SOLITRON DEVICES INC
Form 10QSB
January 09, 2002

SECURITIES & EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-QSB

(Mark One)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended November 30, 2001

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

For the transition period from _________ to _________

Commission file number 001-04978

Solitron Devices, Inc.
(Exact name of small business issuer as specified in its charter)

Delaware	22-1684144
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

3301 Electronics Way, West Palm Beach, Florida 33407
(Address of principal executive offices)

(561) 848-4311
(Issuer's telephone number)

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days.
Yes [X] No [_]

Transitional Small Business Disclosure Format
Yes [_] No [X]

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of February 28, 2001: 2,068,731.

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SOLITRON DEVICES, INC.

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SOLITRON DEVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

	November 30, 2001 (Unaudited)
CURRENT ASSETS:	
Cash	$ 1,690,000
Accounts receivable, less allowance For doubtful accounts of $1,000	735,000
Inventories (net of reserve of $31,000)	2,552,000
Prepaid expenses and other current assets	149,000
Due from S/V Microwave	5,000
Total current assets	$ 5,131,000
PROPERTY, PLANT AND EQUIPMENT, net	471,000
NON-OPERATING PLANT FACILITIES, net of cost to dispose	0
OTHER ASSETS	54,000
	$ 5,656,000

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

SOLITRON DEVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	November 30, 2001 (Unaudited)
CURRENT LIABILITIES:	
Current portion of accrued environmental expenses	$ 711,000
Accounts payable - Post petition	541,000
Accounts payable - Pre-petition, current portion	465,000
Accrued expenses and other liabilities	1,261,000
Accrued Chapter 11 administrative expense	1,000
Total current liabilities	2,979,000
OTHER LONG-TERM LIABILITIES net of current portion, net of cost to dispose of non-operating plant facilities	622,000
TOTAL LIABILITIES	$ 3,601,000
COMMITMENTS & CONTINGENCIES	
STOCKHOLDERS' EQUITY:	
Preferred stock, $.01 par value, authorized 500,000 shares, No shares issued and outstanding	-0-
Common stock $.01 par value, authorized 10,000,000 shares,	

issued and outstanding 2,068,731	21,000
Additional paid-in capital	2,617,000
Accumulated deficit	(583,000)
Total stockholders' equity	2,055,000
	$ 5,656,000

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

SOLITRON DEVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Mos. Ended November 30, 2001	2000	Nine Mo 2001
Net Sales	$ 1,366,000	$ 2,005,000	$ 4,738,00
Cost of Sales	1,276,000	1,547,000	4,316,00
Gross Profit	90,000	458,000	422,00
Selling, General & Administrative Expenses	287,000	324,000	955,00
Operating Income (Loss)	(197,000)	134,000	(533,00
OTHER INCOME (EXPENSE)			
Other Income	13,000	38,000	67,00
Interest Expense	(15,000)	(19,000)	(46,00
Other, Net	(2,000)	4,000	(6,00
Other Income (Expense), Net	(4,000)	23,000	15,00
Net Income/(Loss)	$ (201,000)	$ 157,000	$ (518,00
INCOME/(LOSS) PER SHARE: Basic	$ (0.10)	$ 0.08	$ (0.2
Diluted	$ (0.10)	$ 0.07	$ (0.2

WEIGHTED AVERAGE				
SHARES OUTSTANDING:	Basic	2,068,731	2,068,821	2,068,73
	Diluted	2,068,731	2,216,600	2,068,73

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

SOLITRON DEVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

	Nine Months Ended November 30, 2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit/(loss)	$ (518,000)	$ 555,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	163,000	152,000
(Increase)/Decrease in:		
Accounts Receivable	167,000	221,000
Net Inventories	(105,000)	120,000
Prepaid Expenses & Other Current Assets	(29,000)	(104,000)
Due from SV Microwave	--	(9,000)
Other Assets	(2,000)	22,000
Increase/(Decrease) in:		
Accounts Payable	161,000	223,000
Accounts Payable pre-petition	(42,000)	(38,000)
Accrued Expenses & Other Liabilities	(58,000)	145,000
Accrued Chapter 11 administrative expenses-	--	--
Accrued Environmental Expenses	81,000	81,000
Other Long Term Liabilities	(88,000)	(88,000)
Total adjustments	248,000	725,000
Net cash provided by (used in) operating activities	(270,000)	1,280,000
CASH FLOW FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(230,000)	(57,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital leases	--	--
NET INCREASE (DECREASE) IN CASH	(500,000)	1,223,000
CASH AT BEGINNING OF PERIOD	2,190,000	1,184,000

CASH AT END OF PERIOD	$ 1,690,000	$ 2,407,000

Supplemental cash flow disclosure: Interest paid during the nine months ended November 30, 2001 and 2000 was approximately $46,000 and $59,000 respectively.

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

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SOLITRON DEVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. General:

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

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

The information contained in this Form 10-QSB should be read in conjunction with the Notes to Consolidated Financial Statements appearing in the Company's Annual Report on Form 10-KSB for the fiscal year ended February 28, 2001.

The results of operations for the nine-month period ended November 30, 2001 are not necessarily indicative of the results to be expected for the fiscal year ended February 28, 2002.

2. ENVIRONMENTAL REGULATION:

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

The information contained in this Form 10-QSB should be read in conjunction with the Regulation and Environmental Compliance sections appearing in the Company's Annual Report on Form 10-KSB for the year ended February 28, 2001.

3. INVENTORIES:

As of November 30, 2001 inventories consist of the following:

Raw Materials	$ 1,494,000
Work-In-Process and Finished Goods	1,089,000
Reserve	(31,000)
	$ 2,552,000

SOLITRON DEVICES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

4. GOING CONCERN:

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

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

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

SOLITRON DEVICES, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements:

Except for historical information contained herein, certain matters discussed herein, including any information incorporated by reference, are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe-harbor created by such sections. The Company's actual results may differ significantly from the results discussed in such forward-looking statements.

Such forward-looking statements include statements regarding:

- trends in the industry, including trends concerning demand, market dynamics, consolidation, changes in government military spending, price erosion, competition and general economic trends;
- the barring of environmental claims due to the Company's bankruptcy order;
- the Company's ability to respond quickly to customers' needs and to deliver products in a timely manner;
- the Company's compliance with environmental laws, orders and investigations and the future costs of such compliance;
- the Company's ability to generate sufficient liquidity to continue operations;
- the Company's ability to restructure operations (if necessary) to reduce costs or to implement other cost-cutting measures;
- the Company's ability to develop additional sales opportunities;
- the Company's ability to make payments required under its bankruptcy plan or renegotiate such payments;
- the Company's ability to generate sufficient cash from operations or otherwise; and
- other statements contained in this report that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future, and similar statements.

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

- a change in government regulations which hinders the Company's ability to perform government contracts;
- changes in or a miscalculation of trends in the industry or the economy;
- judicial or other legally enforceable interpretations of the Company's liability under environmental laws;

- a decision to discontinue or delay the development of any or all of its products if such decision is later determined to be in the best interests of the Company;
- inability to capitalize on competitive strengths or a misinterpretation of those strengths;
- a misinterpretation of the nature of the competition;
- an inability to respond quickly to customers' needs and to deliver products in a timely manner resulting from unforeseen circumstances;
- an increase in the expected cost of environmental compliance based on factors unknown at this time;
- an inability to develop new sales opportunities for the Company;
- an inability to generate sufficient liquidity to continue operations;
- an inability to successfully restructure operations (if necessary) to reduce costs sufficiently to continue business operations;
- changes in law or industry regulation; and
- other unforeseen activities, events and developments that may occur in the future.

Overview:

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

The following discussion and analysis of factors which have affected the Company's financial position and operating results during the periods included in the accompanying condensed consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and the related Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-KSB for the year ended February 28, 2001 and the Consolidated Financial Statements and the related Notes to Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-QSB.

Trends and Uncertainties:

During the nine months ended November 30, 2001, the company's book-to-bill ratio increased to approximately 1.23, reflecting both an increase in the amount of orders booked and a lower volume of shipments. The change in the book-to-bill ratio does not indicate an upward trend in the demand for the Company's products. Generally, the intake of orders over the last eighteen months has been low as a result of the general slow-down of the economy and of the continued current level of spending in defense programs in which the Company participates, which is expected to continue over the next twelve to eighteen months. The Company continued to implement steps intended to reduce its variable manufacturing cost to offset the impact of the low volume of orders to be shipped, including wage cuts of approximately 11% which were effective on October 1, 2001. However, should order intake continue at the level

experienced in the last eighteen months, the Company might be required to implement further cost cutting or other downsizing measures to continue its business operations.

To offset the decrease in revenues, the Company reduced salaries as of October 1, 2001. The reductions, which ranged from 6% to 12% for the employees and 30% for the President, yielded a savings of approximately $50,000 for the two months ended November 30, 2001. These salary cuts are in effect until the Company's financial performance improves. However, there can be no assurance that additional cost cutting measures will not be required.

RESULTS OF OPERATIONS - THREE MONTHS ENDED NOVEMBER 30, 2001 COMPARED TO THREE MONTHS ENDED NOVEMBER 30, 2000:

Sales

Net sales for the three months ended November 30, 2001 decreased approximately 32% to $1,366,000 as compared to $2,005,000 for the three months ended November 30, 2000. The Company attributes this decrease in net sales to decreased production due to delays in receiving raw material and to a decrease in the requirements of its customers.

For the three months ended November 30, 2001, the Company shipped 88,010 units as compared with 285,027 units shipped during the same period of the prior year. Since the Company manufactures a wide variety of products with an average sale price ranging from less than one dollar to several hundred dollars, the Company believes that such periodic variations in the Company's volume of units shipped may not be a reliable indicator of the Company's performance.

The Company experienced a decrease in the level in the intake of orders of approximately 5% for the quarter ended November 30, 2001 as compared to the same period for the previous year principally as a result of a change in the timing in defense spending.

Cost of Sales

Cost of Sales for the three months ended November 30, 2001 decreased to $1,276,000 from $1,547,000 for the comparable period ended November 30, 2000. Expressed as a percentage of sales, Cost of Sales increased from 77.2% for the three months ended November 30, 2000 to 93.4% for the three months ended November 30, 2001. This increase is attributable to higher purchase prices of raw materials and to an exceptional charge for material scrapped because of lower production yields.

Gross Profit

Gross margins on the Company's sales decreased to 6.6% for the three months ended November 30, 2001 compared to 22.8% for the three months ended November 30, 2000. This decrease resulted from the lower volume of shipments, the charge for scrapped material due to lower production yields and from higher prices in purchased raw materials. Gross profit for the three months ended November 30, 2001 decreased to $90,000 from $458,000 for the three months ended November 30, 2000. This decrease is primarily due to a decreased sales volume and to an increase in the cost of goods sold expressed as a percentage of sales.

SOLITRON DEVICES, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

Selling, General and Administrative Expenses

Selling, General, and Administrative expenses decreased to $287,000 for the three months ended November 30, 2001 from $324,000 for the comparable period ended November 30, 2000. This decrease is primarily due to lower commissions paid to outside sales representatives, to lower consulting fees, to lower legal fees and to lower vacation expense. These reductions in operating expenses have been partially offset by higher salaries due to an increase in the sales force. During the three-month period ended November 30, 2001, Selling, General, and Administrative expenses, expressed as a percentage of sales, increased to 21.0% as compared with 16.2% for the three months ended November 30, 2000. This increase is due to a lower volume of sales.

Operating Results

Operating Results for the three months ended November 30, 2001 showed a loss of $197,000 compared to income of $134,000 for the three months ended November 30, 2000. This decrease is principally due to a lower sales volume and to an increase in the cost of goods sold as a percentage of sales.

Net Other Income

The Company's Net Other Income/(Expense) for the three months ended November 30, 2001 was an expense of $4,000 versus a Net Other Income of $23,000 for the three months ended November 30, 2000. The variance was mainly due to decreases in the

Company's interest income. The Company's interest income declined as a result of the drop in the interest rate the Company receives and the drop in the Company's cash position. The latter resulted from the Company's usage of cash to fund the Company's operations.

Net Results

Net results for the three-month period ended November 30, 2001 decreased to a loss of $201,000 from a profit of $157,000 for the same period in 2000. The Company attributes this decrease to a lower level of revenue and to higher costs as discussed herein.

RESULTS OF OPERATIONS NINE MONTHS ENDED NOVEMBER 30, 2001 COMPARED TO NINE MONTHS ENDED NOVEMBER 30, 2000:

During the nine month period ended November 30, 2001, the Company's book-to-bill ratio increased to approximately 1.23 from 0.82 for the nine months ended November 30, 2000, reflecting a change in the demand for the Company's products and in the timing of orders received from customers involved in military programs. The Company continued implementing steps intended to reduce its variable manufacturing cost to offset the impact of lower sales. To offset the decrease in revenues, the Company reduced salaries as of October 1, 2001. The reductions, which ranged from 6% to 12% for the employees and 30% for the President, yielded a savings of approximately $50,000 for the two months ended November 30, 2001. These salary cuts are in effect until the Company's financial performance improves. However, there can be no assurance that additional cost cutting measures will not be required. Should the intake of orders decline, the Company may be required to implement further cost-cutting or other downsizing measures to continue its business operations.

Sales

Net sales for the nine months ended November 30, 2001 decreased approximately 23% to $4,738,000 as compared to $6,132,000 for the nine months ended November 30, 2000. The Company attributes this decrease to a lower level of orders deliverable during the nine months ended November 30, 2001, as well as to decreased production due to delays in receiving raw material and to a decrease in the requirements of its customers.

For the nine months ended November 30, 2001, the Company shipped 271,671 units as compared with 1,130,073 units shipped during the same period of the prior year. Since the Company manufactures a wide variety of products with an average sale price ranging from less than one dollar to several hundred dollars, the Company believes that such periodic variations in the Company's volume of units shipped may not be a reliable indicator of the Company's performance.

The Company experienced an increase in the level in the intake of orders of approximately 15% for the nine months ended November 30, 2001 as compared to the same period for the previous year principally as a result of a change in the timing in defense spending.

Cost of Sales

Cost of Sales for the nine months ended November 30, 2001 decreased to $4,316,000 from $4,582,000 for the comparable period ended November 30, 2000. Expressed as a percentage of sales, Cost of Sales increased from 74.7% for the nine months ended November 30, 2000 to 91.1% for the nine months ended November 30, 2001. This increase is attributable to higher costs for material, labor and manufacturing overhead and to an exceptional charge for material scrapped because of lower production yields.

Gross Profit

Gross margins on the Company's sales decreased to 8.9% for the nine months ended November 30, 2001 compared to 25.3% for the nine months ended November 30, 2000. This decrease resulted from the lower volume of shipments, the charge for scrapped materials due to lower production yields and increases in costs for material, labor and manufacturing overhead. Gross profit for the nine months ended November 30, 2001 decreased to $422,000 from $1,550,000 for the nine months ended November 30, 2000. This decrease is primarily due to increased costs of sales, expressed as a percentage of sales, and partially due to lower sales volume.

Selling, General and Administrative Expenses

Selling, General, and Administrative expenses decreased to $955,000 for the nine months ended November 30, 2001 from $1,044,000 for the comparable period ended November 30, 2000. This decrease is primarily due to lower legal expenses, lower vacation expenses, less lower consulting fees and less lower commissions paid to sales representatives. During the nine month period ended November 30, 2001, Selling, General, and Administrative expenses, expressed as a percentage of sales, increased to 20.2% as compared with 17.0% for the nine months ended November 30, 2000. This increase in percentage is due to lower sales volume and to higher salaries as a result of additional sales personnel.

Operating Results

Operating results for the nine months ended November 30, 2001 showed a loss of $533,000 compared to income of $506,000 for the nine months ended November 30, 2000. This decrease in operating results is due primarily to increased costs of sales, expressed as a percentage of sales, and to a lower volume of sales.

Net Other Income

The Company recorded a Net Other Income of $15,000 for the nine months ended November 30, 2001 versus a Net Other Income of $49,000 for the nine months ended November 30, 2000. The variance was due to a decrease in the Company's interest income. The Company's interest income declined as a result of the drop in the interest rate the Company receives and the drop in the Company's cash position.

The latter resulted from the Company's usage of cash to fund the Company's operations.

Net Results

Net results for the nine-month period ended November 30, 2001 decreased to a loss of $518,000 from a profit of $555,000 for the same period in 2000. The Company attributes this decrease to a lower level of revenue and to higher costs of sales expressed as a percentage of sales.

LIQUIDITY AND CAPITAL RESOURCES

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

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

The Company's liquidity continues to be adversely affected by significant non-recurring expenses associated with the Company's pre-bankruptcy obligations, and the Company's inability to obtain additional working capital through the sale of debt or equity securities or the sale of non-operating assets. The Company's liquidity is also adversely affected by the fact that the Company is operating at a loss.

The Company reported a net loss of $518,000 and an operating loss of $533,000 for the nine months ended November 30, 2001. Moreover, the Company has significant obligations arising from settlements related to its bankruptcy proceeding, that require it to make substantial cash payments that cannot be supported by the Company's current level of operations. As of November 30, 2001, the Company's total remaining obligations are $2,894,000, which consists of $1,547,000 in environmental obligations, $1,077,000 owed to unsecured creditors and $270,000 in property taxes. The Company is now in default with respect to such obligations.

At November 30, 2001, February 28, 2001 and November 30, 2000 respectively, the Company had cash of $1,690,000, $2,190,000 and $2,407,000. This decrease resulted from the Company's utilization of cash to fund operating losses. The Company's sole source of liquidity is its operating cash, as it does not have a line of credit.

At November 30, 2001, the Company had working capital of $2,152,000 as compared with a working capital at November 30, 2000 of $3,327,000. At February 28, 2001, the Company had a working capital of $2,827,000. The approximately $675,000 change for the nine months ended November 30, 2001 was due mainly to decreases in cash and in receivables.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS:

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS:

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES:

See "Liquidity and Capital Resources", Part 1, Item 2.

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

None.

ITEM 5. OTHER INFORMATION:

None.

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

(a) Exhibits.
None

(b) Reports on Form 8-K.
None

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SIGNATURES

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

SOLITRON DEVICES, INC.

Date: January 7, 2002	/s/ Shevach Saraf
	By: Shevach Saraf Chairman, President and Chief Executive Officer
Date: January 7, 2002	/s/ Shevach Saraf
	By: Shevach Saraf Chief Financial Officer