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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 2020

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. 001-04978

SOLITRON DEVICES, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	22-1684144
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
3301 Electronics Way, West Palm Beach, Florida	33407
(Address of Principal Executive Offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: None

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 every Interactive Data File required to be submitted 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 such files). Yes ☐ No ☒

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☒
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of the registrant's common stock, $0.01 par value, outstanding as of March 17, 2021, was 2,083,462.

SOLITRON DEVICES, INC.

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PART 1 - FINANCIAL INFORMATION

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SOLITRON DEVICES, INC.
BALANCE SHEETS
AS OF MAY 31, 2020 AND FEBRUARY 29, 2020
(In thousands except for share and per share amounts)

	May 31, 2020 (unaudited)	February 29, 2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,549	$ 1,332
Securities	211	164
Accounts receivable	1,300	1,379
Inventories, net	3,290	2,870
Prepaid expenses and other current assets	178	118
TOTAL CURRENT ASSETS	6,528	5,863
Property, plant and equipment, net	369	405
Operating lease - right-of-use asset	630	723
Other assets	45	45
TOTAL ASSETS	**$ 7,572**	**$ 7,036**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 313	$ 269
Customer deposits	24	53
Operating lease liability	427	417
Accrued expenses and other current liabilities	690	437
TOTAL CURRENT LIABILITIES	1,454	1,176
Operating lease liability	266	377
TOTAL LIABILITIES	1,720	1,553
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value, authorized 500,000 shares, none issued	-	-
Common stock, $.01 par value, authorized 10,000,000 shares, 2,062,949 shares outstanding, net of 508,314 treasury shares at May 31, 2020 and February 29, 2020	21	21
Additional paid-in capital	1,834	1,834
Retained Earnings	5,478	5,109
Less treasury stock	(1,481)	(1,481)
TOTAL STOCKHOLDERS' EQUITY	5,852	5,483
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 7,572**	**$ 7,036**

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

SOLITRON DEVICES, INC.
STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MAY 31, 2020 AND MAY 31, 2019
(Unaudited, in thousands except for share and per share amounts)

	For the three months ended May 31, 2020	For the three months ended May 31, 2019
Net sales	$ 2,498	$ 2,557
Cost of sales	1,642	2,366
Gross profit	856	191
Selling, general and administrative expenses	486	444
Operating income (loss)	370	(253)
Other income (loss)		
Dividend income	6	1
Realized gain (loss) on investments	15	(16)
Unrealized gain (loss) on investments	(22)	19
Total other income (loss)	(1)	4
Net income (loss)	$ 369	$ (249)
Net income (loss) per common share-basic and diluted	$ 0.18	$ (0.13)
Weighted average common shares outstanding-basic and diluted	2,062,949	1,901,959

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

SOLITRON DEVICES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MAY 31, 2020 AND MAY 31, 2019
(Unaudited, in thousands, except for number of shares)

	Common Stock			Additional	Treasury Stock		
	Number of Shares	Treasury Shares	Amount	Paid-in Capital	Amount	Retained Earnings	Total
Balance, February 28, 2019	2,571,263	(669,304)	$ 19	$ 1,834	$ (1,761)	$ 5,806	$ 5,898
Adjustment for Adoption of ASC 842 -	-	-	-	-	-	(91)	(91)
Net loss	-	-	-	-	-	(249)	(249)
Balance, May 31, 2019	2,571,263	(669,304)	$ 19	$ 1,834	$ (1,761)	$ 5,466	$ 5,558
Balance, February 29, 2020	2,571,263	(508,314)	21	1,834	(1,481)	5,109	5,483
Net income	-	-	-	-	-	369	369
Balance, May 31, 2020	2,571,263	(508,314)	$ 21	$ 1,834	$ (1,481)	$ 5,478	$ 5,852

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

SOLITRON DEVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MAY 31, 2020 AND MAY 31, 2019
(Unaudited, in thousands)

	For the three months ended May 31, 2020	For the three months ended May 31, 2019
Net income (loss)	$ **369**	$ **(249)**
Adjustments to reconcile net income (loss)		
to net cash provided in operating activities:		
Depreciation and amortization	59	54
Operating lease expense	93	92
Net realized and unrealized losses (gains) on investments	7	(3)
Changes in operating assets and liabilities:		
Accounts receivable	79	357
Inventories	(420)	547
Prepaid expenses and other current assets	(61)	(53)
Payments on operating lease liabilities	(101)	(92)
Accounts payable	45	(123)
Customer deposits	(29)	-
Accrued expenses and other current liabilities	252	8
Net cash provided by operating activities	**293**	**538**
Investing activities		
Proceeds from sale of securities	169	35
Purchases of securities	(222)	(19)
Purchases of property and equipment	(23)	(3)
Net cash (used in) provided by investing activities	**(76)**	**13**
Net cash provided by financing activities	**-**	**-**
Net increase in cash and cash equivalents	217	551
Cash and cash equivalents - beginning of the year	1,332	394
Cash and cash equivalents - end of period	$ **1,549**	$ **945**
Non-cash transactions		
Capitalization of ROU asset and liability	-	1,081
Adjustment for Adoption of ASC 842	-	(91)

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

SOLITRON DEVICES, INC.
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

1. THE COMPANY AND OPERATIONS

Solitron Devices, Inc., a Delaware corporation ("Solitron," the "Company," "we," "us," or "our"), 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The unaudited financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements.

The unaudited financial information furnished herein reflects all adjustments, consisting of normal recurring items that, in the opinion of management, are necessary for a fair presentation of the Company's financial position, results of operations and cash flows for the interim periods. The results of operations for the three months ended May 31, 2020 are not necessarily indicative of the results to be expected for the year ended February 28, 2021.

The information included in this Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended February 29, 2020.

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

Investment in Securities
Investment in Securities includes investments in common stocks and bonds. Investments in securities are reported at fair value with changes in unrecognized gains or losses included in other income on the income statement.

The following table summarizes available-for-sale investments (in 000's):

May 31, 2020				
Marketable Securities:	**Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Common Stocks	231	12	(32)	211

February 29, 2020				
Marketable Securities:	**Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Common Stocks	155	16	(7)	164

At May 31, 2020 and May 31, 2019, the deferred tax liability related to unrecognized gains and losses on short-term investments was $0.

Fair Value of Financial Instruments
Accounting Standards Codification ("ASC") Topic 820, "Fair Value Measurements and Disclosures", defines "fair value" as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also sets forth a valuation hierarchy of the inputs (assumptions that market participants would use in pricing an asset or liability) used to measure fair value. This hierarchy prioritizes the inputs into the following three levels:

Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs that are generally unobservable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

The Company's securities are subject to level 1 fair value measurement.

The carrying amounts of the Company's short-term financial instruments, including accounts receivable, accounts payable, accrued expenses and other liabilities approximate their fair value due to the relatively short period to maturity for these instruments.

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 $0 as of May 31, 2020 and February 29, 2020.

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 and net realizable value. 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 quantity 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 maintains a three inch wafer fab which procures raw wafers and produces finished wafers based on management's estimates of projected future demand. Finished wafers are considered work-in-process since they are usable for many years, and in some circumstances can be used on more than one finished product depending on customer parameters.

The Company does not classify a portion of inventories as non-current since we cannot reasonably estimate based on the length of our operating cycle which items will or will not be used within twelve months.

The Company's inventory valuation policy is as follows:

Raw material /Work in process:	All material acquired or processed in the last two fiscal years is valued at the lower of its acquisition cost or net realizable value, except for wafers which function under a three- year policy. All material not used after two fiscal years is fully reserved for except wafers which are reserved for after three years. Finished wafers produced m our wafer fab are stored in the wafer bank and are considered work-in-process. Raw material in excess of five years' usage that cannot be restocked, and slow-moving work in process are reserved for.
Finished goods:	All finished goods with firm orders for later delivery are valued (material and overhead) at the lower of cost or net realizable value. 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 number of man-hours required from the different direct labor departments to bring each device to its particular level of completion. Manufacturing overhead costs are allocated to finished goods and work in process inventory as a ratio to direct labor costs.

Property, Plant, Equipment, and Leasehold Improvements

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 are amortized over the shorter of the lease term or the 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 account receivables. The Company places its cash with high credit quality institutions. At times, such amounts may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on the accounts. As of May 31, 2020, all non-interest bearing checking accounts were FDIC insured to a limit of $250,000. Deposits in excess of FDIC insured limits were approximately $1,128,000 at May 31, 2020. With respect to the account 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.

Net Income (Loss) Per Common Share

Net income (loss) per common share is presented in accordance with ASC 260-10 "Earnings per Share." Basic earnings per common share are 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. The Company had no stock options outstanding during fiscal 2020 and 2021; therefore, there is no effect from dilution on earnings per share.

Revenue Recognition

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. The ASU replaces most existing revenue recognition guidance in the United States. The standard permits the use of either the full retrospective or modified retrospective transition method.

Based on a review of its customer contracts, the Company has determined that revenue on the majority of its customer contracts will continue to be recognized at a point in time, generally upon shipment of products, consistent with the Company's historical revenue recognition model.

The core principle of the guidance in Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To achieve that core principle, the Company applied the following steps:

1. Identify the contract(s) with a customer.

The Company designs, develops, manufactures and markets solid-state semiconductor components and related devices. The Company's products are used as components primarily in the military and aerospace markets.

The Company's revenues are from purchase orders and/or contracts with customers associated with manufacture of products. We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

2. Identify the performance obligations in the contract.

The majority of the Company's purchase orders or contracts with customers contain a single performance obligation, the shipment of products.

3. Determine the transaction price.

The transaction price reflects the Company's expectations about the consideration it will be entitled to receive from the customer at a fixed price per unit shipped based on the terms of the contract or purchase order with the customer. To the extent our actual costs vary from the fixed price that was negotiated, we will generate more or less profit or could incur a loss.

4. Allocate the transaction price to the performance obligations in the contract.

5. Recognize revenue when (or as) the Company satisfies a performance obligation.

This performance obligation is satisfied when control of the product is transferred to the customer, which occurs upon shipment or delivery. The Company receives purchase orders for products to be delivered over multiple dates that may extend across reporting periods. The Company's accounting policy treats shipping and handling activities as a fulfillment cost. The Company invoices for each delivery upon shipment and recognizes revenues at the fixed price for each distinct product delivered when transfer of control has occurred, which is generally upon shipment.

In addition, the Company may have a contract or purchase order to provide a non-recurring engineering service to a customer. These contracts are reviewed and performance obligations are determined and we recognize revenue at the point in time in which each performance obligation is fully satisfied.

Effective January 1, 2018, we adopted Topic 606. Since all open contracts at that time were based on a point-in-time recognition model for revenue, there was no impact to retained earnings or revenue. The future impact of Topic 606 is dependent on the mix and nature of specific customer contracts.

We recognize revenue on sales to distributors when the distributor takes control of the products ("sold-to" model). We have agreements with distributors that allow distributors a limited credit for unsaleable products, which we refer to as a "scrap allowance." Consistent with industry practice, we also have a "stock, ship and debit" program whereby we consider requests by distributors for credits on previously purchased products that remain in distributors' inventory, to enable the distributors to offer more competitive pricing. We have contractual arrangements whereby we provide distributors with protection against price reductions initiated by us after product is sold by us to the distributor and prior to resale by the distributor. In addition, we have a termination clause in one of our distributor agreements that would allow for a full credit for all inventory upon 60 days notice of terminating the agreement.

We recognize the estimated variable consideration to be received as revenue and record a related accrued expense for the consideration not expected to be received, based upon an estimate of product returns, scrap allowances, "stock, ship and debit" credits, and price protection credits that will be attributable to sales recorded through the end of the period. We make these estimates based upon sales levels to our customers during the period, inventory levels at the distributors, current and projected market conditions, and historical experience under the programs. Our estimates require the exercise of significant judgments. We believe that we have a reasonable basis to estimate future credits under the programs.

Related Party Transactions

The Company currently purchases and has purchased in the past die and wafers, as specified by the Company's customers, from ES Components. Mr. Aubrey, a director of the Company is a minority owner, and an immediate family member of Mr. Aubrey is the majority owner of ES Components. For the three months ended May 31, 2020, the Company purchased $41,890 of die from ES Components. For the three months ended May 31, 2019, the Company purchased $3,165 of die from ES Components. The Company has included these expenses in cost of goods sold in the accompanying statement of operations. The Company occasionally makes sales to ES Components. For the three months ended May 31, 2020 and May 31, 2019, sales were $0.

Stock based compensation

The Company records stock-based compensation in accordance with the provisions of ASC Topic 718, "Compensation-Stock Compensation," which establishes accounting standards for transactions in which an entity exchanges its equity instruments for goods or services. Under ASC Topic 718, the Company recognizes an expense for the fair value of outstanding stock options and grants as they vest, whether held by employees or others. No vesting of stock options or grants occurred during the quarter ended May 31, 2020 or May 31, 2019.

Financial Statement Estimates

The preparation of condensed 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 affecting the Company were issued by the Financial Accounting Standards Board or other standards-setting bodies.

3. REVENUE RECOGNITION

As of May 31, 2020, and May 31, 2019, sales returns and allowances accrual activity is shown below:

	May 31, 2020	May 31, 2019
Beginning Balance	$ 126,000	$ 88,000
Accrued Allowances	135,000	(16,000)
Credits Issued	-	-
Ending Balance	$ 261,000	$ 72,000

As noted in Note 2 above, one of our distributor agreements has a termination clause that would allow for a full credit for all inventory upon 60 days notice of terminating the agreement. As of May 31, 2020, and February 29, 2020, the inventory balance at that distributor was believed to be $1,685,000 and $1,387,000, respectively. Based upon sales levels to and by the distributor during the period, inventory levels at the distributors, current and projected market conditions, and historical experience under the programs, we believe it is highly unlikely that the distributor would exercise termination. Should termination occur, we believe the products could be sold to other distributors or held in inventory for future sale.

The Company warrants that its products, when delivered, will be free from defects in material workmanship under normal use and service. The obligations are limited to replacing, repairing, or reimbursing for, at the option of the Company, any products that are returned within one year after the date of shipment. The Company does not reserve for potential warranty costs based on historical experience and the nature of its cost tracking system.

4. INVENTORIES

As of May 31, 2020, and February 29, 2020, inventories, net of reserves, consist of the following:

	May 31, 2020	February 29, 2020
Raw Materials	$ 1,088,000	$ 766,000
Work-In-Process	2,088,000	2,058,000
Finished Goods	114,000	46,000
Totals	$ 3,290,000	$ 2,870,000

Wafer related inventory, which includes raw wafers, work-in-process wafers, and wafer bank (completed wafers that are available to be consumed in the Company's products), net of reserves, totaled $1,209,000 as of May 31, 2020 and $1,239,000 as of February 29, 2020. Wafer production was temporarily curtailed during fiscal 2020 due to implementation of an improvement plan, which was completed in the first quarter of fiscal 2021. As of May 31, 2020, 100% of the wafer bank inventory consisted of wafers manufactured between calendar year 2016 and 2020. We do not expect all of our wafer inventory to be consumed within twelve months; however, since it is not possible to know which wafers will or will not be used, we classify all our inventory as current.

5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

As of May 31, 2020, and February 29, 2020, accrued expenses and other current liabilities consist of the following:

	May 31, 2020	February 29, 2020
Payroll and related employee benefits	$ 310,000	$ 303,000
Legal fees	3,000	-
Property taxes	16,000	8,000
Return Allowance	261,000	126,000
Bonus Accrual	100,000	-
Totals	$ 690,000	$ 437,000

6. DISAGGREGATION OF REVENUE AND MAJOR CUSTOMERS

Revenues from domestic and export sales are attributed to a global geographic region according to the location of the customer’s primary manufacturing or operating facilities. Revenues from domestic and export sales to unaffiliated customers for the three months ended May 31, 2020 and May 31, 2019, respectively are as follows:

Geographic Region	May 31, 2020	May 31, 2019
Europe and Australia	-	-
Canada and Latin America	6,000	4,000
Far East and Middle East	9,000	-
United States	2,483,000	2,553,000
Totals	**$ 2,498,000**	**$ 2,557,000**

For the three months ended May 31, 2020 and May 31, 2019, approximately 62% and 78%, respectively, of the Company’s sales have been attributable to contracts with customers whose products are sold to the United States government. The remaining 38% and 22%, respectively of sales are for non-military, scientific and industrial applications, or to distributors where we do not have end user information.

Revenues from the Company’s top two customers for the three months ended May 31, 2020 and May 31, 2019, respectively are as follows:

Customer	May 31, 2020
Raytheon	51%
Avnet / USI Electronics	26%
Totals	77%

Customer	May 31, 2019
Raytheon	56%
US Government	15%
Totals	71%

7. MAJOR SUPPLIERS

For the three months ended May 31, 2020, purchases from the Company’s top supplier, Egide USA, accounted for 34% of the Company's total purchases of production materials, and all other suppliers were individually less than 10% of purchases. For the three months ended May 31, 2019, purchases from the Company’s top supplier, Egide USA, accounted for 31% of the Company’s total purchases of production materials, and CPS Technologies Corp. accounted for 10% of the Company's total purchases of production materials, with all other suppliers individually less than 10% of purchases.

8. COMMITMENTS AND CONTINGENCIES

The balance sheet classification of lease assets and liabilities as of May 31, 2020 was as follows:

Balance Sheet Classification	May 31, 2020
Assets	
Operating lease right-of-use assets, March 1, 2020	$ 723,000
Amortization for the three months ended May 31, 2020	(93,000)
Total operating lease right-of-use asset, May 31, 2020	$ 630,000
Liabilities	
Current	
Operating lease liability, short-term	$ 427,000
Non-current	
Operating lease liability, long-term	266,000
Total lease liabilities	$ 693,000

Future minimum lease payments as of May 31, 2020 for the Company's manufacturing facility are as follows:

Fiscal Year Ending February 28/29		Amount
2021		341,000
2022		388,000
Total Future Undiscounted Cash Flows	$	729,000
Less Imputed Interest to be recognized in lease expense		36,000
Operating Lease Liabilities, as reported	$	693,000

The balance sheet classification of lease assets and liabilities as of February 29, 2020 was as follows:

Balance Sheet Classification		February 29, 2020
Assets		
Operating lease right-of-use assets, March 1, 2019	$	1,081,000
Amortization for the fiscal year ended February 29, 2020		(358,000)
Total operating lease right-of-use asset, February 29, 2020	$	723,000
Liabilities		
Current		
Operating lease liability, short-term	$	417,000
Non-current		
Operating lease liability, long-term		377,000
Total lease liabilities	$	794,000

Future minimum lease payments as of February 29, 2020 for the Company's manufacturing facility was as follows:

Fiscal Year Ending February 28/29		Amount
2021		454,000
2022		388,000
Total Future Undiscounted Cash Flows	$	842,000
Less Imputed Interest to be recognized in lease expense		48,000
Operating Lease Liabilities, as reported	$	794,000

9. EQUITY

Repurchase Program

The Board of Directors has authorized a stock repurchase program of up to $1.0 million of its outstanding common stock. Purchases under the program may be made through the open market or privately negotiated transactions as determined by the Company's management, and in accordance with the requirements of the Securities and Exchange Commission. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements and other conditions.

The Company did not repurchase any shares under the stock repurchase program during the three months ended May 31, 2020.

Stock Compensation

On June 28, 2019 the Board approved restricted stock grants totaling 161,000 shares: 120,000 shares to COO and President Mark Matson, 15,000 shares to CEO Tim Eriksen, 8,000 shares to Board Chairman David Pointer, and 6,000 shares each to Directors John Chiste, Dwight Aubrey, and Charles Gillman. Fair value was approximately $282,000 based on then current price of $1.75 per share.

10. SUBSEQUENT EVENTS

In June 2020 the Company repurchased 2,493 shares at a total cost of $5,734, or $2.30 per share.

On July 21, 2020, the Company executed a promissory note in favor of Bank of America, N.A. (the "Lender") for an unsecured $807,415 loan under the Paycheck Protection Program (the “PPP Loan”). The Company received the proceeds of the PPP Loan on July 23, 2020.

On November 13, 2020, the Company granted Mr. Eriksen and Mr. Matson the option to receive half of their bonuses in shares instead of cash, which both elected. Mr. Eriksen received 7,669 shares and Mr. Matson received 15,337 shares. Shares were issued under the 2019 Stock Incentive Plan.

On March 1, 2021, the Company entered into a Commercial Contract with 901 Sansbury LLC to purchase a facility and real estate property in West Palm Beach, Florida for a purchase price of $4,200,000. Subject to due diligence, the Company expects to close the transaction on April 15, 2021, unless extended. Assuming the Company closes the contract, it expects to begin making the necessary improvements to the property in order to completely relocate its manufacturing operation and corporate headquarters later in the 2021 calendar year.

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

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

The following discussion and analysis of factors which have affected the Company's financial position and operating results during the periods included in the accompanying unaudited condensed financial statements should be read in conjunction with the Financial Statements and the related Notes to Financial Statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in the Company’s Annual Report on Form 10-K for the year ended February 29, 2020 and the Unaudited Financial Statements and the related Notes to Unaudited Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q.

Significant Accounting Policies:

The discussion and analysis of our financial condition and results of operations are based upon the unaudited condensed financial statements included elsewhere in this Quarterly Report on Form 10-Q which are prepared in accordance with accounting principles generally accepted in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management’s application of accounting policies. Our critical accounting policies include cash and cash equivalents, investment in Securities, revenue recognition, earnings per common share, shipping and handling, and inventories. A discussion of these critical accounting policies are included in Note 2 of the “Notes To Financial Statements” in Item 8 of our Annual Report on Form 10-K for the fiscal year ended February 29, 2020.

Results of Operations-Three Months Ended May 31, 2020 Compared to Three Months Ended May 31, 2019:

Net sales for the three months ended May 31, 2020 decreased 2% to $2,498,000 as compared to $2,557,000 for the three months ended May 31, 2019.

Net bookings for the three months ended May 31, 2020 decreased 22% to $1,460,000 versus $1,873,000 during the three months ended May 31, 2019. Backlog as of May 31, 2020 increased 26% to $6,868,000 as compared to a backlog of $5,447,000 as of May 31, 2019.

Cost of sales for the three months ended May 31, 2020 decreased to $1,642,000 from $2,366,000 for the three months ended May 31, 2019, due to decreased inventory obsolescence, raw materials and labor costs, and improved productivity. Expressed as a percentage of net sales, cost of sales decreased to 66% for the three months ended May 31, 2020 from 93% for the three months ended May 31, 2019.

Gross profit for the three months ended May 31, 2020 increased to $856,000 from $191,000 for the three months ended May 31, 2019, due primarily to lower cost of sales. Accordingly, gross margins increased to 34% for the three months ended May 31, 2020 as compared to 7% for the three months ended May 31, 2019.

For the three months ended May 31, 2020, we shipped 25,168 units as compared to 14,192 units shipped during the same period of the prior year. It should be noted that since we manufacture a wide variety of products with an average sales price ranging from a few dollars to several hundred dollars, such periodic variations in our volume of units shipped should not be regarded as a reliable indicator of our performance.

Selling, general, and administrative expenses increased to $486,000 for the three months ended May 31, 2020 from $444,000 for the same period in the prior year. The increase was due to bonus accrual partially offset by lower legal fees, salaries and travel expense. During the three months ended May 31, 2020, selling, general and administrative expenses as a percentage of net sales increased to 19% as compared to 17% for the three months ended May 31, 2019.

Operating income for the three months ended May 31, 2020 increased to $370,000 as compared to an operating loss of ($253,000) for the three months ended May 31, 2019. This increase is due primarily to lower cost of sales described above.

Interest and dividend income for the three months ended May 31, 2020 increased to $6,000 as compared to $1,000 for the three months ended May 31, 2019. Realized gains on investments for the three months ended May 31, 2020 increased to $15,000 as compared to a loss of ($16,000) for the three months ended May 31, 2019. Unrealized gains (losses) on investments for the three months ended May 31, 2020 were a loss ($22,000) as compared to a gain of $19,000 for the three months ended May 31, 2019.

Net income for the three months ended May 31, 2020 increased to $369,000 as compared to a net loss of ($249,000) for the three months ended May 31, 2019. This increase is due primarily to decreased cost of sales as described above.

Liquidity and Capital Resources:

Operating Activities:
Net cash provided by operating activities was $293,000 for the three months ended May 31, 2020 primarily reflecting net income of $369,000, an increase in accrued expenses of $252,000, an increase in accounts receivable of $79,000, and depreciation of $59,000 partially offset by increases in inventories of $420,000 and prepaid and other expenses of $61,000.

Net cash provided by operating activities was $538,000 for the three months ended May 31, 2019 primarily reflecting a net loss of ($249,000) offset by a decrease in inventory of $547,000 and a decrease in accounts receivable of $357,000.

Investing Activities:
Net cash used in investing activities was ($76,000) for the three months ended May 31, 2020 principally reflecting $169,000 in proceeds from the sale of securities, offset by $222,000 in purchases of securities and $23,000 in purchases of property, plant and equipment.

Net cash provided by investing activities was $13,000 for the three months ended May 31, 2019 principally reflecting $35,000 in proceeds from sale of securities, offset by $19,000 in purchases of securities and $3,000 in purchases of plant, property and equipment.

Financing Activities:
There was no net cash used or provided in financing activities during the three months ended May 31, 2020 and May 31, 2019.

We expect our sole source of liquidity over the next twelve months to be cash from operations and cash and cash equivalents, if necessary. We anticipate that our capital expenditures required to sustain operations will be approximately $300,000 during the next twelve months and will be funded from operations and cash and cash equivalents, if necessary.

At May 31, 2020, February 29, 2020, and May 31, 2019, we had cash and cash equivalents of approximately $1,549,000, $1,332,000, and $945,000, respectively. The increase for the three months ended May 31, 2020 was due to income from operations.

At May 31, 2020, February 29, 2020, and May 31, 2019, we had investments in securities of approximately $211,000, $164,000, and $66,000, respectively.

At May 31, 2020, February 29, 2020, and May 31, 2019, we had working capital of $5,074,000, $4,687,000, and $4,748,000, respectively. The increase for the three months ended May 31, 2020 was due primarily to income from operations.

Based on various factors, including the Company's desire to fully utilize its current net operating loss carryforwards, the Company may seek out acquisitions, additional product lines, and/or invest a portion of its cash into common stocks or higher yielding debt instruments. The Company will continue to consider additional share repurchases under the Company's stock repurchase program subject to market conditions, corporate liquidity requirements and priorities and other factors as may be considered in the Company's sole discretion.

Off-Balance Sheet Arrangements:
The Company has not engaged in any off-balance sheet arrangements.

FORWARD-LOOKING STATEMENTS
Some of the statements in this Quarterly Report on Form 10-Q are "forward-looking statements". 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 our Annual Report on Form 10-K for the year ended February 29, 2020, including those identified below. We do not undertake any obligation to update forward-looking statements, except as required by law.

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

- Loss of, or reduction of business from, substantial clients could hurt our business by reducing our revenues, profitability and cash flow.
- 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, parts and finished components 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.
- Changes in Defense related programs and priorities 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.
- We may not achieve the intended effects of our 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.
- 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 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.
- We cannot guarantee that we will have sufficient capital resources to make necessary investments in manufacturing technology and equipment.
- We may make substantial investments in plant and equipment that may become impaired.
- While we attempt to monitor the credit worthiness of our customers, we may be at risk due to the adverse financial condition of one or more customers.
- Our international operations expose us to material risks, including risks under U.S. export laws.
- Security breaches and other disruptions could compromise the integrity of our information and expose us to liability, which would cause our business and reputation to suffer.
- The price of our common stock has fluctuated widely in the past and may fluctuate widely in the future.
- We cannot guarantee that we will declare future cash dividend payments, nor repurchase any shares of our common stock pursuant to our stock repurchase program.
- Compliance with regulations regarding the use of "conflict minerals" could limit the supply and increase the cost of certain metals used in manufacturing our products.
- Our failure to remediate the material weakness in our internal control over financial reporting or our identification of any other material weaknesses in the future may adversely affect the accuracy and timing of our financial reporting.
- The COVID-19 pandemic may have a material adverse effect on our business, cash flows and results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This item is not applicable as we are currently considered a smaller reporting company.

ITEM 4. 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 Quarterly Report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of May 31, 2020 due to the material weakness described in the Company’s Annual Report on Form 10-K for the year ended February 29, 2020 under “Management’s Report on Internal Control over Financial Reporting”. However, giving full consideration to the material weakness and the remediation plan, the Company’s management has concluded that the Company’s financial statements included in this Quarterly Report fairly present, in all material respects, the Company’s financial condition and results of operations as of and for the three months ended May 31, 2020.

Changes in Internal Control over Financial Reporting.

Other than the changes referenced in the Company’s Annual Report on Form 10-K for the year ended February 29, 2020 under “Management’s Report on Internal Control over Financial Reporting”, there were no changes in the Company’s internal control over financial reporting during the quarter ended May 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II– OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We may from time to time become a party to various legal proceedings arising in the ordinary course of business. As of May 31, 2020, we had no known material current, pending, or threatened litigation.

ITEM 1A. RISK FACTORS

In addition to the information set forth in this Form 10-Q, you should carefully consider the risk factors discussed in Part 1, Item 1A of our Annual Report on Form 10-K for the year ended February 29, 2020, which could materially affect our business, financial condition or future results.

ITEM 6. EXHIBITS

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

* Filed herewith
** Furnished herewith

SIGNATURES

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

SOLITRON DEVICES, INC.

Date: March 23, 2021

/s/ Tim Eriksen
Tim Eriksen
Chief Executive Officer, and
Interim Chief Financial Officer

EXHIBIT INDEX

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Exhibit 31

CERTIFICATION

I, Tim Eriksen, Chief Executive Officer and Interim Chief Financial Officer of Solitron Devices, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Solitron Devices, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within this entity, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 23, 2021

/s/ Tim Eriksen
Tim Eriksen
Chief Executive Officer, and
Interim Chief Financial Officer

Exhibit 32

Certification Required by 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report of Solitron Devices, Inc. (the “Company”) on Form 10-Q for the period ended May 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Tim Eriksen, as Chief Executive Officer and Interim Chief Financial Officer of Solitron Devices, Inc., certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

- the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 23, 2021

/s/ Tim Eriksen

Tim Eriksen
Chief Executive Officer, and
Interim Chief Financial Officer