SONO TEK CORP
Form 10-Q
July 13, 2009

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

FORM 10-Q

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: May 31, 2009

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No.: 0-16035

SONO-TEK CORPORATION
(Exact name of registrant as specified in its charter)

| New York | 14-1568099 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |

2012 Rt. 9W, Milton, NY 12547
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone no., including area code: (845) 795-2020

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES |X| NO |_|

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). |_| Yes |_| No

Indicate by check mark 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 |_| Smaller reporting company |X|
Non Accelerated Filer |_| (Do not check if a smaller reporting company)

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:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

| Class | Outstanding as of June 29, 2009 |
|---|---|
| Common Stock, par value $.01 per share | 14,414,714 |

SONO-TEK CORPORATION

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SONO-TEK CORPORATION
CONSOLIDATED BALANCE SHEETS

| | May 31, 2009 Unaudited | February 28, 2009 |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | $ 1,471,379 | $ 1,472,054 |
| Accounts receivable (less allowance of $18,500 at May 31 and February 28) | 591,443 | 801,290 |
| Inventories, net | 1,602,341 | 1,663,574 |
| Prepaid expenses and other current assets | 65,467 | 98,805 |
| Total current assets | 3,730,630 | 4,035,723 |
| Equipment, furnishings and leasehold improvements (less accumulated depreciation of $1,353,586 and $1,274,793 at May 31 and February 28, respectively) | 618,735 | 588,109 |
| Intangible assets, net | 60,739 | 57,778 |
| Other assets | 7,171 | 7,171 |
| TOTAL ASSETS | $ 4,417,275 | $ 4,688,781 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | $ 434,549 | $ 385,825 |
| Accrued expenses | 320,182 | 478,413 |
| Line of credit – Bank | 250,000 | 250,000 |
| Current maturities of long term debt | 21,631 | 23,633 |
| Total current liabilities | 1,026,362 | 1,137,871 |
| Long term debt, less current maturities | 14,890 | 19,220 |
| Total liabilities | 1,041,252 | 1,157,091 |
| Commitments and Contingencies | - | - |
| Stockholders' Equity | | |
| Common stock, $.01 par value; 25,000,000 shares authorized, 14,414,714 shares issued and outstanding at May 31 and February 28 | 144,148 | 144,148 |
| Additional paid-in capital | 8,503,831 | 8,490,071 |
| Accumulated deficit | (5,271,956) | (5,102,529) |
| Total stockholders' equity | 3,376,023 | 3,531,690 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 4,417,275 | $ 4,688,781 |

See notes to consolidated financial statements.

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SONO-TEK CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited

| | Three Months Ended May 31, 2009 | 2008 |
|---|---|---|
| Net Sales | $ 1,464,728 | $ 1,620,521 |
| Cost of Goods Sold | 807,347 | 831,657 |
| Gross Profit | 657,381 | 788,864 |
| | | |
| Operating Expenses | | |
| Research and product development costs | 171,031 | 205,570 |
| Marketing and selling expenses | 409,296 | 413,910 |
| General and administrative costs | 247,615 | 308,655 |
| Total Operating Expenses | 827,942 | 928,135 |
| | | |
| Operating (Loss) | (170,561) | (139,271) |
| | | |
| Interest Expense | (2,246) | (803) |
| Interest Income | 549 | 6,785 |
| Other Income | 2,831 | 2,831 |
| | 1,134 | 8,813 |
| | | |
| (Loss) Before Income Taxes | (169,427) | (130,458) |
| | | |
| Income Tax (Benefit) | - | - |
| | | |
| Net (Loss) | $ (169,427) | $ (130,458) |
| | | |
| Basic (Loss) Per Share | $ (0.01) | $ (0.01) |
| | | |
| Diluted (Loss) Per Share | $ (0.01) | $ (0.01) |
| | | |
| Weighted Average Shares - Basic | 14,414,714 | 14,361,091 |
| | | |
| Weighted Average Shares - Diluted | 14,414,714 | 14,361,091 |

See notes to consolidated financial statements.

SONO-TEK CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

| | Three Months Ended May 31, 2009 | 2008 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net (Loss) | $ (169,427) | $ (130,458) |
| Adjustments to reconcile net (loss) to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 80,132 | 50,413 |
| Stock based compensation expense | 13,760 | 51,807 |
| Gain on sale of equipment | - | 23,384 |
| Decrease (Increase) in: | | |
| Accounts receivable | 209,847 | (207,223) |
| Inventories | 61,233 | (219,849) |
| Prepaid expenses and other current assets | 33,338 | (42,660) |
| Increase (Decrease) in: | | |
| Accounts payable and accrued expenses | (109,507) | (234,963) |
| Net Cash (Used In) Provided By Operating Activities | 119,376 | (709,549) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Patent application costs | (4,298) | (13,142) |
| Purchase of equipment and furnishings | (109,421) | (56,169) |
| Net Cash Used In Investing Activities | (113,719) | (69,311) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayments of notes payable | (6,332) | (7,117) |
| Net Cash Used In Financing Activities | (6,332) | (7,117) |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | (675) | (785,977) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | 1,472,054 | 2,339,550 |
| End of period | $ 1,471,379 | $ 1,553,573 |
| SUPPLEMENTAL DISCLOSURE: | | |
| Interest paid | $ 2,071 | $ 801 |
| Income taxes paid | $ - | $ 6,250 |

See notes to consolidated financial statements.

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SONO-TEK CORPORATION
Notes to Consolidated Financial Statements
Three Months Ended May 31, 2009 and 2008

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Consolidation - The accompanying consolidated financial statements of Sono-Tek Corporation, a New York Corporation (the "Company"), include the accounts of the Company and its wholly owned subsidiary, Sono-Tek Cleaning Systems, Inc., a New Jersey Corporation ("SCS") which the Company acquired on August 3, 1999, whose operations have been discontinued. There have been no operations of this subsidiary since Fiscal Year Ended February 28, 2002. All significant intercompany accounts and transactions are eliminated in consolidation.

Cash and Cash Equivalents – Cash and cash equivalents consist of money market mutual funds, short term commercial paper and short term certificates of deposit with original maturities of 90 days or less. The Company occasionally has cash or cash equivalents on hand in excess of the $250,000 insurable limits at a given bank. At May 31, 2009 and February 28, 2009, the Company had $995,162 and $1,121,241 over the insurable limit, respectively.

Fair Value of Financial Instruments - The carrying amounts reported in the balance sheet for cash, receivables, accounts payable and accrued expenses approximate fair value based on the short-term maturity of these instruments.

Interim Reporting - The attached summary consolidated financial information does not include all disclosures required to be included in a complete set of financial statements prepared in conformity with accounting principles generally accepted in the United States of America. Such disclosures were included with the financial statements of the Company at February 28, 2009, and included in its report on Form 10-K. Such statements should be read in conjunction with the data herein.

The financial information reflects all adjustments, normal and recurring, which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The results for such interim periods are not necessarily indicative of the results to be expected for the year.

Intangible Assets – Include cost of patent applications that are deferred and charged to operations over seventeen years for domestic patents and twelve years for foreign patents. The accumulated amortization is $65,539 and $64,202 at May 31, 2009 and February 28, 2009, respectively. Annual amortization expense of such intangible assets is expected to be $5,300 per year for the next five years.

Reclassifications - Certain reclassifications have been made to the prior period to conform to the presentations of the current period.

NOTE 2: INVENTORIES

Inventories at May 31, 2009 are comprised of:

| | |
|---|---|
| Finished goods | $ 803,730 |
| Work in process | 496,805 |
| Consignment | 9,042 |
| Raw materials and sub-assemblies | 607,962 |
| Total | 1,917,539 |
| Less: Allowance | (315,198) |
| Net inventories | $ 1,602,341 |

NOTE 3: STOCK OPTIONS AND WARRANTS

Stock Options - Under the 2003 Stock Incentive Plan, as amended ("2003 Plan"), options can be granted to officers, directors, consultants and employees of the Company and its subsidiaries to purchase up to 1,500,000 of the Company's common shares. The 2003 Plan supplemented and replaced the 1993 Stock Incentive Plan (the “1993 Plan”), under which no further options may be granted. Options granted under the 1993 Plan expire on various dates through 2013. As of May 31, 2009, there were 62,500 options outstanding under the 1993 Plan and 1,143,065 options outstanding under the 2003 plan.

Under both the 1993 and 2003 Stock Incentive Plans, option prices must be at least 100% of the fair market value of the common stock at time of grant. For qualified employees, except under certain circumstances specified in the plans or unless otherwise specified at the discretion of the Board of Directors, no option may be exercised prior to one year after date of grant, with the balance becoming exercisable in cumulative installments over a three year period during the term of the option, and terminating at a stipulated period of time after an employee's termination of employment.

NOTE 4: STOCK BASED COMPENSATION

On March 1, 2006, the Company adopted SFAS No. 123R, “Share Based Payments.” SFAS No. 123R requires companies to expense the value of employee stock options and similar awards for periods beginning after December 15, 2005, and applies to all outstanding and vested stock-based awards at a company’s adoption date.

The weighted-average fair value of options has been estimated on the date of grant using the Black-Scholes options-pricing model. The weighted-average Black-Scholes assumptions are as follows:

| | 2009 | 2008 |
|---|---|---|
| Expected life | 4 years | 4 years |
| Risk free interest rate | 1.07% - 3.13% | 4.01% - 4.97% |
| Expected volatility | 56% - 137% | 47% - 57% |
| Expected dividend yield | 0% | 0% |

In computing the impact, the fair value of each option is estimated on the date of grant based on the Black-Scholes options-pricing model utilizing certain assumptions for a risk free interest rate; volatility; and expected remaining lives of the awards. The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and the Company uses different assumptions, the Company's stock-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. In estimating the Company's forfeiture rate, the Company analyzed its historical forfeiture rate, the remaining lives of unvested options, and the amount of vested options as a percentage of total options outstanding. If the Company's actual forfeiture rate is materially different from its estimate, or if the Company reevaluates the forfeiture rate in the future, the stock-based compensation expense could be significantly different from what the Company has recorded in the current period.

For the quarters ended May 31, 2009 and 2008, net income and earnings per share reflect the actual deduction for stock-based compensation expense. The impact of applying SFAS 123R approximated $13,760 and $51,807 in additional compensation expense during the quarters ended May 31, 2009 and 2008, respectively. Such amounts are included in general and administrative expenses on the statement of operations. The expense for stock-based compensation is a non-cash expense item.

NOTE 5: EARNINGS PER SHARE

The denominator for the calculation of diluted earnings per share at May 31, 2009 and 2008 are calculated as follows:

| | May 31, 2009 | May 31, 2008 |
|---|---|---|
| Denominator for basic earnings per share | 14,414,714 | 14,361,091 |
| Dilutive effect of stock options | - | - |
| Denominator for diluted earnings per share | 14,414,714 | 14,361,091 |

The effect of stock options for the three months ended May 31, 2009 and 2008 is not used in the calculation of diluted earnings per share. Due to the net loss for the three months ended May 31, 2009 and 2008, the inclusion of stock options in the calculation would have an anti-dilutive effect.

NOTE 6: REVOLVING LINE OF CREDIT

The Company has a $500,000 revolving line of credit at prime which was 3.25% at May 31, 2009. The loan is collateralized by all of the assets of the Company. The line of credit is payable on demand and must be retired for a 30 day period once annually. If the Company fails to perform the 30 day annual pay down or if the bank elects to terminate the credit line, the bank may at its option convert the outstanding balance to a 36 month term note with payments including interest in 36 equal installments. As of May 31, 2009, the Company’s outstanding balance was $250,000, and the unused credit line was $250,000.

NOTE 7: OTHER INCOME

As previously reported on Form 8-K, filed on July 5, 2005, the Company determined that a former employee had misappropriated approximately $250,000 of the Company’s monies, primarily through unauthorized check writing from the Company’s accounts over a period of three calendar years. The Company had previously expensed substantially all of the misappropriated funds over the years.

The Company has recovered approximately 75% of these funds to date. The Company has a promissory note that is being repaid by the former employee. The note has been fully reserved for as the collectibility is questionable. As previously discussed, the Company can offer no assurances that it will be successful in its attempts to collect the balance of the remaining restitution.

SONO-TEK CORPORATION

ITEM 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

We discuss expectations regarding our future performance, such as our business outlook, in our annual and quarterly reports, press releases, and other written and oral statements. These “forward-looking statements” are based on currently available competitive, financial and economic data and our operating plans. They are inherently uncertain, and investors must recognize that events could turn out to be significantly different from our expectations. These factors include, among other considerations, general economic and business conditions; political, regulatory, competitive and technological developments affecting the Company's operations or the demand for its products; timely development and market acceptance of new products; adequacy of financing; capacity additions, the ability to enforce patents and the successful implementation of the business development program.

We undertake no obligation to update any forward-looking statement.

Overview

Sono-Tek has developed a unique and proprietary series of ultrasonic atomizing nozzles, which are being used in an increasing variety of electronic, medical, industrial, and nanotechnology applications. These nozzles are electrically driven and create a fine, uniform, low velocity spray of atomized liquid particles, in contrast to common pressure nozzles. These characteristics create a series of commercial applications that benefit from the precise, uniform, thin coatings that can be achieved. When combined with significant reductions in liquid waste and less overspray than can be achieved with ordinary pressure nozzle systems, there is lower environmental impact and lower energy use.

We have a well established position in the electronics industry with our SonoFlux spray fluxing equipment. It saves customers from 40% to 80% of the liquid flux required to solder printed circuit boards over more labor intensive methods, such as foam fluxing. Less flux equates to less material cost, fewer chemicals in the workplace, and less clean-up. Also, the SonoFlux equipment reduces the number of soldering defects, which reduces the amount of rework.

In recent years we have diversified our product lines and have successfully entered into the medical device market. To accomplish this goal, we have focused engineering resources on the medical device market, with an emphasis on providing coating solutions for the newest generations of drug coated stents. We have sold a significant number of specialized ultrasonic nozzles and MediCoat stent coating systems to large medical device customers. Sono-Tek’s stent coating systems are superior compared to pressure nozzles in their ability to uniformly coat the very small arterial stents without creating webs or gaps in the coatings. We sell a bench-top, fully outfitted stent coating system to a wide range of customers that are manufacturing stents and/or applying coatings to be used in developmental trials. We have also introduced and sold a production oriented stent coater known as Medicoat II in the past year.

Another change that has stimulated an increase in business has been the development of the WideTrack coating system, a broad-based platform for applying a variety of coatings to moving webs of glass, textiles, plastic, metal, food products and packaging materials. The WideTrack is a long-term product and market development effort. Thus far, we have made successful inroads with WideTrack systems into the glass, medical textile (bandages), and textiles industries. This will require a continuation of market and technology development in these areas in the years ahead. Some of these WideTrack applications involve nano-technology based liquids. We believe there is an excellent fit between the thin, precise films required in nano-technology coating applications and our ultrasonic nozzle systems.

We have also invested time and money in developing equipment solutions for applications in the solar cell and fuel cell clean energy markets. We have seen significant growth in these markets and are serving them with our Exactacoat, Flexicoat and Hypersonic products.

In the electronics, medical device and WideTrack coating markets, it has been incumbent upon us to focus our attention and resources on the development of a much greater international presence. We believe we have accomplished this and plan to continue our marketing efforts. Our international sales have risen from approximately 20% of total revenues in Fiscal Year 2003 to approximately 59% today.

Past history shows the cyclical nature of the electronics business. This cycle, coupled with the increasing trend toward moving electronics production offshore, created a need to diversify. As expected, our US based electronics business has had a significant decline as a result of the trend toward production moving offshore, coupled with a slower economy and the reduced competitiveness of our US based automotive customers. We have been able to offset this reduction in US electronics sales with an increase in our international electronics and medical device sales, as well as with new clean energy applications involving coatings on fuel cells and solar cells.

The creation of technological innovations and the expansion into new geographical markets requires the investment of both time and capital. Although there is no guarantee of success, we expect that over time, these newer markets will be the basis for Sono-Tek's continued growth and will contribute to future profitability.

Liquidity and Capital Resources

Working Capital – Our working capital decreased $194,000 from a working capital of $2,898,000 at February 28, 2009 to $2,704,000 at May 31, 2009. The decrease in working capital is due to the use of cash to fund current period operations and the manufacture of capital equipment. The Company's current ratio is 3.6 to 1 at May 31, 2009 as compared to 3.5 to 1 at February 28, 2009.

Stockholders' Equity – Stockholder's Equity decreased $156,000 from $3,532,000 at February 28, 2009 to $3,376,000 at May 31, 2009. The decrease is a result of the net loss of $169,000 and an adjustment for stock based compensation expense of $13,000.

Operating Activities – Our operating activities provided $119,000 of cash for the three months ended May 31, 2009. During the current period accounts receivable decreased $210,000, inventories decreased $61,000 and prepaid expenses decreased $33,000. The decrease in these assets was offset by the current period net loss of $169,000 and a decrease in accounts payable and accrued expenses of $110,000. In addition, we incurred non-cash expenses of $80,000 for depreciation and $13,000 for stock based compensation expense. We used $710,000 of cash in our operating activities for the three months ended May 31, 2008. The use of cash resulted from the net loss of $130,000, an increase in accounts receivable of $207,000, an increase in inventories of $220,000 and an increase of $43,000 in prepaid assets. In addition to the above, our accounts payable and accrued expenses decreased $235,000 during the current period.

Investing Activities – For the three months ended May 31, 2009, we used $109,000 for the purchase or manufacture of equipment and $4,000 for patent application costs. For the three months ended May 31, 2008, we used $56,000 for the purchase of capital equipment and $13,000 for patent application costs.

Financing Activities – For the three months ended May 31, 2009 and May 31, 2008, we used $6,000 and $7,000, respectively, in financing activities resulting from the repayment of our notes payable.

Results of Operations

For the three months ended May 31, 2009, our sales decreased $156,000 or 10% to $1,465,000 as compared to $1,621,000 for the three months ended May 31, 2008. During the quarter ended May 31, 2009, sales of fluxer units, nozzles, selecta flux units, Widetrack units, spray dryer units and EVS solder recovery units decreased when compared to the quarter ended May 31, 2008. During the current quarter, we saw an increase in sales of our programmable XYZ precision coating units, SonoFlux EZ units, stent coating systems and Hypersonic units when compared to the same period last year.

Our gross profit decreased $132,000 to $657,000 for the three months ended May 31, 2009 from $789,000 for the three months ended May 31, 2008. The decrease in gross profit is due to the current period decrease in sales and the mix of products that have a lower gross profit margin. The gross profit margin was 45% of sales for the three months ended May 31, 2009 compared to 49% for the three months ended May 31, 2008.

Research and product development costs decreased $35,000 to $171,000 for the three months ended May 31, 2009 from $206,000 for the three months ended May 31, 2008. The decrease was principally due to a decrease in salary expense.

Marketing and selling costs decreased $5,000 to $409,000 for the three months ended May 31, 2009 from $414,000 for the three months ended May 31, 2008. During the current quarter we saw an increase in international commission expense, and depreciation related to sales equipment. The increase in these expenses was offset by a decrease in travel and trade show related expenses.

General and administrative costs decreased $61,000 to $248,000 for the three months ended May 31, 2009 from $309,000 for the three months ended May 31, 2008. The decrease was principally due to a voluntary decrease in officer salary expense and a decrease in stock based compensation expense.

## Critical Accounting Policies

The discussion and analysis of the Company's financial condition and results of operations are based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure on contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates under different assumptions and conditions.

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and may potentially result in materially different results under different assumptions and conditions. The Company believes that critical accounting policies are limited to those described below. For a detailed discussion on the application of this and other accounting policies see Note 2 to the Company's consolidated financial statements included in Form 10-K for the year ended February 28, 2009.

### Accounting for Income Taxes

As part of the process of preparing the Company's consolidated financial statements, the Company is required to estimate its income taxes. Management judgment is required in determining the provision for the deferred tax asset. During the fiscal year ended February 28, 2009 the Company increased the valuation reserve for the deferred tax asset. In the event that actual results differ from these estimates, the Company may need to again adjust such valuation reserve.

Stock-Based Compensation

The computation of the expense associated with stock-based compensation requires the use of a valuation model. SFAS 123(R) is a complex accounting standard, the application of which requires significant judgment and the use of estimates, particularly surrounding Black-Scholes assumptions such as stock price volatility, expected option lives, and expected option forfeiture rates, to value equity-based compensation. The Company currently uses a Black-Scholes option pricing model to calculate the fair value of its stock options. The Company primarily uses historical data to determine the assumptions to be used in the Black-Scholes model and has no reason to believe that future data is likely to differ materially from historical data. However, changes in the assumptions to reflect future stock price volatility and future stock award exercise experience could result in a change in the assumptions used to value awards in the future and may result in a material change to the fair value calculation of stock-based awards. SFAS 123(R) requires the recognition of the fair value of stock compensation in net income. Although every effort is made to ensure the accuracy of our estimates and assumptions, significant unanticipated changes in those estimates, interpretations and assumptions may result in recording stock option expense that may materially impact our financial statements for each respective reporting period.

Impact of New Accounting Pronouncements

In May 2009, Statement of Financial Accounting Standards No. 165 – Subsequent Events was issued. The objective of this Statement is to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In accordance with this Statement, an entity should apply the requirements to interim or annual financial periods ending after June 15, 2009. Management intends to adopt this new standard with the filing of the second quarter interim financial statements. The adoption of this new standard is not expected to have a material impact on the financial statements of the Company.

All other new accounting pronouncements issued but not yet effective have been deemed to be not applicable to the Company, hence the adoption of these new accounting pronouncements once effective is not expected to have any impact on the Company.

ITEM 3 – Quantitative and Qualitative Disclosures about Market Risk

The Company does not issue or invest in financial instruments or derivatives for trading or speculative purposes. Substantially all of the operations of the Company are conducted in the United States, and, as such, are not subject to material foreign currency exchange rate risk. Although the Company's assets included $1,471,000 in cash, the market rate risk associated with changing interest rates in the United States is not material

ITEM 4 – Controls and Procedures

The Company has established and maintains "disclosure controls and procedures" (as those terms are defined in Rules 13a –15(e) and 15d-15(e) under the Securities and Exchange Act of 1934 (the "Exchange Act'). Christopher L. Coccio, Chief Executive Officer (principal executive officer) and Stephen J. Bagley, Chief Financial Officer (principal accounting officer) of the Company, have evaluated the Company's disclosure controls and procedures as of May 31, 2009. Based on this evaluation, they have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to Management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding timely disclosure.

In addition, there were no changes in the Company's internal controls over financial reporting during the first fiscal quarter of 2010 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

## PART II - OTHER INFORMATION

Item 1. Legal Proceedings
None

Item 1A. Risk Factors – Not Required for Smaller Reporting Companies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.
None

Item 3. Defaults Upon Senior Securities
None

Item 4. Submission of Matters to a Vote of Security Holders
None

Item 5. Other Information
None

Item 6. Exhibits and Reports
(a) Exhibits

31.1 – 31.2 – Rule 13a - 14(a)/15d – 14(a) Certification

32.1 – 32.2 – Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

Dated: July 13, 2009

SONO-TEK CORPORATION
(Registrant)

/s/ Christopher L. Coccio
By: ______________________________________
Christopher L. Coccio
Chief Executive Officer

/s/ Stephen J. Bagley
By: ______________________________________
Stephen J. Bagley
Chief Financial Officer