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SONO TEK CORP
Form 10-Q
October 15, 2008

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

FORM 10-Q

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

For the quarterly period ended: August 31, 2008

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)

Issuer'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 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
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

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 October 2, 2008
-----	-----
Common Stock, par value \$.01 per share	14,381,996

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SONO-TEK CORPORATION

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SONO-TEK CORPORATION CONSOLIDATED BALANCE SHEETS

ASSETS	August 31, 2008 Unaudited	February 29, 2008
Current Assets:	-----	-----
Cash and cash equivalents	\$ 1,285,399	\$ 2,339,550
Accounts receivable (less allowance of \$18,500 at August 31 and February 29)	816,730	614,378
Inventories	2,039,119	1,602,511
Prepaid expenses and other current assets	86,694	69,032
Deferred tax asset	70,000	70,000
	-----	-----
Total current assets	4,297,942	4,965,471
	-----	-----
Equipment, furnishings and leasehold improvements (less accumulated depreciation of \$1,127,398 and \$1,046,195 at August 31 and February 29, respectively)	495,752	536,892
Intangible assets, net	49,789	34,011
Other assets	7,171	7,171
Deferred tax asset	615,803	615,803
	-----	-----

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TOTAL ASSETS	\$ 5,466,457	\$ 5,889,348
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 339,018	\$ 412,692
Accrued expenses	335,641	452,911
Current maturities of long term debt	18,348	23,909
Deferred tax liability	16,239	16,239
	-----	-----
Total current liabilities	709,246	905,751
Long term debt, less current maturities	18,847	27,628
Deferred tax liability	57,978	57,978
	-----	-----
Total liabilities	786,071	991,357
	-----	-----
Commitments and Contingencies	--	--
Stockholders' Equity		
Common stock, \$.01 par value; 25,000,000 shares authorized, 14,371,091 and 14,361,091 shares issued and outstanding at August 31 and February 29, respectively	144,212	143,612
Additional paid-in capital	8,433,429	8,343,880
Accumulated deficit	(3,897,255)	(3,589,501)
	-----	-----
Total stockholders' equity	4,680,386	4,897,991
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 5,466,457	\$ 5,889,348
	=====	=====

See notes to consolidated financial statements.

SONO-TEK CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
Unaudited

	Six Months Ended August 31,		Three Months
	2008	2007	2008
	-----	-----	-----
Net Sales	\$ 3,226,003	\$ 2,647,166	\$ 1,605,482
Cost of Goods Sold	1,678,928	1,387,884	847,271
	-----	-----	-----
Gross Profit	1,547,075	1,259,282	758,211
	-----	-----	-----
Operating Expenses			
Research and product development costs	419,460	370,257	213,890
Marketing and selling expenses	843,755	494,086	429,846

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General and administrative costs	606,298	447,881	297,642
	-----	-----	-----
Total Operating Expenses	1,869,513	1,312,224	941,378
	-----	-----	-----
Operating (Loss)	(322,438)	(52,942)	(183,167)
Interest Expense	(1,480)	(2,377)	(677)
Interest Income	10,502	47,829	3,717
Other Income	5,662	5,661	2,831
	-----	-----	-----
(Loss) Income from Operations Before Income Taxes	(307,754)	(1,829)	(177,296)
Income Tax (Benefit)	--	(33,813)	--
	-----	-----	-----
Net (Loss) Income	\$ (307,754)	\$ 31,984	\$ (177,296)
	=====	=====	=====
Basic Earnings Per Share	\$ (0.02)	\$ 0.00	\$ (0.01)
	=====	=====	=====
Diluted Earnings Per Share	\$ (0.02)	\$ 0.00	\$ (0.01)
	=====	=====	=====
Weighted Average Shares - Basic	14,364,732	14,360,541	14,368,374
	=====	=====	=====
Weighted Average Shares - Diluted	14,364,732	14,445,376	14,368,374
	=====	=====	=====

See notes to consolidated financial statements.

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SONO-TEK CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended August 31,	
	Unaudited	
	2008	2007
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (Loss) Income	\$ (307,754)	\$ 31,984
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	104,420	67,907
Stock based compensation expense	84,149	19,838
Gain on sale of equipment	23,384	--
Decrease (Increase) in:		
Accounts receivable	(202,352)	149,557
Inventories	(436,608)	(159,851)

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Prepaid expenses and other current assets	(17,662)	41,761
Deferred tax asset	--	(35,000)
(Decrease) Increase in:		
Accounts payable and accrued expenses	(190,944)	(84,187)
	-----	-----
Net Cash (Used In) Provided By Operating Activities	(943,367)	32,009
	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES:		
Patent application costs	(18,073)	--
Purchase of equipment and furnishings	(84,369)	(64,002)
	-----	-----
Net Cash (Used In) Investing Activities	(102,442)	(64,002)
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options and warrants	6,000	--
Repayments of notes payable and loans	(14,342)	(13,469)
	-----	-----
Net Cash (Used In) Financing Activities	(8,342)	(13,469)
	-----	-----
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,054,151)	(45,462)
CASH AND CASH EQUIVALENTS		
Beginning of period	2,339,550	2,268,976
	-----	-----
End of period	\$ 1,285,399	\$ 2,223,514
	=====	=====
SUPPLEMENTAL DISCLOSURE:		
Interest paid	\$ 1,351	\$ 2,376
	=====	=====

See notes to consolidated financial statements.

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SONO-TEK CORPORATION
Notes to Consolidated Financial Statements
Six Months Ended August 31, 2008 and 2007

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 \$100,000 insurable limits at a given bank.

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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 29, 2008, and included in its report on Form 10-KSB. 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 \$61,244 and \$58,949 at August 31, 2008 and February 29, 2008, respectively. Annual amortization expense of such intangible assets is expected to be \$4,600 per year for the next five years.

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

NOTE 2: INVENTORIES

Inventories at August 31, 2008 are comprised of:

Finished goods	\$ 1,067,722
Work in process	629,523
Consignment	9,770
Raw materials and subassemblies	554,302

Total	2,261,317
Less: Allowance	(222,198)

Net inventories	\$ 2,039,119
	=====

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 August 31, 2008, there were 62,500 options outstanding under the 1993 Plan and 1,130,375 options outstanding under the 2003 plan.

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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:

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	2008	2007
Expected life	4 years	4 years
Risk free interest rate	1.8% - 3.13%	4.35% - 5.07%
Expected volatility	55% - 70%	39% - 78%
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 six months ended August 31, 2008 and 2007, net income and earnings per share reflect the actual deduction for stock-based compensation expense. The impact of applying SFAS 123R approximated \$84,149 and \$19,838 in additional compensation expense during the six months ended August 31, 2008 and 2007, respectively. Such amount is 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 August 31, 2008 and 2007 are calculated as follows:

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	August 31, 2008 -----	August 31, 2007 -----
Denominator for basic earnings per share	14,364,732	14,360,541
Dilutive effect of stock options	-- -----	84,835 -----
Denominator for diluted earnings per share	14,364,732 =====	14,445,376 =====

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

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NOTE 6: OTHER INCOME

As previously disclosed 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 74% of these funds to date. The Company has a note that is being paid down 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.

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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

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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 other 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.

One change that has proven successful is our diversification into the medical device market. In the past several years, we have focused engineering resources on the medical device market, with emphasis on providing coating solutions for the new generation 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 several multiple stent coaters known as Medicoat II, designed for production use.

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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), textiles and solar and fuel cell industries. We plan to increase our marketing efforts into the broader textile and food industry markets. 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.

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. It is management's opinion that this strategy will be a better one than relying solely on our traditional domestic electronics business.

Liquidity and Capital Resources

Working Capital - Our working capital decreased \$471,000 from a working capital of \$4,060,000 at February 29, 2008 to \$3,589,000 at August 31, 2008. The Company's current ratio is 6.06 to 1 at August 31, 2008 as compared to 5.5 to 1 at February 29, 2008.

Stockholders' Equity - Stockholder's Equity decreased \$218,000 from \$4,898,000 at February 29, 2008 to \$4,680,000 at August 31, 2008. The decrease is a result

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of the net loss of \$308,000, an adjustment for stock based compensation expense of \$84,000 and the exercise of stock options of \$6,000.

Operating Activities - We used \$943,000 of cash in our operating activities for the six months ended August 31, 2008. The use of cash resulted from the current period net loss of \$308,000, an increase in accounts receivable of \$202,000, an increase in inventories of \$437,000 and an increase of \$18,000 in prepaid assets. In addition to the above, our accounts payable and accrued expenses decreased \$191,000 during the current period.

Investing Activities - We used \$84,000 for the purchase of capital equipment and \$18,000 for patent application costs during the six months ended August 31, 2008. For the six months ended August 31, 2007, we used \$64,000 for the purchase of capital equipment.

Financing Activities - For the six months ended August 31, 2008, we used \$8,000 in financing activities resulting from the repayment of our notes payable of \$14,000 and \$6,000 from the proceeds of stock option exercises. For the six months ended August 31, 2007, we used \$13,000 in financing activities resulting from the repayment of notes payable of \$13,000.

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Results of Operations

During the six month period ended August 31, 2008, our sales increased \$579,000 or 22% to \$3,226,000 as compared to \$2,647,000 for the six months ended August 31, 2007. For the three months ended August 31, 2008, our sales increased \$190,000 to \$1,605,000 as compared to \$1,415,000 for the three months ended August 31, 2007. Our sales for the three month period ended August 31, 2008 were improved over the same period last year due to additional sales of fluxer units, nozzles, stentcoaters, spray dryer units and our programmable XYZ precision coating units.

Our gross profit increased \$288,000 to \$1,547,000 for the six months ended August 31, 2008 from \$1,259,000 for the six months ended August 31, 2007. The gross profit margin was 48% of sales for the six months ended August 31, 2008 and 2007. Our gross profit increased \$102,000 to \$758,000 for the three months ended August 31, 2008 as compared to \$656,000 for the three months ended August 31, 2007. The gross profit margin was 47% of sales for the three months ended August 31, 2008 and 46% for the three months ended August 31, 2007.

Research and product development costs increased \$49,000 to \$419,000 for the six months ended August 31, 2008 from \$370,000 for the six months ended August 31, 2007 and \$38,000 to \$214,000 for the three months ended August 31, 2008 from \$176,000 for the three months ended August 31, 2007. The increases were principally due to an increase in engineering personnel in the current periods. The increases are aimed at the development of new products which will benefit future periods.

Marketing and selling costs increased \$350,000 to \$844,000 for the six months ended August 31, 2008 from \$494,000 for the six months ended August 31, 2007 and \$170,000 to \$430,000 for the three months ended August 31, 2008 from \$260,000 for the three months ended August 31, 2007.

The increase in these expenditures is due to the reorganization of our sales force into two separate Strategic Business Units. We have added additional sales personnel, increased the number of trade shows we participate in and have engaged an outside marketing firm to help increase the awareness of our products. These increases are part of the business development program which was initiated last year.

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General and administrative costs increased \$158,000 to \$606,000 for the six months ended August 31, 2008 from \$448,000 for the six months ended August 31, 2007 and \$65,000 to \$298,000 for the three months ended August 31, 2008 from \$233,000 for the three months ended August 31, 2007. The increases were principally due to an increase in salary expense and an increase 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.

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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 these and other accounting policies see Note 2 to the Company's consolidated financial statements included in Form 10-KSB for the year ended February 29, 2008.

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. The Company reduced the valuation reserve for the deferred tax asset resulting from the net operating losses carried forward due to the Company having demonstrated consistent profitable operations. 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

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recording stock option expense that may materially impact our financial statements for each respective reporting period.

Impact of New Accounting Pronouncements

All 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.

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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 \$1,285,000 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) and Stephen J. Bagley, Chief Financial Officer (principal accounting officer) of the Company, have evaluated the Company's disclosure controls and procedures as of August 31, 2008. 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 second fiscal quarter of 2009 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings
None

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
The following matters were voted upon at the Company's annual meeting of shareholders held on August 21, 2008:

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1. The election of one (1) director of the Company to serve until the Company's 2009 annual meeting of shareholders.

	For ---	Against -----
Joseph Riemer	10,165,374	701,862

There were no broker non-votes.

2. The election of three (3) directors of the Company to serve until the Company's 2010 annual meeting of shareholders.

	For ---	Against -----
Edward J. Handler	10,200,485	666,751
Donald F. Mowbray	10,200,485	666,751
Samuel Schwartz	10,220,374	646,862

There were no broker non-votes.

Christopher L. Coccio and Philip Strasburg, who were not standing for re-election, continued to serve as Directors following the annual meeting.

3. The ratification of the appointment of Sherb & Co., LLP as the Company's independent auditors for the fiscal year ending February 28, 2009.

For 10,800,291; Against 47,525; Abstained 19,419 There were no broker non-votes.

Item 5. Other Information

None

Item 6. Exhibits and Reports

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

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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.

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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: October 15, 2008

SONO-TEK CORPORATION
(Registrant)

By: /s/ Christopher L. Coccio

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Christopher L. Coccio
Chief Executive Officer

By: /s/ Stephen J. Bagley

Stephen J. Bagley
Chief Financial Officer

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