DEWEY ELECTRONICS CORP
Form 10-Q
May 13, 2014

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

FORM 10 - Q

(Mark One)

þ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

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

For the transition period from__________to____________

_______Commission File No. 0-2892

THE DEWEY ELECTRONICS CORPORATION

A New York Corporation	I.R.S. Employer Identification No. 13-1803974

27 Muller Road
Oakland, New Jersey 07436
(201) 337-4700

Indicate by check mark whether the registrant has(1) 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 þ NO o

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 þ No o

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.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o NO þ

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 1,362,031 at May 9, 2014.

THE DEWEY ELECTRONICS CORPORATION

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PART I: FINANCIAL INFORMATION

ITEM 1.FINANCIAL STATEMENTS

THE DEWEY ELECTRONICS CORPORATION
CONDENSED BALANCE SHEETS

	MARCH 31, 2014 (unaudited)	JUNE 30, 2013
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	$688,515	$321,020
Accounts receivable	476,661	795,850
Inventories	3,780,435	1,221,944
Contract costs and related estimated profits in excess of billings	--	699,343
Prepaid expenses and other current assets	70,930	86,664
TOTAL CURRENT ASSETS	5,016,541	3,124,821
PLANT, PROPERTY AND EQUIPMENT:		
Land and improvements	651,015	651,015
Building and improvements	1,948,165	1,948,165
Machinery and equipment	3,308,154	3,272,541
Furniture and fixtures	265,087	263,030
	6,172,421	6,134,751
Less accumulated depreciation	5,294,761	5,255,646
	877,660	879,105
DEFERRED COSTS	65,095	65,095
TOTAL ASSETS	$5,959,296	$4,069,021
LIABILITIES AND STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Deferred revenues	$1,581,611	$--
Notes payable – current portion	1,007,362	14,822
Trade accounts payable	57,743	76,508
Accrued expenses and other liabilities	419,657	409,883
Accrued compensation and benefits payable	149,259	191,280
Accrued pension costs	183,245	154,960
TOTAL CURRENT LIABILITIES	3,398,877	847,453
LONG-TERM PORTION OF NOTE PAYABLE	--	2,470
LONG-TERM PENSION LIABILITY	652,412	714,986
TOTAL LIABILITIES	4,051,289	1,564,909

STOCKHOLDERS' EQUITY:		
Preferred stock, par value $1.00; authorized 250,000 shares, issued and outstanding-none	--	--
Common stock, par value $.01; authorized 3,000,000 shares; 1,693,397 shares issued and 1,362,031 shares outstanding at March 31, 2014 and June 30, 2013	16,934	16,934
Additional paid-in capital	2,882,842	2,882,842
Retained earnings/(accumulated deficit)	(11,091)	647,588
Accumulated other comprehensive loss	(493,650)	(556,224)
	2,395,035	2,991,140
Less: Treasury stock 331,366 shares at cost	(487,028)	(487,028)
TOTAL STOCKHOLDERS' EQUITY	1,908,007	2,504,112
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$5,959,296	$4,069,021

See accompanying notes to condensed financial statements

THE DEWEY ELECTRONICS CORPORATION
CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE-MONTHS ENDED MARCH 31,		NINE-MONTHS ENDED MARCH 31,	
	2014	2013	2014	2013
Revenues	$764,368	$2,175,254	$2,124,892	$7,009,139
Cost of Revenues	477,516	1,760,759	1,436,250	5,401,760
Gross Profit	286,852	414,495	688,642	1,607,379
Selling, General and Administrative	475,437	303,370	1,325,880	1,163,349
Operating Income/(Loss)	(188,585)	111,125	(637,238)	444,030
Interest Expense-Net	8,146	2,225	15,406	4,680
Other Income/(Expense)–Net	3,965	(7,452)	(6,035)	(10,738)
Income/(Loss) Before Income Taxes	(192,766)	101,448	(658,679)	428,612
Provision for Income Tax	--	--	--	--
Net Income/(Loss)	$(192,766)	$101,448	$(658,679)	$428,612
NET INCOME/(LOSS) PER COMMON SHARE-BASIC	$(0.14)	$0.07	$(0.48)	$0.31
NET INCOME/(LOSS) PER COMMON SHARE-DILUTED	$(0.14)	$0.07	$(0.48)	$0.31
Weighted average number of shares Outstanding:				
Basic	1,362,031	1,362,031	1,362,031	1,362,031
Diluted	1,362,031	1,362,040	1,362,031	1,362,031

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS) (UNAUDITED)

	THREE-MONTHS ENDED MARCH 31,		NINE-MONTHS ENDED MARCH 31,	
	2014	2013	2014	2013
Net income/(loss)	$(192,766)	$101,448	$(658,679)	$428,612
Amortization of actuarial gains and losses	20,858	32,808	62,574	98,424

Comprehensive income/(loss)	$(171,908)	$134,256	$(596,105)	$527,036

See accompanying notes to condensed financial statements

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THE DEWEY ELECTRONICS CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	NINE-MONTHS ENDED MARCH 31, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss)	$(658,679)	$428,612
Adjustments to reconcile net income to		
Net cash provided by/(used in) operating activities:		
Depreciation	39,115	46,333
Stock based compensation expense	--	2,271
Provision for inventory reserve	1,850	12,117
Increase in deferred revenues	1,581,611	--
Decrease in accounts receivable	319,189	208,263
Increase in inventories	(2,560,341)	(401,062)
Decrease in contract costs and related estimated profits in excess of billings	699,343	18,929
Decrease/(increase) in prepaid expenses and other current assets	15,734	(8,216)
Decrease in trade accounts payable	(18,765)	(320,423)
Decrease in accrued expenses and other liabilities	(32,247)	(35,929)
Increase in accrued pension costs	28,285	62,565
Total adjustments	73,774	415,152
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	(584,905)	13,460
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for plant, property and equipment	(37,670)	(11,279)
NET CASH USED IN INVESTING ACTIVITIES	(37,670)	(11,279)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings	1,000,000	350,000
Repayment of short-term borrowings	--	(275,000)
Repayment of short-term debt	(7,460)	--
Repayment of long-term debt	(2,470)	(11,190)
NET CASH PROVIDED BY FINANCING ACTIVITIES	990,070	63,810
NET INCREASE IN CASH AND CASH EQUIVALENTS	367,495	65,991
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	321,020	328,313
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$688,515	$394,304
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$15,406	$4,699

See accompanying notes to condensed financial statements

THE DEWEY ELECTRONICS CORPORATION
NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared by The Dewey Electronics Corporation (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim reporting. Certain information and disclosures normally included in the notes to financial statements have been condensed or omitted pursuant to such rules and regulations, but resultant disclosures are in accordance with accounting principles generally accepted in the United States of America as they apply to interim reporting. The condensed financial statements should be read in conjunction with the financial statements and the notes thereto in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2013 (the "2013 Form 10-K").

In the opinion of the Company's management, the accompanying unaudited condensed financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly, in all material respects, the Company's financial position as of March 31, 2014, and the results of operations for the three months and nine months then ended and cash flows for the nine months then ended. The results of operations and cash flows for the period ended March 31, 2014 are not necessarily indicative of the results of operations or cash flows to be expected for any subsequent quarter or the full fiscal year ending June 30, 2014.

As of March 31, 2014, there have been no material changes to any of the significant accounting policies described in our 2013 Form 10-K.

Liquidity

During the nine months ended March 31, 2014, the Company had a net loss of approximately $659,000 and net cash outflows from operations of approximately $585,000, principally due to an increase in inventory to support existing orders. The Company believes that the Company's current cash and its line of credit, combined with progress payments as well as billings at the time of delivery of products, will be sufficient to support short-term liquidity requirements, working capital needs and capital expenditures at their current or expected levels. However, if our performance expectations fall short (including our failure to generate expected levels of sales) or our expenses exceed expectations, or if the commitment under the line of credit becomes unavailable, we will need to secure additional financing and/or reduce our expenses to continue our operations. Our failure to do so would have a material adverse impact on our prospects and financial condition. There can be no assurance that any contemplated additional financing will be available on terms acceptable to us, if at all. If required, we believe we would be able to reduce our expenses to a sufficient level to continue to operate as a going concern.

The Company's 10 year, sole source, indefinite delivery/indefinite quantity contract with the U.S. Army to produce 2kW generator sets expired on September 30, 2013. The Company had been in negotiations with the U.S. Army for a new three year, sole source, indefinite quantity/indefinite delivery contract to produce 2kW generators, however on May 1, 2014 the Company was notified that the U.S. Army no longer intends to award this contract. The Company anticipates that the Government will continue to require the Company's 2kW generators, which can be ordered under individual "Purchase Orders", however we are unable to predict whether, when, or to what extent the Government will place orders for these generators. On May 6, 2014 the United States General Services Administration awarded the Company a five year contract to make the Company's 2kW generator sets available for purchase on the GSA.gov website by the Department of Defense. The Company also continues to work to make these generators available through other websites and sales channels.

The Company has a line of credit (the "Line of Credit") with TD Bank, NA ("the Bank"). On November 8, 2013 the Company and the Bank, entered into a modification to temporarily increase the maximum borrowing amount under the Line of Credit from $500,000 to $1,000,000 for the six month period November 15, 2013 to May 15, 2014, effective November 15, 2013. At the same time the Company and the Bank entered into a further modification to extend the Line of Credit for one year until November 30, 2014. The Company intends to repay $500,000 borrowed under the temporary increase by May 15, 2014. Additionally, as required under the Company's 2009 Loan Agreement with the Bank, the Company must maintain a zero balance for 30 consecutive days prior to November 14, 2014. The Company has not yet met, but anticipates meeting this requirement. Reference is made to Note 7 "Notes Payable" under Notes to Condensed Financial Statements of this Quarterly Report for additional information regarding this line of credit.

Revenue Recognition

Revenues and estimated earnings under long-term defense contracts (including research and development contracts) are recorded using the percentage-of-completion method of accounting, measured as the percentage of costs incurred to estimated total costs of each contract. For the Company's indefinite delivery, indefinite quantity contract to provide 2kW generator sets to the military, which expired on September 30, 2013, and for orders from other Government subcontractors for 2kW generator sets, percentage-of-completion calculations are based on individual "Delivery Orders" which are periodically received for specified quantities. These calculations require management to estimate the cost to complete open orders. Changes between those estimates and the actual cost of completion of delivery orders impact the revenue recognition in each reporting period. Estimates are adjusted as necessary on a quarterly basis. For research and development contracts total costs incurred are compared to total expected costs for each contract.

Revenues and earnings for orders for replacement parts and other short-term business (including non-standard generator sets)are recorded when deliveries of product are made and title and risk of loss have been transferred to the customer and collection is probable.

For those contracts where revenue has been recognized using the percentage-of-completion method of accounting, provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses during the reporting period. These estimates include, among others, lower of cost or market estimates for inventories, realization of deferred tax assets, revenue recognition and certain accrued expenses. Actual results could differ from those estimates.

Income Taxes

Under the asset and liability method of accounting for taxes under ASC Topic 740, "Income Taxes", deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax laws is recognized in the results of operations in the period the new laws are enacted. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not, that such assets will be realized.

The Company accounts for uncertain tax positions in accordance with Generally Accepted Accounting Principles in the U.S. Income tax positions must meet a more-likely-than-not recognition in order to be recognized in the financial statements. The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits within operations as income tax expense. As new information becomes available, the assessment of the recognition threshold and the measurement of the associated tax benefit of uncertain tax positions may result in financial statement recognition or de-recognition.

2. Accounting Standards Updates

In July 2013, the Financial Accounting Standards Board ("FASB") issued an accounting standard update that provides explicit guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carry-forward or a tax credit carry-forward exists. Under the new standard update, with certain exceptions, the Company's unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carry-forward or a tax credit carry-forward. This accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2015 and applied prospectively with early adoption permitted. The Company is currently evaluating the impact of this accounting standard update on its financial statements.

Other Accounting Standards Updates not effective until after March 31, 2014 are not expected to have a material effect on the Company's financial position or results of operations.

3. Inventories

Inventories consist of:

		March 31, 2014	June 30, 2013
Finished Goods		$1,590,069	$24,592
Work In Progress		954,307	310,836
Raw Materials		1,236,059	886,516
	Total	$3,780,435	$1,221,944

The increase in finished goods inventories compared to June 30, 2013 is primarily the result of holding finished generators that were ready for shipment to a customer that is finalizing its next step of manufacturing (see note 9 – Deferred Revenue below). This project has also contributed to the increase in Work In Progress.

4. Taxes on Income

The Company has provided a full valuation allowance against its net deferred tax assets as it believes that it is more likely than not that it will not realize these tax attributes. As of March 31, 2014 the Company had approximately $1,155,000 and $214,000 of federal and state net deferred tax assets respectively, primarily arising from net operating loss carry-forwards, expiring beginning in 2014. In the nine month period ended March 31, 2014 these federal and state net deferred tax assets increased by approximately $224,000 and $40,000, respectively, as a result of a net loss for the period.

5. Net Income/(Loss) Per Share

Net income/(loss) per share has been presented pursuant to ASC Topic 260, "Earnings per Share". Basic net income/(loss) per share is computed by dividing reported net income/(loss) available to common shareholders by weighted average shares outstanding for the period. Diluted net income/(loss) per share is computed by dividing reported net income/(loss) available to common shareholders by weighted average shares outstanding for the period, adjusted for the dilutive effect of common stock equivalents, which consist of stock options, using the treasury stock method.

The tables below set forth the reconciliation of the numerators and denominators of the basic and diluted net income/(loss) per common share computations. For the three months ended March 31, 2014, outstanding stock options for 45,700 shares were excluded from the calculation of diluted net loss per share as a result of their anti-dilutive effect on the net loss for the period. For the three months ended March 31, 2013, options for 41,400 shares were excluded due to the exercise price of the options exceeding the average share price for the quarter.

For the nine months ended March 31, 2014, outstanding stock options for 45,700 shares were excluded from the calculation of diluted net loss per share as a result of their anti-dilutive effect on the net loss for the period. For the nine months ended March 31, 2013, options for 46,500 shares were excluded due to the exercise price of the options exceeding the average share price for the period.

	Three-months Ended March 31,			
	2014		2013	
	Net Loss	Shares	Net Income	Shares

			Per Share Amount			Per Share Amount
Basic net income/(loss) per common share	$(192,766)	1,362,031	$(.14)	$101,448	1,362,031	$.07
Effect of dilutive Securities	--	--	--	--	9	--
Diluted net income/(loss) per common share	$(192,766)	1,362,031	$(.14)	$101,448	1,362,040	$.07

	Nine-months Ended March 31,					
		2014			2013	
	Net Loss	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic net income/(loss) per common share	$(658,679)	1,362,031	$(.48)	$428,612	1,362,031	$.31
Effect of dilutive Securities	--	--	--	--	--	--
Diluted net income/(loss) per common share	$(658,679)	1,362,031	$(.48)	$428,612	1,362,031	$.31

6. Stock Option Plan

On September 22, 2011, the Board of Directors of the Company adopted the Company's 2011 Stock Option Plan, which was approved by the shareholders of the Company on December 8, 2011. Under this plan options to purchase a maximum of 133,000 shares of common stock may be granted to any employee of the Company, including officers. Such options may be either incentive stock options or non-qualified options and must be granted with an exercise price no less than the fair market value of the stock on the date of the grant. No stock options have been granted under this plan.

On December 2, 1998, the Company adopted its Stock Option Plan of 1998 which was amended and restated effective December 5, 2001, pursuant to which options to purchase a maximum of 85,000 shares of common stock may be granted to executives and key employees. Incentive stock options have been granted under this plan with an exercise price no less than fair market value of the stock on the date of grant. Outstanding options generally are exercisable for ten years from the date of grant, except for three grants totaling 12,700 options which are exercisable for a 5-year term. Outstanding options have expiration dates ranging from March 30, 2015 to September 21, 2021. No additional options may be granted under this plan.

There were no stock options granted in the first nine months of fiscal 2014 (period ended March 31, 2014) or in the first nine months of fiscal 2013 (period ended March 31, 2013). For the nine months ended March 31, 2014, the Company recorded no stock option compensation expense. For the nine months ended March 31, 2013, the Company recorded stock option compensation expense of $2,271.

For the full fiscal year ending June 30, 2014, the Company does not expect any stock option compensation expense based on stock options already granted and assuming no further option grants during the remainder of the fiscal year. However, our assessment of the compensation expense will be affected by the number of stock options actually granted (if any) during the remainder of the year as well as the number of outstanding options that are forfeited.

Stock option transactions for the Company's employee stock option plans for the three months and nine months ended March 31, 2014 are as follows:

	March 31, 2014			
	Three Months		Nine Months	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Beginning balance	45,700	$2.01	46,500	$2.00
Granted	--	--	--	--
Exercised	--	--	--	--
Cancelled or expired	--		800	1.76
Ending balance	45,700	$2.01	45,700	$2.01
Options exercisable at end of period	45,700	$2.01	45,700	$2.01

7. Notes Payable

In August 2011 the Company entered into a 36 month, interest free, financing agreement with Wells Fargo Financial Leasing in the amount of $44,466 to finance the upgrade of the Company's facility lighting. The loan is secured by the physical assets financed under this loan. As of March 31, 2014 the Company had an outstanding balance of $7,362 on this note.

On April 27, 2009 the Company entered into a $500,000 line of credit (the "Line of Credit") with TD Bank, NA (the "Bank"). On November 2, 2011, the Company and the Bank entered into a modification of the Line of Credit, effective as of October 31, 2011, which reduced the maximum borrowing amount from $500,000 to $375,000, removed the minimum interest rate of 4.25% on outstanding borrowings and extended the Line of Credit to November 30, 2012. No other terms of the Company's April 27, 2009 revolving term note to the Bank were changed. On November 16, 2012, the Company and the Bank entered into a further modification of the Line of Credit, effective as of November 30, 2012, which returned the maximum borrowing amount to $500,000 and extended the Line of Credit to November 30, 2013. No other terms of the Company's revolving term note to the Bank (previously amended and restated as of October 31, 2011) were changed.

On November 8, 2013, the Company and the Bank entered into a modification of the Line of Credit, effective November 15, 2013, to temporarily increase the maximum borrowing amount under the Line of Credit to $1,000,000 for the six month period November 15, 2013 to May 15, 2014 (after which it will return to $500,000). At the same time the Company and the Bank entered into a further modification of the Line of Credit, effective as of November 30, 2013 to extend the Line of Credit to November 30, 2014. In each case, no other terms of the Company's revolving term note to the Bank (previously amended and restated as of November 30, 2012) were changed.

The Line of Credit provides among other things for an annual interest rate on borrowings equal to the Bank's prime rate plus one (1.00) percent and is subject to customary representations, covenants, and default provisions in favor of the Bank. Any loans drawn under the Line of Credit are secured by a first lien on all of the Company's accounts receivable, machinery, equipment, other personal property and Commercial Mortgages on the Company's real property.

During the nine-month period ended March 31, 2014 the Company borrowed $1,000,000 under the Line of Credit and the Company had outstanding debt of $1,000,000 against the Line of Credit as of March 31, 2014. The rate applicable to the Line of Credit at March 31, 2014 was approximately 4.25%. The Company has previously utilized this line of credit during periods of increased production requirements and anticipates that it will continue to utilize this credit facility during future periods of peak production activity. As of May 7, 2014 the Company has $1,000,000 of outstanding debt against the Line of Credit and no additional availability. The Company intends to repay $500,000 borrowed under the temporary increase by May 15, 2014.

8. Pension Plan

The Company has a non-contributory defined benefit retirement plan covering substantially all its employees. The impact of the plan on operations are as follows:

	THREE-MONTHS ENDED MARCH 31,	
	2014	2013
Service cost-benefits earned during the period	$15,115	$ 16,861
Interest cost on projected benefit obligation	28,201	24,128
Expected return on plan assets	(22,600)	(20,514)
Amortization of actuarial loss	20,858	32,808
Net periodic pension cost	$41,574	$53,283

	NINE-MONTHS ENDED MARCH 31,	
	2014	2013
Service cost-benefits earned during the period	$45,345	$50,583
Interest cost on projected benefit obligation	84,603	72,384
Expected return on plan assets	(67,800)	(61,542)
Amortization of actuarial loss	62,574	98,424
Net periodic pension cost	$124,722	$ 159,849

9. Deferred Revenue

In June 2013 the Company received a purchase order for delivery of modified 2kW Direct Current generator sets over a period of months beginning in December 2013. In December 2013 the customer asked the Company to issue invoices for the monthly scheduled requirements as units were completed and ready for shipment, but to store the units until the customer could make arrangements for the next stage of manufacturing. The Company has received approximately $1,600,000 for finished generators scheduled for delivery in December 2013 through February 2014, however, as of March 31, 2014 no generators have been shipped to the customer. Accordingly, the Company has excluded approximately $1,600,000 from revenues and has recorded approximately $1,600,000 in deferred revenues for cash received for units invoiced and paid by the customer. The value of the finished generators has been included in the Company’s finished goods inventory in its March 31, 2014 financial statements.

THE DEWEY ELECTRONICS CORPORATION

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

The following discussion should be read in conjunction with the unaudited condensed financial statements, including the notes thereto, appearing elsewhere in this Form 10-Q, and with the audited financial statements, including the notes thereto, appearing in the Company's 2013 Form 10-K. Certain statements in this report may be deemed "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact that address activities, events or developments that the Company or management intends, expects, projects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are based upon certain assumptions and assessments made by management of the Company in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes to be appropriate. The forward-looking statements included in this report are also subject to a number of material risks and uncertainties, including but not limited to economic, governmental, competitive and technological factors affecting the Company's operations, markets, products, services and prices and, specifically, the factors discussed below under "Financing Activities", and "Company Strategy – General" and "Long-Term Strategy", and in Item 1 (Description of Business) of the Company's 2013 Form 10-K under the subheading "Operational Risks". Such forward-looking statements are not guarantees of future performance and actual results, developments and business decisions may differ from those envisaged by such forward-looking statements.

The Company's operating cycle is long-term and includes various types of products and varying delivery schedules. Accordingly, results of a particular period or period-to-period comparisons of recorded revenues and earnings may not be indicative of future operating results. The following comparative analysis should be viewed in this context.

Critical Accounting Policies and Estimates

The Company's financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. Preparing financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions affect the application of our accounting policies. Actual results could differ from these estimates. Critical accounting policies are those that require application of management's most difficult, subjective or complex judgments, often as a result of matters that are inherently uncertain and may change in subsequent periods. The Company's critical accounting policies include revenue recognition on contracts and contract estimates, pensions, impairment of long-lived assets, and valuation of deferred tax assets and liabilities. For additional discussion of the application of these and other accounting policies, see Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Note 1 of the Notes to the Financial Statements included in the Company's 2013 Form 10-K.

Business Environment

A significant reduction in Department of Defense spending at the federal level known as "sequestration" went into effect in March of 2013. This has resulted in a contraction of spending across the Department of Defense and has also created uncertainty in our customers about the continuation of funding and about initiating new programs. This uncertainty has led to a far larger reduction in actual spending than the legislated reduction, primarily due to delays in contract awards and the reduction or elimination of some programs. Since the Company traditionally derives virtually all its revenues from Government defense business, any delays in contract awards would significantly and adversely affect our future revenues and liquidity. These factors are contributing to a more difficult and more challenging business environment, and have already adversely affected revenues in the quarter and year-to-date basis, as reported in this Quarterly Report. This uncertainty as well as the reduction in overall government spending may continue through this Government fiscal year, ending October 2014, and we can give no assurances that this uncertainty or reduction in spending would end after such fiscal year.

Results of Operations – Revenues

Revenues and estimated earnings under long-term defense contracts (including research and development contracts) are recorded using the percentage-of-completion method of accounting, measured as the percentage of costs incurred to estimated total costs of each contract. For the Company's indefinite delivery, indefinite quantity contract to provide 2kW generator sets to the military, which expired on September 30, 2013, and for orders from other Government subcontractors for 2kW generator sets, percentage-of-completion calculations are based on individual "Delivery Orders" which are periodically received for specified quantities. These calculations require management to estimate the cost to complete open orders. Changes between those estimates and the actual cost of completion of delivery orders impact the revenue recognition in each reporting period. Estimates are adjusted as necessary on a quarterly basis. For research and development contracts total costs incurred are compared to total expected costs for each contract.

Revenues and earnings for orders for replacement parts and other short term business (including non-standard generator sets)are recorded when deliveries of product are made and title and risk of loss have been transferred to the customer and collection is probable.

For those contracts where revenue has been recognized using the percentage-of-completion method of accounting, provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

Revenues for the three month period ended March 31, 2014 were $1,410,886 lower when compared to the three month period ended March 31, 2013. Revenues were lower principally due to a decrease in production of 2kW generator sets under the Company's prime contract to provide 2kW generator sets to the U.S. Army which expired September 30, 2013, as well as for delivery to other defense contractors outside the Company's prime contract and a request from one of the Company's customers to store approximately $1,054,400 of finished generator sets which were excluded from revenues and recognized as deferred revenue on the Company's March 31, 2014 balance sheet. The Company also recorded a decrease in revenues from its customer funded research and development sub-contract. The decreases in revenues from these product lines were partly offset by an increase in revenues from sales of replacement parts and other short-term business when compared to the same three month period last year.

For the three months ended March 31, 2014 production efforts to provide the Armed Forces with diesel operated generator sets provided approximately 26% of revenues compared to approximately 78% for the three months ended March 31, 2013. Replacement parts and other short-term business provided approximately 74% of revenues for the three months ended March 31, 2014 and approximately 19% of revenues in the same period in 2013. The Company had no revenues from customer sponsored research and development for the three months ended March 31, 2014 while customer sponsored research and development contracts provided approximately 3% of revenues for the three months ended Mach 31, 2013.

Revenues for the nine month period ended March 31, 2014 were $4,884,247 lower when compared to the nine month period ended March 31, 2013. Revenues were lower principally due to a decrease in production of 2kW generator sets under the Company's prime contract to provide 2kW generator sets to the U.S. Army which expired September 30, 2013, as well as for delivery to other defense contractors outside the Company's prime contract and a request from one of the Company's customers to store approximately $1,581,600 of finished generator sets which were excluded from revenues and recognized as deferred revenue on the Company's March 31, 2014 balance sheet. The Company also recorded a decrease in revenues from its customer funded research and development sub-contract. The decreases in revenues from these product lines were partly offset by an increase in revenues from sales of replacement parts and other short-term business when compared to the same three month period last year.

For the nine months ended March 31, 2014, production efforts to provide the Armed Forces with diesel operated generator sets provided approximately 31% of revenues compared to approximately 82% for the nine months ended March 31, 2013. Replacement parts and other short-term business provided approximately 69% of revenues for the nine months ended March 31, 2014 and approximately 16% of revenues in the same period in 2013. The Company had no revenues from customer sponsored research and development in the nine months ended March 31, 2014 and approximately 2% of revenues in the same period in 2013.

For further discussion of management initiatives regarding revenues see "Company Strategy" below.

The aggregate value of the Company's backlog of sales orders was $6.6 million on March 31, 2014 and $1.6 million on March 31, 2013. It is estimated that a significant portion of the present backlog will be billed during the next three months and be substantially recognized as fiscal year 2014 revenues.

Gross Profit

Gross profit is affected by a variety of factors including, among other items, sales volume, product mix, product pricing, and product costs.

The Company earned a gross profit of $286,852 or 38% of revenues for the three month period ended March 31, 2014 compared to a gross profit of

$414,495 or 19% of revenues for the three month period ended March 31, 2013. The lower gross profit for the three months ended March 31, 2014 was the result of lower revenues and production volume, primarily of 2kW generator sets, as noted above, partly offset by a more favorable product mix.

For the nine month period ended March 31, 2014 the Company's gross profit was $688,642 or 32% of revenues compared to a gross profit of $1,607,379 or 23% of revenues for the nine month period ended March 31, 2013. The lower gross profit for the nine months ended March 31, 2014 was the result of lower revenues and production volume, primarily of 2kW generator sets, as noted above, partly offset by a more favorable product mix.

Selling, General and Administrative Expenses

Selling, General and Administrative expenses for the three months ended March 31, 2014 were $475,437 or 62% of revenues compared to $303,370 or 14% of revenues for the three month period ended March 31, 2013. The most significant changes in expense and the approximate amount of the changes were increases in outside services ($76,000), general corporate expense ($52,000), consulting fees ($24,000), marketing expense ($14,000), and compensation expense ($13,000), and a decrease in repairs and maintenance ($11,000).

Selling, General and Administrative expenses for the nine months ended March 31, 2014 were $1,325,880 or 62% of revenues compared to $1,163,349 or 17% of revenues for the nine month period ended March 31, 2013. The most significant changes in expense and the approximate amount of the changes were increases in consulting fees ($99,000), outside services ($92,000), and general corporate expense ($42,000) and decreases in Company sponsored research and development ($43,000) and compensation expense ($12,000).

Interest Expense

For the three month period ended March 31, 2014 the Company had interest expense of $8,146 compared to $2,225 of interest expense in the three month period ended March 31, 2013.

For the nine month period ended March 31, 2014 the Company had interest expense of $15,406 compared to $4,680 of interest expense in the nine month period ended March 31, 2013.

Other Expense/Income – Net

Amounts reported as other income or expense represent the net effect of interest income and miscellaneous items such as the sale of scrap, bank transaction fees and other like items.

Other income of $3,965 for the three months ended March 31, 2014 was comprised of scrap sales partly offset by bank fees and franchise taxes.

Other expense of $6,035 for the nine months ended March 31, 2014 was comprised of bank fees and franchise taxes partly offset by scrap sales and interest income.

Net Income/Loss Before Income Taxes

For the three months ended March 31, 2014 net loss before income taxes was $192,766. For the three months ended March 31, 2013 net income before income taxes was $101,448.

Results for the three months ended March 31, 2014 were lower when compared to the same period last year due primarily to a decrease in revenues as discussed above.

For the nine months ended March 31, 2014 net loss before income taxes was $658,679. For the nine months ended March 31, 2013 net income before income taxes was $428,612.

Results for the nine months ended March 31, 2014 were lower when compared to the same period last year primarily as the result of a decrease in revenues as discussed above.

Income Taxes

Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their financial statement reported amounts and for tax loss and credit carry-forwards.

A valuation allowance is provided against deferred tax assets when it is determined to be more likely than not that these amounts will not be realized.

The Company has provided a full valuation allowance against its net deferred tax assets as it believes that it is more likely than not that it will not realize these tax attributes. As of March 31, 2014 the Company had approximately $1,155,000 and $214,000 of federal and state net deferred tax assets, respectively, primarily arising from net operating loss carry-forwards, expiring beginning in 2014. In the nine month period ended March 31, 2014 these federal and state net deferred tax assets increased by approximately $224,000 and $40,000, respectively, as a result of a net loss for the period.

Liquidity and Capital Resources

Historically, the Company's capital expenditures, debt servicing requirements and working capital needs have been financed by cash flow from operations, progress payments on various Government contracts (based on cost incurred) and a line of credit, described under "Financing Activities" below. As of March 31, 2014, the Company had no material capital expenditure commitments. Management believes that the Company's current cash and its line of credit, combined with progress payments as well as billings at the time of delivery of products will be sufficient to support short-term liquidity requirements, working capital needs and capital expenditures at their current or expected levels. However, if our performance expectations fall short (including our failure to generate expected levels of sales) or our expenses exceed expectations, or if the commitment under the line of credit becomes unavailable, we will need to secure additional financing and/or reduce our expenses to continue our operations. Our failure to do so would have a material adverse impact on our prospects and financial condition. There can be no assurance that any contemplated additional financing will be available on terms acceptable to us, if at all. If required, we believe we would be able to reduce our expenses to a sufficient level to continue to operate as a going concern.

At March 31, 2014, the Company's working capital was $1,617,664 compared to $2,604,465 at March 31, 2013.

The ratio of current assets to current liabilities was 1.48 to 1 at March 31, 2014 and 3.65 to 1 at March 31, 2013.

The following table is a summary of the Statements of Cash Flows in the Company's Financial Statements:

	Nine Months ended March31,	
	2014	2013
Net cash provided by/(used in)		
Operating activities	$(584,905)	$13,460
Investing activities	(37,670)	(11,279)
Financing activities	990,070	63,810

Operating Activities:

Adjustments to reconcile net income/loss to net cash provided by/used in operations are presented in the Condensed Statements of Cash Flows in the Company's Financial Statements.

Net cash used in operating activities in the nine month period ended March 31, 2014 was comprised primarily of net loss before depreciation and amortization, an increase inventories and decreases in accounts payable and accrued expenses. These amounts were partly offset by an increase in deferred revenue and accrued pension costs, and decreases in accounts receivable, contract costs and estimated related profits in excess of applicable billings and prepaid expenses.

Net cash provided by operating activities in the nine-month period ended March 31, 2013 was comprised primarily of net income before depreciation and amortization, decreases in accounts receivable and contract costs and estimated related profits in excess of applicable billings and an increase in accrued pension costs, partly offset by increases in inventories and prepaid expenses and decreases in accounts payable and accrued expenses.

The Company expenses its research and development costs as incurred. These costs consist primarily of salaries and material costs. For the nine months ended March 31, 2014 and March 31, 2013, the Company expensed $19,450 and $62,426, respectively, of research and development costs. Research and development projects performed under contract for customers are billed to the customer and are recorded as contract costs as they are incurred.

Investing Activities:

During the first nine months of fiscal 2014, the Company used net cash of $37,670 in investing activities. The entire amount was used for capital expenditures, principally for the acquisition of production and test equipment, computers and software.

During the first nine months of fiscal 2013, net cash of $11,279 was used in investing activities. The entire amount was used for capital expenditures, principally for the acquisition of computers and software.

Financing Activities:

In August 2011, the Company entered into a 36 month, interest free, financing agreement with Wells Fargo Financial Leasing in the amount of $44,466 to finance the upgrade of the Company's facility lighting. The loan is secured by the physical assets financed under this loan. As of March 31, 2014 the Company had an outstanding balance of $7,362 on this note.

On April 27, 2009 the Company entered into a $500,000 line of credit (the "Line of Credit") with TD Bank, NA (the "Bank"). On November 2, 2011, the Company and the Bank entered into a modification of the Line of Credit, effective as of October 31, 2011, which reduced the maximum borrowing amount to $375,000, removed the minimum interest rate of 4.25% on outstanding borrowings and extended the Line of Credit to November 30, 2012. No other terms of the Company's April 27, 2009 revolving term note to the Bank were changed. On November 16, 2012, the Company and the Bank entered into a further modification of the Line of Credit, effective as of November 30, 2012, which returned the maximum borrowing amount to $500,000 and extended the Line of Credit to November 30, 2013. No other terms of the Company's revolving term note to the Bank (previously amended and restated as of October 31, 2011) were changed.

On November 8, 2013, the Company and the Bank entered into a modification of the Line of Credit, effective November 15, 2013, to temporarily increase the maximum borrowing amount under the Line of Credit to $1,000,000 for the six month period November 15, 2013 to May 15, 2014 (after which it will return to $500,000). At the same time the Company and the Bank entered into a further modification of the Line of Credit, effective as of November 30, 2013 to extend the Line of Credit to November 30, 2014. In each case, no other terms of the Company's revolving term note to the Bank (previously amended and restated as of November 30, 2012) were changed.

The Line of Credit provides among other things for an annual interest rate on borrowings equal to the Bank's prime rate plus one (1.00) percent and is subject to customary representations, covenants, and default provisions in favor of the Bank. Any loans drawn under the Line of Credit are secured by a first lien on all of the Company's accounts receivable, machinery, equipment, other personal property and Commercial Mortgages on the Company's real property. Reference is made to Note 7 "Notes Payable" under Notes to Condensed Financial Statements of this Quarterly Report for additional information regarding the Line of Credit.

During the nine-month period ended March 31, 2014 the Company borrowed $1,000,000 under the Line of Credit and the Company had outstanding debt of $1,000,000 against the Line of Credit as of March 31, 2014. The rate applicable to the Line of Credit at March 31, 2014 was approximately 4.25%. The Company has previously utilized this line of credit during periods of increased production requirements and anticipates that it will continue to utilize this credit facility during future periods of peak production activity. As of May 7, 2014 the Company has $1,000,000 of outstanding debt against the Line of Credit and no additional availability. The Company intends to repay $500,000 borrowed under the temporary increase by May 15, 2014.

The Company did not use any other cash in financing activities during the nine month periods ended March 31, 2014 and March 31, 2013, respectively.

The Company owns approximately 90 acres of land and the building, which it occupies in Bergen County, New Jersey, adjacent to an interchange of Interstate Route 287. The Company is continuing to actively pursue possible methods of monetizing 68 undeveloped and unused acres of this property, by its sale and/or development. This endeavor has become more complex with the implications of New Jersey's "Highlands Water Protection and Planning Act".

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The Act identifies approximately 400,000 acres of New Jersey as The Highlands Preservation Area. Pursuant to the statute, this area has the most onerous restrictions on future development. The Company's property is in this area, and further development would not be permitted without a waiver or other relief from the State. The Company continues to believe that there are strong reasons why its property should not be subject to the severe restrictions of the preservation area, and is attempting to affect a solution.

Since the Act was passed in June of 2004, the State repeatedly delayed promulgation of final regulations and a master plan. Originally expected in 2005, final regulations and a master plan were approved by the Governor on September 5, 2008. At the same time the Governor issued executive order 114 further defining the framework by which the Highlands Council, other State agencies, and both county and municipal governments are to work together. The Company believes that a regulatory environment has developed within which monetization of the land may be possible. In light of these events, the Company is actively assessing its options. However, no assurances can be given that the Company's efforts will be successful, that a satisfactory valuation will be achieved, or that resolution will be timely.

In May 2008, the Company entered into a contract to sell a small parcel of land, approximately 7 acres, for $205,000. The land is physically separated from the main parcel of the Company's property by an interstate highway and is contained within the Highlands Preservation Area. Among other things, the sale of the land is subject to approval for development by the Highlands Commission and various state and local government agencies. Accordingly, the Company can make no assurance that the sale will be successfully consummated or, if consummated, the timing thereof.

In November 2011, the Company and the buyer extended the sales contract described above until December 31, 2012 to allow the buyer additional time to gain the required approvals for development. In recognition of the additional expense on the part of the buyer to obtain the required development approvals the Company agreed to lower the contract price of the parcel by $50,000 to $155,000. In January 2013, the Company and the buyer further extended the sales contract until December 31, 2013 to allow the buyer additional time as described above. In February 2014 the Company and the buyer further extended the sales contract until December 31, 2014. However, the Company can make no assurances that the required approvals will be granted, or if granted, the timing thereof.

Accounting Standards Updates

Refer to Note 2. Accounting Standards Updates in the Notes to the Condensed Financial Statements section of this Quarterly Report.

Company Strategy

Beginning in March of 2013 the environment for Department of Defense contracting business has changed significantly with greatly reduced spending and delays in awarding contracts. Management believes that the reduced level of business opportunities directly with the U.S. government, as well as with other Department of Defense contractors, could continue through the government's fiscal year ending September 30, 2014. Effects of this changed environment has resulted in a 70% drop in the Company's revenues from the U.S. Government for the nine months ended March 31, 2014 when compared to the same nine month period last year. In this changing business environment the Company has been pursuing new opportunities through foreign military sales and an expansion of its product offerings, most notably with the acquisition of certain product lines from Goodman Ball Incorporated as discussed below under "Long-Term Strategy". The results of these efforts are reflected in the composition of the Company's backlog at March 31, 2014.

The Company’s backlog of $6.6 million at March 31, 2014 includes approximately $4.8 million of orders for 2kW generators and spare parts as part of a project by a U.S. customer for foreign military sales with deliveries scheduled between May 2014 and August 2014. The Company’s March 31, 2014 backlog also includes an additional $1.4 million of orders for former Goodman Ball products, also with U.S. customers, with deliveries scheduled between April 2014 and July 2018, most of which are also foreign military sales.

The Company also continues to work toward selling its 2kW generators through the General Services Administration’s GSA.gov website (as described below)as well as through other websites and sales channels. In order to support these efforts the Company has begun to build generators for inventory in order to have them available for immediate delivery.

Long-Term Strategy

The Company has many years of experience in contracting with the Department of Defense and has been successful in obtaining many contracts to provide a wide array of products and services. Management believes that this experience is a significant positive competitive factor. Management is continuing to explore other areas of business with the Department of Defense, which are capable of providing stability and growth.

The Company has been focused within the market for military compact diesel power generation and is expanding its capabilities to also include power management solutions aimed at delivering power systems with high fuel efficiency that are engineered for operation in austere environments or for unattended operation over extended periods. Although no assurances can be made that this new initiative will be successful, management believes it is a strong addition to the Company's long-term strategy for growth and targeted diversification. This strategy has three parts: 1) growing the Company's profitability in areas where the Company already has a strong presence, 2) focused diversification into related markets with existing products and capabilities, and 3) further taking advantage of the Company's strengths by additional expansion into related product categories.

The Company faces competition in many areas and from companies of various sizes, capabilities and resources. Competitive factors include product quality, technology, product availability, price, and customer service. Management believes that the reputation of the Company in these areas provides a significant positive competitive factor. As part of its overall business strategy management is continuing to expand and reinforce customer awareness of the Company's current and past performance as a Department of Defense supplier, its product quality and reliability, and its historically strong customer relationships.

The Company's 10 year indefinite delivery, indefinite quantity contract with the U.S. Army to supply 2kW generator sets expired at the end of September 2013 and deliveries of orders received under this contract have been completed. The Company had been in negotiations with the U.S. Army for a new three year, sole source, indefinite quantity/indefinite delivery contract to produce 2kW generators, however on May 1, 2014 the Company was notified that the U.S. Army no longer intends to award this contract. The Company anticipates that the Government will continue to require the Company's 2kW generators, which can be ordered under individual "Purchase Orders", however we are unable to predict whether, when, or to what extent the Government will place orders for these generators. On May 6, 2014 the United States General Services Administration awarded the Company a five year contract to make the Company's 2kW generator sets available for purchase on the GSA.gov website by the Department of Defense. The Company also continues to work to make these generators available through other websites and sales channels.

In approaching the second and third strategic objectives of targeted diversification, the Company is attempting to capitalize on its previous investments in technology to obtain business in related military power markets and to expand into related military product categories.

On February 20, 2013 the Company announced the purchase of certain assets, rights of manufacture and intellectual property from Goodman Ball Incorporated, a maker of military equipment based in Menlo Park, California. As part of this transaction, among other things, the Company agreed to assume responsibility to maintain certain Goodman Ball contracts with the U.S. Department of Defense that pertain to the acquired product lines, and it took possession of some of Goodman Ball's existing inventory for these product lines on a consignment basis and agreed to pay Goodman Ball as the inventory is sold to customers. The product lines acquired do not compete with existing product lines of the Company.

The Company believes that, by adding two generators to the Company's list of offerings, this transaction provides a number of opportunities relating to the first and second strategic objectives described above (growing profitability in areas where the Company already has a strong presence and expanding into related markets). At the time of the acquisition, Goodman Ball had no backlog of production orders for these generators. The Company made one delivery for $184,000 of these generators during the second quarter of fiscal year 2014 (quarter ending December 31, 2013). If the Company is able to capitalize on these opportunities, there could be an accretive impact in subsequent period results, however we are unable to predict whether, when or to what extent these results will be achieved.

The Company continues to act on the second strategic objective, working to expand into related power markets. Using our expertise in Direct Current power generation we have expanded our capabilities to include entire power systems integrating our traditional diesel power generation with renewable power sources, energy storage, power distribution and power management. The solutions remain man-portable or of similar scale, and management believes that our best opportunities involve austere locations or unattended operation. For example we are providing power for another company's trailer mounted military remote monitoring systems. This type of integration delivers fuel savings as compared to traditional diesel generators while also enabling the optional integration of opportunistic power sources such as solar and wind. These accomplishments build on the Company's previous accomplishments with vehicle mounted auxiliary power units, while also working with a growing group of partner companies. Management believes these activities can lead to expanded business with new types of military power requirements while also increasing our technical capabilities. In furtherance of the third strategic objective, expanding into related military product categories, during the fiscal year ended June 30, 2013, the Company utilized its experience in military-grade portable power systems under a customer funded research and development sub-contract to design and prototype electronic controls and power conversion devices for diesel fuel cell systems.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company carried out, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Treasurer, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the fiscal quarter covered by this Form 10-Q. Based upon that evaluation, the Chief Executive Officer and Treasurer concluded that, as of March 31, 2014, the design and operation of the Company's disclosure controls and procedures were effective.

Nonetheless, a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues have been detected.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the fiscal quarter ended March 31, 2014 that materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6. Exhibits

See the accompanying Index to Exhibits to this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of l934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	THE DEWEY ELECTRONICS CORPORATION	
Date: May 13, 2014	By:	/s/ John H.D. Dewey John H.D. Dewey President and Chief Executive Officer
Date: May 13, 2014		/s/ Stephen P. Krill Stephen P. Krill Treasurer

THE DEWEY ELECTRONICS CORPORATION

INDEX TO EXHIBITS

The following exhibits are included with this report. For convenience of reference, exhibits are listed according to the numbers assigned in the Exhibit table to Regulation S-K.

Exhibit No.	Description
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Treasurer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Treasurer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002