

SOLITRON DEVICES INC
Form 10-K
May 29, 2012

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, 2012

or

.. 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 pursuant to Section 12(b) of the Act:

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

Securities registered pursuant to Section 12(g) of the 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

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

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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.

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of August 31, 2011 was \$7,153,000 (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 18, 2012 was 2,269,775.

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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. We manufacture 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. 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 Annual Report. 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, 2012 and for the fiscal year ended February 28, 2011 and (ii) contributions to the Company's total order backlog at February 29, 2012 and February 28, 2011.

(i)	(i)	(ii)	(ii)
% of Total Sales	% of Total Sales	% Backlog	% Backlog

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Product Line	for Fiscal Year Ended February 29, 2012		for Fiscal Year Ended February 28, 2011		at February 29, 2012		at February 28, 2011	
Power Transistors	17	%	16	%	12	%	11	%
Hybrids	49	%	54	%	57	%	52	%
Field Effect Transistors	9	%	10	%	4	%	6	%
Power MOSFETS	25	%	20	%	27	%	31	%
100%	100	%	100	%	100	%		

The Company's backlog at February 29, 2012 and total sales for the year ended February 29, 2012 reflect demand for the Company's products at such date and for such period. For more information, see "Backlog" below. The variation in the proportionate share of each product line for each period reflects changes emanating from: demand, Congressional appropriations process and timing associated with awards of defense contracts, and 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, 2012, 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 the spacecraft sent to the moon, to Jupiter (on Galileo) and, most recently, to Mars (on Global Surveyor and Mars Sojourner). Approximately 90% of the Company's sales have been attributable to contracts with customers whose products are sold to the United States Government. The remaining 10% 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 300A 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 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. The Company continues to expand its Transistor product offering.

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 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 continues to expand its Field Effect Transistor 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 2011 surveillance audit, the Company was subsequently qualified as meeting the new ISO 9001:2008 standard.

AS9100

In September 2009, Underwriters Laboratories awarded the Company AS9100 qualification. During an August 2011 surveillance audit, the Company was re-certified. Companies in the aerospace industry are increasingly selecting suppliers on the basis of AS9100 certification. Achieving certified status means that the Company may now obtain new business that may have been out of reach in the past and as obtaining such certification is now a requirement of several customers we expect to maintain ongoing relationships with our existing aerospace customers long into the future.

MARKETING AND CUSTOMERS

The Company's products are sold throughout the United States and abroad directly to customers and through a network of manufacturers' representatives and distributors. The Company is represented (i) in the United States by a representative organization that operates out of five different locations with 16 salespeople and two stocking

distributor organizations that operate out of 12 locations and a third stocking distributor that operates out of 350 sales offices worldwide employing 2,700 people and (ii) in the international market by a representative organization in Israel with one salesperson. 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, 2012, the Company sold products to approximately 108 customers. Of these 108 customers, 45 had not purchased products from the Company during the previous fiscal year. During the fiscal year ended February 29, 2012, Raytheon Company accounted for approximately 37% of total sales, as compared to the 27% it accounted for during the fiscal year ended February 28, 2011. During the fiscal year ended February 29, 2012, sales to the United States Government accounted for approximately 15% of total sales, as compared to the 6% it accounted for during the fiscal year ended February 28, 2011. Other than Raytheon Company and the United States Government, the Company had no customers that accounted for more than 10% of total sales during the last fiscal year. Fifteen of the Company's customers accounted for approximately 87% of the Company's sales during the fiscal year ended February 29, 2012. 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, 2012 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. 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.

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, 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 continues its effort to offer a solution to customers who seek alternative sources to bi-polar semiconductors that are discontinued by other manufacturers.

Sales to foreign customers, located mostly in Canada, Western Europe and Israel, accounted for approximately 6% of the Company's net sales for the fiscal year ended February 29, 2012 as compared to 17% for the year ended February 28, 2011. All sales to foreign customers are conducted utilizing exclusively U.S. dollars. See Note 11 of these financial statements for more information.

BACKLOG

The Company's order backlog, which consists of semiconductor and hybrid related open orders, more than 97% of which is scheduled for delivery within 12 months, was approximately \$5,990,000 at February 29, 2012, as compared to \$6,522,000 as of February 28, 2011. 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, 2013. 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 decrease in bookings for the year ended February 29, 2012 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.

FUTURE PLANS

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 lower cost packaging supplies, 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 and disclosed 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.

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 continues its effort to offer a solution to customers who seek alternative sources to bi-polar semiconductors that are discontinued by other manufacturers.

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), 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 and APT Divisions), M.S. Kennedy Corporation (a wholly owned subsidiary of Anaren, Inc.), 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, 2012, the Company had 84 employees, 58 of whom were engaged in production activities, 2 in sales and marketing, 5 in executive and administrative capacities and 19 in technical and support activities. Of the 84 employees, 80 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, and their approximate percentage of total purchases, are: Egide USA Inc. (2%), Platronics Seals (13%), Air Products, Inc. (6%), Coining Inc. (4%), IXYS Corporation (4%), Purecoat International LLC (4%), and Stellar Industries Inc (6%). 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. Most of the packages the Company uses are gold plated, thus they are subject to cost volatility and price increases due to soaring gold prices.

EFFECT OF GOVERNMENT REGULATION

The Company received DSCC approval to supply its products in accordance with MIL-PRF-19500 and Class H of MIL-PRF-38534. These qualifications are required to supply to the United States 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 a significant amount of its own 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 fiscal years 2009-2013. 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 fiscal years 2008 through fiscal year 2011. In June 2011, the Company paid \$40,035 to USEPA for fiscal year 2011 in accordance with the Settlement Agreement. The Company has accrued an additional \$23,000 for its remaining minimum obligations under the Settlement Agreement which is reflected in “Accrued expenses and other current liabilities” on the Company’s Balance Sheet at February 29, 2012, \$10,000 of which was paid on March 8, 2012. 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 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 December 28, 2009, which provided for the tolling of applicable statutes of limitation for any claim that NYDEC may have against the Company associated with the Clarkstown Landfill Site through the earlier of December 3, 2010, or the date the State institutes a suit against the Company. The Clarkstown Landfill Joint Defense Group (“Clarkstown JDG”), a group of potentially responsible parties formed to respond to claims by NYDEC for recovery of closure and clean-up response costs at the Clarkstown Landfill Site, recently entered into a Consent Decree with NYDEC to settle the claims of NYDEC against all potentially responsible parties at the Clarkstown Landfill site that participate in the Clarkstown JDG. In connection with those negotiations, the Clarkstown JDG, by letter dated March 17, 2010, offered to pursue a settlement of NYDEC’s claim against the Company in return for the Company’s agreement to pay the sum of \$125,000, representing the Company’s alleged share of the overall settlement with NYDEC. The Company rejected the settlement offer on March 29, 2010, based on its continuing contention that any claim of NYDEC against the Company was discharged in bankruptcy as a result of the Bankruptcy Court’s August 1993 Order. The Clarkstown JDG/NYDEC Consent Decree, settling NYDEC’s claims against individual members of the JDG, was entered by the Court on March 21, 2011. To date, neither NYDEC nor the JDG have pursued any claim against the Company with respect to the Clarkstown Landfill Site.

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, 2012, the remaining balance of these claims was approximately \$1,002,000.

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 United States Government and its prime contractors contain customary provisions permitting termination at any time at the convenience of the United States 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 United States 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 a change in demand for the Company's products, which could have a material 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 United States 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.

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, 2004, 2008, and the beginning of 2009. 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 years 2010 and 2011, we continued certain cost-cutting measures originally started 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, 2012, fifteen customers accounted for approximately 86% 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 Item 9B of this annual report), 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 five years ending on December 31, 2016 and includes an option to renew the lease for an additional five years 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, 2012, we had no known material current, pending, or threatened litigation.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable

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

Since March 1995, the Company's Common Stock has been traded on the Over The Counter 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 necessarily represent actual transactions.

	FISCAL YEAR ENDED		FISCAL YEAR ENDED	
	FEBRUARY 29, 2012		FEBRUARY 28, 2011	
	HIGH	LOW	HIGH	LOW
First Quarter	\$ 3.49	\$ 2.93	\$ 3.00	\$ 2.37
Second Quarter	\$ 3.59	\$ 2.95	\$ 2.60	\$ 2.20
Third Quarter	\$ 3.49	\$ 3.00	\$ 2.65	\$ 2.15
Fourth Quarter	\$ 3.24	\$ 2.78	\$ 3.24	\$ 2.61

As of May 18, 2012, there were approximately 1,524 holders of record of the Company's Common Stock. On May 17, 2012, the last sale price of the Common Stock as reported on the OTCBB was \$2.90 per share.

Certificates representing 29,223 "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, 2012. Subsequent to such stock split, these certificates now represent 2,857 shares of Common Stock, which are included in the 2,269,775 shares outstanding as of May 18, 2012. These "old shares" have 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 this annual report.

The Company has not paid any dividends since emerging from bankruptcy in 1993 and the Company does not contemplate declaring dividends in the foreseeable future. Pursuant to the Company's ability to pay its settlement proposal with the 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.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.

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ITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
7. 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, 2012	28, 2011
Net Sales	\$ 8,299	\$ 8,933
Cost of sales	6,460	6,369
Gross profit	1,839	2,564
Selling, general and administrative expenses	1,095	1,282
Operating income	744	1,282
Environmental Expenses	(2)	(30)
Interest income	13	21
Other income, net	8	-
Income tax expense	(17)	(12)
Net Income	\$ 746	\$ 1,261

TRENDS AND UNCERTAINTIES:

During the fiscal year ended February 29, 2012, the Company's book-to-bill ratio was approximately .94 as compared to approximately 1.07 for the fiscal year ended February 28, 2011 reflecting a decrease in the volume of orders booked. The Company does not believe that, in most years, 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 24 to 36 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 and money market accounts.

Earnings Per Common Share

Earnings per common share is presented in accordance with ASC 260-10 "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

2012 vs. 2011

Net sales for the fiscal year ended February 29, 2012 decreased by approximately 7% to \$8,299,000 versus \$8,933,000 during the fiscal year ended February 28, 2011, as a result of a decrease in the demand for the Company's

products due to changes in defense spending on military programs the Company supports, as well as decreased delivery requirements by its customers.

Net bookings were less than net sales by approximately 6%; thus, the backlog decreased from \$6,522,000 as of February 28, 2011 to \$5,990,000 as of February 29, 2012. The Company has experienced a decrease in the level of bookings of approximately 18% for the year ended February 29, 2012 as compared to the previous year primarily due to changes in military spending and delays in the placement of orders on programs the Company supports.

During the year ended February 29, 2012, the Company shipped 167,371 units as compared with 154,436 units shipped during the year ended February 28, 2011. 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, 2012 increased to \$6,460,000 from \$6,369,000 for the fiscal year ended February 28, 2011. Expressed as a percentage of sales, cost of sales increased from approximately 71% for the fiscal year ended February 28, 2011 to approximately 78% for the fiscal year ended February 29, 2012. This increase in cost of sales as a percentage of sales was as a result of lower sales for the year ended February 29, 2012, and lower product yields, high raw material cost particularly for gold plated packages.

During the year ended February 29, 2012, the Company's gross profit was \$1,839,000 (22% margin) as compared to \$2,564,000 (29% margin) for the year ended February 28, 2011. The gross profit decrease was due to lower sales and lower product yields and higher material costs as cited above.

During the year ended February 29, 2012, selling, general and administrative based expenses, as a percentage of sales, decreased to approximately 13%, as compared to 14% for the year ended February 28, 2011. In terms of dollars, selling, general and administrative expenses decreased approximately 15% to \$1,095,000 for the fiscal year ended February 29, 2012 from \$1,282,000 for the fiscal year ended February 28, 2011. This decrease is primarily the result of decreases in sales wages and recruiting/relocating expenses.

Operating income for the fiscal year ended February 29, 2012 was \$744,000 as compared to an operating income of \$1,282,000 for the fiscal year ended February 28, 2011. This decrease was attributable to lower sales, lower product yields, and higher raw material costs.

Interest income for the fiscal year ended February 29, 2012 decreased to \$13,000 from \$21,000 during the fiscal year ended February 28, 2011. This decrease was attributable to lower earned interest rates due to lower interest rates offered by the Federal Reserve Board.

Environmental expenses for the fiscal year ended February 29, 2012 decreased to \$2,000 from \$30,000 for the fiscal year ended February 28, 2011. This decrease was due to a lower amount due to USEPA under the Company's Ability to Pay Multi-Site Settlement Agreement with USEPA dated February 4, 2006 as described earlier under "Business – Environmental Liabilities".

Net income for the fiscal year ended February 29, 2012 was \$746,000 as compared to net income of \$1,261,000 for the fiscal year ended February 28, 2011. This decrease was attributable to lower sales, lower product yields, and higher raw material 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 on hand and cash from operations. The Company anticipates that its capital expenditures required to sustain operations will be approximately \$150,000 for the next fiscal year and will be funded from operations.

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 and cash from continuing operations to satisfy its operating needs over the next 12 months and the current level of payments to its pre-bankruptcy creditors. However, due to the level of current backlog and projected 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 breakeven or at a small loss during part of the next fiscal year.

Over the long term, based on these factors and at the current level of bookings, costs of raw materials and services, profit margins and sales levels, the Company believes it will generate sufficient cash to satisfy its operating needs and the level of payments to pre-bankruptcy creditors it has maintained over the last 18 years. 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 further 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.

At February 29, 2012 and February 28, 2011, the Company had cash and cash equivalents of \$985,000 and \$539,000, respectively. The cash increase was primarily due to income from operations. At February 29, 2012 and February 28, 2011, the Company had investments in Treasury bills/CDs of \$6,614,000 and \$6,334,000 respectively. The increase in investments was primarily due to cash from operations.

At February 29, 2012, the Company had working capital of \$9,635,000 as compared with a working capital at February 28, 2011 of \$8,849,000. The increase was primarily due to an increase in the Company's investment in treasury bills.

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, 2012, the Company's net bookings were \$7,795,000 in new orders as compared with \$9,527,000 for the year ended February 28, 2011, reflecting a decrease of approximately 18%. The Company's backlog decreased to \$5,990,000 at February 29, 2012 as compared with \$6,522,000 as of February 28, 2011, reflecting an 8% decrease. In the event that bookings in the long-term decline significantly below the level experienced in the past 24 to 36 months, the Company may be required to implement 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

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 lower cost packaging supplies, 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.

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, 2012. 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, 2012.

Solitron Devices, Inc.

May 24, 2012

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, 2012 and February 28, 2011 and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. 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 audits 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 audits 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 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, 2012 and February 28, 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

MEEKS INTERNATIONAL, LLC

Tampa, Florida

May 24, 2012

SOLITRON DEVICES, INC.

BALANCE SHEETS

AS OF FEBRUARY 29, 2012 AND FEBRUARY 28, 2011

	2012	2011
	(in thousands, except for shares)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 985	\$ 539
Treasury Bills and Certificates of Deposit	6,614	6,334
Accounts receivable, less allowance for doubtful accounts of \$95 and \$2	770	937
Inventories, net (Note 4)	2,982	3,031
Prepaid expenses and other current assets	142	173
TOTAL CURRENT ASSETS	11,493	11,014
PROPERTY, PLANT AND EQUIPMENT, net (Note 5)	671	723
OTHER ASSETS	49	46
TOTAL ASSETS	\$ 12,213	\$ 11,783
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable-Post-petition	\$ 279	\$ 307
Accounts payable-Pre-petition (Note 2)	1,002	1,030
Customer deposits	25	102
Accrued expenses and other current liabilities (Note 6)	552	726
TOTAL CURRENT LIABILITIES	1,858	2,165
LONG-TERM LIABILITIES, net of current portion	128	138
TOTAL LIABILITIES	1,986	2,303
COMMITMENTS AND CONTINGENCIES (Note 13)		
STOCKHOLDERS' EQUITY		
Preferred stock, \$.01 par value, authorized 500,000 shares, none issued	-	-
Common stock, \$.01 par value, authorized 10,000,000 shares, 2,267,775 shares issued and outstanding, net of 173,287 shares of treasury stock as of Feb 29, 2012	23	23
2,266,775 shares issued and outstanding, net of 173,287 shares of treasury stock as of Feb 28, 2011		
Additional paid-in capital	2,736	2,735
Retained earnings	7,468	6,722
TOTAL STOCKHOLDERS' EQUITY	10,227	9,480
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 12,213	\$ 11,783

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

SOLITRON DEVICES, INC.

STATEMENTS OF INCOME

FOR THE YEARS ENDED FEBRUARY 29, 2012 AND FEBRUARY 28, 2011

	2012	2011
	(in thousands, except for share and per share amounts)	
Net sales	\$ 8,299	\$ 8,933
Cost of sales	6,460	6,369
Gross profit	1,839	2,564
Selling, general and administrative expenses	1,095	1,282
Operating income	744	1,282
Other income (expenses):		
Environmental expenses	(2) (30
Interest income	13	21
Other, net (Note 14)	8	-
Income before provision for income taxes	763	1,273
Provision for income taxes	17	12
Net income	\$ 746	\$ 1,261
Income per share from operating income-Basic	\$ 0.33	\$ 0.57
Income per share from operating income-Diluted	\$ 0.30	\$ 0.52
Net income per share-Basic	\$ 0.33	\$ 0.56
Net income per share-Diluted	\$ 0.30	\$ 0.51
Weighted average shares outstanding-Basic	2,267,560	2,264,022
Weighted average shares outstanding-Diluted	2,489,082	2,458,467

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

SOLITRON DEVICES, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended February 29, 2012 and FEBRUARY 28, 2011

	Common Stock Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Total
(in thousands, except for number of shares)					
Balance, February 28, 2010	2,263,775	\$ 23	\$ 2,733	\$ 5,461	\$8,217
Employee exercise of stock options	3,000	-	2	-	2
Net income	-	-	-	1,261	1,261
Balance, February 28, 2011	2,266,775	23	2,735	6,722	9,480
Employee exercise of stock options	1,000	-	1	-	1
Net income	-	-	-	746	746
Balance, February 29, 2012	2,267,775	\$ 23	\$ 2,736	\$ 7,468	\$10,227

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

SOLITRON DEVICES, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED FEBRUARY 29, 2012 AND FEBRUARY 28, 2011

	2012	2011
	(in thousands)	
Net income	\$746	\$1,261
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	203	212
Decrease (increase) in operating assets and liabilities:		
Accounts receivable	167	(252)
Inventories	49	(222)
Prepaid expenses and other current assets	31	(48)
Other assets	(3)	6
Increase (decrease) in:		
Accounts payable-post-petition	(28)	41
Accounts payable-pre-petition	(28)	(28)
Customer deposit	(77)	63
Accrued expenses and other liabilities	(174)	221
Other long-term liabilities	(10)	(10)
Total adjustments	130	(17)
NET CASH PROVIDED BY OPERATING ACTIVITIES	876	1,244
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of Treasury Bills and Certificates of Deposit	6,325	5,596
Purchases of Treasury Bills and Certificates of Deposit	(6,605)	(6,329)
Purchase of property, plant and equipment	(151)	(374)
NET CASH (USED IN) INVESTING ACTIVITIES	(431)	(1,107)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	1	2
NET CASH PROVIDED BY FINANCING ACTIVITIES	1	2
Net increase in cash and cash equivalents	446	139
Cash and cash equivalents - beginning of the year	539	400
Cash and cash equivalents - end of the year	\$985	\$539

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

SOLITRON DEVICES, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF 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.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and money market accounts.

Investment in Treasury Bills and Certificates of Deposit

Investment in Treasury Bills/CDs includes treasury bills with maturities of one year or less, and Certificates of Deposit with maturities from one to three years, and is stated at market value.

Accounts Receivable

Accounts receivable consists of unsecured credit extended to the Company’s customers in the ordinary course of business. The Company reserves for any amounts deemed to be uncollectible based on past collection experiences and an analysis of outstanding balances, using an allowance account. The allowance amount was \$95,000 as of February 29, 2012 and \$2,000 as of February 28, 2011.

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.

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.

SOLITRON DEVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Property, Plant and Equipment

Property, plant, and equipment is recorded at cost. Major renewals and improvements are capitalized, while maintenance and repairs that do not extend their expected life are expensed as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets:

Leasehold Improvements 10 years

Machinery and Equipment 5 years

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, 2012 and February 28, 2011 all non-interest bearing checking accounts are fully insured in accordance with the Dodd-Frank Act. 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 in accordance with SEC Staff Accounting Bulletin No. 104, *Revenue Recognition*. This pronouncement requires that four basic criteria be met before revenue can be recognized: 1) there is evidence that an arrangement exists; 2) delivery has occurred; 3) the fee is fixed or determinable; and 4) collectability is reasonably assured. We recognize revenue upon determination that all criteria for revenue recognition have been met. The criteria are usually met at the time of product shipment. Shipping terms are generally FCA (Free Carrier) shipping point.

Income Taxes

Income taxes are accounted for under the asset and liability method of Accounting Standards Council ("ASC") 740-10, "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 ASC 740-10, 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.

The Company adopted new guidance related to accounting for uncertainty in income taxes in accordance with ASC 740-10 and began evaluating tax positions utilizing a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination based on the technical merits of the position. The second step is to measure the benefit to be recorded from tax positions that meet the more-likely-than-not recognition threshold by determining the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement and recognizing that amount in the financial statements. Solitron has adopted ASC 740-10 and there if no material impact on its financial condition, results of operations, cash flows, or disclosures.

Net Income Per Common Share

Net income per common share is presented in accordance with ASC 260-10 "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.

SOLITRON DEVICES, INC.

NOTES TO FINANCIAL STATEMENTS

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 inventory obsolescence.

Recent Accounting Pronouncements

No recent accounting pronouncements that affect the Company were issued.

2. PETITION IN BANKRUPTCY

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, 2012, the Company is scheduled to pay approximately \$1,002,000 to holders of allowed unsecured claims in quarterly installments of approximately \$7,000. As of February 29, 2012, the amount due to holders of allowed unsecured claims is accrued as a current pre-petition liability.

(b) 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; (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, 2012, the Company has deposited \$90,000 into the escrow accounts. As of February 29, 2012, approximately \$58,000 remains in the Port Salerno escrow account.

SOLITRON DEVICES, INC.

NOTES TO FINANCIAL STATEMENTS

(c) 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 at the time.

3. EARNINGS PER SHARE

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

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	Fiscal Year Ended	
	February	
	29, 2012	28, 2011
Weighted average common shares outstanding	2,264,560	2,264,022
Dilutive effect of employee stock options	221,522	194,445
Weighted average common shares outstanding, assuming dilution	2,489,082	2,458,467

Weighted average common shares outstanding, assuming dilution, include the incremental shares that would be issued upon the assumed exercise of stock options. For fiscal years 2012 and 2011, 13,500 of the Company's outstanding 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. These options could be dilutive in the future if the average share price increases and is greater than the exercise price of these options.

SOLITRON DEVICES, INC.

NOTES TO FINANCIAL STATEMENTS

4. INVENTORIES

As of February 29, 2012, inventories consist of the following:

	Gross	Reserve	Net
Raw Materials	\$1,525,000	\$(407,000)	\$1,118,000
Work-In-Process	2,883,000	(1,065,000)	1,818,000
Finished Goods	625,000	(579,000)	46,000
Totals	\$5,033,000	\$(2,051,000)	\$2,982,000

As of February 28, 2011, inventories consist of the following:

	Gross	Reserve	Net
Raw Materials	\$1,639,000	\$(403,000)	\$1,236,000
Work-In-Process	2,732,000	(990,000)	1,742,000
Finished Goods	571,000	(518,000)	53,000
Totals	\$4,942,000	\$(1,911,000)	\$3,031,000

5. PROPERTY, PLANT AND EQUIPMENT

As of February 29, 2012 and February 28, 2011, property, plant, and equipment consist of the following:

	2012	2011
Leasehold Improvements	\$185,000	\$184,000
Machinery and Equipment	2,620,000	2,470,000
Subtotal	2,805,000	2,654,000
Less: Accumulated Depreciation and Amortization	(2,134,000)	(1,931,000)
Net Property, Plant and Equipment	\$671,000	\$723,000

Depreciation and amortization expense was \$203,000 and \$212,000 for the years ended 2012 and 2011, respectively and is included in Cost of Sales in the accompanying Statements of Income.

6. ACCRUED EXPENSES

As of February 29, 2012 and February 28, 2011, accrued expenses and other current liabilities consist of the following:

	2012	2011
Payroll and related employee benefits	\$510,000	\$657,000
Income taxes	17,000	14,000
Property taxes	7,000	7,000
Environmental liabilities	13,000	40,000
Other liabilities	5,000	8,000
Totals	\$552,000	\$726,000

SOLITRON DEVICES, INC.

NOTES TO FINANCIAL STATEMENTS

7. LONG-TERM LIABILITIES

As of February 29, 2012 and February 28, 2011, long-term liabilities consist of the following items:

	2012	2011
Environmental liability	\$ 128,000	\$ 138,000

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

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	2012
2013	\$27,000
2014	27,000
2015	27,000
2016	27,000
2017	20,000
Total	\$ 128,000

8. INCOME TAXES

At February 29, 2012, the Company has net operating loss carryforwards of approximately \$14,662,000 that expire through 2031. 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 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 carryforwards.

Total net deferred taxes are comprised of the following at February 29, 2012 and February 28, 2011:

Deferred tax assets:	2012	2011
Loss carryforwards	\$5,572,000	\$6,064,000
Allowance for doubtful accounts	35,000	1,000
Inventory allowance	690,000	853,000
Depreciation	68,000	49,000
Section 263A capitalized costs	494,000	296,000
Total deferred tax assets	6,859,000	7,263,000
Valuation allowance	(6,859,000)	(7,263,000)
Total net deferred taxes	\$0	\$0

The change in the valuation allowance on deferred tax assets is due principally to the utilization of the net operating loss for the years ended February 29, 2012 and February 28, 2011.

SOLITRON DEVICES, INC.

NOTES TO FINANCIAL STATEMENTS

A reconciliation of the U.S. federal statutory tax rate to the Company's effective tax rate for fiscal year ended February 29, 2012 and 2011 is as follows:

	2012	2011
U.S. federal statutory rate	34.0 %	34.0 %
Change in valuation allowance	(34.0)	(34.0)
Alternative Minimum Taxes	2.2	0.9
Effective income tax rate	2.2 %	0.9 %

9. STOCK OPTIONS

The Company's 2000 Stock Option Plan provides that stock options are valid for ten years and vest 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 became 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.

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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, a grant equal to 10% of the outstanding shares (254,624) 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, 2012, the Company had not granted any awards under the 2007 Stock Incentive Plan.

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, 2010	466,060	\$ 0.767	4.5	412,000
Exercised	(3,000)			
Balance, February 28, 2011	463,760	\$ 0.765	3.5	1,148,000
Exercised	(1,000)			
Balance, February 29, 2012	462,760	\$ 0.765	2.5	1,099,000

SOLITRON DEVICES, INC.

NOTES TO FINANCIAL STATEMENTS

No options were granted in the years ended February 29, 2012 and February 28, 2011.

All of the Company's outstanding options were vested as of February 29, 2012. No shares vested during the years ended February 29, 2012 and February 28, 2011.

The following table summarizes information about stock options outstanding and exercisable at February 29, 2012:

Range of Exercise Prices	Options Outstanding			Exercisable Options		
	Number of Outstanding Options	Remaining Contractual Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price	
\$0.400	\$0.400	254,624	Evergreen	\$ 0.400	254,624	\$ 0.400
\$1.050	\$1.050	176,636	Evergreen	\$ 1.050	176,636	\$ 1.050
\$0.750	\$0.750	18,000	5 years	\$ 0.750	19,000	\$ 0.750
\$3.950	\$3.950	13,500	5 years	\$ 3.950	13,500	\$ 3.950
		462,760		\$ 0.767	463,760	\$ 0.767

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

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, 2012 and February 28, 2011.

11. EXPORT SALES AND MAJOR CUSTOMERS

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Revenues from domestic and export sales to unaffiliated customers for the year ended February 29, 2012 are as follows:

Geographic Region	Power		Field Effect	Power		Totals
	Transistors	Hybrids	Transistors	MOSFETS		
Europe and Australia	\$0	\$87,000	\$ 43,000	\$45,000	\$175,000	
Canada and Latin America	43,000	0	4,000	5,000	52,000	
Far East and Middle East	0	6,000	16,000	276,000	298,000	
United States	1,342,000	3,972,000	715,000	1,745,000	7,774,000	
Totals	\$1,385,000	\$4,065,000	\$ 778,000	\$2,071,000	\$8,299,000	

Revenues from domestic and export sales to unaffiliated customers for the year ended February 28, 2011 are as follows:

Geographic Region	Power		Field Effect	Power		Totals
	Transistors	Hybrids	Transistors	MOSFETS		
Europe and Australia	\$35,000	\$1,053,000	\$ 28,000	\$1,000	\$1,117,000	
Canada and Latin America	25,000	0	0	1,000	26,000	
Far East and Middle East	1,000	0	83,000	279,000	363,000	
United States	1,331,000	3,761,000	827,000	1,508,000	7,427,000	
Totals	\$1,392,000	\$4,814,000	\$ 938,000	\$1,789,000	\$8,933,000	

SOLITRON DEVICES, INC.

NOTES TO FINANCIAL STATEMENTS

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 52% of net sales for the year ended February 29, 2012 as compared with 39% of the Company's net sales for the year ended February 28, 2011. Sales to Raytheon Company accounted for approximately 37% of net sales for the year ended February 29, 2012 and 27% for the year ended February 28, 2011. Sales to the second largest customer, the United States Government for the year ended February 29, 2012 and BAE Systems Australia for the year ended February 28, 2011, was 15% and 12% respectively.

12. MAJOR SUPPLIERS

For the year ended February 29, 2012, purchases from the Company's two top suppliers, Platronics Seals and Air Products, Inc., accounted for 19% of the Company's total purchases of production materials. For the year ended February 28, 2011, purchases from the Company's two top suppliers, Platronics Seals and Egide USA Inc., accounted for 14% of total purchases of production materials.

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.

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 Company accrued \$181,000 as a bonus to Mr. Saraf for the fiscal year ended February 28, 2011. The Compensation Committee met and approved the bonus that was paid in June 2011.

The Company accrued \$90,000 as a bonus to Mr. Saraf for the fiscal year ended February 29, 2012. The Compensation Committee will meet on June 4, 2012 to approve the bonus to be paid during June 2012.

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 were vested immediately upon grant. The remaining fifty percent (50%) of the Initial Stock Options vested in equal amounts on each of the first five anniversaries of the date of grant. These options were fully vested during the year ended February 28, 2006.

These stock options were 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.

SOLITRON DEVICES, INC.

NOTES TO FINANCIAL STATEMENTS

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 fiscal years 2009-2013. 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 fiscal years 2008-2012. The Company has accrued an additional \$3,000 current liability for fiscal year 2012. The final amount will be paid to USEPA after the Company’s independent auditor has finished the fiscal year 2012 year-end audit. This amount is carried as an environmental expense. The Company has accrued a total of \$23,000 for its remaining minimum obligations under the Settlement Agreement. A total of \$13,000 of this obligation is reflected in “Accrued expenses and other current liabilities” on the Company’s Balance Sheets at February 29, 2012. \$10,000 of this current obligation was paid in March 8, 2012. An additional \$10,000 of this minimum obligation is reflected in “Long Term Liabilities, net of current portion” on the Company’s Balance Sheets at February 29, 2012.

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.

SOLITRON DEVICES, INC.

NOTES TO FINANCIAL STATEMENTS

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. The Company has accrued a long term environmental liability of \$118,000 for this expense, which is the present value of 28 equal quarterly payments at 8.25% assumed interest. 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 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 for any claim that NYDEC may have against the Company associated with the Clarkstown Landfill Site through the earlier of December 3, 2010, or the date the State institutes a suit against the Company for any claims associated with the Clarkstown Landfill Site. The Clarkstown Landfill Joint Defense Group ("Clarkstown JDG"), a group of potentially responsible parties formed to respond to claims by NYDEC for recovery of closure and clean-up response costs at the Clarkstown Landfill Site, recently entered into a Consent Decree with NYDEC to settle the claims of NYDEC against all potentially responsible parties at the Clarkstown Landfill site that participate in the Clarkstown JDG. In connection with those negotiations, the Clarkstown JDG, by letter dated March 17, 2010, offered to pursue a settlement of NYDEC's claim against the Company in return for the Company's agreement to pay the sum of \$125,000, representing the Company's alleged share of the overall settlement with NYDEC. The Company rejected the settlement offer on March 29, 2010, based on its continuing contention that any claim of NYDEC against the Company was discharged in bankruptcy as a result of the Bankruptcy Court's August 1993 Order. The Clarkstown JDG/NYDEC Consent Decree, settling NYDEC's claims against individual members of the JDL, was entered by the Court on March 21, 2011. To date, neither NYDEC nor the JDG have pursued any claim against the Company with respect to the Clarkstown Landfill Site.

SOLITRON DEVICES, INC.

NOTES TO FINANCIAL STATEMENTS

14. OTHER INCOME

During the fiscal year ended February 29, 2012, the Company recognized approximately \$8,000 of other income attributable to a gain on the disposal of an asset. During the fiscal year ended February 28, 2011, the Company recognized no other income.

15. SUBSEQUENT EVENTS

Lease of manufacturing facility:

The old lease on the Company's facility as reported in Note 13 "Commitments and Contingencies—Operating Leases" of Form 10-K for the period ended February 28, 2011 expired on December 31, 2011.

On April 30, 2012, the Company entered into a new lease with its landlord, Eurobank, for the occupancy and use of its 47,000 square foot facility located at 3301 Electronics Way, West Palm Beach, Florida 33407. The initial term of the Lease is for four years and eleven months beginning on February 1, 2012 and ending on December 31, 2016. The Company has the option to extend the initial term of the Lease for an additional five years beginning on January 1, 2017 and ending on December 31, 2021.

Pursuant to the Lease, the Company will pay a base rent of \$29,743a month, plus sales tax, to the Landlord on the first day of each and every month. Commencing on January 1, 2013 and on the first day of January of every subsequent year, the base rent will be increased to compensate for changes in the cost of living, provided that in no event will the base rent be increased by less than three percent nor more than five percent annually. In addition, pursuant to the Lease, the Company will pay for the cost of electrical service to the air conditioning units servicing its own area. Until electrical and air conditioning service to the Property is separately metered, the Company will pay the Landlord \$5,760 a month. A copy of the lease is attached to this Form 10-K.

The Board of Directors of the Company adopted a Rights Agreement, dated as of May 29, 2012, between the Company and Continental Stock Transfer & Trust Company, as Rights Agent (the "2012 Rights Agreement"). Pursuant to the 2012 Rights Agreement, the Company will make a dividend distribution of one right for each outstanding share of Common Stock of the Company to stockholders of record at the close of business on May 29, 2012 (each, a "Right" and collectively, the "Rights"). Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value \$.01 per share (the "Preferred Stock"), at a Purchase Price of \$15.00 per one one-hundredth of a share of the Preferred Stock, subject to adjustment.

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

None.

ITEM 9A. 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

The Board of Directors of the Company adopted a Rights Agreement, dated as of May 29, 2012, between the Company and Continental Stock Transfer & Trust Company, as Rights Agent (the "2012 Rights Agreement"). Pursuant to the 2012 Rights Agreement, the Company will make a dividend distribution of one right for each outstanding share of Common Stock of the Company to stockholders of record at the close of business on May 29, 2012 (each, a "Right" and collectively, the "Rights"). Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value \$.01 per share (the "Preferred Stock"), at a Purchase Price of \$15.00 per one one-hundredth of a share of the Preferred Stock, subject to adjustment.

Initially, the Rights will be attached to all Common Stock certificates representing shares then outstanding, and no separate Rights Certificates will be distributed. The Rights will not be exercisable, and will not be transferable apart from the Common Stock, until the earliest of (i) 10 days following the date (the “Stock Acquisition Date”) of a public announcement that a person or group of affiliated or associated persons (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company, any person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan or any person who beneficially owned or was known to be the beneficial owner as of the date of the Rights Agreement of 20% or more of the Common Stock outstanding as of the date of the Rights Agreement) has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the outstanding shares of Common Stock (such person or group is referred to as an “Acquiring Person”), (ii) 10 business days following the commencement of a tender offer or exchange offer that would result in a person or group (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company, any person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan or any person who beneficially owned or was known to be the beneficial owner as of the date of the Rights Agreement of 20% or more of the Company Stock outstanding as of the date of the Rights Agreement of 20% or more of the common Stock outstanding as of the date of the Rights Agreement) beneficially owning 20% or more of such outstanding shares of Common Stock or (iii) 10 business days after the Board of Directors of the Company shall declare any person or entity to be an Adverse Person, upon a determination that such person or entity, alone or together with its affiliates and associates, has become the beneficial owner of an amount of Common Stock which the Board of Directors determines to be substantial (which amount shall in no event be less than 15% of the shares of Common Stock then outstanding) and a determination by at least a majority of the Board of Directors who are not officers of the Company, after reasonable inquiry and investigation, including consultation with such persons as such directors shall deem appropriate, that (a) such beneficial ownership by such person or entity is intended to cause the Company to repurchase the Common Stock beneficially owned by such person or entity or to cause pressure on the Company to take action or enter into a transaction or series of transactions intended to provide such person or entity with short-term financial gain under circumstances where the Board of Directors determines that the best long-term interests of the Company and its stockholders would not be served by taking such action or entering into such transactions or series of transactions at that time, or (b) such beneficial ownership is causing or reasonably likely to cause a material adverse impact (including, but not limited to, impairment of relationships with customers or impairment of the Company’s ability to maintain its competitive position) on the business or prospects of the Company. The earliest of (1), (2) or (3) is referred to as the “Distribution Date”. The Rights are not exercisable until the Distribution Date and will expire at the close of business on May 29, 2022, unless earlier redeemed by the Company as described below.

The description and terms of the Rights are set forth in the 2012 Rights Agreement. A copy of the 2012 Rights Agreement is filed as an exhibit hereto and is incorporated herein by reference. The preferred stock purchase rights previously distributed by the Company pursuant to the Rights Agreement, dated as of May 31, 2011, between the Company and Continental Stock Transfer & Trust Company, as Rights Agent (the “2001 Rights Agreement”) expired on June 20, 2011.

PART IIIITEM 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.

Name	Age	Position with Solitron	Year	
			First Became Director	Term As Director Expires ⁽¹⁾
Shevach Saraf	69	Chairman of the Board, Chief Executive Officer, President, Chief Financial Officer and Treasurer	1992	Expired
Dr. Jacob A. Davis (2)	75	Director	1996	Expired
Mr. Joseph Schlig (2)	84	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.

2) A member of the Audit Committee and Compensation Committee.

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 46 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.

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.

The Company believes that Mr. Saraf's extensive experience, his depth of skills, executive management experience, and industry expertise when coupled with his success starting manufacturing companies, turning around failing companies and his leadership since leading the Company out of bankruptcy proceedings in 1993, as Chairman, President, and CEO of the Company highly qualifies him as a member of our Board of Directors.

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. He has served on the Board of AET since the inception of the company in 1995. 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, and again in February and March of 1998.

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.

The Company believes that Mr. Davis' extensive background and experience in semiconductor technologies highly qualifies him as a member of our Board of Directors.

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 as a Director of the MIT Enterprise Forum of Connecticut and served as a director of the Bridgeport [Connecticut] Economic Development Corporation. He was an alternate member of the Board of Finance of the Town of Trumbull, Connecticut. He most recently was a member of the Board of Trustees of the Trumbull Library System. He has been active as a judge for the annual Yale Venture Challenge of the Yale University Entrepreneurial Society.

Mr. Schlig brings merger and acquisition experience to the Board of Directors as well as the experience of having held CEO and CFO positions with companies in the public sector. He was also a director of a public technology company whose primary business was with agencies of the US government. In addition, he has been engaged with technology companies both domestically and internationally.

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.

The Company believes that Mr. Schlig's experience across a variety of industries adds significant value and diversity to the Board and highly qualifies him as a member of our Board of Directors.

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 the Nasdaq Stock Marketplace Rules. 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 controller, 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, 2012, all Section 16(a) filing requirements applicable to directors and executive officers of the Company and ten percent stockholders of the Company were timely filed, except John Stayduhar, a ten percent stockholder, did not timely file two Form 4s for a total of five transactions.

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 officer for the fiscal years ended February 29, 2012 and February 28, 2011.

Name and Principal Position	Year	Salary(\$)	Bonus(\$)	All Other Compensation(\$)	Total(\$)
Shevach Saraf Chairman of the Board, President, CFO, Treasurer	2012	264,128	90,399 ⁽¹⁾	25,391	2) 379,918
	2011	265,899	181,410 ⁽³⁾	23,873	2) 471,182

⁽¹⁾ The Compensation Committee is set to meet on June 4, 2012 and consider a bonus of \$90,399 to Mr. Saraf for fiscal year ended February 29, 2012 to be paid during June 2012. This amount was accrued in fiscal year 2012.

⁽²⁾ Represents Life, Disability, & Medical Insurance premiums plus personal car expenses.

⁽³⁾ The Company accrued \$181,410 for a bonus to Mr. Saraf for the fiscal year ended February 28, 2011. The Compensation Committee met and approved the bonus and the bonus was paid during June 2011.

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, 2012 held by the following named officer.

Name	Option Awards		Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date
	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable			
Shevach Saraf	254,624	-	-	\$.40	(2)
	175,636	-	-	\$ 1.05	(2)

(1) These options were fully vested as of February 29, 2012.

(2) These options do not expire.

DIRECTOR COMPENSATION

Name	Fees Earned Or Paid In Cash(\$)	Non-Equity Incentive Plan Compensation(\$) (2)	Total(\$)
Dr. Jacob A. Davis (1)	12,000	12,500	24,500
Mr. Joseph Schlig (1)	12,000	12,500	24,500

As of February 29, 2012, the directors hold fully vested unexercised options in the following amounts:

- (1) Dr. Davis: 11,000 shares, Mr. Schlig: 3,000 shares.
- (2) During fiscal year 2012, the Company paid each of its directors \$12,500 as additional incentive for services rendered during fiscal year 2011.

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 thereunder shall be paid within ninety (90) days after the end of the fiscal year.

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 vested immediately upon grant. The remaining fifty percent (50%) of the initial stock options vested 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 29, 2012, 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.

Based upon the Compensation Committee's review of the Company's compensation design features, and the Company's applied compensation philosophies and objectives, the Compensation Committee determined that risks arising from the Company's compensation policies and practices for its employees are not reasonably likely to have a material adverse effect on the Company.

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

The following table sets forth certain information regarding the beneficial ownership of Common Stock of the Company as of May 14, 2012 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.

<u>Name and Address</u>	Number of Shares		Percentage of	
	<u>Beneficially Owned (1)</u>		<u>Outstanding Shares (1)</u>	
Shevach Saraf 3301 Electronics Way West Palm Beach, FL 33407	650,415	(2)	28.69	%
Dr. Jacob Davis 370 Franklyn Avenue Indialantic, FL 32903	11,000	(2)	*	
Joseph Schlig 129 Mayfield Drive Trumbull, CT 06611	3,000	(2)	*	
All Executive Officers and Directors as a Group (3 persons)	664,415	(2)	29.31	%
The Lauriston Group 400 East 67 th Street, Suite 10A New York, NY 10065	336,307	(3)	14.83	%
John Stayduhar C/O John Farina 1610 Forum Place #900 West Palm Beach, FL 33401	202,182	(5)	8.91	%

Alexander C. Toppan 40 Spectacle Ridge Road South Kent, CT 06785	183,972	(4)	8.10	%
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* Less than 1%

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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 of May 20, 2012 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 Schedule 13G/A filed with the Commission on February 9, 2012. The address of the reporting person is 400 East 67th Street, Suite 10A, New York, NY 10065.

(4) This number is based solely on the Schedule 13G/A filed with the Commission on February 14, 2012. The address of the reporting person is 40 Spectacle Ridge Road, South Kent, CT 06785

(5) This number is based solely on a verbal representation from the shareholder on May 16, 2012.

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities	Weighted-average	Number of securities	
	to be issued upon exercise of outstanding options, warrants and rights	exercise price of outstanding options, warrants and rights	remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))	
	(a)	(b)	(c)	
Equity compensation plans approved by security holders	-	-	-	
Equity compensation plans not approved by security holders	463,760	\$ 0.767	739,940	(1)
Total	463,760	\$ 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 the Company 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

Certain Relationships and Related Transactions

The Company did not have any related party transactions, as described in Item 404(a) of Regulation S-K, during the fiscal years ended February 29, 2012 and February 28, 2011.

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 meet the criteria for independence specified in the listing standards of the Nasdaq Stock Market.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Friedman, Cohen, Taubman & Company LLC.

Effective January 9, 2009, the Company engaged Friedman, Cohen, Taubman & Company LLC ("FCT") as its independent registered public accountant.

The aggregate fees paid by the Company for the year ended February 29, 2011 to its former accounting firm, FCT are as follows:

Audit Fees: The aggregate fees for professional services rendered by FCT in connection with (i) reviews of our quarterly financial statements (Form 10-Q) for the year ended February 28, 2011 were approximately \$15,000.

Meeks International, LLC

Effective February 15, 2011, the Company engaged Meeks International, LLC ("Meeks") as its independent registered public accountant.

The aggregate fees paid by the Company for the fiscal years ended February 29, 2012 and February 28, 2011, to its current accounting firm, Meeks, are as follows:

Audit Fees: The aggregate fees for professional services rendered by Meeks in connection with the audit of our annual financial statements (Form 10-K), for work performed during the fiscal years ended February 29, 2012 and February 28, 2011, were approximately \$83,000. The aggregate fees for professional services rendered by Meeks in connection with (i) reviews of our quarterly financial statements (Form 10-Q) for the year ended February 29, 2012 were approximately \$7,500.

Tax Fees: The aggregate fees for professional services rendered by Meeks for tax compliance for the year ended February 29, 2012 and February 28, 2011 were approximately \$2,500 and \$0 respectively. There were no other fees paid for tax services for the years ended February 29, 2012 and February 28, 2011.

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 the Company's principal accountant 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 the Company's principal accountant. In connection with making any pre-approval decision, the Audit Committee must consider whether the provision of such permitted non-audit services performed by the Company's principal accountant is consistent with maintaining the Company's principal accountant's status as our independent auditors at such time.

Consistent with these policies and procedures, the Audit Committee approved all of the services rendered by FCT and Meeks during the years ended February 29, 2012 and February 28, 2011, as described above.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

Reference is made to the Index set forth on Page 23 of this Annual Report on Form 10-K.

(a)(2) Financial Statement Schedules

All schedules have been omitted because they are inapplicable or the information is provided in the consolidated financial statements, including the notes hereto.

(a)(3) 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 29, 2012, between Solitron Devices, Inc. and Continental Stock Transfer & Trust Company, as Rights Agent.

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).
- 10.5 Reduction in Space and Rent Agreement dated November 1, 2001 between Solitron Devices, Inc. and Technology Place, Inc. (incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended February 28, 2002).
- 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
(incorporated by
reference to the
Company's
Annual Report
on Form 10-KSB
for the year
ended February
28, 2006).

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

10.9* Commercial
Lease
Agreement,

dated April 30,
2012, between
Eurobank and
Solitron
Devices, Inc.

16.1 Letter from
DeLeon &
Company, P.A.
dated January
28, 2009 to the
Securities and
Exchange
Commission
(incorporated by
reference to the
Company's Form
8-K/A filed
January 30,
2009).

16.2 Letter from
Friedman,
Cohen,
Taubman &
Company, LLC
dated February
22, 2011 to the
Securities and
Exchange
Commission
(incorporated by
reference to the
Company's Form
8-K filed
February 22,
2011).

23 .1* Consent of
Meeks
International,
LLC.

31* Certification of
Chief Executive
Officer and
Chief Financial
Officer pursuant
to
Section 302 of
the

32** Sarbanes-Oxley
Act of 2002.

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

101.INS*** XBRL Instance
Document

101.SCH*** XBRL
Taxonomy
Extension
Schema

101.CAL*** XBRL
Taxonomy
Extension
Calculation
Linkbase

101.DEF*** XBRL
Taxonomy
Extension
Definition
Linkbase

101.LAB*** XBRL
Taxonomy
Label Linkbase

101.PRE*** XBRL
Taxonomy
Presentation
Linkbase

+Management
contracts or
compensatory
plans, contracts
or arrangements.

* Filed
herewith.

** Furnished
herewith

*** Pursuant to
Rule 406T of
Regulation S-T,
these interactive
data files are
deemed not filed
or part of a
registration
statement or
prospectus for
purposes of
Sections 11 or
12 of the
Securities Act of
1933, as
amended, are
deemed not filed
for purposes of
Section 18 of
the Securities
Exchange Act of
1934, as
amended, and
otherwise are
not subject to
liability under
these sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly 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
(Principal executive officer, principal
financial officer)

Date: May 29, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, 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. (Principal executive officer, principal financial officer)	May 29, 2012
/s/ Jacob Davis Jacob Davis	Director	May 29, 2012
/s/ Joseph Schlig Joseph Schlig	Director	May 29, 2012
/s/ Arthur LaPlante Arthur LaPlante	Controller	May 29, 2012

EXHIBIT INDEX

EXHIBIT DESCRIPTION

4.1 Rights Agreement.

10.9 Lease Agreement.

23.1 Consent of Meeks International, LLC.

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.

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