

Loss of, or reduction of business from, substantial clients could hurt our business by reducing our revenues, profitability and cash flow.

During the fiscal year ended February 29, 2008, fifteen customers accounted for approximately 84% of our revenues. The loss or financial failure of any significant customer or distributor, any reduction in orders by any of our significant customers or distributors, or the cancellation of a significant order could materially and adversely affect our business. Furthermore, due to industry consolidation, the loss of any one customer or significant order may have a greater impact than we anticipate. We cannot guarantee that we will be able to retain long-term relationships or secure

renewals of short-term relationships with our more substantial customers in the future.

A shortage of three-inch silicon wafers could result in lost revenues due to an inability to build our products.

Some of our products contain components manufactured in-house from three-inch silicon wafers. The worldwide supply of three-inch silicon wafers is dwindling. We currently have enough wafers in inventory and on order to meet our manufacturing needs for three years. Should a shortage of three-inch silicon wafers occur, or if we are not able to obtain three-inch silicon wafers at an economically suitable cost, we may not be able to switch our manufacturing capabilities to another size wafer in time to meet our customer's needs, leading to lost revenues.

The nature of our products exposes us to potentially significant product liability risk.

Our business exposes us to potential product liability risks that are inherent in the manufacturing and marketing of high-reliability electronic components for critical applications. No assurance can be made that our product liability insurance coverage is adequate or that present coverage will continue to be available at acceptable costs, or that a product liability claim would not materially and adversely affect our business, prospects, financial conditions or results of operations.

We depend on the recruitment and retention of qualified personnel, and our failure to attract and retain such personnel could seriously harm our business.

Due to the specialized nature of our business, our future performance is highly dependent on the continued services of our key engineering personnel and executive officers. Our prospects depend on our ability to attract and retain qualified engineering, manufacturing, marketing, sales and management personnel for our operations. Competition for personnel is intense, and we may not be successful in attracting or retaining qualified personnel. Our failure to compete for these personnel could seriously harm our business, prospects, results of operations and financial condition.

Provisions in our charter documents and rights agreement could make it more difficult to acquire our Company and may reduce the market price of our stock.

Our Certificate of Incorporation and Bylaws contain certain provisions, and we have adopted a stockholder rights plan (as more fully described in our current report on Form 8-K filed on June 20, 2001), each of which could delay or prevent a change in control of our company or the removal of management, and which could also deter potential acquirers from making an offer to our stockholders and limit any opportunity to realize premiums over prevailing market prices of our common stock.

Natural disasters, like hurricanes, or occurrences of other natural disasters whether in the United States or internationally may affect the markets in which our common stock trades, the markets in which we operate and our profitability.

Natural disasters, like those related to hurricanes, or threats or occurrences of other similar events, whether in the United States or internationally, may affect the markets in which our common stock trades, the markets in which we operate and our profitability. Hurricanes have affected us in the past, and may continue to affect us in the future, resulting in damage to our manufacturing facility in South Florida and our manufacturing equipment, office closures and impairing our ability to produce and deliver our products. Such events could also affect our domestic and international sales, disrupt our supply chains, primarily for raw materials and process chemicals and gases, affect the physical facilities of our suppliers or customers, and make transportation of our supplies and products more difficult or cost prohibitive. Due to the broad and uncertain effects that natural events have had on financial and economic markets generally, we cannot provide any estimate of how these activities might affect our future results.

Failure to protect our proprietary technologies or maintain the right to use certain technologies may negatively affect our ability to compete.

We rely heavily on our proprietary technologies. Our future success and competitive position may depend in part upon our ability to obtain or maintain protection of certain proprietary technologies used in our principal products. We do not have patent protection on many aspects of our technology. Our reliance upon protection of some of our technology as "trade secrets" will not necessarily protect us from the use by other persons of our technology, or their use of technology that is similar or superior to that which is embodied in our trade secrets. Others may be able to independently duplicate or exceed our technology in whole or in part. We may not be successful in maintaining the

confidentiality of our technology, dissemination of which could have material adverse effects on our business. In addition, litigation may be necessary to determine the scope and validity of our proprietary rights.

Obtaining or protecting our proprietary rights may require us to defend claims of intellectual property infringement by our competitors. We could become subject to lawsuits in which it is alleged that we have infringed or are infringing upon the intellectual property rights of others with or without our prior awareness of the existence of those third-party rights, if any.

If any infringements, real or imagined, happen to exist, arise or are claimed in the future, we may be exposed to substantial liability for damages and may need to obtain licenses from the patent owners, discontinue or change our processes or products or expend significant resources to develop or acquire non-infringing technologies. We may not be successful in such efforts or such licenses may not be available under reasonable terms. Our failure to develop or acquire non-infringing technologies or to obtain licenses on acceptable terms or the occurrence of related litigation itself could have material adverse effects on our operating results, financial condition and cash flows.

The price of our common stock has fluctuated widely in the past and may fluctuate widely in the future.

Our common stock, which is traded on the over-the-counter bulletin board, has experienced and may continue to experience significant price and volume fluctuations that could adversely affect the market price of our common stock without regard to our operating performance. In addition, we believe that factors such as quarterly fluctuations in financial results, financial performance and other activities of other publicly traded companies in the semiconductor industry could cause the price of our common stock to fluctuate substantially. In addition, in recent periods, our common stock, the stock market in general and the market for shares of semiconductor industry-related stocks in particular have experienced extreme price fluctuations which have often been unrelated to the operating performance of the affected companies. Any similar fluctuations in the future could adversely affect the market price of our common stock.

ITEM 1B UNRESOLVED STAFF COMMENTS.

None

ITEM 2. PROPERTIES.

The Company’s manufacturing operations and its corporate headquarters are located in one leased facility in West Palm Beach, Florida. The Company leases approximately 47,000 sq. ft. for its facility. The lease is for a term of ten years ending on December 31, 2011 and does not include an option to renew the lease under current terms. The Company believes that its facility in West Palm Beach, Florida is suitable and adequate to meet its requirements currently and for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

We may from time to time become a party to various legal proceedings arising in the ordinary course of business. As of February 29, 2008, we had no known material current, pending, or threatened litigation.

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

None.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND REGISTRANT'S PURCHASES OF EQUITY SECURITIES

Since March 1995, the Company's Common Stock has been traded on the Over The Counter Electronic Bulletin Board ("OTCBB"). The Company's Common Stock was traded on the New York Stock Exchange until October 13, 1993, at which time it began trading on the NASDAQ Small Cap Market where it was traded until March 1995.

The following table sets forth for the periods indicated, high and low bid information of the Common Stock as reported by the OTCBB. The prices set forth below reflect inter-dealer prices, without retail mark-up, mark-down, or commission and may not represent actual transactions.

	FISCAL YEAR ENDED FEBRUARY 29, 2008		FISCAL YEAR ENDED FEBRUARY 28, 2007	
	HIGH	LOW	HIGH	LOW
First Quarter	$ 1.98	$ 1.55	$ 4.75	$ 3.70
Second Quarter	$ 2.11	$ 1.58	$ 4.15	$ 1.45
Third Quarter	$ 2.49	$ 2.00	$ 1.75	$ 1.25
Fourth Quarter	$ 2.95	$ 2.37	$ 2.05	$ 1.30

As of May 24, 2007, there were approximately 1,879 holders of record of the Company's Common Stock. On May 22, 2008, the last sale price of the Common Stock as reported on the OTCBB was $2.95 per share.

Certificates representing 61,131 "old shares" of Common Stock, which were subject to an approximate 10 to 1 reverse split (which was authorized by the Bankruptcy Court on September 1993), have not been exchanged by the stockholders as of February 29, 2008. Subsequent to such stock split, these certificates now represent 6,113 shares of Common Stock, which are included in the 2,263,037 shares outstanding as of February 29, 2008 indicated in the beginning of this filing. These "old shares" have not been included in the number of shares outstanding as set forth in the Company's filings with the commission since the date of such stock split through its Annual Report on Form 10-K for the period ended February 29, 2008.

The Company has 173,287 shares of treasury stock in certificate form in its possession. These shares of treasury stock are not included in the number of shares issued and outstanding for the fiscal years ended February 29, 2008 and February 28, 2007.

The Company has not paid any dividends since emerging from bankruptcy and the Company does not contemplate declaring dividends in the foreseeable future. Pursuant to the Company's ability to pay its settlement proposal with USEPA, the Company agreed not to pay dividends on any shares of capital stock until the settlement amount for environmental liabilities is agreed upon and paid in full.

During the fiscal year ended February 29, 2008, the Company did not issue any shares of its Common Stock to employees.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
OPERATIONS.

You should read the following discussion in conjunction with the "Financial Statements and Supplementary Data" section of this Annual Report on Form 10-K. You also should review and consider the risks relating to the Company's business, operations, financial performance, and cash flows presented earlier under "Risk Factors."

INTRODUCTION

The Company 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 MOS power transistors, power and control hybrids, junction and power MOFSET's, field effect transistors and other related products. Most of the Company's products are custom made pursuant to contracts with customers whose end products are sold to the United States government. Other products, such as JAN transistors, diodes and SMD voltage regulators, are sold as standard or catalog items.

The following table is included solely for use in comparative analysis of income before extraordinary items to complement Management's Discussion and Analysis of Financial Condition and Results of Operations:

	(Dollars in Thousands) Year Ended February 29/8,			
	2008		2007	
Net Sales	$	7,792	$	7,760
Cost of sales		5,893		6,291
Gross profit		1,899		1,469
Selling, general and administrative expenses		1,149		1,051
Operating income (loss)		750		418
Forgiveness of Debt		-		-
Imputed interest expense on unsecured creditors claims		-		-
Interest income		162		132
Environmental Expenses/Other, net		16		(118)
Provision for income taxes		3		-
Net income	$	925	$	432

TRENDS AND UNCERTAINTIES:

During the fiscal year ended February 29, 2008, the Company's book-to-bill ratio was approximately 1.17 as compared to approximately .81 for the fiscal year ended February 28, 2007 reflecting an increase in the volume of orders booked. The Company does not believe that the year-to-year change in the book-to-bill ratio indicates a specific trend in the demand for the Company's products. Generally, the intake of orders over the last twenty four months has varied greatly as a result of the fluctuations in the general economy, variations in defense spending on programs the Company supports, and the timing of contract awards by the Department of Defense and subsequently by its prime contractors, which is expected to continue over the next twelve to twenty four months. The Company continues to identify means intended to reduce its variable manufacturing costs to offset the potential impact of low volume of orders to be shipped. However, should order intake fall drastically below the level experienced in the last twenty four months, the Company might be required to implement further cost cutting or other downsizing measures to continue its business operations.

SIGNIFICANT ACCOUNTING PRINCIPLES:

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts, and treasury bills with maturities of ninety days or less.

Earnings Per Common Share

Earnings per common share is presented in accordance with SFAS No. 128 "Earnings per Share." Basic earnings per common share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per common share incorporate the incremental shares issuable upon the assumed exercise of stock options to the extent they are not anti-dilutive using the treasury stock method.

Shipping and Handling

Shipping and handling costs billed to customers by the Company are recorded in net sales. Shipping costs incurred by the Company are recorded in cost of sales.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the "first-in, first-out" (FIFO) method. The Company buys raw material only to fill customer orders. Excess raw material is created only when a vendor imposes a minimum buy in excess of actual requirements. Such excess material will usually be utilized to meet the requirements of the customer's subsequent orders. If excess material is not utilized after two fiscal years it is fully reserved. Any inventory item once designated as reserved is carried at zero value in all subsequent valuation activities.

The Company's inventory valuation policy is as follows:

Raw material /Work in process:	All material purchased, processed and/or used in the last two fiscal years is valued at the lower of its acquisition cost or market. All material not purchased/used in the last two fiscal years is fully reserved for.
Finished goods:	All finished goods with firm orders for later delivery are valued (material and overhead) at the lower or cost or market. All finished goods with no orders are fully reserved.

RESULTS OF OPERATIONS

2008 vs. 2007

Net sales for the fiscal year ended February 29, 2008 increased by approximately .4% to $7,792,000 versus $7,760,000 during the fiscal year ended February 28, 2007, as a result of an increase in the demand for the Company's products due to changes in defense spending on military programs the Company supports, as well as increased economic activity and greater delivery requirements by its customers.

Bookings were greater than sales by approximately 17%; thus, the backlog increased from $4,472,000 as of February 28, 2007 to $5,826,000 as of February 29, 2008. The Company has experienced an increase in the level of bookings of approximately 46% for the year ended February 29, 2008 as compared to the previous year primarily due to changes in military spending on programs the Company supports.

During the year ended February 29, 2008, the Company shipped 790,386 units as compared with 496,801 units shipped during the year ended February 28, 2007. It should be noted that since the Company manufactures a wide variety of products with an average sales price ranging from less than one dollar to several hundred dollars, such periodic variations in the Company's volume of units shipped might not be a reliable indicator of the Company's performance.

Cost of sales for the fiscal year ended February 29, 2008 decreased to $5,893,000 from $6,291,000 for the fiscal year ended February 28, 2007. Expressed as a percentage of sales, cost of sales decreased from approximately 81% for the fiscal year ended February 28, 2007 to approximately 76% for the fiscal year ended February 29, 2008. This decrease was principally as a result of lower raw material and labor costs and lower manufacturing overhead costs.

During the year ended February 29, 2008 the Company’s gross profit was $1,899,000 (24% margin) as compared to $1,469,000 (19% margin) for the year ended February 28, 2007. The gross profit increase was due principally to lower raw material and labor costs and lower manufacturing overhead costs.

During the year ended February 29, 2008, selling, general and administrative based expenses, as a percentage of sales, were approximately 15% as compared with 14% for the year ended February 28, 2007. Selling, general and administrative expenses increased approximately 9% to $1,149,000 for the fiscal year ended February 29, 2008 from $1,051,000 for the fiscal year ended February 28, 2007. This increase is primarily the result of an increase in sales wages.

Operating income for the fiscal year ended February 29, 2008 was $750,000 as compared to an operating income of $418,000 for the fiscal year ended February 28, 2007. This increase was primarily attributable to a decrease in raw material and labor costs and lower manufacturing overhead costs.

Interest income for the fiscal year ended February 29, 2008 increased to $162,000 from $132,000 during the fiscal year ended February 28, 2007. This increase was attributable to a higher cash and cash equivalents balance and higher interest rates earned on cash and cash equivalents.

Accrued environmental expenses for the fiscal year ended February 29, 2008 remained at $118,000, the same as for the fiscal year ended February 28, 2007. The Company accrued these expenses during the fiscal year ended February 28, 2007 after receiving a notice from FDEP regarding unreimbursed expenses associated with the Port Salerno Site and Riviera Beach Site. (See "Environmental Liabilities")

Net income for the fiscal year ended February 29, 2008 was $925,000 as compared to net income of $432,000 for the fiscal year ended February 28, 2007. This increase is attributable to a decrease in raw material and labor costs and lower manufacturing overhead costs.

LIQUIDITY AND CAPITAL RESOURCES

Subject to the following discussion, the Company expects its sole source of liquidity over the next twelve months to be cash from operations. However, due to the level of current backlog and level of new order intake, the Company might operate at a loss during part of the next fiscal year. The Company anticipates that its capital expenditures will be approximately $200,000 for the next fiscal year.

During the first few fiscal years after its emergence from bankruptcy proceedings, the Company generally experienced losses from operations and severe cash shortages caused by a significant decline in both sales and open order backlog, decreased margins (which is characteristic in the industry) on the Company's products, significant expenses associated with the reorganization proceedings, 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. However, for the years ended February 29, 2008 and February 28, 2007, the Company recorded a net income of $925,000 ($750,000 from operations) and $432,000 ($418,000 from operations), respectively.

During the pendency of the bankruptcy proceedings, all secured and unsecured claims against any indebtedness of the Company (including accrued and unpaid interest) were stayed in accordance with the Bankruptcy Code while the Company continued its operations as a debtor-in-possession, subject to the control and supervision of the Bankruptcy Court. Because these stays limit cash outflow, the Company, during the pendency of the Bankruptcy Proceedings, realized positive cash flow from ongoing operations. Since the Company emerged from Chapter 11, it has experienced positive cash flow from recurring operations; however, until the fiscal year ended February 28, 1997, overall cash flow was negative due primarily to the necessity to make payments of administrative expenses and unsecured debt payouts arising in connection with the bankruptcy proceedings.

Based upon (i) management's best information as to current national defense priorities, future defense programs, as well as management's expectations as to future defense spending, (ii) the market trends signaling a steady level of bookings, but with an increase in the cost of raw materials and operations that will result in the potential erosion of profit levels and continued price pressures due to intense competition, and (iii) the continued competition in the defense and aerospace market, the Company believes that it will have sufficient cash on hand to satisfy its operating needs over the next 12 months. However, due to the level of current backlog and new order intake (due to the status of the general economy and the shift to Commercial Off -The-Shelf (COTS) by the defense industry), the Company might operate at a loss during part of the next fiscal year. Thus, based on these factors and at the current level of bookings, costs of raw materials and services, profit margins and sales levels, the Company may not generate

sufficient cash to satisfy its operating needs and its obligations to pre-bankruptcy creditors in accordance with the Plan. Thus, the Company is in continuous negotiations with all claim holders to reschedule these payments. In the event the Company is unable to restructure its obligations to pre-bankruptcy creditors or the slowdown in the intake of new orders continue, the Company has a contingency plan to further reduce its size and thereby reduce its cost of operations within certain limitations. Over the long-term, the Company believes that if the volume and prices of product sales remain as presently anticipated, the Company will generate sufficient cash from operations to sustain operations and pay pre-bankruptcy creditor obligations at the current reduced level of payments. In the event that bookings in the long-term decline significantly below the level experienced during the previous two fiscal years, the Company may be required to implement cost-cutting or other downsizing measures to continue its business operations. Such cost-cutting measures could inhibit future growth prospects. In appropriate situations, the Company may seek strategic alliances, joint ventures with others or acquisitions in order to maximize marketing potential and utilization of existing resources and provide further opportunities for growth.

The Company is continuing to negotiate with the unsecured creditors in an attempt to arrive at reduced payment schedules. To date, these parties have not expressed objection to the current reduced level of payments. However, no assurance can be made that the Company can reach a suitable agreement with the unsecured creditors, or obtain additional sources of capital and/or cash or that the Company can generate sufficient cash to meet its obligations.

At February 29, 2008 and February 28, 2007 respectively, the Company had cash and cash equivalents of $4,485,000 and $3,539,000. The cash increase was primarily due to net cash flow from operations.

At February 29, 2008, the Company had working capital of $6,016,000 as compared with a working capital at February 28, 2007 of $5,179,000. The increase was due to an increase in cash and equivalents.

See “Environmental Liabilities”, “Bankruptcy Proceedings” and “Properties” in Part I, Items 1 and 2, for more information.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not engaged in any off-balance sheet arrangements.

BOOKINGS AND BACKLOG

During the fiscal year ended February 29, 2008, the Company’s net bookings were $9,135,000 in new orders as compared with $6,250,000 for the year ended February 28, 2007, reflecting an increase of approximately 46%. The Company’sbacklog increased to $5,826,000 at February 29, 2008 as compared with $4,472,000 as of February 28, 2007, reflecting a 30% increase. In the event that bookings in the long-term decline significantly below the level experienced in the period ended February 29, 2008, the Company may be required to implement additional cost-cutting and other downsizing measures to continue its business operations. Such cost-cutting measures could inhibit future growth prospects and current productivity.

See Part I, Item 1, “Business – Marketing and Customers”.

FUTURE PLANS

The Company plans to obtain quality certification in accordance with quality level AS9100 which will allow the Company to increase its sales of space-level products to customers requiring such quality certification.

To increase liquidity, the Company plans to (a) continue improving operating efficiencies, (b) further reduce overhead expenses, (c) develop alternative lower cost packaging technologies, and (d) develop products utilizing its current manufacturing technologies geared toward market segments it is currently unable to serve.

The Company also plans to continue its efforts in selling commercial semiconductors and power modules and to develop appropriate strategic alliance arrangements. If these plans are successful, the Company intends to aggressively pursue sales of these products which could require the Company to invest in the building up of inventories of finished goods and invest in capital (automatic assembly and test) equipment. The source of capital funding will be defined subsequent to such strategic partnership being formed. Such financing could come from equipment leasing, among other financing alternatives.

Despite its intentions, the Company cannot assure you that these plans will be successful in easing liquidity problems, reducing costs or improving sales.

INFLATION

The rate of inflation has not had a material effect on the Company's revenues and costs and expenses, and it is not anticipated that inflation will have a material effect on the Company in the near future. However, sharp increases in the cost of precious metals has had an adverse impact on the Company's cost of raw materials.

SEASONALITY

The Company's bookings of new orders and sales are largely dependent on congressional budgeting and appropriation activities and the cycles associated therewith. The Company has historically experienced a decreased level of bookings during the summer months as a result of a slowdown in the level of budgeting and appropriation activities.

FORWARD-LOOKING STATEMENTS

Some of the statements in this Annual Report on Form 10-K are "forward-looking statements," as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements regarding our business, financial condition, results of operations, strategies or prospects. You can identify forward-looking statements by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends or results. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties. Many factors could cause our actual activities or results to differ materially from the activities and results anticipated in forward-looking statements. These factors include those described under the caption "Risk Factors" in this Annual Report on Form 10-K, including those identified below. We do not undertake any obligation to update forward-looking statements.

Some of the factors that may impact our business, financial condition, results of operations, strategies or prospects include:

- Our complex manufacturing processes may lower yields and reduce our revenues.
- Our business could be materially and adversely affected if we are unable to obtain qualified supplies of raw materials and parts on a timely basis and at a cost-effective price.
- We are dependent on government contracts, which are subject to termination, price renegotiations and regulatory compliance, which can increase the cost of doing business and negatively impact our revenues.
- Changes in government policy or economic conditions could negatively impact our results.
- Our inventories may become obsolete and other assets may be subject to risks.
- Environmental regulations could require us to incur significant costs.
- Our business is highly competitive, and increased competition could reduce gross profit margins and the value of an investment in our Company.
- Downturns in the business cycle could reduce the revenues and profitability of our business.
- Our operating results may decrease due to the decline of profitability in the semiconductor industry.
- Uncertainty of current economic conditions, domestically and globally, could continue to affect demand for our products and negatively impact our business.
- Cost reduction efforts may be unsuccessful or insufficient to improve our profitability and may adversely impact productivity.
- We may not achieve the intended effects of our new business strategy, which could adversely impact our business, financial condition and results of operations.
- Our inability to introduce new products could result in decreased revenues and loss of market share to competitors; new technologies could also reduce the demand for our products.
- Loss of, or reduction of business from, substantial clients could hurt our business by reducing our revenues, profitability and cash flow.
- A shortage of three-inch silicon wafers could result in lost revenues due to an inability to build our products.
- The nature of our products exposes us to potentially significant product liability risk.
- We depend on the recruitment and retention of qualified personnel, and our failure to attract and retain such personnel could seriously harm our business.
- Provisions in our charter documents and rights agreement could make it more difficult to acquire our Company and may reduce the market price of our stock.

- Natural disasters, like hurricanes, or occurrences of other natural disasters whether in the United States or internationally may affect the markets in which our common stock trades, the markets in which we operate and our profitability.
- Natural disasters, like hurricanes, or occurrences of other natural disasters whether in the United States or internationally may affect the availability of raw materials which may adversely affect our profitability.
- Failure to protect our proprietary technologies or maintain the right to use certain technologies may negatively affect our ability to compete.
- The price of our common stock has fluctuated widely in the past and may fluctuate widely in the future.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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Management's Report on Internal Control over Financial Reporting

Management of Solitron Devices, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act Rule 13a-15(f). Under the supervision and with the participation of the Company's management, including the Chief Executive Officer (principal executive officer) and the Chief Financial Officer (principal financial officer), the Company's management conducted an evaluation of the effectiveness of its internal control over financial reporting as of February 29, 2008 as required by the Securities Exchange Act of 1934 Rule 13a-15(c). In making this assessment, the Company's management used the criteria set forth in the framework in "Internal Control - Integrated framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation conducted under the framework in "Internal Control - Integrated Framework," the Company's management concluded that the Company's internal control over financial reporting was effective as of February 29, 2008.

This report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this Annual Report on Form 10-K.

Solitron Devices, Inc.

May 23, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Solitron Devices, Inc.

We have audited the accompanying balance sheets of SOLITRON DEVICES, INC. as of February 29, 2008 and 2007, and the related statements of income, stockholders' equity and cash flows for each of the years in the two-year period ended February 29, 2008. Solitron Devices, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Solitron Devices, Inc. as of February 29, 2008 and 2007, and the results of its operations and its cash flows for each of the years in the two-year period ended February 29, 2008 in conformity with accounting principles generally accepted in the United States of America.

DeLeon & Company, P.A.
Pembroke Pines, Florida
May 23, 2008

SOLITRON DEVICES, INC.
BALANCE SHEETS
AS OF FEBRUARY 29, 2008 AND FEBRUARY 28, 2007

		2008		2007
	(in thousands, except for share and per share amounts)			
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	4,485	$	3,539
Accounts receivable, less allowance for doubtful accounts of $7		1,026		642
Inventories, net		2,985		2,682
Prepaid expenses and other current assets		104		128
TOTAL CURRENT ASSETS		8,600		6,991
PROPERTY, PLANT AND EQUIPMENT, net		562		489
OTHER ASSETS		245		53
TOTAL ASSETS	$	9,407	$	7,533
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Accounts payable-Post-petition	$	529	$	240
Accounts payable-Pre-petition, current portion		1,114		1,142
Customer deposit		387		-
Accrued expenses and other current liabilities		554		430
TOTAL CURRENT LIABILITIES		2,584		1,812
LONG-TERM LIABILITIES, net of current portion		345		168
TOTAL LIABILITIES		2,929		1,980
COMMITMENTS & CONTINGENCIES				
STOCKHOLDERS' EQUITY				
Preferred stock, $.01 par value, authorized 500,000 shares, none issued		-		-
Common stock, $.01 par value, authorized 10,000,000 shares, 2,263,037 shares issued and outstanding, net of 173,287 shares of treasury stock		23		23
Additional paid-in capital		2,733		2,733
Retained Earnings		3,722		2,797
TOTAL STOCKHOLDERS' EQUITY		6,478		5,553
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$	9,407	$	7,533

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

SOLITRON DEVICES, INC.
STATEMENTS OF OPERATIONS
YEARS ENDED FEBRUARY 29, 2008 AND FEBRUARY 28, 2007

		2008		2007
	(in thousands, except for share and per share amounts)			
Net sales	$	7,792	$	7,760
Cost of sales		5,893		6,291
Gross profit		1,899		1,469
Selling, general and administrative expenses		1,149		1,051
Operating income		750		418
Other income (expenses):				
Environmental expenses		-		(118)
Interest income		162		132
Other, net		16		-
Income before income taxes	$	928	$	432
Provision for income taxes		3		-
Net Income	$	925	$	432
Income per share from continuing operations-Basic	$	0.33	$	0.19
Income per share from continuing operations-Diluted	$	0.31	$	0.17
Net Income per share-Basic	$	0.41	$	0.19
Net Income per share-Diluted	$	0.38	$	0.18
Weighted Average shares outstanding-Basic		2,263,043		2,245,468
Weighted Average shares outstanding-Diluted		2,451,928		2,454,024

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

SOLITRON DEVICES, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED FEBRUARY 29, 2008 AND FEBRUARY 28, 2007

	Common Stock Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Total
		(in thousands, except for number of shares)			
Balance, February 28, 2006	2,235,549	$ 22	$ 2,711	$ 2,365	$ 5,098
New shares issued in exchange for old and escheatment shares	33				
Fractional shares paid Cash-in-Lieu	(34)				
New shares issued due to exercise of stock options	27,500	1	22		23
Net Income	-	-	-	432	432
Balance, February 28, 2007	2,263,048	23	2,733	2,797	5,553
Fractional shares paid Cash-in-Lieu	(11)				
Net Income	-	-	-	925	925
Balance, February 29, 2008	2,263,037	$ 23	$ 2,733	$ 3,722	$ 6,478

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

SOLITRON DEVICES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED FEBRUARY 29, 2008 AND FEBRUARY 28, 2007

	2008	2007
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 925	$ 432
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	179	182
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(384)	346
Inventories	(303)	(112)
Prepaid expenses and other current assets	24	18
Other assets	(192)	-
Increase (decrease) in:		
Accounts payable-post-petition	289	(273)
Accounts payable-pre-petition	(28)	(28)
Customer deposit	387	-
Accrued expenses and Other liabilities	124	(199)
Accrued environmental expenses	-	90
Other long-term liabilities	177	-
Total adjustments	273	24
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,198	456
CASH FLOWS FROM INVESTING ACTIVITIES;		
Purchases of property, plant and equipment	(252)	(121)
NET CASH (USED IN) INVESTING ACTIVITIES	(252)	(121)
CASH FLOWS FROM FINANCING ACTIVITIES;		
Proceeds from conversion of stock options	-	23
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	23
NET INCREASE IN CASH AND CASH EQUIVALENTS	946	358
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	3,539	3,181
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,485	$ 3,539

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

SOLITRON DEVICES, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Operations and Significant Accounting Policies

Nature of Operations and Activities
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 was incorporated under the laws of the State of New York in 1959, and reincorporated under the laws of the State of Delaware in August 1987.

Change of Entity
During the fiscal year ended February 29, 2008 the Company dissolved its subsidiaries, all of which were inactive, by board resolution and will drop the titles “Consolidated” and “And Subsidiaries” from its financial statements.

Cash and Cash Equivalents
Cash and cash equivalents include demand deposits, money market accounts, and treasury bills with maturities of ninety days or less. The Company had $4,410,000 in treasury bills that mature within three months of the balance sheet date and are classified as cash equivalents.

Accounts Receivable
The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated credit risk by performing credit checks and actively pursuing past due accounts. An allowance for doubtful accounts has been established. The allowance amount was $7,000 as of February 29, 2008.

Shipping and Handling
Shipping and handling costs billed to customers are recorded in net sales. Shipping costs incurred by the Company are recorded in cost of sales.

Inventories
Inventories are stated at the lower of cost or market. Cost is determined using the “first-in, first-out” (FIFO) method. The Company buys raw material only to fill customer orders. Excess raw material is created only when a vendor imposes a minimum buy in excess of actual requirements. Such excess material will usually be utilized to meet the requirements of the customer’s subsequent orders. If excess material is not utilized after two fiscal years it is fully reserved. Any inventory item once designated as reserved is carried at zero value in all subsequent valuation activities.

The Company’s inventory valuation policy is as follows:

Raw material /Work in process: All material purchased, processed and/or used in the last two fiscal years is valued at the lower of its acquisition cost or market. All material not purchased/used in the last two fiscal years is fully reserved for.

Finished goods: All finished goods with firm orders for later delivery are valued (material and overhead) at the lower or cost or market. All finished goods with no orders are fully reserved.

Direct labor costs: Direct labor costs are allocated to finished goods and work in process inventory based on engineering estimates of the amount

of man hours required from the different direct labor departments
to bring each device to its particular level of completion.

On November 2004 the Financial Accounting Standards Board issued Financial Accounting Standards No. 151 ("SFAS 151") "***Inventory Costs an amendment of ARB No. 43, Chapter 4***". This statement became effective for fiscal years beginning after June 15, 2005. ARB No. 43, Chapter 4 required that under some circumstances items such as idle facility expense, excessive spoilage, double freight, and handling costs may be so abnormal as to require treatment as current period charges. SFAS 151 requires that these items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal". The Company adopted SFAS 151 on March 1, 2006. The adoption of SFAS 151 does not have a material effect on the Company.

SOLITRON DEVICES, INC.
NOTES TO FINANCIAL STATEMENTS

Property, Plant and Equipment

Property, plant, and equipment are stated at cost. Major renewals and improvements are capitalized, while maintenance and repairs are expensed as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash and trade receivables. The Company places its cash with high credit quality institutions. At times such amounts may be in excess of the FDIC insurance limits. The Company has not experienced any losses in such account and believes that it is not exposed to any significant credit risk on the account. As of February 29, 2008, none of the Company's cash reserves were subject to this risk. With respect to the trade receivables, most of the Company's products are custom made pursuant to contracts with customers whose end products are sold to the United States Government. The Company performs ongoing credit evaluations of its customers' financial condition and maintains allowances for potential credit losses. Actual losses and allowances have historically been within management's expectations.

Revenue Recognition

Revenue is recognized upon shipment; however, the Company may receive payment of some contracts in advance. When received, these amounts are deferred and are recognized as revenue in the period in which the related products are shipped.

Income Taxes

Income taxes are accounted for under the asset and liability method of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes". Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS 109, the effect on deferred tax assets and liabilities or a change in tax rate is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced to estimated amounts to be realized by the use of a valuation allowance.

Net Income Per Common Share

Net income per common share is presented in accordance with SFAS No. 128 "Earnings per Share." Basic earnings per common share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per common share incorporate the incremental shares issuable upon the assumed exercise of stock options to the extent they are not anti-dilutive using the treasury stock method.

Stock Based Compensation

In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure, and amendment of FASB Statement No. 123". This statement amends SFAS No. 123, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. This statement also amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company has prepared its annual and interim financial statements for the fiscal years ended February 29, 2008 and February 28, 2007 in accordance with SFAS No. 148.

During the fiscal years ended February 29, 2008 and February 28, 2007, the Company did not issue any stock-based compensation to its employees.

Financial Statement Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Actual results could differ from these estimates, and the differences could be material. Such estimates include depreciable life, valuation allowance, and allowance for doubtful accounts.

SOLITRON DEVICES, INC.
NOTES TO FINANCIAL STATEMENTS

Recent Accounting Pronouncements

No recent accounting pronouncements that affect the Company were issued.

2. Liquidity and Petition in Bankruptcy

Liquidity

The Company has significant obligations arising from settlements in connection with its bankruptcy necessitating it to make substantial cash payments that cannot be supported by the current level of operations. However, the Company has projected that it will be able to generate sufficient funds to support its ongoing operations. The Company must be able to obtain forbearance or be able to renegotiate its bankruptcy related required payments to unsecured creditors, the Florida Department of Environmental Protection ("FDEP"), 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 and FDEP in an attempt to arrive at reduced payment schedules. To date, these parties have not expressed objection to the reduced level of payments. 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 that the Company can generate sufficient cash to meet its obligations. The Company has a contingency plan to reduce its size and thereby reduce its cost of operations within certain limitations. 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 may result from the possible uncertainties described above.

Petition in Bankruptcy

On January 24, 1992, the Company filed voluntary petitions under the Federal Bankruptcy Code. The Company was authorized to continue in the management and control of its business and property as debtor-in-possession under the Bankruptcy Code.

On August 20, 1993 the Company's Plan of Reorganization, as amended and modified (the "Plan"), was confirmed by the Bankruptcy Court and the Company emerged from bankruptcy on August 30, 1993. On July 12, 1996 the Bankruptcy Court officially closed the case.

(a) Pursuant to the Plan of Reorganization, the Company was required to make quarterly payments to holders of unsecured claims until they receive 35% of their pre-petition claims over a period of ten years beginning in approximately May 1995. However, due to negotiations between the parties, the unsecured creditors agreed to a reduced payment schedule and the Company agreed to make payments until its obligations are fulfilled. At February 29, 2008, the Company is currently scheduled to pay approximately $1,114,000 to holders of allowed unsecured claims in quarterly installments of approximately $62,000. As of February 29, 2008, the amount due to holders of allowed unsecured claims is accrued as a current pre-petition liability.

(b) Beginning on the later of (i) the payment of all administrative claims and all unsecured claims, but not later than 18 months after the Effective Date (August 30, 1993) and (ii) the date the Company's net after tax income exceeds $500,000, the Company will pay (on an annual basis) each of (x) the holders of unsecured claims (pro rata) and (y) Vector Trading and Holding Corporation ("Vector"), 5% of its net after tax income in excess of $500,000 until the tenth anniversary of the Effective Date, up to a maximum aggregate of $1,500,000 of such payments to the holders of unsecured claims (pro rata) and up to a maximum aggregate of $1,500,000 of such payments to Vector. This obligation expired as of August 2005.

(c) Under the Plan, the Company is required to remediate its former non-operating facility located in Port Salerno and its former facility located in Riviera Beach, Florida. The Plan contemplated that monies to fund the remediation will be made available from the proceeds of the sale or lease of the properties, to the extent that the Company is successful in its efforts to sell or lease such properties. The Riviera Beach Property was sold on October 12, 1999 by the Company. Under the terms of the sale, USEPA received the net proceeds of $419,000. USEPA also received approximately $19,000 from the Riviera Beach environmental escrowed monies to defray its cleanup costs. The Port Salerno (formerly occupied by Solitron Microwave) property was sold on March 17, 2003. Under the terms of the sale, USEPA received $153,155 and Martin County received on behalf of FDEP $278,148 (the net proceeds). Further, pursuant to the Plan, a purchaser of this facility would not be liable for existing environmental problems under certain conditions. In connection with facilitating the remediation of the property, the Company will also, to the extent the proceeds from the sale or lease of these properties are not sufficient to pay for the remediation, be required to escrow the following amounts on a monthly basis beginning on September 30, 1995: (i) year 1 - $5,000 per month;

SOLITRON DEVICES, INC.
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(ii) year 2 - $7,500 per month; (iii) year 3 - $10,000 per month; and (iv) $10,000 per month thereafter until remediation is completed. The Company has notified FDEP of its inability to pay pursuant to this schedule and is making payments at the rate of $1,000 per month. As of February 29, 2008, the Company has deposited $90,000 into the escrow accounts. As of February 29, 2008, approximately $58,000 remains in the Port Salerno escrow account.

(d) The Company has paid all of the allowed administrative claims and allowed wage claims since August 1993.

The Plan provided for the distribution of common stock of the Company such that, post-petition, the Company's common stock would be held as follows:

Party-In-Interest	Common Stock
Vector	25%
Unsecured Creditors	40%
Company's President	10%
Pre-Petition Stockholders	20%
Reserved for future issuance under an employee stock incentive plan to be issued based upon the terms and conditions of the plan at the discretion of the Board of Directors	5%
	100%

On October 4, 1994, the Company and Vector agreed that Vector’s 25% stock ownership would be distributed among various parties. Vector participants were: Vector principal (Howard White) who received 273,943 shares (subsequently sold to Inversiones Globales); AHI Drillings, Inc. who received 77,037 shares; Cointrol Credit Co. II who received 20,095 shares; Service Finance who received 77,037 shares; Trans Resources who received 77,037 shares; and Martin Associates who received 22,848 shares. Based solely on the Company’s knowledge (and not from any filings which may have to be made with the SEC), and as the result of an out of court agreement made subsequent to a lawsuit filed against Vector by John Stayduhar, a previous Chairman/CEO of the Company, shares held by Inversiones Globales (174,000), by AHI Drillings, Inc. (77,037), by Service Finance (77,037), by Trans Resources (77,037), and by Martin Associates (22,737) were transferred to Mr. Stayduhar. This gave Mr. Stayduhar approximately 20.61% of the shares of the Company.

3. Earnings Per Share

The shares used in the computation of the Company’s basic and diluted earnings per common share were as follows:

	Fiscal Year Ended February 29/8,	
	2008	2007
Weighted average common shares outstanding	2,263,043	2,245,468
Dilutive effect of employee stock options	188,885	208,556
Weighted average common shares outstanding, assuming dilution	2,451,928	2,454,024

Weighted average common shares outstanding, assuming dilution, include the incremental shares that would be issued upon the assumed exercise of stock options. For fiscal year 2008, 13,800 of the Company’s outstanding stock options (14,400 fiscal year 2007) were excluded from the calculation of diluted earnings per share because the exercise prices

of the stock options were greater than or equal to the average price of the common shares, and therefore their inclusion would have been anti-dilutive. These options could be dilutive in the future if the average share price increases and is greater than the exercise price of these options.

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4. Inventories

As of February 29, 2008, inventories consist of the following:

	Gross	Reserve	Net
Raw Materials	$ 1,690,000	$ (321,000)	$ 1,369,000
Work-In-Process	1,988,000	(509,000)	1,479,000
Finished Goods	588,000	(451,000)	137,000
Totals	$ 4,266,000	$ (1,281,000)	$ 2,985,000

5. Property, Plant and Equipment

As of February 29, 2008, property, plant, and equipment consist of the following:

		Estimated Useful Life
Leasehold Improvements	$ 171,000	5-12 years
Machinery and Equipment	1,788,000	5 years
	1,959,000	
Less Accumulated Depreciation And Amortization	1,397,000	
	$ 562,000	

Depreciation and amortization expense was $179,000 and $182,000 for 2008 and 2007 respectively, and is included in Cost of Sales in the accompanying Statements of Operations.

6. Accrued Expenses

As of February 29, 2008 accrued expenses and other liabilities consist of the following:

Payroll and related employee benefits	$ 526,000
Property taxes	7,000
Environmental liabilities	10,000
Other liabilities	11,000
	$ 554,000

7. Long-Term Liabilities

As of February 29, 2008, long-term liabilities consist of the following items:

Deferred tax liability	$ 187,000
Environmental liability	158,000
	$ 345,000

Environmental liability has an estimated payout period of seven years at a discounted interest rate of 8.25%. Environmental liability is shown net of $54,000 of deferred interest.

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Contractual or estimated payment requirements on other long-term liabilities excluding amounts representing interest during the next five years and thereafter are as follows. It is reasonably possible that the estimates could change in the near term:

Fiscal Year Ending February 28/29	Amount
2009	$ 27,000
2010	27,000
2011	27,000
2012	27,000
2013	27,000
Thereafter	23,000
Total	$ 158,000

Imputed interest expense for fiscal years ended February 29, 2008 and February 28, 2007 amounted to $0 relating to accounts payable - pre-petition. Such pre-petition payables were scheduled to be paid by May 2005 at the end of ten years based on the payment schedules set by the court and carried imputed interest to that date. The Company was not able to meet the payment plan and agreed to a lower amount after negotiating with the creditor committees. As a result of such agreement, the amounts due to pre-petition creditors has been classified as a current liability and no further imputed interest has been calculated.

8. Income Taxes

At February 29, 2008, the Company has net operating loss carryforwards of approximately $12,667,000 that expire through 2022. Such net operating losses are available to offset future taxable income, if any. As the utilization of such net operating losses for tax purposes is not assured, the deferred tax asset has been mostly reserved through the recording of a 90% valuation allowance. Should a cumulative change in the ownership of more than 50% occur within a three-year period, there could be an annual limitation on the use of the net operating loss carryforward.

Total net deferred taxes are comprised of the following at February 29, 2008:

Deferred tax assets:	
Loss carryforwards	$ 4,758,000
Allowance for doubtful accounts	3,000
Inventory allowance	3,640,000
Accrued bonuses	77,000
Section 263A capitalized costs	1,074,000
Total deferred tax assets	9,552,000
Valuation allowance	(9,120,000)
Net deferred tax assets	432,000
Deferred tax liabilities:	
Depreciation	245,000
Total deferred tax liabilities	245,000
Total net deferred taxes	$ 187,000

The change in the valuation allowance on deferred tax assets is due principally to the utilization of the net operating loss for the year ending February 29, 2008.

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A reconciliation of the provision for income taxes to the amount calculated using the statutory federal rate (34%) for fiscal year ended February 29, 2008 is as follows:

		2008		2007
Income Tax Provision at U.S. Statutory Rate	$	292,000	$	147,000
State Taxes, Net of Federal Benefit		31,000		16,000
Alternative Minimum Taxes		3,000		-
Utilization of Net Operating Loss Carryforward		(323,000)		(163,000)
Income Tax Provision	$	3,000	$	-

9. Stock Options

The Company's 2000 Stock Option Plan provides that stock options are valid for ten years and vest in twelve months after the award date unless otherwise stated in the option awards.

On January 23, 2006 the Board of Directors granted stock options to certain key employees and directors. The options, which become vested on January 23, 2007, were for a total of 14,700 shares and the exercise price was fixed at $3.95 per share, which was the price on the OTCBB at the time of the grant. The options are exercisable through January 23, 2016.

On May 16, 2005 the Board of Directors granted stock options to certain key employees and directors. The options, which became vested on May 15, 2006, were for a total of 47,000 shares and the exercise price was fixed at $0.75 per share, which was the price on the OTCBB at the time of the grant. The options are exercisable through May 15, 2015.

On May 17, 2004 the Board of Directors granted stock options to certain key employees and directors. The options, which became vested on May 16, 2005, were for a total number of 47,500 shares and the exercise price was fixed at 1.05 per share, which was the price on the OTCBB at the time of the grant. The options are exercisable through May 16, 2014.

On May 17, 2004 the Board of Directors awarded the Company's President options totaling 175,636 shares, which are fully vested. The exercise price of these options was fixed at $1.05 per share (the closing price on the OTCBB at the time of the grant).

In December 2000 another grant equal to 10% of the outstanding shares (245,624) was made to the Company's President at the exercisable price of $0.40 per share (the closing stock price on the date of the grant). Fifty percent (50%) of the total number of shares is immediately exercisable and the other 50% vests in five equal installments over the following five years. All of these options are now fully vested.

The Company's 2007 Stock Incentive Plan allows the Company to grant common stock, options, restricted stock, and stock appreciation rights to eligible individuals. As of February 29, 2008, the Company had not granted any awards under the 2007 Stock Incentive Plan.

Because the determination of the fair value of all options is based on the assumptions described earlier in Note 1 and, because additional option grants are expected to be made each year, the pro-forma disclosures are not representative of pro-forma effects on reported net income or loss for future years.

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The fair value of each option award is estimated on the date of grant using a lattice-based option valuation model that uses the assumptions noted in the following table. Expected volatilities are based on historical volatility of the Company's stock. The expected term of options granted is based on historical option exercise data. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of the grant.

Date of Grant	May 16, 2005	January 23, 2006
Dividend Yields	0.0%	0.0%
Expected Volatility	103.6%	105.9%
Risk-free Interest Rates	4.25%	4.5%
Expected Life (in years)	5.0	5.0

Below is a summary of the Company's Stock Option Activity:

	Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance, February 28, 2006	496,460	$ 0.774		
Exercised	(27,500)	$ 0.778		
Expired or Cancelled	(1,300)	$ 1.498		
Balance, February 28, 2007	467,660	$ 0.771		
Expired or Cancelled	(600)	$ 3.950		
Balance, February 29, 2008	467,060	$ 0.767	6.5	880,000

The weighted average fair value of options granted during the year ended February 28, 2006 was $1.19. No options were granted in the years ended February 29, 2008 and February 28, 2007. The total intrinsic value of options exercised during fiscal years ending February 29, 2008 and February 28, 2007 was $0 and $79,000 respectively.

All of the Company's outstanding options were vested as of February 28, 2007. The total fair value of shares vested during the years ended February 29, 2008 and February 28, 2007 was $0 and $71,000 respectively.

The following table summarizes information about stock options outstanding and exercisable at February 29, 2008:

		Options Outstanding			Exercisable Options	
Range of Exercise Prices		Number of Outstanding Options	Remaining Contractual Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
$ 0.400	$ 0.400	254,624	3 years	$ 0.400	254,624	$ 0.400
$ 1.050	$ 1.050	176,636	7 years	$ 1.050	176,636	$ 1.050
$ 0.750	$ 0.750	22,000	8 years	$ 0.750	22,000	$ 0.750
$ 3.950	$ 3.950	13,800	8 years	$ 3.950	13,800	$ 3.950

	467,060	$	0.767	467,060	$ 0.767

All options with a remaining contractual life outstanding are fully vested.

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10. Employee Benefit Plans

The Company has a 401k and Profit Sharing Plan (the "Profit Sharing Plan") in which substantially all employees may participate after three months of service. Contributions to the Profit Sharing Plan by participants are voluntary. The Company may match participant's contributions up to 25% of 4% of each participant's annual compensation. In addition, the Company may make additional contributions at its discretion. The Company did not contribute to the Profit Sharing Plan during the fiscal years ended February 29, 2008 and February 28, 2007.

11. Export Sales and Major Customers

Revenues from domestic and export sales to unaffiliated customers for the year ended February 29, 2008 are as follows:

Geographic Region	Power Transistors	Hybrids	Field Effect Transistors	Power MOSFETS	Totals
Europe and Australia	$ 16,000	$ 584,000	$ 96,000	$ 10,000	$ 706,000
Canada and Latin America	40,000	0	0	32,000	72,000
Far East and Middle East	81,000	0	2,000	71,000	154,000
United States	1,032,000	3,935,000	759,000	1,134,000	6,860,000
Totals	$ 1,169,000	$ 4,519,000	$ 857,000	$ 1,247,000	$ 7,792,000

Revenues from domestic and export sales to unaffiliated customers for the year ended February 28, 2007 are as follows:

Geographic Region	Power Transistors	Hybrids	Field Effect Transistors	Power MOSFETS	Totals
Europe and Australia	$ 13,000	$ 826,000	$ 42,000	$ 30,000	$ 911,000
Canada and Latin America	31,000	0	0	125,000	156,000
Far East and Middle East	9,000	0	2,000	3,000	14,000
United States	1,517,000	3,524,000	465,000	1,173,000	6,679,000
Totals	$ 1,570,000	$ 4,350,000	$ 509,000	$ 1,331,000	$ 7,760,000

Revenues from domestic and export sales are attributed to global geographic region according to the location of the customer’s primary manufacturing or operating facilities.

Sales to the Company's top two customers accounted for 44% of net sales for the year ended February 29, 2008 as compared with 51% of the Company's net sales for the year ended February 28, 2007. Sales to Raytheon Company accounted for approximately 34% of net sales for the year ended February 29, 2008 and 41% for the year ended February 28, 2007. Sales to the US Government accounted for 10% of sales during both fiscal years ended February 29, 2008 and February 28, 2007.

12. Major Suppliers

Purchases from the Company’s two top suppliers, CPS Technologies Corporation and Egide USA Inc., accounted for 18% of total purchases of production materials for the year ended February 29, 2008. For the year ended February 28,

2007, purchases from the Company’s two top suppliers, Platronics Seals and Egide USA Inc., accounted for 23% of the Company's total purchases of production materials.

SOLITRON DEVICES, INC.
NOTES TO FINANCIAL STATEMENTS

13. Commitments and Contingencies

Employment Agreement

In December 2000, the Company entered into a five-year employment agreement with its President. This agreement provides, among other things, for annual compensation of $240,000 and a bonus pursuant to a formula. The agreement stipulates that the President shall be entitled to a bonus equal to fifteen percent (15%) of the Company's pre-tax income in excess of Two Hundred Fifty Thousand Dollars ($250,000). For purposes of the agreement, "pre -tax income" shall mean net income before taxes, excluding (i) all extraordinary gains or losses, (ii) gains resulting from debt forgiven associated with the buyout of unsecured creditors, and (iii) any bonuses paid to employees. The bonus payable hereunder shall be paid within ninety (90) days after the end of the fiscal year. The President of the Company voluntarily took a 30% reduction in compensation at the time that salary reductions, ranging from 6% to 12%, went into effect for all of the employees of the Company during fiscal year 2002. As of June 2, 2003, 66% of the reduction in salary was restored. As of January 1, 2004, the President's salary was restored to 94% of the contracted value. As of January 30, 2005, the President's salary was restored to 100% of the contracted value.

At a meeting of the the Compensation Committee on June 4, 2007, the Committee approved a bonus payment for the Company's President in the amount of $53,855 for the fiscal year ended February 28, 2007.

The Company accrued $121,430 as a bonus to Mr. Saraf for the fiscal year ended February 29, 2008. The Compensation Committee met and approved the bonus to be paid during June 2008.

The President's employment agreement stipulates, in Article 2.2, "Option to Extend", that the contract is automatically extended for one year periods unless a notice is given by either party one year prior to the yearly anniversary.

Upon execution of the agreement, the President received a grant of options to purchase ten percent (10%) of the outstanding shares of the Company's common stock, par value $.01 calculated on a fully diluted basis, at an exercise price per share equal to the closing asking price of the Company's common stock on the OTCBB on the date of the grant ($0.40). Fifty percent (50%) of the Initial Stock Options granted are vested immediately upon grant. The remaining fifty percent (50%) of the Initial Stock Options will vest in equal amounts on each of the first five anniversaries of the date of grant. As of February 28, 2006, these options are now fully vested.

These stock options are in addition to, and not in lieu of or in substitution for, the stock options (the "1992 Stock Options") granted to the President pursuant to the Incentive Stock Option Plan Agreement dated October 20, 1992 under Solitron Devices, Inc. 1987 Stock Option Plan between the Company and the President.

Environmental Compliance:

The Company entered into an Ability to Pay Multi-Site Settlement Agreement with the United States Environmental Protection Agency ("USEPA"), effective February 24, 2006 ("Settlement Agreement"), to resolve the Company's alleged liability to USEPA at the following sites: Solitron Microwave Superfund Site, Port Salerno, Florida ("Port Salerno Site"); Petroleum Products Corporation Superfund Site, Pembroke Park, Florida; Casmalia Resources

Superfund Site, Santa Barbara, California "(Casmalia Site"); Solitron Devices Site, Riviera Beach, Florida (the "Riviera Beach Site"); and City Industries Superfund Site, Orlando, Florida (collectively, the "Sites"). The Settlement Agreement required the Company to pay to USEPA the sum of $74,000 by February 24, 2008; the Company paid the entire sum of $74,000 to USEPA on February 27, 2006. In addition, the Company is required to pay to USEPA the sum of

$10,000 or 5% of Solitron's net after-tax income over the first $500,000, if any, whichever is greater, for each year from 2008-2012. For payment to USEPA to be above $10,000 for any of these five years, the Company's net income must exceed $700,000 for such year, which has happened in fiscal year 2001, fiscal year 2006, and the current fiscal year. The Company accrued $50,000 for its remaining obligations under the Settlement Agreement.

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In consideration of the payments made by the Company under the Settlement Agreement, USEPA agreed not to sue or take any administrative action against the Company with regard to any of the Sites. The Company has also been notified by a group of alleged responsible parties formed at the Casmalia Site ("Casmalia PRP Group") that, based on their review and lack of objection to the Settlement Agreement, the Casmalia PRP Group does not anticipate pursuing Solitron for cost recovery at the Casmalia site.

On October 21, 1993, a Consent Final Judgment was entered into between the Company and the Florida Department of Environmental Protection ("FDEP") in the Circuit Court of the Nineteenth Judicial Circuit of Florida in and for Martin County, Florida, in Case No. 91-1232 CA (the "Consent Final Judgment"). The Consent Final Judgment required the Company to remediate the Port Salerno and Riviera Beach Sites, make monthly payments to escrow accounts for each Site until the sale of the Sites to fund the remediation work, take all reasonable steps to sell the two Sites and, upon the sale of the Sites, apply the net proceeds from the sales to fund the remediation work. Both Sites have been sold pursuant to purchase agreements approved by FDEP.

Prior to the sale of the Port Salerno Site and Riviera Beach Site, USEPA took over from FDEP as the lead regulatory agency for the remediation of the Sites. At the closing of the sale of each Site, the net proceeds of sale were distributed to USEPA and/or FDEP or other parties, as directed by the agencies. In addition, upon the sale of the Riviera Beach Site, the Riviera Beach Escrow Account was transferred to USEPA, as directed by the agencies. The current balance in the Port Salerno Escrow Account is approximately $58,000. At present, work at the Port Salerno Site is being performed by USEPA. Work at the Riviera Beach Site is being performed by Honeywell, Inc. ("Honeywell"), pursuant to an Administrative Order on Consent entered into between Honeywell and USEPA. The Company has been notified by FDEP that the successful performance of remediation work in accordance with the Consent Final Judgment standards by USEPA at the Port Salerno Site and by Honeywell at the Riviera Beach Site will be construed by FDEP as discharging the Company's remediation obligations under the Consent Final Judgment.

There remains a possibility that FDEP will determine at some time in the future that the final remedy approved by USEPA and implemented at either, or both of, the Port Salerno Site and Riviera Beach Site does not meet the State cleanup requirements imposed by the Consent Final Judgment. If such a final determination is made by FDEP, there is a possibility that FDEP will require the Company to implement additional remedial action at either, or both of, the Port Salerno Site and Riviera Beach Site.

By letter dated November 16, 2006, FDEP notified the Company that FDEP has unreimbursed expenses associated with the Port Salerno Site and Riviera Beach Site of $214,800. FDEP further notified the Company that FDEP required the Company to resume payments under Consent Final Judgment to ensure that there are adequate funds to cover FDEP's unreimbursed expenses and the Company's residual liability under the Consent Final Judgment. During a follow up telephone conversation with the Company's attorney, FDEP advised the Company that FDEP will prepare a justification for the asserted unreimbursed expenses. Upon receipt of the cost reimbursement package, the Company is required to transfer $55,000.00 from the Port Salerno Escrow Account to FDEP as partial payment for FDEP's unreimbursed expenses that are otherwise recoverable under the Consent Final Judgment. FDEP further stated, during the telephone conversation, that FDEP will work with the Company to establish a reduced payment schedule for the Company to resume under the Consent Final Judgment based on an appropriate showing by the Company of financial hardship. The Company is currently awaiting receipt of FDEP's cost reimbursement package. Upon receipt of that documentation, the Company will be required to provide a recommendation to FDEP for resumption of payments to FDEP under the Consent Final Judgment based on the Company's present ability to pay.

On August 7, 2002, the Company received a Request for Information from the State of New York Department of Environmental Conservation ("NYDEC"), seeking information on whether the Company had disposed of certain wastes

at the Clarkstown Landfill Site located in the Town of Clarkstown, Rockland County, New York (The Clarkstown Landfill Site"). By letter dated August 29, 2002, the Company responded to the Request for Information and advised NYDEC that the Company's former Tappan, New York facility had closed in the mid-1980's, prior to the initiation of the Company's bankruptcy proceedings described below. The Company contends that, to the extent that NYDEC has a claim against the Company as a result of the Company's alleged disposal of wastes at the Clarkstown Landfill Site prior to the closing of the Company's former Tappan facility in the mid-1980's, the claim was discharged in bankruptcy as a result of the Bankruptcy Court's August 1993 Order. At NYDEC's request, the Company entered into a revised Tolling Agreement with NYDEC on October 8, 2007, which provides for the tolling of applicable statutes of limitation through the earlier of October 28, 2008, or the date the State institutes a suit against the Company for any claims associated with the Clarkstown Landfill Site. It is not known at this time whether NYDEC will pursue a claim against the Company in connection with the Clarkstown Landfill Site. As of the date of this filing, no such claim has been made.

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Operating Leases

In 2001, the Company entered into a lease agreement for its production facility. The lease has a 10-year term, which expires in the year 2011 and has no option to renew under current terms. The lease is subject to escalations based on operating expenses. Future minimum lease payments for all non-cancelable operating leases are as follows:

Fiscal Year Ending February 28/29		Amount
2009	$	452,000
2010		466,000
2011		481,000
Thereafter		411,000
Total	$	1,810,000

Total rent expense was $455,000 for the year ended February 29, 2008 as compared with $436,000 for the year ended February 28, 2007. These figures include rental of storage space, which is made on a month-to-month basis.

14. Other Income

During the fiscal year ended February 29, 2008, the Company recognized approximately $16,000 of other income attributable to receivables adjustments. No other income was recognized during the year ended February 28, 2007.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

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ITEM 9A(T). CONTROLS AND PROCEDURES

Our Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of its management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e), and 15d-15(e)) as of the end of the period covered by this Annual Report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report.

Changes in Internal Control over Financial Reporting

Based on an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, there has been no change in our internal control over financial reporting during our last fiscal quarter identified in connection with that evaluation, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS , EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The table below sets forth the name, age, and position of the directors and executive officers of the Company. The table below also sets forth the year in which each director was first elected to the Board and the year in which the term of each director expires. Pursuant to the Company's Certificate of Incorporation, the Board of Directors is divided into three classes, each of which consists of (as nearly as may be possible) one third of the directors. Directors are elected for three-year terms. Pursuant to the Plan of Reorganization, all shares of Common Stock issued to Vector and its participants and to the holders of allowed unsecured claims must be voted for all purposes (including the election of members of the Board of Directors) as directed by the Board of Directors. Pursuant to the Plan of Reorganization, Vector originally owned 25% and the holders of allowed unsecured claims own an aggregate of 40% of all shares of Common Stock issuable pursuant to the Plan of Reorganization (other than shares issuable to Mr. Saraf upon the exercise of options granted prior to the Effective Date). On October 4, 1994, the Company and Vector agreed that its 25% of stock would be redistributed between six parties (see Note 2 of the Consolidated Financial Statements). Some of the Vector stock subsequently was transferred to John Stayduhar's Revocable Trust which is not subject to voting restrictions (see Note 2 of the Consolidated Financial Statements).

Name	Age	Position with Solitron	Year First Became Director	Term As Director Expires(1)
Shevach Saraf	65	Chairman of the Board, Chief Executive Officer, President, Chief Financial Officer and Treasurer	1992	Expired
Dr. Jacob A. Davis	71	Director	1996	Expired
Mr. Joseph Schlig	80	Director	1996	Expired

1) The term of each Director has expired. Each Director shall continue in office until his successor is elected at the next annual meeting of stockholders.

Mr. Shevach Saraf has been President of the Company since November 1992, Chief Executive Officer of the Company since December 1992, Chairman of the Board since September 1993 and Chief Financial Officer since 2000. He has 44 years experience in operations and engineering management with electronics and electromechanical manufacturing companies.

Before joining Solitron in 1992, Mr. Saraf was Vice President of Operations and a member of the Board of Directors of Image Graphics, Inc ("Image Graphics")., a military and commercial electron beam recorder manufacturer based in Shelton, CT. As head of Image Graphics' engineering, manufacturing materials and field service operations, he turned around the firm's chronic cost and schedule overruns to on-schedule and better-than-budget performance. Earlier, he was President of Value Adding Services, a management consulting firm in Cheshire, CT. This company provided consulting and turnaround services to electronics and electromechanical manufacturing companies with particular emphasis on operations. From 1982-1987, Mr. Saraf was Vice President of operations for Harmer Simmons Power Supplies, Inc., a power supplies manufacturer in Seymour, CT. He founded and directed all aspects of the company's

startup and growth, achieving $12 million in annual sales and a staff of 180 employees. Mr. Saraf also held executive positions with Photofabrication Technology, Inc. and Measurements Group of Vishay Intertechnology, Inc.

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Born and raised in Tel Aviv, Israel, he served in the Israeli Air Force from 1960-1971 as an electronics technical officer. He received his master's in business administration from Rensselaer Polytechnic Institute, Troy, NY, and his master's in management from Rensselaer at Hartford (formerly known as Hartford [CT] Graduate Center). He also received associate degrees from the Israeli Institute of Productivity, the Teachers & Instructors Institute, and the Israeli Air Force Technical Academy.

Dr. Jacob (Jay) A. Davis was elected a Director of the Company on August 26, 1996. Dr. Davis also serves as the Chairman of the Compensation Committee and a member of the Audit Committee. From 1995 to 1999, he was Vice President of Business Planning and Finance for AET, Inc, a developing software company based in Melbourne, Florida. In 1994 and 1995, he was Visiting Professor in Engineering Management at Florida Institute of Technology. He was a Vice-Chairman of the Brevard SCORE Chapter and has devoted significant time to counseling with local businesses. He was an active member of the International Executive Service Corps (IESC) serving in South Russia during May and June of 1996.

Prior to joining AET, Dr. Davis was with Harris Semiconductor for 26 years. During the last 12 years with Harris Semiconductor, he was Vice President-General Manager of the Military and Aerospace Division, the Custom Integrated Circuits Division and the Harris Microwave Division. Dr. Davis has served in a variety of other capacities at Harris Semiconductor including Vice President of Engineering, Director of Manufacturing, Director of Special Services, and Device Research Engineer.

Dr. Davis received a doctor of philosophy from Purdue University in 1969 and a bachelors of science in electrical engineering from North Carolina State University. He is a Member of the IEEE and the Electrochemical Society, and has served on a variety of advisory boards for several Universities. He holds four patents and has given a number of overview papers and invited presentations at several conferences.

Mr. Joseph Schlig was elected a Director of the Company on August 26, 1996. Since 1985, he has been Managing Director of Fairhaven Associates, a professional consulting firm supporting small and medium size businesses in strategic planning, financial, marketing and operations management and organizational development. From 1995 to 1997, Mr. Schlig also served as Chief Financial Officer of Industrial Technologies, Inc., (INTE.PK--NASDAQ). For the prior five years, Mr. Schlig was a business consultant to private companies and to the State of Connecticut Department of Economic Development.

Prior to 1985, Mr. Schlig had many years of business experience including Director of Marketing, Latin America for ITT and Director of International Operations for Revlon. Mr. Schlig has also operated several small/medium size companies in both the public and private sectors. He also served as a director of the Trumbull Technology Foundation, and a Director of the MIT Enterprise Forum of Connecticut and served as a director of the Bridgeport Economic Development Corporation. He was an alternate member of the Board of Finance of the Town of Trumbull, Connecticut. He is currently a Trustee and Treasurer of the Trumbull Public Library System.

Mr. Schlig has an engineering degree from the Stevens Institute of Technology and an MBA from the Harvard Business School where he was a Baker Scholar. Mr. Schlig is the Chairman of the Audit Committee and a member of the Compensation Committee.

Audit Committee

The Company's Board of Directors has an Audit Committee. The Audit Committee consists of Messrs. Davis and Schlig (Chairman). The Company has determined that the members of the audit committee are independent pursuant to Rule 4200(a)(15) of the Marketplace Rules for the NASDAQ Stock Market. The Company's Audit Committee generally has responsibility for appointing, overseeing and determining the compensation of our independent certified public accountants, reviewing the plan and scope of the independent certified public accountants' audit, reviewing our audit and control functions, approving all non-audit services provided by our independent certified public accountants and reporting to our full Board of Directors regarding all of the foregoing. Additionally, our Audit Committee provides our Board of Directors with such additional information and materials as it may deem necessary to make our Board of Directors aware of significant financial matters that require its attention. The Company has adopted an Audit Committee Charter, a copy of which is published on the Company's web site, www.solitrondevices.com on the Investor Relations page. The Company has determined that the Audit Committee "financial expert" is Mr. Joseph Schlig.

CODE OF ETHICS

The Company has adopted a Code of Ethics for Senior Financial Officers, which includes the Company's principal executive officer, principal financial officer and principal accounting officer, pursuant to the Sarbanes-Oxley Act of 2002. The Code of Ethics is published on the Company's web site, www.solitrondevices.com on the Investor Relations page.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires directors and executive officers of the Company and ten percent stockholders of the Company to file initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company with the Securities and Exchange Commission. Directors, executive officers, and ten percent stockholders are required to furnish the Company with copies of all Section 16(a) forms they file. To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and representations that no other reports were required during the year ended February 29, 2008, all Section 16(a) filing requirements applicable to directors and executive officers of the Company and ten percent stockholders of the Company were complied with.

ITEM 11. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table provides certain summary information concerning compensation paid by the Company, to or on behalf of the following named officers for the fiscal years ended February 29, 2008 and February 28, 2007.

Name and Principal Position	Year	Salary($)	Bonus($)	All Other Compensation($)	Total($)
Shevach Saraf	2008	296,461	121,430(3)	23,571(2)	441,462
Chairman of the Board,	2007	295,845	53,855(1)	22,690(2)	372,390
President, CFO, Treasurer					

[(1)]In a Compensation Committee Meeting held on June 4, 2007, the committee approved a bonus of $53,855 to be paid during the week of June 11, 2007.
[(2)]Life, Disability, & Medical Insurance premiums plus personal car expenses.

[3]The Company accrued $121,430 for a bonus to Mr. Saraf for fiscal year ended February 29, 2008. The compensation committee met and approved the bonus to be paid during June 2008.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table sets forth certain summary information covering unexercised options to purchase the Company's Common Stock as of February 29, 2008 held by the following named officers.

			Option Awards		
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexerciseable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
Shevach Saraf [1]	254,624	-	-	$ .40	12/1/2010
[1]	175,636	-	-	$ 1.05	5/14/2013

[1] These options are fully vested as of February 29, 2008.

DIRECTOR COMPENSATION

Name	Fees Earned Or Paid In Cash($)	Non-Equity Incentive Plan Compensation($)	Total($)
Dr. Jacob A. Davis [1]	12,000	12,000	24,000
Mr. Joseph Schlig [1]	12,000	12,000	24,000

[1]The directors hold fully vested unexercised options in the following amounts: Dr. Davis, 11,000 shares, Mr. Schlig, 3,000 shares.

Each director who is not employed by the Company receives $1,500 for each meeting of the Board he attends and $250 for each committee meeting he attends on a date on which no meeting of the Board is held. In addition, all out-of-pocket expenses incurred by a director in attending Board or committee meetings are reimbursed by the Company. The Chairmen of the Audit and Compensation Committees receive $1,500 per quarter for their additional duties and responsibilities. In addition, annually at the discretion of the CEO each director who is not employed by the Company may receive additional cash or equity awards for their services on the Board.

Employment Agreement

In December 2000, the Company entered into a five-year employment agreement with its President and CEO. The employment agreement stipulates that the contract is automatically extended for one-year periods unless a notice is given by either party one year prior to the yearly anniversary. This agreement provides, among other things, for annual compensation of $240,000 and a bonus pursuant to a formula. The employment agreement stipulates that the President shall be entitled to a bonus equal to fifteen percent (15%) of the Company’s pre-tax income in excess of Two Hundred Fifty Thousand Dollars ($250,000). For purposes of the agreement, “pre-tax income” shall mean net income before taxes, excluding (i) all extraordinary gains or losses, (ii) gains resulting from debt forgiven associated with the buyout

of unsecured creditors, and (iii) any bonus paid to employee. The bonus payable hereunder shall be paid within ninety (90) days after the end of the fiscal year.

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Upon execution of the agreement, the President received a grant to purchase ten percent (10%) of the outstanding shares of the Company’s common stock, par value $.01 calculated on a fully diluted basis, at an exercise price per share equal to the closing asking price of the company’s common stock on the OTCBB on the date of the grant ($0.40). Fifty percent (50%) of the initial stock options granted are vested immediately upon grant. The remaining fifty percent (50%) of the initial stock options vest in equal amount on each of the first five anniversaries of the date of grant. All of these options are now fully vested. These stock options are in addition to, and not in lieu of or in substitution for, the stock options (the “1992 Stock Options”) granted to the President pursuant to the Incentive Stock Option Plan Agreement dated October 20, 1992 under Solitron Devices, Inc. 1987 Stock Option Plan between the Company and the President.

Under the employment agreement, if the President's employment is terminated due to his death, the Company will pay the following amounts to the President's estate: (i) his base salary through the last day of the calendar month in which he dies, (ii) his bonus for the prior year which has been earned but not paid, (iii) his bonus for the then current year of employment prorated for the actual number of days of such year the President is employed during such year (which shall be calculated by assuming that the bonus for such year would be equal to the bonus for the previous year plus an amount equal to the percentage increase in the consumer price index for the prior twelve month period) and (iv) a death benefit in an amount equal to three times the President's then current base salary (including any amount deferred under any deferred compensation plan) plus an amount equal to the most recent bonus awarded to the President, to the extent funded by life insurance policies as provided for in the employment agreement.

Under the employment agreement, if the President's employment is terminated due to his failure to perform his duties under the employment agreement due to Disability for a consecutive period of more than six months, the Company may terminate the employment agreement upon thirty (30) days written notice to him. The President shall continue to receive compensation until the end of the thirty (30) day notice period. For purposes of the employment agreement, the term "Disability" shall mean the inability to engage in any substantial gainful activity with the Company by reason of any medically determinable physical or mental impairment for at least six consecutive months. In addition, under the employment agreement, the Company shall maintain a disability policy providing employee payments in the event of a disability.

In the event the President terminates his employment agreement for Good Reason, the Company shall pay the President his base salary and bonus through the remainder of the term of the employment agreement. For purposes of the employment agreement, “Good Reason” shall mean (a) breach of any provision of the employment agreement by the employee including, without limitation, a reduction in his duties or responsibilities, (b) the appointment of any other person as Chairman of the Board, President or Chief Executive Officer of the Company or the removal of the employee from that position, (c) the failure of the stockholders to elect the employee as a director of the Company or the removal of the employee from the Board of Directors, or (d) the relocation of the Company’s business operations or principal office more than 30 miles from its present location.

In the event the Company terminates the President's employment for "Cause" (other than a termination for Disability), the Company shall pay to the President his base salary through the date of termination stated in the notice, and the President shall, if so requested by the Board of Directors, perform his duties under the employment agreement through the date of termination stated in the notice. As used herein, "Cause" shall mean any willful (a) dissemination of genuine trade secrets or other material confidences of the employees by employee for the personal gain of the employee, (b) dishonesty of employee in the course of his employment which is punishable by criminal and civil law or is materially prejudicial to employer, (c) deliberate activity of employee which is materially prejudicial to the financial interests of the Company as reasonably determined by a majority of the Board of Directors of the Company, or any act, or failure to act, by employee involving fraud, willful malfeasance or gross negligence in the performance of his duties hereunder as reasonably determined by a majority of the disinterested members of the Board of Directors of employer, or (d) Disability of employee.

In the event the Company terminates the President's employment for any reason other than for Cause or upon President's death or disability, then (a) the employment agreement shall nonetheless be deemed terminated, and the Company shall pay the President upon any such termination a lump sum equal to the larger of his base salary and bonus for the remaining term under the employment agreement and his base salary and bonus for two (2) years and (b) the Company will pay the premium for the President's COBRA insurance benefits for the President and his family for 18 months or provide equivalent coverage. The foregoing payments shall also be made in the event that the President's employment with the Company is terminated following a Change of Control notwithstanding the reason for such termination. For purposes of the employment agreement, "Change in Control" of the Company shall mean: (1) any "person" (other than Employee) as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") (other than the employee or any group of which the employee is a part, or any Company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities; (2) at any time, Incumbent Directors cease, for any reason, to constitute at least a majority of the Board of Directors of the Company. As used herein, "Incumbent Directors" means (a) the individuals who constitute the Board upon the execution of this Agreement and (b) any other director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the Incumbent Directors then in office which two-thirds includes the employee; (3)the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; provided, however that no "Change of Control" shall be deemed to have occurred until the closing of any such transaction; and provided further, that a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person (as hereinabove defined) acquires more than 25% of the combined voting power of the Company's then outstanding securities shall not constitute a Change in Control of the Company; (4) the stockholders of the Company approve a plan of complete liquidation of the Company or the sale or disposition by the Company of all or substantially all of the Company's assets or (5) the Company, in one or a series of transactions, sells all or substantially all of its assets.

Any payments payable under the employment agreement to the President that are in the nature of compensation in the event of the Company's termination of the President under the employment agreement shall not exceed the maximum amount which may be paid to the President without causing such payments or any other payments or benefits provided to the President to become subject to the deduction limitation provided for in Section 280G(a) of the Internal Revenue Code of 1986, as amended, or the excise tax provided for in Section 4999 of the Code, or any successor provisions of applicable law.

Under the employment agreement, upon a termination by the President for Cause, termination by the Company without Cause, or the effectuation of a Change of Control, all stock options of the Company held by the President upon the date of termination will immediately vest upon termination and upon the effectuation of a Change of Control.

At a meeting of the Compensation Committee on January 23, 2006, the Committee approved an increase to the President's annual compensation to $280,000, effective March 1, 2006.

The President of the Company may also participate in the Company's 2000 Stock Option Plan, the Company's 2007 Stock Incentive Plan, the Company's deferred Compensation Plan and the Company's Employee 401-K and Profit Sharing Plan (the "Profit Sharing Plan"). During the fiscal year ended February 28, 2006, no amounts were deferred by executive officers under the Company's deferred Compensation Plan and the Company did not match any employee contributions to the Profit Sharing Plan.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of February 29, 2008 by (i) all directors, (ii) the Chief Executive Officer, (iii) all officers and directors of the Company as a group, and (iv) each person known by the Company to beneficially own in excess of 5% of the Company's outstanding Common Stock.

The Company does not know of any other beneficial owner of more than 5% of the outstanding shares of Common Stock other than as shown below. Unless otherwise indicated below, each stockholder has sole voting and investment power with respect to the shares beneficially owned. Except as noted below, all shares were owned directly with sole voting and investment power.

Name and Address	Number of Shares Beneficially Owned (1)	Percentage of Outstanding Shares (1)
Shevach Saraf 3301 Electronics Way West Palm Beach, FL 33407	650,415(2)	28.74%
Dr. Jacob Davis 370 Franklyn Avenue Indialantic, FL 32903	11,000(2)	*
Joseph Schlig 129 Mayfield Drive Trumbull, CT 06611	11,000(2)	*
All Executive Officers and Directors as a Group (3 persons)	672,415(2)	29.71%
John Stayduhar Revocable Trust c/o Boyes & Farina, P.A. 1601 Forum Place, Suite 900 West Palm Beach, FL 33401	285,232(3)	12.60%
Alexander C. Toppan 40 Spectacle Ridge Road South Kent, CT 06785	179,500(4)	7.93%
Concentric Investment Mgmt, LLC One International Place, Suite 2401 Boston, MA 02110	184,255(5)	8.14%

* Less than 1%

(1) For purposes of this table, beneficial ownership is computed pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended; the inclusion of shares beneficially owned should not be construed as an admission that such shares are beneficially owned for purposes of Section 16 of such Act.

(2)

Includes shares that may be acquired upon exercise of options that are exercisable within sixty (60) days in the following amounts: Mr. Saraf – 432,260 shares; Mr. Schlig – 3,000 shares; Dr. Davis – 11,000 shares.

(3) This number is based solely on the Form 4 filed with the Commission on August 28, 2006.

(4) This number is based solely on the Schedule 13G/A filed with the Commission on January 11, 2008.

(5) This number is based solely on the Schedule 13G/A filed with the Commission on February 15, 2008.

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EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	0	-	-
Equity compensation plans not approved by security holders	467,060	$ 0.767	739,940[(1)]
Total	467,060	$ 0.767	739,940[(1)]

(1) Consists of 39,940 shares of common stock available under the Solitron Devices, Inc. 2000 Stock Option Plan (the "2000 Plan") and 700,000 shares of common stock available under the Solitron Devices, Inc. 2007 Stock Incentive Plan (the "2007 Plan").

The 2000 Plan was created effective July 10, 2000 to provide employees with an opportunity to acquire a proprietary interest in the Company. Options issued under the 2000 Plan are for the purchase of Solitron Devices, Inc. common stock, par value of $0.01 per share and are priced at the closing price on the date of the grant. Options may be granted under the 2000 Plan to any employee, officer, or director of the Company as well as to any independent contractor or consultant performing services for the Company. Options granted have a one-year vesting period and expire ten years from the date of grant. Options granted are not transferable and have restrictions placed on their exercise in the event of termination of employment, death, or disability. Each option granted under the 2000 Plan is a non-qualified stock option that is not intended to meet the requirements of Section 422 of the Code.

The 2007 Plan was created effective June 4, 2007 to enable the Company to attract, retain, reward and motivate eligible individuals by providing them with an opportunity to acquire or increase a proprietary interest in Solitron and to incentivize them to expend maximum effort for the growth and success of the Company , so as to strengthen the mutuality of the interests between the eligible individuals and the stockholders of the Company. Pursuant to the 2007 Plan, the Company may grant common stock, options, restricted stock, stock appreciation rights to eligible individuals. Pursuant to the 2007 Plan, the Company is authorized to grant incentive awards for up to 700,000 shares of common stock subject to adjustment in the event of a stock split, stock dividend, recapitalization or similar capital change. All employees, officers, directors (employee or non-employee directors) of the Company are eligible to receive awards under the 2007 Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Director Independence

The Board of Directors is currently composed of three directors, Mr. Saraf, Dr. Davis and Mr. Schlig. Dr. Davis and Mr. Schlig each meets the criteria for independence specified in the listing standards of the Nasdaq Stock Market.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate fees billed to the Company for the years ended February 28, 2007 and February 29, 2008, by its current accounting firm, DeLeon & Company ("DL&C") are as follows:

Audit Fees: The aggregate fees for professional services rendered by DL&C in connection with (i) the audit of our annual financial statements (Form 10-K), and (ii) reviews of our quarterly financial statements (Form 10-QSB) for the years ended February 28, 2007 and February 29, 2008, were approximately $50,000 and $54,000 respectively.

Tax Fees: The aggregate fees for professional services rendered by DL&C for tax compliance for the years ended February 28, 2007 and February 29, 2008 were approximately $2,500 and $4,000 respectively. There were no other fees paid for tax services for the years ended February 28, 2007 and February 29, 2008.

Pre-Approval Policies and Procedures for Audit and Permitted Non-Audit Services.

The Audit Committee has a policy of considering and, if deemed appropriate, approving, on a case by case basis, any audit or permitted non-audit service proposed to be performed by DL&C in advance of the performance of such service. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has not implemented a policy or procedure which delegates the authority to approve, or pre-approve, audit or permitted non-audit services to be performed by DL&C. In connection with making any pre-approval decision, the Audit Committee must consider whether the provision of such permitted non-audit services performed by DL&C is consistent with maintaining DL&C's status as our current independent auditors.

Consistent with these policies and procedures, the Audit Committee approved all of the services rendered by DL&C during the year ended February 29, 2008, as described above.

PART IV

ITEM 15. EXHIBITS

(a) Exhibits

2.1 Debtors' Fourth Amended Plan of Reorganization of the Company (incorporated by reference to the Company's Form 8-K, dated September 3, 1993, as amended by the Company's Form 8-K/A, dated October 12, 1993).

2.2 Debtors' First Modification of Fourth Amended Plan of Reorganization of the Company (incorporated by reference to the Company's Form 8-K, dated September 3, 1993, as amended by the Company's Form 8-K/A, dated October 12, 1993).

2.3 Order Confirming Debtors' Fourth Amended Plan of Reorganization of the Company (incorporated by reference to the Company's Form 8-K, dated September 3, 1993, as amended by the Company's Form 8-K/A, dated October 12, 1993).

2.4 Consent Final Judgment of the Company (incorporated by reference to the Company's Form 8-K, dated September 3, 1993, as amended by the Company's Form 8-K/A, dated October 12, 1993).

3.1 Certificate of Incorporation of the Company (incorporated by reference to the Company's Form 10-K for the year ended February 28, 1993).

3.2 Bylaws of the Company (incorporated by reference to the Company’s Form 10-K for the year ended February 28, 1993).

3.3 Amendment No. 1 to the Bylaws of Solitron Devices, Inc. (incorporated by reference to the Company's Form 8-K dated December 12, 2007).

4.1 Rights Agreement dated as of May 31, 2001, between Solitron Devices, Inc. and Continental Stock Transfer & Trust Company, as Rights Agent (incorporated by reference to the Company’s current report on Form 8-K filed on June 20, 2001).

10.1 + 1987 Incentive Stock Option Plan (incorporated by reference to the Company’s Form 10-K for the years ended February 28, 1994 and February 28, 1995).

10.2 Purchase Agreement, dated October 5, 1992, by and among Solitron Devices, Inc., Solitron Specialty Products, Inc. (f/k/a Solitron Microwave, Inc.) and Vector Trading and Holding Corporation, along with and as amended by: (i) Amendment Number One to Purchase Agreement, dated October 28, 1992, by and among Solitron Devices, Inc., Solitron Specialty Products, Inc. (f/k/a Solitron Microwave, Inc.) and Vector Trading and Holding Corporation; (ii) Order, dated December 23, 1992, Authorizing the Sale of Certain of the Debtors' Assets to Vector Trading and Holding Corporation; (iii) Amendment Number Two to Purchase Agreement. dated February 28, 1993, by and among Solitron Devices, Inc., Solitron Specialty Products, Inc. (f/k/a Solitron Microwave, Inc.) and Vector Trading and Holding Corporation; and (iv) Order, dated March 4, 1993, Granting Vector Trading and Holding Corporation's Motion for Entry of Amended Order Authorizing Sale of Certain of the Debtors' Assets (incorporated by reference to the Company's Form 10-K for the year ended February 28, 1993).

10.3

Shared Services and Equipment Agreement, dated February 28, 1993, by and among Solitron Devices, Inc., Solitron Specialty Products, Inc. (f/k/a Solitron Microwave, Inc.) and S/V Microwave (incorporated by reference to the Company's Form 10-K for the year ended February 28, 1993).

10.4 Commercial Lease Agreement, dated January 1, 1992, between William C. Clark, as Trustee, and Solitron Devices, Inc. (incorporated by reference to the Company's Form 10-K for the year ended February 28, 1993).

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10.5 Reduction in Space and Rent Agreement dated November 1, 2001 between Solitron Devices, Inc. and Technology Place, Inc.

10.6 + Employment Agreement, dated December 1, 2000, between Solitron Devices, Inc. and Shevach Saraf (incorporated by reference to the Company's Form 10-K for the year ended February 28, 2001)

10.7 Ability to Pay Multi-Site Settlement Agreement, effective as of February 24, 2006, between Solitron Devices, Inc. and the United States Environmental Protection Agency.

10.8 Solitron Devices, Inc. 2007 Stock Incentive Plan (incorporated by reference to the Company's 8-K dated June 8, 2007, as amended by the Company's Form 8-K/A, dated June 12, 2007).

23 * Consent of Independent Registered Public Accounting Firm

31* Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32* Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

+Management contracts or compensatory plans, contracts or arrangements.

* Filed herewith.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

SOLITRON DEVICES, INC.

/s/ Shevach Saraf

By:	Shevach Saraf
Title:	Chairman of the Board, President, Chief Executive Officer, Treasurer and Chief Financial Officer
Date:	May 29, 2008

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Shevach Saraf Shevach Saraf	Chairman of the Board, President, Chief Executive Officer, Treasurer and Chief Financial Officer.	May 29, 2008
/s/ Jacob Davis Jacob Davis	Director	May 29, 2008
/s/ Joseph Schlig Joseph Schlig	Director	May 29, 2008

EXHIBIT INDEX

EXHIBIT	DESCRIPTION
23	Consent of Independent Registered Public Accounting Firm
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.