DEWEY ELECTRONICS CORP
Form 10-Q
May 13, 2009

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

FORM 10 - Q

(Mark One)

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

For the quarterly period ended March 31, 2009

___ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

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_X_ NO___

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__ ___   Accelerated filer _____

Non-accelerated filer _____   Smaller reporting company__X_

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 1,362,031 at May 6, 2009.

THE DEWEY ELECTRONICS CORPORATION

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PART I: FINANCIAL INFORMATION

ITEM 1.CONDENSED FINANCIAL STATEMENTS

THE DEWEY ELECTRONICS CORPORATION
CONDENSED BALANCE SHEETS

	March 31, 2009 (unaudited)	JUNE 30, 2008
ASSETS:		
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS	$ 384,763	$ 205,122

ACCOUNTS RECEIVABLE NET OF ALLOWANCE OF $0 AND $23,815	1,317,914	1,467,055
INVENTORIES	917,513	854,390
CONTRACT COSTS AND RELATED ESTIMATED PROFITS IN EXCESS OF BILLINGS	1,024,621	1,090,530
PREPAID EXPENSES AND OTHER CURRENT ASSETS	93,015	117,957
TOTAL CURRENT ASSETS	3,737,826	3,735,054
PLANT, PROPERTY AND EQUIPMENT:		
LAND AND IMPROVEMENTS	651,015	651,015
BUILDING AND IMPROVEMENTS	1,885,653	1,885,653
MACHINERY AND EQUIPMENT	3,235,761	3,202,423
FURNITURE AND FIXTURES	212,484	207,805
	5,984,913	5,946,896
Less accumulated depreciation	4,968,236	4,886,097
	1,016,677	1,060,799
DEFERRED COSTS	65,095	65,095
TOTAL OTHER ASSETS	65,095	65,095
TOTAL ASSETS	$4,819,598	$4,860,948
	==========	==========
LIABILITIES AND STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	707,509	871,100
ACCRUED EXPENSES AND OTHER LIABILITIES	161,015	355,300
ACCRUED COMPENSATION AND BENEFITS PAYABLE	208,935	195,741
ACCRUED PENSION COSTS	72,220	109,492
TOTAL CURRENT LIABILITIES	1,149,679	1,531,633
LONG-TERM PENSION LIABILITY	208,673	208,673
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 issued and outstanding 1,693,397 at March 31, 2009 and June 30, 2008	16,934	16,934

Additional paid-in capital	2,817,156	2,815,245
RETAINED EARNINGS	1,164,094	825,401
ACCUMULATED OTHER COMPREHENSIVE LOSS	(49,910)	(49,910)
	3,948,274	3,607,670
LESS: TREASURY STOCK 331,366 SHARES at cost	(487,028)	(487,028)
TOTAL STOCKHOLDERS' EQUITY	3,461,246	3,120,642
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$4,819,598	$4,860,948

SEE ACCOMPANYING NOTES TO CONDENSED FINANCIAL STATEMENTS

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THE DEWEY ELECTRONICS CORPORATION
CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE-MONTHS ENDED March 31		NINE-MONTHS ENDED March 31	
	2009	2008	2009	2008
REVENUES	$3,195,421	$2,414,946	$8,399,681	$7,480,420
COST OF REVENUES	2,675,717	1,906,853	6,531,729	5,828,751
GROSS PROFIT	519,704	508,093	1,867,952	1,651,669
SELLING,GENERAL & ADMINISTRATIVE	558,712	470,036	1,523,865	1,258,819
OPERATING (LOSS)/ INCOME	(39,008)	38,057	344,087	392,850
OTHER (EXPENSE)/ INCOME NET	(1,372)	(677)	(5,394)	8,469
(LOSS)/INCOME BEFORE INCOME TAXES	(40,380)	37,380	338,693	401,319
PROVISION FOR INCOME TAX	--	--	--	--

NET (LOSS)/INCOME	$(40,380)	$37,380	$338,693	$401,319
	=========	=======	========	========
NET (LOSS)/INCOME PER COMMON SHARE-BASIC	$(0.03)	$0.03	$0.25	$0.29
NET (LOSS)/INCOME PER COMMON SHARE-DILUTED	$(0.03)	$0.03	$0.25	$0.29
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
BASIC	1,362,031	1,362,031	1,362,031	1,362,031
DILUTED	1,362,031	1,363,043	1,363,511	1,362,945

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, 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
NET INCOME	$338,693	$401,319
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION	82,139	83,106
REVERSAL OF ALLOWANCE FOR DOUBTFUL ACCOUNTS	(23,815)	--
STOCK OPTION COMPENSATION EXPENSE	1,911	--
(INCREASE)/DECREASE IN ACCOUNTS RECEIVABLE	172,956	(6,673)
(INCREASE)IN INVENTORIES	(63,123)	(231,638)
(INCREASE)/DECREASE IN CONTRACT COSTS & RELATED ESTIMATED PROFITS IN EXCESS OF BILLINGS	65,909	(693,972)
(INCREASE)/DECREASE IN PREPAID EXPENSES AND OTHER CURRENT ASSETS	24,942	(1,672)
INCREASE/(DECREASE) IN ACCOUNTS PAYABLE	(163,591)	399,248
INCREASE/(DECREASE) IN ACCRUED EXPENSES AND OTHER LIABILITIES	(181,091)	46,186
INCREASE/(DECREASE) IN ACCRUED		

PENSION COSTS	(37,272)	15,000
TOTAL ADJUSTMENTS	(121,035)	(390,415)
NET CASH PROVIDED BY OPERATING ACTIVITIES	217,658	10,904
CASH FLOWS FROM INVESTING ACTIVITIES:		
EXPENDITURES FOR PLANT, PROPERTY AND EQUIPMENT	(38,017)	(117,632)
NET CASH USED IN INVESTING ACTIVITIES	(38,017)	(117,632)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	179,641	(106,728)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	205,122	432,337
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$384,763	$325,609
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
INTEREST RECEIVED	$ 259	$ 1,476

SEE ACCOMPANYING NOTES TO CONDENSED FINANCIAL STATEMENTS

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THE DEWEY ELECTRONICS CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

1. Significant Accounting Policies

Basis of Presentation
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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 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-KSB for the fiscal year ended June 30, 2008 (the "2008 Form 10-KSB").

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, 2009, and the results of operations for the three-months and nine-months and cash flows for the nine-months then ended. The results of operations and cash flows for the period ended March 31, 2009 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, 2009.

As of March 31, 2009, there have been no material changes to any of the significant accounting policies described in our 2008 Form 10-KSB.

Revenue Recognition

Revenues and estimated earnings under long-term defense contracts (including research and development contracts, except as described in the final sentence of this paragraph) 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 and for orders from other government subcontractors for 2kW generators, percentage-of-completion calculations are based on individual "Delivery Orders" which are periodically received for specified quantities. For research and development contracts total costs incurred are compared to total expected costs for each contract. During the current fiscal year, the Company had one development sub-contract to perform qualification tests for an EPA compliant engine for use with its 2kWgenerator sets on which it did not recognize revenue based on the percentage-of-completion method; rather, revenue was recorded with the successful completion of each milestone in accordance with the contract terms.

The Company uses the percentage-of-completion method to recognize revenue for its replacement parts business when the dollar amount of the order to be delivered in a future period or periods is material, and the duration of the work will span multiple reporting periods. Revenue and earnings for all other orders for replacement parts (including orders for replacement parts for snowmaking equipment, as well as orders for new snowmaking machines) 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 (valuation allowances), revenue recognition and certain accrued expenses. Actual results could differ from those estimates.

Income Taxes
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The Company applies Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." Under the asset and liability method of SFAS No. 109, 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.

On July 1, 2007, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement 109" ("FIN 48"). There was no material effect on the Company's financial statements associated with the adoption of FIN 48. The tax years 2004 - 2008 remain open to examination by the major taxing jurisdictions to which we are subject.

2. Recent Accounting Pronouncements
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In February 2007, the Financial Accounting Standards Board ("FASB"), issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS 159 permits entities to choose, at specified election dates, to measure eligible financial instruments at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company does not own any financial instruments and the adoption of this statement did not have an effect on the Company's financial statements.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. In February 2008, the FASB issued Staff Position No. 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13" ("FSP 157-1") and Staff Position No. 157-2, "Effective Date of FASB Statement No. 157" ("FSP 157-2"). In October 2008, the FASB adopted FASB Staff Position No. 157-3 "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" ("FSP 157-3"). FSP 157-1 amends SFAS 157 to remove certain leasing transactions from its scope. FSP 157-2 delays the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until the beginning of the Company's fiscal year beginning July 1, 2009. The measurement and disclosure requirements related to financial assets and financial liabilities are effective for the Company beginning in the Company's 2009 fiscal year beginning July 1, 2008. FSP 157-3 reaffirms that for financial assets fair value is an estimated exit price, and provides examples of how to estimate fair values when relevant observable data are not available. It further clarifies that in disorderly markets, judgment is required when deciding to accept or reject market prices as evidence of fair value. FSP 157-3 is immediately effective, including for prior periods, for which financial statements have not been issued. The adoption of Statement SFAS 157, FSP 157-1, and FSP 157-3 had no impact on the Company's financial statements.

3. Inventories

Inventories consist of:

	March 31, 2009	June 30, 2008
Finished Goods	$38,510	$56,279
Work In Progress	180,792	217,674
Raw Materials	698,211	580,437
Total	$917,513	$854,390

4. Taxes on Income

The Company has provided a valuation allowance against its net deferred tax assets (which consists primarily of net operating loss carry-forwards) as it believes that it is more likely than not that it will not realize these tax attributes. The Company has approximately $656,000 and $196,000 of federal and state net deferred tax assets, resulting from net operating loss carryforwards, respectively, expiring beginning in 2012. In fiscal 2009 approximately $119,000 and $31,000 of these federal and state net deferred tax assets, respectively, have been reduced as a result of the net income for the nine-month period ending March 31, 2009. The valuation allowance against these deferred tax assets has been reduced by a corresponding amount.

5. Earnings Per Share

Net (loss)/income per share has been presented pursuant to SFAS No. 128, "Earnings per Share". Basic net (loss)/income per share is computed by dividing reported net income available to common shareholders by weighted average shares outstanding for the period. Diluted net (loss)/income per share is computed by dividing reported net income 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 (loss)/income per common share computations. Certain stock options were excluded from the computation of (loss)/earnings per share due to their anti-dilutive effect. For the three months ended March 31, 2009 the number of shares excluded from the calculation was 25,200 due to the exercise price of the options exceeding the average share price for the quarter. For the three months ended March 31, 2008 the number of shares excluded from the calculation was 16,000 due to the exercise price of the options exceeding the average share price for the quarter.

For the nine months ended March 31, 2009 the number of shares excluded from the calculation was 16,000 due to the exercise price of the options exceeding the average share price for the nine month period. For the nine months ended March 31, 2008 number of shares excluded from the calculation was 16,000 due to the exercise price of the options exceeding the average share price for the nine month period.

Three-months Ended March 31,

2009			2008		
Income	Shares	Per Share Amount	Income	Share	Per Share Amount

Basic net (loss)/ income per common share	$(40,380)	1,362,031	$(.03)	$37,380	1,362,031	$.03
Effect Of dilutive Securities	--	--	--	--	1,012	--
Diluted net (loss)/ income per common share	$(40,380)	1,362,031	$(.03)	$37,380	1,363,043	$.03
	========	=========	=====	=======	=========	====

Nine-months Ended December 31,

	2009			2008		
	Income	Shares Amount	Per Share	Income	Share	Per Share Amount
Basic net income per common share	$338,693	1,362,031	$.25	$401,319	1,362,031	$.29
Effect of dilutive Securities	--	1,480	--	--	914	--
Diluted net income per common share	$338,693	1,363,511	$.25	$401,319	1,362,945	$.29
	========	=========	====	========	=========	====

6. Stock-Based Compensation Plans
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On December 2, 1998 the Employee Stock Option Committee adopted a Stock Option Plan of 1998, pursuant to which incentive stock options to purchase shares of common stock may be granted to various executives and other key employees. The following disclosures are based on stock options granted to employees of the Company in the second fiscal quarter, ended December 31, 2008. For the three-month period ended March 31, 2009, the Company recorded a total of $1,470 in stock option compensation expense. For the nine-month period ended March 31, 2009 the Company recorded stock option compensation expense of $1,911. The Company had no stock option expense in fiscal 2008. For the full fiscal year 2009, the Company expects approximately $3,343 in stock option compensation expense based on stock options already granted and current assumptions regarding the estimated fair value of stock option grants expected to be issued during the remainder of the year. However, our assessment of the estimated compensation expense will be affected by our stock price and actual stock option grants (if any) during the remainder of the year as well as assumptions regarding a number of complex and subjective variables. These variables include, but are not limited to, the volatility of our stock price and employee stock option exercise behaviors. The Company issues shares of common stock upon the exercise of stock options.

The Company used its historical stock price volatility to compute the expected volatility for purposes of valuing stock options issued. The period used for the historical stock price corresponded to the expected term of the options and was between five and six years. The expected dividend yield is based on the Company's practice of not paying dividends. The risk-free rate of return is based on the yield of U.S. Treasury Strips with terms equal to the expected life of the options as of the grant date. The expected life in years is based on historical actual stock option exercise experience. The following weighted average assumptions were used in the valuation of stock options granted in the second quarter of fiscal 2009.

	December 31,2008
Expected dividend yield	--
Expected volatility	63.8%
Risk-free interest rate	1.87%
Expected life in years	6.7

Based on the assumptions in the table above, the grant date fair value of stock options granted in the second quarter of fiscal 2009 was $5,287.

Stock option transactions for the Company's employee stock options plans for the third quarter and nine months ended March 31, 2009:

	March 31, 2009			
	Three Months		Nine Months	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Beginning balance	25,200	3.09	20,000	3.47
Granted	--	--	5,200	1.63
Exercised	--	--	--	--
Cancelled or expired	--	--	--	--
Ending balance	25,200	3.09	25,200	3.09
Options exercisable at end of period	20,000	3.47	20,000	3.47

7. Recent Events - Material Definitive Agreement
==
As reported by the Company in its Report on Form 8-K dated April 30, 2009, on April 27, 2009, the Company entered into a $500,000 Revolving Term Note and related Loan and Security Agreement (collectively, the "Line of Credit") with TD Bank, NA (the "Bank")for a term expiring May 5, 2010. As of the date of this Form 10-Q, there are no outstanding borrowings against the Line of Credit. 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 with a minimum interest rate of 4.25% 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 a Commercial Mortgage Security Agreement on the Company's real property. A copy

of the Revolving Term Note Agreement, Loan and Security Agreement and Commercial Mortgage Security Agreement are attached respectively as Exhibits 10.1, 10.2 and 10.3 hereto and are incorporated herein by reference.

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 2008 Form 10-KSB. 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" and in Item 1 (Description of Business - Operational Risks) of the Company's 2008 Form 10-KSB. 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 comparison 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
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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 2008 Form 10-KSB.

Results of Operations - Revenues

Revenues and estimated earnings under long-term defense contracts (including research and development contracts, except as described in the final sentence of this paragraph) 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 and for orders from other government subcontractors for 2kW generators, percentage-of-completion calculations are based on individual "Delivery Orders" which are periodically received for specified quantities. For research and development contracts total costs incurred are compared to total expected costs for each contract. During the current fiscal year the Company had one development sub-contract to perform qualification tests for an EPA compliant engine for use with its 2kW generator sets on which it did not recognize revenue based on the percentage-of-completion method; rather, revenue was recorded with the successful completion of each milestone in accordance with the contract terms.

The Company uses the percentage-of-completion method to recognize revenue for its replacement parts business when the dollar amount of the order to be delivered in a future period or periods is material, and the duration of the work will span multiple reporting periods. Revenue and earnings for all other orders for replacement parts (including orders for replacement parts for snowmaking equipment, as well as orders for new snowmaking machines) 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 third quarter of fiscal year 2009, the three month period ended March 31, 2009, were $780,475 higher when compared to same period in 2008. The higher revenues were due to increased production of 2kW generator sets under both the Company's prime contract with the United States Army and for delivery to other sub-contractors and an increase in the shipment of replacement parts. The increase in generator set production was offset in part by a decrease in customer funded research and development revenues during the third quarter of fiscal year 2009 when compared to the same quarter in fiscal year 2008.

For the three months ended March 31, 2009 production efforts to provide the Armed Forces with diesel operated generator sets provided approximately 83% of revenues compared to approximately 74% in the third quarter of fiscal year 2008 (ended March 31, 2008). The Company's research and development contracts provided approximately 6% of revenues in the third quarter of fiscal 2009, and approximately 16% of revenues in the third quarter of fiscal 2008. Replacement parts and other short-term business including snowmaking equipment provided approximately 11% of revenues in the third quarter of fiscal year 2009 and approximately 10% of revenues in the same period of fiscal 2008.

Revenues for the nine-month period ended March 31, 2009 were $919,261 higher when compared to the same period in 2008. This increase in revenue is attributable to increases in all areas of the Company's business with the greatest increases coming from customer funded research and development contracts and revenues from replacement parts while revenue from generator set production increased only slightly during this nine month period when compared to the same period last year.

During the nine-month period ended March 31, 2009, production efforts under the Company's contract to provide the Armed Forces with 2kW and 3.5kW diesel operated generator sets provided approximately 76% of revenues compared to approximately 82% of such revenues in the same period in 2008. The Company's research and development contracts provided approximately 15% of revenues during the nine-month period ended March 31, 2009, versus approximately 10% of such revenues in the same period in 2008. Replacement parts and other short-term business provided approximately 9% of such revenues in the nine-month period ended March 31, 2009, and approximately 8% of such revenues in the same period in 2008.

In March 2007, the Company was awarded three related research and development sub-contracts, in the aggregate amount of approximately $230,400 to research and develop electronic controls for diesel fuel cell reformers. Work on these contracts began in the first quarter of fiscal year 2008 and is expected to extend until the third quarter of fiscal 2010. No assurances can be given that the Company will receive any future production orders as a result of these sub-contracts or that the Company will be awarded any additional research and development contracts or sub-contracts.

In July 2007, the Company received a subcontract to develop an armored 3 kilowatt 28 volt DC auxiliary power unit that can be mounted on the back of the USMC main battle tank, the Abrams M1A1. The development contract, for $646,400, was awarded by the USMC Tank Program Office, in Quantico, VA, through a sub-contract administered by CACI, Eatontown, NJ, and had the possibility of a follow-on production contract. Work on this contract also began in the first quarter of fiscal 2008 and continued into the quarter ending September 30, 2008. In December 2008, the Company was notified that the USMC had awarded the production contract to another company who was not part of the development phase awarded in 2007.

In August 2007, the Company received a new contract to provide auxiliary power systems for the United States Marine Corps (USMC) 'Logistic Vehicle'. This contract, awarded by the USMC Systems Command, Quantico, VA, consists of a base year and three option years, exercisable at the Government's option. The Logistics Vehicle Power System (LVPS) is a diesel-powered 3.5 kilowatt 28 volt DC generator providing power to equipment that protects against improvised explosive devices. It is based on the Company's existing 2 kilowatt military tactical generator. A delivery order for the LVPS, valued at approximately $2.4 million was received in August 2007 and completed in December 2007. In July 2008, the Company received a second delivery order valued at approximately $500,000 for additional units to be delivered in January 2009. Work began to produce these units during the first quarter of fiscal 2009 and was substantially completed during the second quarter of fiscal 2009. Subsequently, in January 2009 the Company received a third delivery order valued at approximately $400,000 with delivery currently scheduled for early July 2009. While the Company was successful in obtaining these initial orders, no assurance can be made that the Company will receive any future production orders as a result of this contract.

In December 2007, the Company announced the award of a $985,976 subcontract from Fibertek, Inc. of Herndon, VA, as part of the U.S. Government's 2kW Military Tactical Generator (MTG) Product Improvements - Engine. This contract covers the efforts to qualify an EPA compliant diesel engine for use in the 2kW portable Military Tactical Generator product line. This engineering and test effort was conducted at the Company's Oakland, NJ, facility. Initial test efforts began during the third quarter of fiscal year

2008 (ended March 31, 2008). First article testing revealed that the replacement EPA compliant engine was incapable of providing the necessary power output in the required range of operating conditions. As a result, the Company does not expect this engine to replace the existing non-compliant engine used in the 2kW product line. The Army has a waiver from the EPA to continue using the non-compliant engine.

In May 2008, the Company received an award of $475,000 to develop a prototype 'idle reduction' system consisting of an environmental control unit and diesel generator under a subcontract from MTC Technologies of Eatontown, NJ. The Company is partnering with AMETEK Corporation of El Cajon, California to develop this system to provide heating and cooling for US Army "long haul" trucks independent of the vehicle's main engine. The generator being developed by the Company under this subcontract will be used to power the environmental control unit while also providing both AC and DC current for the vehicle. Work under this contract was substantially competed in December 2008 and delivery of the prototype units to the customer was made in January 2009. No assurance can be made that the Company will receive any future production orders as a result of this contract or that the Government will award the Company any additional development contracts.

The Company experiences variable amounts of material receipts from time to time during the normal course of business. Material receipts are dependent upon the receipt of orders, project requirements and vendor delivery schedules. As the Company uses the percentage-of-completion method of accounting to record revenues on certain long-term contracts, material costs have an impact upon recorded revenues (see Note 1, Revenue Recognition of the Notes to Financial Statements).

The aggregate value of the Company's backlog of sales orders was $7.4 million on March 31, 2009 and $5.3 million on March 31, 2008. It is estimated that most of the present backlog will be billed during the next 12 months and be substantially recognized as fiscal years 2009 and 2010 revenues.

Gross Profit

The Company's gross profit was $519,704 for the third quarter of fiscal year 2009, compared with gross profit of $508,093 for the third quarter of fiscal year 2008.

Gross margin is the measure of gross profit as a percentage of revenues. It is affected by a variety of factors including, among other items, product mix, product pricing, and product costs. The Company's gross margin was 16% for the three-month period ended March 31, 2009 and 21% for the three-month period ended March 31, 2008. The decrease in gross margin is attributable to a change in product mix with increased revenues from the production of lower margin 2kW generator sets and decreased revenues from research and development efforts compared to the same period in 2008. The Company also experienced higher than usual warranty repair costs associated with the first delivery of LVPS units under its contract with the United States Marine Corps described under "Revenues" above, which further reduced its gross margin during the third quarter of fiscal 2009.

For the nine-month period ended March 31, 2009 the Company's gross profit was $1,867,952 compared to $1,651,669 for the nine-month period ended March 31, 2008.

The Company's gross margin was approximately 22% for the nine-month period ended March 31, 2009, unchanged from the approximately 22% during the nine-month period ended March 31, 2008.

Selling, General and Administrative Expenses
==

Selling, General and Administrative expense for the three-months ended March 31, 2009 were $558,712 or 17% of revenue. For the three-months ended March 31, 2008, Selling, General and Administrative expenses totaled $470,036 or 19% of revenue. The increase in Selling, General and Administrative expense is attributable to the write off of $100,000 of prepaid licensing fees associated with a product development effort the Company will no longer pursue.

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Selling, General and Administrative expense for the nine-months ended March 31, 2009 were $1,523,865 or 18% of revenue. For the nine-months ended March 31, 2008, Selling, General and Administrative expenses totaled $1,258,819 or 17% of revenue. Expenditures for the nine-month period ended March 31, 2009 were higher when compared with the same period last year primarily due to increased staff expenses, increased sales and marketing efforts and increased expense for employee education and training and the write off of the prepaid licensing fees discussed above.

Interest Expense
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The Company had no interest expense in the three month and nine month periods ended March 31, 2009 and 2008 respectively.

Other Expense/Income - Net
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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 expense of $1,372 for the three months ended March 31, 2009 was comprised of bank fees of $1,423 and franchise tax of $219 partly offset by miscellaneous income of $270.

Other expense of $677 for the three months ended March 31, 2008 was comprised of bank fees of $1,231 and franchise tax of $1,711 partly offset by interest income of $904 and miscellaneous income of $1,363 primarily from the sale of scrap.

Other expense of $5,394 for the nine months ended March 31, 2009 was comprised of bank fees of $4,732, State and Local Tax of $1,844 and partly offset by miscellaneous income of $1,182.

Other income of $8,469 for the nine months ended March 31, 2008 was comprised of interest income of $1,476, and miscellaneous income of $6,993.

Net (Loss)/Income before income taxes
=====================================

Net loss before income taxes for the three-month period ended March 31, 2009 was $40,380. For the same period in 2008 net income before income taxes was $37,380.

Results for the third quarter of fiscal year 2009 decreased when compared to the same period in fiscal year 2008 primarily due higher Selling, General and Administrative costs as discussed above.

Net income before income taxes for the nine-month period ended March 31, 2009 was $338,693. For the same period in 2008 net income before income taxes was

$401,319.

Results for the nine-month period ended March 31, 2009 decreased when compared to the same period in fiscal year 2008 primarily due to higher Selling, General and Administrative costs 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 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. The Company has approximately $656,000 and $196,000 of federal and state net deferred tax assets, resulting from net operating loss carryforwards, respectively, expiring beginning in 2012. Of these amounts, reductions of approximately $119,000 and $31,000 of federal and state net deferred tax assets, respectively, are the result of net income for the nine-month period ending March 31, 2009.

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 of $500,000. This line of credit expired on February 28, 2007 and was replaced in April 2009 (See Note 7 to the financial statements above). Starting in fiscal year 2008, the Company changed the way it progress bills on new contracts. The Company now attempts to negotiate payment based on achievement of milestones rather than relying on demonstration of incurred costs. This approach is expected to result in the Company receiving payment at or before the time it must pay its vendors. The four recent contracts described under "Revenues" above that were received in fiscal year 2008 have been structured this way and the Company intends to continue this approach where possible.

As of March 31, 2009 the Company had no material capital expenditure commitments. Management believes that the Company's current cash combined with progress and milestone 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.

At March 31, 2009, the Company's working capital was $2,588,147 compared to $2,486,247 at March 31, 2008.

The ratio of current assets to current liabilities was 3.25 to 1 at March 31, 2009 and 3.21 to 1 at March 31, 2008.

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

Nine Months ended March 31,

	2009	2008
Net Cash Provided by (used in)		
Operating activities	$ 217,658	$ 10,904
Investing activities	(38,017)	(117,632)
Financing activities	--	--

Operating Activities:
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Adjustments to reconcile net income/(loss) to net cash used in operations are presented in the Statements of Cash Flows in the Company's Financial Statements.

Net cash provided by operating activities in the nine-month period ended March 31, 2009 was comprised primarily of net income before depreciation and decreases in accounts receivable, contract costs and estimated related profits in excess of billings and prepaid expenses, partly offset by an increase in inventories, along with decreases in accounts payable accrued expenses and accrued pension costs.

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Net cash provided by operating activities for the nine-month period ended March 31, 2008 was comprised primarily of net income before depreciation, and increases in accounts payable and accrued expenses, which were partly offset by increases in accounts receivable, contract costs and related estimated profits in excess of billings, inventories and prepaid expenses.

Company sponsored research and development costs are expensed as incurred. These costs consist primarily of material and labor costs. The Company expensed $108,788 of these costs during the nine-month period ended March 31, 2009. For the nine-month period ended March 31, 2008, the Company expensed $150,388 of research and development costs.

Investing Activities:
====================

During the nine-month period ended March 31, 2009, net cash of $38,017 was used in investing activities all of which was used for capital expenditures.

During the nine-month period ended March 31, 2008, net cash of $117,632 was used in investing activities all of which was used for capital expenditures.

Financing Activities:
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The Company did not use any cash in financing activities during the nine month periods ended March 31, 2009 and 2008 respectively.

The Company currently has no debt. On April 27, 2009 the Company entered into a $500,000 line of credit with TD Bank, NA. (See Note 7 to the financial statements above). The Company does not regard this credit facility as vital to its continued operations.

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" ("the Act").

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.

However, since the Act was passed in June of 2004, the State has 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 is now developing within which monetization of the land may be possible. In light of these recent 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.

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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.

Recent Pronouncements

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS 159 permits entities to choose, at specified election dates, to measure eligible financial instruments at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company does not own any financial instruments and does not expect this statement to have an effect on the Company's financial statements.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. In February 2008, the FASB issued Staff Position No. 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13" ("FSP 157-1") and Staff Position No. 157-2, "Effective Date of FASB Statement No. 157" ("FSP 157-2"). In October 2008, the FASB adopted FASB Staff Position No. 157-3 "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" ("FSP 157-3"). FSP 157-1 amends SFAS 157 to remove certain leasing transactions from its scope. FSP 157-2 delays the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until the beginning of the Company's fiscal year beginning July 1, 2009. The measurement and disclosure requirements related to financial assets and financial liabilities are effective for the Company beginning in the Company's 2009 fiscal year beginning July 1, 2008. FSP 157-3 reaffirms that for financial assets fair value is an estimated exit price, and provides examples of how to estimate fair values when relevant observable data are not available. It further clarifies that in disorderly markets, judgment is required when deciding to accept or reject market prices as evidence of fair value. FSP 157-3 is immediately effective, including for prior periods, for which financial statements have not been issued. The adoption of Statement SFAS 157, FSP 157-1, and FSP 157-3 had no impact on the Company's financial statements.

Company 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.

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The Company is focusing its efforts within the market for military compact diesel power generation on select product categories which management believes represent the best chances of successfully growing the Company's business. Although no assurances can be made that such a strategy will be successful, management believes that long-term growth can best be achieved by: 1) growing the Company's market share in areas where the Company already has a strong presence, 2) expanding into related markets with existing products and capabilities, and 3) further taking advantage of the Company's strengths by expanding 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 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.

In response to the U.S. Army's change in priorities away from long-term product improvements regarding the 2kW Generator Program in 2007, management reevaluated its approach to the second and third strategic objectives described above. Rather than continuing to develop new longer term internal technologies, the Company is now 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.

Two recent contracts with the U.S. Department of Defense to develop generators as auxiliary power units for vehicles are examples of the second strategic objective, expanding into related power markets. The contract for the Logistics Vehicle Power Supply "LVPS" (described under "Revenues" above) utilizes the Company's core expertise in compact and highly reliable diesel engine power generation. The most recent contract to develop a prototype 'idle reduction' system consisting of an environmental control unit and diesel generator builds on the Company's recent accomplishments with vehicle mounted auxiliary power units and management believes it will allow the Company to further expand into related power applications while increasing its technology base. In furtherance of the third strategic objective, expanding into related military product categories, the Company is utilizing its experience in military-grade portable power systems under three related customer funded research and development sub-contracts where the Company will design and prototype electronic controls for diesel fuel cell systems (See "Revenues" above).

In the near term, continued growth in profitability and broadening the line of product offerings are the Company's primary objectives. The new development contracts, and the customer-funded research and development sub-contracts, described above contribute to this goal. At present the Company is not actively pursuing opportunities for piece and component manufacturing work and other short-term business that would utilize existing factory capacities and capabilities due to the lack of excess capacity in the Company's factory. However the Company may consider pursuing such opportunities in the future. The Company is continuing to pursue possible sub-contracting relationships with other companies and defense contractors that leverage the Company's current expertise and technology in generators and auxiliary power units.

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ITEM 4T. Controls and Procedures

The Company carried out, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Treasurer, an evaluation of the effectiveness of the design and operation of its 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 report. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is accumulated and communicated to management, including its Chief Executive Officer and Treasurer, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, the Chief Executive Officer and Treasurer concluded that, as of March 31, 2009, 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.

During the fiscal quarter covered by this report, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 4.Submission of Matters to a Vote of Security Holders

None

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 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE DEWEY ELECTRONICS CORPORATION

	/s/ John H.D. Dewey
Date: May 12, 2009	John H.D. Dewey
	President and Chief Executive Officer

	/s/ Stephen P. Krill
Date: May 12, 2009	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.

Number

10.1 Revolving Term Note made by The Dewey Electronics Corporation in favor of TD Bank, NA dated April 20, 2009.

10.2 Loan and Security Agreement between The Dewey Electronics Corporation and TD Bank, NA dated April 20, 2009.

10.3 Commercial Mortgage and Security Agreement and Assignment of Leases and Rents between The Dewey Electronics Corporation and TD Bank, NA dated April 20, 2009.

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