SOLITRON DEVICES INC
Form 10QSB
July 20, 2005

UNITED STATES
SECURITIES AND 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 May 31, 2005

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

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, including area code)

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of July 11, 2005: 2,076,053

Transitional Small Business Disclosure Format (check one):

Yes |_| No |X|

SOLITRON DEVICES, INC.

INDEX

PART 1 - FINANCIAL INFORMATION

SOLITRON DEVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited, in thousands except for share and per share amounts)

May 31,

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 2
Accounts receivable, less allowance for doubtful accounts of $2	
Inventories, net	2
Prepaid expenses and other current assets	
TOTAL CURRENT ASSETS	6
PROPERTY, PLANT AND EQUIPMENT, net	
OTHER ASSETS	
TOTAL ASSETS	$ 6
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Accrued environmental expenses	$
Accounts payable - Post-petition	
Accounts payable - Pre-petition	1
Accrued expenses and other current liabilities	
TOTAL CURRENT LIABILITIES	3
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, 2,076,053 shares issued and outstanding, net of 173,287 shares of treasury stock	
Additional paid-in capital	2
Retained Earnings	
TOTAL STOCKHOLDERS' EQUITY	3
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 6

The accompanying notes are an integral part of the condensed consolidated financial statements

SOLITRON DEVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED MAY 31,
(Unaudited, in thousands except for share and per share amounts)

	2005	2004

Net sales	$ 2,103	$ 1,934
Cost of sales	1,614	1,604
Gross profit	489	330
Selling, general and administrative expenses	271	318
Operating income	218	12
Other income (expense)		
Other income (expense)	77	(5)
Interest expense	(3)	(2)
Net other income (expense)	74	(7)
Net income	$ 292	$ 5
INCOME PER SHARE OF COMMON STOCK:		
Basic	$ 0.14	$ 0.002
Diluted	$ 0.13	$ 0.002
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic	2,076,053	2,076,355
Diluted	2,187,561	2,201,840

The accompanying notes are an integral part of the condensed consolidated financial statements

4

SOLITRON DEVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MAY 31,
(Unaudited, in thousands)

	2005	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 292	$
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	46	
Changes in operating assets and liabilities:		
(Increase) Decrease in: Accounts receivable	91	
Inventories	(19)	

Prepaid expenses and other current assets	(14)
Increase (Decrease) in:	
Accounts payable - Post-petition	11
Accounts payable - Pre-petition	682
Accrued expenses and other current liabilities	(769)
Accrued environmental expenses	--
Other long-term liabilities	(13)
NET CASH PROVIDED BY OPERATING ACTIVITIES	307
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property, plant and equipment	(26)
NET CASH (USED IN) INVESTING ACTIVITIES	(26)
NET INCREASE IN CASH AND CASH EQUIVALENTS	281
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	2,403
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	$ 2,684

The accompanying notes are an integral part of the condensed consolidated financial statements

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

1. GENERAL AND SIGNIFICANT ACCOUNTING POLICIES:

GENERAL:

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting primarily 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 condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") 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 accounting principles generally accepted in the United States 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 Solitron Devices, Inc. and Subsidiaries' (the "Company") Annual Report on Form 10-KSB for the year ended February 28, 2005.

The results of operations for the three-month period ended May 31, 2005 are not necessarily indicative of the results to be expected for the entire year ending February 28, 2006.

SIGNIFICANT ACCOUNTING PRINICPLES:

Basis for Consolidation
The condensed consolidated financial statements include the accounts of the Company and subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

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. Diluted earnings per common share for the period ended May 31, 2004 was previously understated due to an incorrect calculation. The correct amount of diluted earnings per common share for the period then ended is reflected in the condensed consolidated statements of income.

Stock-Based Compensation
In December 2002, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure - an amendment of FASB Statement No. 123" ("SFAS No. 148"). This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation", 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 transition guidance and disclosure requires that companies that continue to account for stock-based employee compensation under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25") include pro forma disclosure of net income and earnings per share as if the fair value method prescribed by SFAS No. 123 had been applied in accordance with SFAS No. 148.

The Company complies with SFAS No. 123. As permitted by SFAS No. 123, the Company continues to follow the measurement provisions of APB No. 25 and does not recognize compensation expense for its stock-based incentive plan. Had compensation cost been determined based on the fair value on the grant dates consistent with the methodology prescribed by SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro-forma amounts indicated below.

	Three months ended May 31,	
	2005	2004

Net income, as reported	$ 292	$ 5
Less: total stock-based employee compensation expense, net of tax effects	47	12
Pro-forma net income/(loss)	$ 245	$ (7)
Reported basic earnings per common share	$ 0.14	$ 0.002
Pro-forma basic earnings/(loss) per common share	$ 0.12	$ (0.003)
Reported diluted earnings per common share	$ 0.13	$ 0.002
Pro-forma diluted earnings/(loss) per common share	$ 0.11	$ (0.003)

The total fair value of the options granted during the three months ended May 31, 2005 and May 31, 2004 was $33,000 and $215,000, respectively, determined under fair value based method for all awards.

The weighted average estimated value of employee stock options granted during the three months ended May 31, 2005 was $0.70 ($0.96 for the three months ended May 31, 2004). The fair value of options granted in the three months ended May 31, 2005 and 2004 was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Three months ended May 31,	
	2005	2004
Dividend Yields	0.0%	0.0%
Expected Volatility	109.8%	103.8%
Risk-free Interest Rates	4.1%	4.5%
Expected Life (in years)	10.0	10.0

The pro-forma amounts may not be indicative of future pro-forma income and earnings per share.

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 "Business - Environmental Liabilities" section appearing in the Company's Annual Report on Form 10-KSB for the year ended February 28, 2005.

3. EARNINGS PER SHARE:

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

	For the three months May 31,	
	2005	2
Weighted average common shares outstanding	2,076,053	2,07
Dilutive effect of employee stock options	111,508	12
Weighted average common shares outstanding, assuming dilution	2,187,561	2,20

Weighted average common shares outstanding, assuming dilution, include the incremental shares that would be issued upon the assumed exercise of stock options. For the three month period ended May 31, 2005, approximately 223,000 of the Company's stock options 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 (229,000 for the three month period ended May 31, 2004). These options could be dilutive in the future if the average share price increases and is greater than the exercise price of these options.

4. INVENTORIES:

As of May 31, 2005 net inventories consist of the following:

Raw Materials	$ 1,367,000
Work-In-Process	1,463,000
Finished Goods	479,000
Gross Inventories	3,309,000
Reserve	(893,000)
Net Inventories	$ 2,416,000

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

5. INCOME TAXES:

At May 31, 2005, the Company has net operating loss carryforwards of approximately $15,504,000 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 fully reserved through the recording of a 100% 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.

A reconciliation of the provision for income taxes to the amount calculated using the statutory federal rate (34%) for the period ended May 31, 2005 is as follows:

Income Tax Provision at U.S. Statutory Rate	$ 99,000
State Taxes, Net of Federal Benefit	11,000
Utilization of Net Operating Loss Carryforward	(110,000)
Income Tax Provision	$ -

The change in the valuation allowance on deferred tax assets is due primarily to the utilization of the net operating loss for the period ended May 31, 2005.

6. STOCK-BASED COMPENSATION:

On May 16, 2005 the Board of Directors granted ten year stock options to certain key employees. The options, which will vest on May 15, 2006, were for a total number of 47,000 shares and the exercise price was fixed at $0.75 per share, which was the closing price of the Company's common stock on the Over-The-Counter Bulletin Board at the time of the grant. The options are exercisable through May 15, 2015.

7. OTHER INCOME:

During the fiscal quarter ended May 31, 2005, the Company settled approximately $341,000 of debt obligations to unsecured creditors at a discount. The Company has recognized approximately $69,000 of other income as a result of these settlements. This $69,000 of other income is a major component of the $77,000 of other income reflected in the condensed consolidated statements of income for the quarter ended May 31, 2005.

8. ACCRUED EXPENSES:

As of May 31, 2005 accrued expenses and other liabilities consist of the following:

Payroll and related employee benefits	$ 506,000
Property taxes	15,000
Other liabilities	54,000
	$ 575,000

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

9. COMMITMENTS AND CONTINGENCIES:

As described in Item 3 to the Company's Annual Report on Form 10-KSB for the year ended February 28, 2005, the Company is involved in certain legal proceedings. Except for a settlement reached with Technology Place, the Company's landlord, there have been no material developments in these legal proceedings since the filing of our Form 10-KSB. See Part II, Item 1 on page 16 of this on Form 10-QSB for further discussion of the settlement with the Company's landlord.

10. EXPORT SALES AND MAJOR CUSTOMERS:

Domestic and export sales to unaffiliated customers are as follows:

	Three months ended May 31, 2005	Three months ended May 31, 2004
Export sales:		
Europe	$ 159,000	$ 16,000
Canada and Latin America	134,000	63,000
Far East and Middle East	38,000	18,000
United States	1,772,000	1,837,000
	$2,103,000	$1,934,000

Sales to the Company's top two customers accounted for 54% of net sales for the quarter ended May 31, 2005 as compared to 61% for the quarter ended May 31, 2004. Sales to Raytheon Company accounted for approximately 46% of net sales for the quarter ended May 31, 2005 and 51% for the quarter ended May 31, 2004. During the quarter ended May 31, 2005, the US Government represented approximately 8% of net sales as compared to 10% for the quarter ended May 31, 2004.

11. SUBSEQUENT EVENT:

In June 2005, the Company settled approximately $48,000 of debt obligations to unsecured creditors at a discount. The Company will recognize the extinguishment of debt as other income in the second quarter of fiscal year 2006.

In July 2005, the Company settled the lawsuit with Technology Place. See Part II, Item 1 on page 15 of this report for further discussion of the settlement.

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

Overview:

Solitron Devices, Inc., a Delaware corporation (the "Company" or "Solitron"), designs, develops, manufactures and markets solid-state semiconductor components and related devices primarily for the military and aerospace markets. The Company manufactures a large variety of bipolar and metal oxide semiconductor power transistors, power and control hybrids, junction and MOS field effect transistors 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, 2005 and the Condensed Consolidated Financial Statements and the related Notes to Condensed Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-QSB.

Critical Accounting Policies:

The discussion and analysis of our financial condition and results of operations are based upon the condensed consolidated financial statements included elsewhere in this Form 10-QSB which are prepared in accordance with accounting principles generally accepted in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. Our critical accounting policies include inventories, valuation of plant, equipment and intangible assets, revenue recognition and accounting for income taxes. A discussion of all of these critical accounting policies can be found in Note 1 of the Notes to the Consolidated Financial Statements in Item 7 of our Annual Report on Form 10-KSB for the fiscal year ended February 28, 2005.

Trends and Uncertainties:

During the three months ended May 31, 2005, the Company's book-to-bill ratio was approximately 1.08 as compared to 0.91 for the three months ended May 31, 2004, reflecting an increase in the volume of orders booked. The Company does not believe that the quarter-to-quarter 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 eighteen months has varied greatly as a result of the fluctuations in the general economy and of variations in defense spending on programs the Company supports, which is expected to continue over the next twelve 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 should a slow down in the intake of orders reoccur. However, should order intake fall significantly below the level experienced in the last twelve months, the Company might be required to implement further cost cutting or other downsizing measures to continue its business operations.

Results of Operations-Three Months Ended May 31, 2005 Compared to Three Months Ended May 31, 2004:

Net sales for the three months ended May 31, 2005 increased approximately 9% to $2,103,000 as compared to $1,934,000 for the three months ended May 31, 2004. This increase was primarily attributable to a higher level of scheduled orders that were shipped in accordance with customer requirements.

11

Cost of sales for the three months ended May 31, 2005 increased to $1,614,000 from $1,604,000 for the comparable period in 2004. Expressed as a percentage of sales, cost of sales decreased to approximately 77% for the three months ended May 31, 2005 from approximately 83% for the same period in 2004. This change was due primarily to better product yield resulting from a decrease in the cost of raw materials which decreased to 25% from 30% as a percentage of sales..

Gross profit for the three months ended May 31, 2005 increased to $489,000 from $330,000 for the three months ended May 31, 2004. Accordingly, gross margins on the Company's sales increased to approximately 23% for the three months ended May 31, 2005 in comparison to approximately 17% for the three months ended May 31, 2004. This change was due in part to a higher level of shipments and in part to a decrease in the cost of raw materials as discussed in the preceding paragraph.

For the three months ended May 31, 2005, the Company shipped 180,155 units as compared with 96,988 units shipped during the same period of the prior year. It should be noted that since the Company manufactures a wide variety of products with an average sale price ranging from less than one dollar to several hundred dollars, such periodic variations in the Company's volume of units shipped might not be a reliable indicator of the Company's performance.

The Company's backlog of open orders increased approximately 4% for the three months ended May 31, 2005 as compared to a decrease of approximately 3% for the three months ended May 31, 2004. Changes in the backlog reflect changes in the intake of orders.

The Company has experienced an increase in the level of bookings of approximately 29% for the quarter ended May 31, 2005 as compared to the same period for the previous year principally as a result of a higher demand for its products in this period. For further discussion, see "Trends and Uncertainties" on Page 11 of this report.

Selling, general and administrative expenses decreased to $271,000 for the three months ended May 31, 2005 from $318,000 for the comparable period in 2004. During the three months ended May 31, 2005, selling, general and administrative expenses as a percentage of sales decreased to approximately 13% as compared with approximately 16% for the three months ended May 31, 2004. This decrease was due primarily to a reduction in legal and professional fees of approximately $56,000 offset by higher wages. The reduction in legal and professional fees reflects the resolution of an SEC investigation in the prior fiscal year.

The Company recorded an operating income of $218,000 for the three months ended May 31, 2005 compared to $12,000 for the three months ended May 31, 2004. This increase is due primarily to a $169,000 increase in sales and the gross profit thereon, and a $47,000 decrease in selling, general and administrative expenses.

The Company recorded net other income of approximately $74,000 for the three months ended May 31, 2005 versus a net other expense of approximately $7,000 for the three months ended May 31, 2004. The increase was due primarily to approximately $69,000 of other income resulting from the settlement of debt obligations to unsecured creditors during the quarter ended May 31, 2005.

Net income for the three months ended May 31, 2005 increased to approximately $292,000 as compared to $5,000 for the same period in 2004. This increase in net income is a result of an increase in sales and the gross profit thereon, a decrease in cost of sales relative to sales due to better product yield, and a decrease in selling, general and administrative expenses along with $69,000 of other income resulting from the settlement of debt obligations to unsecured creditors.

Liquidity and Capital Resources:

The Company's sole source of liquidity is cash generated by ongoing operations. The Company's liquidity is expected to be adversely affected in the short term due to the anticipated lower level of revenue in the next six to nine months due to customers' delivery requirements. The Company's liquidity is not expected to improve until the Company's revenues increase to a level above its breakeven point.

Furthermore, the Company's liquidity continues to be adversely affected by the Company's 1993 bankruptcy petition obligations and the Company's inability to obtain additional working capital through the sale of debt or equity securities. For a more complete discussion of the Company's bankruptcy obligations, see "Business - Bankruptcy Proceedings" in the Company's Annual Report on Form 10-KSB filed for the period ended February 28, 2005.

The Company is required to make quarterly payments to holders of unsecured claims until they receive 35 percent (35%) of their pre-petition claims. As of May 31, 2005, the Company has paid approximately $572,000 to its unsecured creditors. The Company`s remaining obligation is approximately $1,490,000 to holders of allowed unsecured claims in quarterly installments.

The Company reported a net income of $292,000 and operating income of $218,000 for the three months ended May 31, 2005. The Company has significant obligations arising from settlements related to its bankruptcy proceeding which require it to make substantial cash payments, which cannot be supported by the Company's current level of operations.

At May 31, 2005, February 28, 2005 and May 31, 2004, the Company had cash of approximately $2,684,000, $2,403,000 and $1,958,000 respectively. Collection of accounts receivable contributed $91,000 to the last three months' positive cash flow generated by ongoing operations.

At May 31, 2005, the Company had working capital of $2,715,000 as compared with a working capital at May 31, 2004 of $1,987,000. At February 28, 2005, the Company had a working capital of $2,416,000. The approximately $299,000 increase in working capital for the three months ended May 31, 2005 was due mainly to a $281,000 increase in cash resulting primarily from increased net income.

Off-Balance Sheet Arrangements:

The Company is not involved in any off-balance sheet arrangements.

FORWARD-LOOKING STATEMENTS

Information in this Form 10-QSB, including any information incorporated by reference herein, includes "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and is 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.

Statements regarding:

- the Company's belief regarding its change in book-to-bill ratio;
- the Company's expectations regarding fluctuations in the general economy and variations in defense spending, and the effects of such fluctuations and variations on the intake of orders;
- sources and availability of liquidity;
- anticipated lower revenue in the next six to nine months;
- the Company's ability to generate sufficient cash flow from operations to sustain operations;
- the Company's ability to implement effective cost-cutting or downsizing measures;
- the Company's compliance with environmental laws, orders and investigations and the future cost of such compliance; and

- other statements contained in this report that address activities, events of developments that the Company expects, believes or anticipates will or may occur in the future, and similar statements are forward-looking statements.

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

- a misinterpretation of the Company's capital needs and sources and availability of liquidity;
- inability to generate sufficient cash to sustain operations;
- failure to successfully implement cost-cutting or downsizing measures, strategic plans or the insufficiency of such measures and plans;
- changes in military or defense appropriations;
- an increase in the expected cost of environmental compliance based on factors unknown at this time; and
- other unforeseen activities, events and developments that may occur in the future.

ITEM 3. CONTROLS AND PROCEDURES

Based on the evaluation of the Company's disclosure controls and procedures as of May 31, 2005, Shevach Saraf, Chairman, President, Chief Executive Officer, Treasurer and Chief Financial Officer of the Company, has concluded that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time period specified by the Securities and Exchange Commission's rules and forms.

There were no changes in the Company's internal control over financial reporting during the quarter ended May 31, 2005 that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS:

As previously disclosed in the Company's filings with the SEC, the Company filed a complaint against its landlord, Technology Place, in 2003 in the Circuit Court of the 15th Judicial Circuit in Palm Beach County, Florida for breach of contract and seeking specific performance. In July 2005, the parties reached a settlement regarding this matter. The terms of the settlement are confidential.

ITEM 6. EXHIBITS:

a) Exhibits

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.

SIGNATURES

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

SOLITRON DEVICES, INC.

Date: July 19, 2005

/s/ Shevach Saraf
By: Shevach Saraf
Title: Chairman, President,
Chief Executive Officer, Treasurer
And Chief Financial Officer

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
31	Certification of 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.