

SONO TEK CORP
Form 10-K
May 29, 2009

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year ended: February 28, 2009

Commission File Number: 0-16035

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

NEW YORK
(State or other Jurisdiction of
Incorporation or Organization)

14-1568099
(IRS Employer Identification Number)

2012 Route 9W, Milton, New York
(Address of Principal Executive Offices)

12547
(Zip Code)

Registrant's Telephone Number, Including
Area Code: (845) 795-2020

Securities Registered Pursuant to Section
12(b) of the Act: None

Securities Registered Pursuant to Section
12(g) of the Act: Common Stock, \$.01
par value
(Title of Class)

Indicate by checkmark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act.
 Yes No

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the
Exchange Act. Yes No

Indicate by checkmark 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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by checkmark 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. (Check One):

Large Accelerated Filer Accelerated Filer Non-accelerated Filer 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

The Issuer had revenues of \$6,408,796 for the Fiscal Year ended February 28, 2009.

As of May 18, 2009, the aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant was approximately \$6,685,550 computed by reference to the average of the bid and asked prices of the Common Stock on said date, which average was \$.55.

The Registrant had 14,414,714 shares of Common Stock outstanding as of May 18, 2009.

DOCUMENTS INCORPORATED BY REFERENCE: None.

PART I

ITEM 1 DESCRIPTION OF BUSINESS

Organization and Business

Sono-Tek Corporation (the “Company”, “Sono-Tek”, “We” or “Our”) was incorporated in New York on March 21, 1975 for the purpose of engaging in the development, manufacture and sale of ultrasonic liquid atomizing nozzles. Ultrasonic nozzle systems atomize low to medium viscosity liquids by converting electrical energy into mechanical motion in the form of high frequency ultrasonic vibrations that break liquids into minute drops that can be applied to surfaces at low velocity. The principal advantage of these nozzle systems is that they use much less liquid than competitive nozzle systems to attain the required coatings on glass, textiles, food and food packaging, circuit boards, medical devices and many other coating applications. This advantage translates into lower costs for materials, less water consumption, less energy required for subsequent drying operations and less release into the environment of spray that would normally bounce back with competitive nozzle systems. These factors are increasingly important to customers at a time of rising commodity and energy costs and supply limitations.

We operate in one business segment, spraying and coating systems. The spraying systems business has had periods of sales growth and financial stability, but has had sales declines when the electronics industry, a principal market for our products, has had downturns due to lower levels of printed circuit boards being made. To offset this, we have diversified our product offerings to provide coating systems to medical device manufacturers, to provide precision coating systems for clean energy applications involving fuel cells and solar cells, to provide spray drying systems for nanotechnology applications, and to provide wide area industrial precision coating equipment, including the manufacture of float glass, textiles and food products and packaging.

Product Development

We have core technology and have developed and market the following products:

1. SonoFlux 2000F – spray fluxer product – designed for high volume operations with standard width lines requiring low maintenance using a variety of solder fluxes, including rosin flux. It is designed to be used by electronic circuit board manufacturers to apply solder flux to fixed width circuit boards. The major customers for the SonoFlux 2000F are original equipment manufacturers (OEMs) that produce their own electronic circuit boards.

2. SonoFlux 2000FP, SonoFlux XL and SonoFlux EZ- spray fluxer product - applies solder flux to electronic printed circuit boards that vary from two inches to up to 24 inches in width in a cost-effective and uniform manner. They are designed to be used by either OEMs or contract manufacturers of electronic circuit assemblies. All SonoFlux products provide substantial benefits in terms of reduced use of fluxing agents, reduced need for maintenance and reduced cost of operations compared to foam fluxers and competitive pressure nozzle fluxing products.
3. SonoFlux Servo – a new spray fluxer capable of providing flux to both wide areas of a circuit board as well as selective fluxing. We also sell a selective fluxing apparatus known as Selectaflux.
4. MediCoat and Medicoat II for stent coating – table-top and stand alone, fully-contained systems designed to apply thin layers of polymer and drug coatings to arterial stents with high precision. The system incorporates motion control of the stent during the coating process and produces coatings having excellent uniformity. The MediCoat systems use either the Accumist or MicroMist nozzle systems, which are precision nozzle configurations used in applications where precise patterns of lines and dots are required. These products provide customers the ability to achieve a minimal amount of waste of expensive drug polymer coatings and high uniformity of drug addition from stent to stent. Medicoat II has higher throughput capabilities, and is suited for a production environment.
5. WideTrack – Wide area modular coating system – One module can cover substrates from 6 inches to 24 inches wide, depending on the application. Much greater widths can be achieved by linking modules together, and these systems have been applied in glass lines of up to four meters wide. A number of systems have been sold over the past four years, and this application holds promise for the future due to cost and environmental savings demonstrated at customer sites. It uses non-clogging ultrasonic atomizing nozzles to produce a low velocity, highly controllable spray. It is designed to be used in applications that require efficient web-coating or wide area spraying capability. The WideTrack System offers significant advantages over conventional pressure-spray methods in a broad range of applications such as non-woven fabrics, float glass, or odd-shaped industrial or consumer products. Since the ultrasonic spray can be easily controlled, it is possible to use less chemicals, water and energy in applying coatings to glass, textiles, food products and packaging materials than with traditional nozzles. This also results in reduced environmental impact due to less overspray. We recently sold our first WideTrack coater for application in a major textile finishing plant. The sale was based on the projected savings of chemicals, water and energy, which could provide a recoupment of investment in less than a year for the capital equipment.

5. Advanced Energy Applications – We now offer a line of equipment for applications involving coatings for fuel cell membranes and solar energy panels. This equipment is offered in bench-top configurations as our Exactacoat product and standalone as our Flexicoat product. We have also introduced a new product, Hypersonic, for this market. We have seen increasing sales in these growing industries, especially when combined with a novel ultrasonic syringe pump to agitate and suspend the carbon based suspensions needed in fuel cell applications.

Other Product Offerings

We have an exclusive distribution relationship with EVS International. Ltd. (“EVS”), a U.K. Company, to distribute EVS’s line of solder recovery systems and spares parts. The territory for this distribution relationship is the United States and Canada. EVS manufactures the EVS6000, EVS3000 and the EVS1000 solder recovery systems which are used to reclaim solder from the dross which accumulates in the wave-solder equipment of circuit board manufacturers. The customer base for distribution of these systems is synergistic with Sono-Tek’s existing customer base for spray fluxer sales.

We also sell a line of Laboratory Ultrasonic Spray Drying Systems – The SonoDry Ultrasonic Spray Dryer. This new spray dryer is available in three sizes, providing the ability to choose the proper size machine for differing requirements. All SonoDry Spray Dryers are supplied with Sono-Tek’s unique non-clogging ultrasonic atomizing nozzle incorporated into them. SonoDry systems also have the ability to use a traditional twin fluid air atomizing nozzle system as well. Nozzle requirements can be specified by the customer depending on application needs. The machines can handle both aqueous and solvent based liquids. All systems include software that allows for recipe storage and complete data logging of all system functions. The SonoDry series of spray dryers is of particular importance to product and process developers in the following industries: pharmaceuticals (e.g. for drug actives and intermediates, enzymes and low molecular weight proteins), foods (e.g. for nutraceuticals, herbal extracts and flavors) and specialty chemicals (e.g. for fragrances, cosmetics ingredients and nano-scale particles).

Manufacturing

We purchase circuit board assemblies and sheet metal components from outside suppliers. These materials are available from a wide range of suppliers throughout the world. All raw materials used in our products are readily available from many different domestic suppliers. We provide a limited warranty on all of our products covering parts and labor for a period of one year from the date of sale. We also purchase certain systems and subsystems to supplement our in house manufacturing. These items are integrated with our ultrasonic system technology to meet specific applications.

We have a business and quality control system that meets the qualifications of ISO 9001/2000. We were ISO 9001 registered in September 1998 and we have been recertified annually since then.

Research and Development

We believe that our long-term growth and stability is linked to the development and release of products that provide solutions to customer needs across a wide spectrum of industries, while advancing the utility of our core technology. We expended approximately \$804,000 and \$733,000 for Fiscal Years 2009 and 2008, respectively, on new engineering and product development. In addition, we added application engineers to our sales organizations, and these engineers work closely with customers and technical staff to develop new applications for our technology and equipment.

Patents and Licenses

Our business is based in part on the technology covered by our United States patents. We also rely on unpatented know-how in the design and production of our nozzle systems. We have executed non-disclosure and non-compete agreements with all of our employees to safeguard our intellectual property. We execute reciprocal non-disclosure agreements with our key customers to safeguard any jointly developed intellectual property. We also have an exclusive license from Cornell University for a patented vacuum deposition system using our ultrasonic nozzles.

During the fiscal year ended February 28, 2009, we have made significant progress on building our intellectual property portfolio. We have a patent pending covering a new design for our entire line of nozzle systems. We have also applied for patents on the following projects:

- New air shaping technology (US - Chinese patent applications).
- New ultrasonic food processing design and process.
- New type of ultrasonic syringe pump for fuel cell liquids and other nano particle suspensions.

In addition, the United States Patent and Trademark Office granted us a patent for a process for coating three dimensional substrates with thin organic films and products. This process uses our ultrasonic nozzles to produce micro-droplets in a vacuum chamber, which then produce a smooth, continuous, uniform conformal coating on various surfaces such as cardiovascular stents, diabetes monitors and other implantable medical devices.

Marketing and Distribution

Our products are marketed and distributed through independent distributors, sales representatives, or sales representative companies, OEMs and through an in-house direct sales force. Many of our sales leads are generated from our Internet web site and from attendance at major industry trade shows.

In addition to the above, we have engaged an external marketing firm to expand awareness of our products in our targeted industries.

Competition

We operate in competitive markets in the electronics and stent coating industries. We compete against global and regional manufacturers based on price, quality, product features and follow up service. We maintain our competitive position by providing highly effective solutions that meet our customers' requirements and needs. In other markets, there is limited competition based on the uniqueness of the ultrasonic technology in these applications.

Significant Customers

Two customers accounted for 3.4% and 3.3%, of our sales for Fiscal Year ended February 28, 2009.

Foreign and Export Sales

During Fiscal Years 2009 and 2008, sales to foreign customers accounted for approximately \$3,785,000 and \$2,783,000, or 59% and 49% respectively, of total revenues.

Employees

As of February 28, 2009, we employed forty-one full-time employees and six part-time employees. We believe that relations with our employees are generally good.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments to those reports, are also available free of charge on our internet website at <http://www.sono-tek.com> as soon as reasonably practicable after such reports are electronically filed with or furnished to the Securities and Exchange Commission.

ITEM 1A RISK FACTORS – Not Required for Smaller Reporting Companies.

ITEM 1B UNRESOLVED STAFF COMMENTS - None.

ITEM 2 DESCRIPTION OF PROPERTIES

Our offices, product development, manufacturing and assembly facilities are located in an industrial park in Milton, New York. We presently lease a 13,000 square foot building and 6,000 square feet of additional office and storage space in an adjacent building. Our current manufacturing areas consist of (i) a machine shop, (ii) a nozzle assembly/test area, (iii) an electronics assembly area, and (iv) a receiving and shipping area.

We presently maintain a sales and service office in Hong Kong and an equipment demonstration room in Shenzhen, China. The office and demonstration room are located on the premises of one of our product distributors.

ITEM 3 LEGAL PROCEEDINGS – None

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS -

None

PART II

ITEM MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND
5 ISSUER PURCHASES OF EQUITY SECURITIES

(a) Our Common Stock trades in the over-the-counter market on the OTC Bulletin Board. The following table sets forth the range of high and low closing bid quotations for our Common Stock for the periods indicated.

	YEAR ENDED		YEAR ENDED	
	FEBRUARY 28,		FEBRUARY 29,	
	2009		2008	
	HIGH	LOW	HIGH	LOW
First Quarter	\$1.15	\$0.74	\$1.30	\$1.08
Second Quarter	1.15	0.75	1.15	0.90
Third Quarter	0.89	0.40	1.09	0.79
Fourth Quarter	0.65	0.26	0.97	0.66

The above quotations are believed to represent inter-dealer quotations without retail markups, markdowns or commissions and may not represent actual transactions.

(b) As of May 18, 2009, there were 239 shareholders of record of our Common Stock, according to our stock transfer agent. We estimate that we have between 1,000 and 1,400 beneficial shareholders of our common stock. The difference between the shareholders of record and the total shareholders is due to stock being held in street names at our transfer agent.

(c) We have not paid any cash dividends on our Common Stock since inception. We intend to retain earnings, if any, for use in our business and for other corporate purposes.

(d) Recent Sales of Unregistered Securities – On December 13, 2008, we issued an aggregate of 21,813 shares of our Common Stock in connection with the renewal of the lease for our principal premises. We have valued the shares at \$9,161, or \$.42 per share, on the basis of our closing stock price on that date. The issuance of these shares was deemed exempt from registration under Securities Act of 1933 in reliance upon Section 4(2) of the Securities Act and/or Rule 506 of Regulation D promulgated thereunder.

(e) Purchases of Equity Securities by the Issuer – None

ITEM 6 SELECTED FINANCIAL DATA – Not Required for Smaller Reporting Companies.

ITEM 7 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 \$892,000 from a working capital of \$3,790,000 at February 29, 2008 to \$2,898,000 at February 28, 2009. The decrease in working capital is primarily due to the use of cash to fund operations during the current year. Our current ratio is 3.5 to 1 at February 28, 2009, as compared to 5.2 to 1 at February 29, 2008.

Stockholders' Equity - Stockholders' equity decreased \$1,366,000 from \$4,898,000 at February 29, 2008 to \$3,532,000 at February 28, 2009. The decrease in stockholders' equity is the result of the current year's net loss of \$1,513,000, offset by stock based compensation of \$115,000.

Operating Activities - In 2009, we used \$735,000 of cash in our operating activities. In 2008 our operations provided \$491,000 of cash. The current year's use of cash is a result of our net loss for the year and an increase in accounts receivable and inventories.

Investing Activities - In 2009 and 2008, we used \$367,000 and \$385,000, respectively, for the purchase or manufacture of equipment, furnishings and leasehold improvements. In addition, in 2009 and 2008 we used \$29,000 and \$8,000, respectively, for patent application costs.

Financing Activities - In 2009, our net cash provided by financing activities was \$264,000, resulting from the proceeds of our line of credit of \$250,000, proceeds from a note payable for equipment purchases of \$18,000, proceeds from the exercise of stock options of \$22,000 offset by repayments of notes payable of \$26,000.

We currently have a revolving credit line of \$500,000 and a \$150,000 equipment purchase facility, both of these are with a bank. At February 28, 2009, we had \$250,000 outstanding borrowings under the line of credit. The revolving credit line is collateralized by all of the assets of the Company and requires a 30 day annual payoff.

We had outstanding borrowings of \$43,000 under the equipment facility at February 28, 2009. The borrowings have repayment terms which vary from 36 - 60 months and bear interest at rates from 5.2% to 6.6%.

Results of Operations

For the year ended February 28, 2009, our sales increased by \$710,000 to \$6,409,000 as compared to \$5,699,000 for the year ended February 29, 2008. For the year ended February 28, 2009, we experienced an increase in sales of SonoFlux EZ units, SelectaFlux units, Widetrack units, spray drying systems, SonoFlux Servo units and our programmable XYZ precision coating units. For the year ended February 28, 2009, we experienced a decrease in sales of nozzles, ultrasonic generators, fluxer units, stent coaters and EVS Systems when compared to the prior year. Our sales to customers located in Asian countries increased by \$778,000 or 71% for the year ended February 28, 2009. Our sales to US based customers decreased by \$292,000 or 10% for the year ended February 28, 2009.

Our gross profit increased \$186,000, to \$2,850,000 for the year ended February 28, 2009 from \$2,664,000 for the year ended February 29, 2008. Our gross margin percentage was 44% for the year ended February 28, 2009 compared to 47% for the year ended February 29, 2008. During the year ended February 28, 2009, we increased our inventory reserve on our electronics product lines by \$99,000 due to the slowdown in this market. The increase in this reserve had a negative impact on our gross profit margin and it reduced our margin from 46% to 44%, for the year ended February 28, 2009.

Research and product development costs increased \$71,000 to \$804,000 for the year ended February 28, 2009 as compared to \$733,000 for the year ended February 29, 2008. The increase is due to increased engineering personnel, engineering materials, depreciation expense and office rent.

Marketing and selling costs increased \$745,000 to \$1,841,000 for the year ended February 28, 2009 from \$1,096,000, for the year ended February 29, 2008. During the year ended February 28, 2009, we experienced an increase in marketing salaries, international commissions, trade show expenses and depreciation.

The increase in these expenditures is due to the reorganization of our sales force into two separate Strategic Business Units. We added sales personnel, increased the number of trade shows we participated in and engaged an outside marketing firm to help increase the awareness of our products. These increases were part of the business development program which was initiated in the latter part of the year ended February 29, 2008.

General and administrative expense increased \$185,000 to \$1,123,000 for the year ended February 28, 2009 from \$938,000, for the year ended February 29, 2008. The increase is due to an increase in salary expense resulting from an increase in personnel and stock based compensation expense.

Interest income decreased \$68,000 to \$12,000 for the year ended February 28, 2009 as compared to \$80,000 for the year ended February 29, 2008. The decrease in interest income is due to the drop in interest rates that took place during the year ended February 28, 2009 and our decision to not invest our cash because of the economic volatility that was taking place in the credit markets during the year and maintaining a lower cash balance. Our present investment policy is to invest excess cash in short term commercial paper with an S & P rating of at least A1+.

For the year ended February 28, 2009, we incurred an operating loss of (\$918,000) compared to an operating loss of (\$102,000) for the year ended February 29, 2008, an increase of \$816,000. The increase in our operating loss is a result of the effects of our business development plan. Our business development plan began in the third quarter of the year ended February 29, 2008 and its goal was to focus on areas where we had demonstrated new capabilities and on areas where there appeared to be more opportunity that we could serve with additional technical and sales personnel. The program's goal was to grow both sales and net income.

The effects of the business development plan can be seen in the growth of both our sales revenue and operating expenses. For the year ended February 28, 2009, our sales revenues increased by \$710,000 or 12% when compared to the year ended February 29, 2008. The increase in sales revenue is due to our introduction of new products into additional markets. The business development plan increased our sales and marketing expenses by \$745,000 or 68% for the year ended February 28, 2009 when compared to the year ended February 29, 2008. The increase in expenses was mainly in marketing salaries, international commissions, trade show expenses and depreciation.

We have seen positive results from our business development plan in the past fiscal year, such as the 12% increase in revenues. This is particularly noteworthy in that one of our most important business segments, electronics, decreased due to the global recession and reduced consumer demand. Another positive is the increased staffing and international coverage, coupled with attendance at many more trade shows increased our international sales by over \$1,002,000 or 36% when compared to the prior year. For the year ended February 28, 2009, sales to foreign customers accounted for approximately 59% of total sales as compared to 49% for the prior year. This increase has offset the deep US decline experienced this past year.

For the year ended February 28, 2009, we incurred a net loss of (\$1,513,028) compared to net income of \$11,205 for the year ended February 29, 2008, a decrease of \$1,524,233. Income tax expense increased \$637,000 to \$612,000 for the year ended February 28, 2009 as compared to a tax benefit of \$25,000 for the year ended February 29, 2008. During the year ended February 28, 2009, we increased the valuation reserve of our deferred tax asset resulting in the recognition of current period tax expense of \$612,000. The increase in the valuation reserve is a non-cash expense item. The increase in the valuation reserve is based on our estimate of our ability to utilize the current net operating loss carryforwards. In the future, we may adjust the valuation reserve based upon our return to profitable operations.

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 collectability is questionable. As previously discussed, the Company can offer no assurances that it will be successful in its attempt to collect the balance of the remaining restitution.

Critical Accounting Policies

The discussion and analysis of the Company's financial condition and results of operations are based upon the Company's 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 its critical accounting policies are limited to those described below. For a detailed discussion on the application of these and other accounting policies, please see the notes to the Company's consolidated financial statements.

Accounting for Income Taxes

As part of the process of preparing the consolidated financial statements, the Company is required to estimate income taxes. Management judgment is required in determining the provision for the deferred tax asset. The Company increased the valuation reserve for the deferred tax asset due to the operating loss for the current year which reduces the possibility for the utilization of the net operating loss carryforwards. 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. We currently use a Black-Scholes option pricing model to calculate the fair value of stock options. We primarily use historical data to determine the assumptions to be used in the Black-Scholes model and have 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 April 2008, the FASB issued FSP No. 142-3, “Determination of the Useful Life of Intangible Assets”. FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, “Goodwill and Other Intangible Assets”, and requires enhanced disclosures. FSP 142-3 must be applied prospectively to all intangible assets acquired as of and subsequent to fiscal years beginning after December 15, 2008. Management does not expect the adoption of FSP No. 142-3 to have a material impact on our consolidated financial statements.

All other accounting pronouncements issued but not yet effective have been deemed to be not applicable or the adoption of such accounting pronouncement is not expected to have a material impact on the financials.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK – Not Required for Smaller Reporting Companies.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements are presented on pages 27 to 43 of this Report.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE – None.

ITEM 9A CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Act”) as of the end of the period covered by this annual report on Form 10-K. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of such date, at a reasonable level of assurance, in ensuring that the information required to be disclosed by our company in the reports we file or submit under the Act is (i) accumulated and communicated to our management (including the Chief Executive Officer and Chief Financial Officer) in a timely manner, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our Chairman & CEO (principal executive officer) and Chief Financial Officer (principal accounting officer), we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, management has concluded that our internal control over financial reporting was effective as of February 28, 2009. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting pursuant to temporary rules of the Securities and Exchange Commission.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B

OTHER INFORMATION - None.

PART III

ITEM 10

DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

(a) Identification of Directors

Name	Age	Position with the Company
Christopher L. Coccio	68	Chief Executive Officer, Chairman and a Director
Edward J. Handler, Esq.	72	Director*
Donald F. Mowbray	71	Director*
Joseph Riemer	60	President and Director
Samuel Schwartz	89	Chairman Emeritus and Director
Philip A. Strasburg, CPA	70	Director*

* Member of the Audit Committee and Compensation Committee.

The Board of Directors is divided into two classes. The directors in each class serve for a term of two years. The terms of the classes are staggered so that only one class of directors is elected at each annual meeting of the Company. The terms of Dr.'s Coccio and Riemer and Mr. Strasburg run until the annual meeting to be held in 2009. The terms of Dr. Mowbray and Messrs. Handler and Schwartz run until the annual meeting to be held in 2010, and in each case until their respective successors are duly elected and qualified.

Audit Committee

The Company’s Board of Directors has an Audit Committee composed of Edward J. Handler, Donald F. Mowbray and Philip A. Strasburg, CPA, as Chairman of the Audit Committee. The “audit committee financial expert” designated by the Board is Philip A. Strasburg. The Company considers Mr. Strasburg to be an “independent director”.

The Audit Committee is responsible for (i) selecting an independent public accountant for ratification by the stockholders, (ii) reviewing material accounting items affecting the consolidated financial statements of the Company, and (iii) reporting its findings to the Board of Directors.

Nominating Committee

There have been no changes to the procedures by which shareholders may recommend nominees to the Board of Directors.

Identification of Executive Officers

Name	Age	Position with the Company
Stephen J. Bagley, CPA	46	Chief Financial Officer
Christopher L. Coccio	68	Chief Executive Officer, Chairman and a Director
Vincent F. DeMaio	71	Vice President - Director of Programs
R. Stephen Harshbarger	41	Vice President – Director of Advanced Energy SBU
Joseph Riemer	60	President and Director

The foregoing officers are elected for terms of one year or until their successors are duly elected and qualified or until terminated by the action of the Board of Directors. There are no arrangements or understandings between any executive officer and any other persons(s) pursuant to which he was or is to be selected as an officer.

Business Experience

STEPHEN J. BAGLEY, CPA was appointed Chief Financial Officer in June 2005. From 1987 to 1991 he worked in public accounting in various capacities. From 1992 to 2005, he held various leadership positions as Controller, Chief Financial Officer and Vice President of Finance for companies with up to \$45,000,000 in revenues. Mr. Bagley earned a Bachelor of Science degree from The State University of NY – College at Oneonta and an MBA from Marist College. He was licensed as a CPA in 1990.

DR. CHRISTOPHER L. COCCIO was appointed President and Chief Executive Officer of Sono-Tek on April 30, 2001, has been a Director of the Company since June 1998, and was appointed Chairman in August 2007. From 1964 to 1996, he held various engineering, sales, marketing and management positions at General Electric Company, with P&L responsibilities for up to \$100 million in sales and 500 people throughout the United States. His business experience includes both domestic and international markets and customers. He founded a management consulting business in 1996, and worked with the New York State Assembly's Legislative Commission on Science and Technology from 1996 to 1998. From 1998 to 2001, he worked with Accumetrics Associates, Inc., a manufacturer of digital wireless telemetry systems, as Vice President of Business Development and member of the Board of Advisors. Dr. Coccio received a B.S.M.E. from Stevens Institute of Technology, an M.S.M.E. from the University of Colorado, and a Ph.D. from Rensselaer Polytechnic Institute in Chemical Engineering.

VINCENT F. DEMAIO has been a Vice President of the Company since March 2003. He joined the Company in August 1991 as Production Manager and has served as Field Service Manager and Director of Operations. Prior to joining the Company, Mr. DeMaio was an independent real estate developer from 1987 to 1991. From 1956 to 1987, Mr. DeMaio was employed by IBM Corporation in various manufacturing positions, the last being Manufacturing Supervisor over 600 employees.

EDWARD J. HANDLER, III, Esq., is a retired partner from Kenyon & Kenyon, a law firm that provided intellectual property advice to the Company. Mr. Handler became a Director of the Company on October 1, 2004, coincident with his retirement from his law firm. Mr. Handler has 40 years experience in all aspects of intellectual property, including patents, trade secrets, trademarks and copyrights, including litigation and other adversarial proceedings. Mr. Handler is President and COO of Storm Bio, Inc., a private Delaware corporation active in the area of therapeutics for acute inflammatory conditions. Mr. Handler is past President of the West Point Society of New York and a past Trustee of the Association of Graduates, U.S. Military Academy. He holds a J.D. degree from the University of Virginia Law School and a B.S. in Engineering Science from the United States Military Academy.

R. STEPHEN HARSHBARGER has been Vice President of the Company since June 2000. He joined the Company in October 1993 as a Sales Engineer and served in various sales management capacities from 1997 to 2000. Prior to joining the Company, Mr. Harshbarger was the Sales and Marketing Coordinator at Plasmaco, Inc., a developer and manufacturer of state-of-the-art flat panel displays. He is a graduate of Bentley College, with a major in Finance and a minor in Marketing.

DR. DONALD F. MOWBRAY has been a Director since August 2003. He has been an independent consultant since August 1997. From September 1992 to August 1997 he was the Manager of the General Electric Company's Corporate Research and Development Mechanical Engineering Laboratory. From 1962 to 1992 he worked for the General Electric Company in a variety of engineering and managerial positions. Dr. Mowbray received a B.S. in Aeronautical Engineering from the University of Minnesota in 1960, a Master of Science in Engineering Mechanics from the University of Minnesota in 1962 and a Ph.D. from Rensselaer Polytechnic Institute in Engineering Mechanics in 1968.

DR. JOSEPH RIEMER joined the Company in January 2007 as Vice President of Engineering, became a Director in August 2007 and was appointed President in September 2007. Dr. Riemer holds a Ph.D. in Food Science and Technology from the Massachusetts Institute of Technology (MIT), focusing on food technology, food chemistry, biochemical analysis, and food microbiology. His experience includes seven years with Pfizer in its Adams Confectionary Division, where he was Director, Global Operations Development. Dr. Riemer has also held leading positions with several food, food ingredients, and personal care products companies. He has served in the capacities of research and development, operations, and general management. Prior to joining the Company, he was a management consultant serving clients in the food, biotech and pharmaceutical industries

SAMUEL SCHWARTZ has been a Director of the Company since August 1987, and was Chairman of the Board from February 1993 to May 1999 and August 2001 to August 2007. From 1959 to 1992, he was the Chairman and Chief Executive Officer of Krystinel Corporation, a manufacturer of ceramic magnetic components used in electronic circuitry. He received a B.Ch.E. from Rensselaer Polytechnic Institute in 1941 and an M.Ch.E. from New York University in 1948.

PHILIP STRASBURG, CPA, has been a Director since August 2004. He is a retired partner from the firm of Anchin Block and Anchin, LLP and has 40 years of experience in auditing. He served as Audit Committee Chairman from August 2004 until February 2005, when he was elected Treasurer. Mr. Strasburg was reappointed Audit Committee chairman in May 2005 concurrent with his resignation as Treasurer. He was the lead partner on the Sono-Tek account from Fiscal 1994 to Fiscal 1996. Mr. Strasburg is a certified public accountant in New York State. He has a Master of Science in economics from The London School of Economics and Political Science and a Bachelors of Science degree from Lehigh University, where he majored in business administration. He is a member of the Board of Directors of the Westchester Public/Private Partnership for Aging Services.

(b) Identification of Certain Significant Employees

Not applicable.

(c) Family Relationships

None.

(d) Involvement in certain legal proceedings

None.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's Directors, executive officers and persons who own more than ten percent of the Company's common stock to file with the Securities and Exchange Commission initial reports of beneficial ownership and reports of changes of beneficial ownership of common stock. Such persons are also required by Securities and Exchange Commission regulations to furnish the Company with copies of all such reports. Based solely on a review of such filings, during the year ended February 28, 2009, all of the Company's Directors and executive officers and holders of more than ten percent of the Company's stock have made timely filings of such reports.

Code of Ethics

The Company has adopted a Code of Ethics for senior executives and financial officers. The Board intends that this Code satisfy the requirements of the Securities and Exchange Commission rules for a Code of Ethics that applies to senior management. A copy of the Company's Code of Ethics is posted on the "information for investors" web page located at <http://www.sono-tek.com/corporate/page/91/88> and is available in print to any shareholder who requests a copy.

ITEM 11

EXECUTIVE COMPENSATION

The following table sets forth the aggregate remuneration paid or accrued by the Company for the Fiscal Years ended February 28, 2009 and February 29, 2008 for each named officer of the Company.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards	Option Awards	All Other Compensation (\$)	Total (\$)
Christopher L. Coccio CEO, Chairman and Director	2009	191,923	0	0	7,500	3,875	203,298
	2008	168,845	0	0	0	4,362	173,207
Joseph Riemer, President	2009	150,298	0	0	18,576	2,660	171,534
	2008	133,862	0	0	7,642	1,820	143,324
R. Stephen Harshbarger Vice-President	2009	138,758	0	0	0	2,775	141,533
	2008	140,469	0	0	0	2,917	143,386

All Other Compensation represents Company contributions to the Company's 401K plan.

Outstanding Equity Awards At Fiscal Year End

Name	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date
	Exercisable	Unexercisable		
Christopher L. Coccio	139,190		0.74 (1)	11/12/2014
	50,000		0.74	03/05/2018
	20,000		0.95	05/19/2014
	100,000		1.00 (2)	11/12/2014
	225,000		1.75	11/12/2014
Joseph Riemer	5,666	33,334	0.74	03/05/2018
	22,500	27,500	0.95	09/04/2017
	11,250	13,750	1.18	04/13/2017
R. Stephen Harshbarger	10,000		0.95	5/19/2014

(1) These options were previously exercisable at \$1.75 per share. The Board of Directors re-priced them in March 2008.

(2) These options were previously exercisable at \$1.75 per share. The Board of Directors repriced them in June 2008.

Compensation of Directors

Each non-employee director receives \$500 for each meeting attended. Committee Chairmen and committee members receive \$100 for each committee meeting attended. Directors who are employees of the Company receive no additional compensation for serving as directors. For the year ended February 28, 2009, director compensation is as follows:

2009 Director Compensation

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified		All Other Compensation (\$)	Total (\$)
					Deferred Compensation Earnings (\$)			
Edward J. Handler	1,500	-	1,431	-	-	-	-	2,931
Donald F. Mowbray	2,500	-	1,431	-	-	-	-	3,931
Samuel Schwartz	2,500	-	1,431	-	-	-	-	3,931
Philip Strasburg	2,500	-	1,431	-	-	-	-	3,931

The number of vested and unvested stock options held by non-employee directors as of February 28, 2009 is as follows:

	Number of Vested Options	Number of Unvested Options
Edward J. Handler	20,000	10,000
Donald F. Mowbray	30,000	10,000
Samuel Schwartz	60,000	10,000
Philip Strasburg	30,000	10,000

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following information is furnished as of May 18, 2009 to indicate beneficial ownership of the Company's Common Stock by each Director, by each named executive officer who has a salary and bonus in excess of \$100,000, by all Directors and executive officers as a group, and by each person known to the Company to be the beneficial owner of more than 5% of the Company's outstanding Common Stock. Such information has been furnished to the Company by the indicated owners. Unless otherwise indicated, the named person has sole voting and investment power.

Name (and address if more than 5%) of Beneficial owner	Amount Beneficially Owned	Percent
Directors and Officers		
*Christopher L. Coccio	1,021,1251	6.83%
*Edward J. Handler	122,5082	**
*R. Stephen Harshbarger	10,0003	**
*Donald F. Mowbray	60,0004	**
*Joseph Riemer	88,0255	**
*Samuel Schwartz	1,580,1476	10.91%
*Philip A. Strasburg	60,0007	**
All Executive Officers and Directors as a Group	3,068,3588	20.15%
Additional 5% owners		
Herbert Spiegel 425 East 58th Street New York, NY 10022	756,931	5.25%
Norwood Venture Corporation 65 Norwood Avenue Montclair, NJ 07043	1,084,672	7.52%

Edgar Filing: SONO TEK CORP - Form 10-K

Norman H. Pessin	721,978	5.01%
366 Madison Avenue		
New York, NY 10017		

* c/o Sono-Tek Corporation, 2012 Route 9W, Milton, NY 12547.

** Less than 1%

- 1 Includes 3,000 shares owned jointly with Dr. Coccio's father, 2,000 shares in the name of Dr. Coccio's wife and 534,190 options currently exercisable issued under the Company's Stock Incentive Plans.
- 2 Includes 61,579 shares owned jointly with Mr. Handler's wife, 35,929 shares in the name of Mr. Handler's wife and 25,000 options currently exercisable issued under the Company's Stock Incentive Plans.
- 3 Represents 10,000 options currently exercisable under the Company's Stock Incentive Plans.
- 4 Includes 35,000 options currently exercisable issued under the Company's Stock Incentive Plans.
- 5 Includes 54,000 options currently exercisable issued under the Company's Stock Incentive Plans.
- 6 Includes 65,000 options currently exercisable issued under the Company's Stock Incentive Plans.
- 7 Includes 35,000 options currently exercisable issued under the Company's Stock Incentive Plans.
- 8 The group total includes 806,460 options currently exercisable issued under the Company's Stock Incentive Plans. The group total includes 75,303 shares and 15,000 exercisable options held by Mr. DeMaio and 250 shares and 36,250 exercisable options held by Mr. Bagley.

Securities Authorized for Issuance Under Equity Compensation Plans:

EQUITY COMPENSATION PLAN INFORMATION

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted- average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved			
by security holders:			
1993 Stock Incentive Plan	62,500	\$0.71	-
2003 Stock Incentive Plan	1,143,065	\$1.12	316,500
Total	1,205,565		316,500

Description of Equity Compensation Plans:

1993 Stock Incentive Plan

Under the 1993 Stock Incentive Plan, as amended ("1993 Plan"), options have been granted to officers, directors, consultants and employees of the Company and its subsidiaries to purchase the Company's common shares. Options granted under the 1993 Plan expire on various dates through 2013. There can be no further grants under the 1993 Plan.

Under the 1993 Stock Incentive Plan, option prices were 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 1993 plan 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.

2003 Stock Incentive Plan

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.

23

The 2003 Plan supplemented and replaced the 1993 Plan. Under the 2003 Stock Incentive Plan, 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 2003 plan 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.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Certain Relationships and Related Transactions

On September 1, 2007, the Company entered into identical Executive Agreements with Stephen J. Bagley, Chief Financial Officer, Christopher L. Coccio, Chief Executive Officer and Joseph Riemer, President. The Company also entered into this Executive Agreement with R. Stephen Harshbarger, Vice President, on March 5, 2008. In the event of a change of control of the Company followed by a termination of the executives' employment under certain circumstances, the Executive Agreements provide for severance payments to each officer equal to one year of the executive's annual base and bonus compensation paid by the Company for the previous calendar year.

Based on last years salary arrangements, if the rights of the foregoing officers were to be triggered following a change of control, they would be entitled to the following payments from the Company: Stephen J. Bagley \$119,000, Christopher L. Coccio \$203,000, R. Stephen Harshbarger \$141,000 and Joseph Riemer \$149,000.

Independence of Directors

The Company's Board of Directors is comprised of four "independent directors", as that term is defined under Nasdaq rules, and two directors who are not "independent directors". The Company's "independent directors" are Samuel Schwartz, Donald Mowbray, Edward Handler and Philip Strasburg. Christopher Coccio and Joseph Riemer are employees of the Company and are therefore not independent.

ITEM 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees

For the Fiscal Years ended February 28, 2009 and February 29, 2008, the Company paid or accrued fees of approximately \$40,500 and \$40,500 for services rendered by Sherb & Co., LLP, its independent auditors. These fees included audit and review services.

Audit Related Fees - None

Tax Fees

For the Fiscal Years ended February 28, 2009 and February 29, 2008, the Company paid or accrued tax preparation fees of approximately \$5,500 and \$5,500 for services rendered by Sherb & Co., LLP, its independent auditors.

All Other Fees – None

PART IV

ITEM 15 EXHIBITS

Ex. No.	Description
3(a)1	Certificate of Incorporation of the Company and all amendments thereto.
3(b)1	By-laws of the Company as amended.
10(a) 1	Sono-Tek Corporation 1993 Stock Incentive Plan as amended.
10(b)1	Sono-Tek Corporation 2003 Stock Incentive Plan.
10(c) 4	Equipment Line Credit Agreement between Sono-Tek Corporation and M&T Bank, dated March 24, 2005.
10(d) 4	General Security Agreement between Sono-Tek Corporation and M&T Bank, dated December 21, 2004.
10(e) 5	Executive Agreement between Sono-Tek Corporation and Stephen J. Bagley dated September 1, 2007.
10(f) 5	Executive Agreement between Sono-Tek Corporation and Christopher L. Coccio dated September 1, 2007.
10(g) 5	Executive Agreement between Sono-Tek Corporation and Joseph Riemer dated September 1, 2007.
10(h) 6	Executive Agreement between Sono-Tek Corporation and R. Stephen Harshbarger dated March 5, 2008.
143	Code of Ethics.
212	Subsidiaries of Issuer.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Rule 13a-14/15d – 14(a) Certification.
31.2	Rule 13a-14/15d – 14(a) Certification.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

1 Incorporated herein by reference to the Company's Registration Statement No. 333-11913 on Form S-8 filed on February 18, 2004.

2 Incorporated herein by reference to the Company's Form 10-KSB for the year ended February 28, 2003.

3 Incorporated herein by reference to the Company's Form 10-KSB for the year ended February 29, 2004.

4 Incorporated herein by reference to the Company's Form 10-KSB for the year ended February 28, 2005.

5 Incorporated herein by reference to the Company's Form 10-QSB for the quarter ended August 31, 2007.

6 Incorporated herein by reference to the Company's Form 10-Q for the quarter ended May 31, 2008.

SONO-TEK CORPORATION

FORM 10-K

ITEM 7

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

FOR THE YEARS ENDED FEBRUARY 28, 2009 and FEBRUARY 29, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

CONSOLIDATED FINANCIAL STATEMENTS:

Consolidated Balance Sheets at February 28, 2009 and February 29, 2008

Consolidated Statements of Operations
For the Years Ended February 28, 2009 and February 29, 2008

Consolidated Statements of Stockholders' Equity
For the Years Ended February 28, 2009 and February 29, 2008

Consolidated Statements of Cash Flows
For the Years Ended February 28, 2009 and February 29, 2008

Notes to the Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Sono-Tek Corporation
Milton, New York

We have audited the accompanying consolidated balance sheets of Sono-Tek Corporation as of February 28, 2009 and February 29, 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years ended February 28, 2009 and February 29, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sono-Tek Corporation, as of February 28, 2009 and February 29, 2008 and the results of their operation and their cash flows for each of the years then ended February 28, 2009 and February 29, 2008 in conformity with accounting principles generally accepted in the United States.

/s/ SHERB & CO., LLP
Certified Public Accountants
New York, New York
May 19, 2009

SONO-TEK CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS

	February 28, 2009	February 29, 2008
Current Assets:		
Cash and cash equivalents	\$ 1,472,054	\$ 2,339,550
Accounts receivable (less allowance of \$18,500 and \$18,500, respectively)	801,290	614,378
Inventories, net	1,663,574	1,602,511
Prepaid expenses and other current assets	98,805	69,032
Deferred tax asset	-	70,000
Total current assets	4,035,723	4,695,471
Equipment, furnishings and leasehold improvements (less accumulated depreciation of \$1,274,793 and \$1,046,195)	588,109	536,892
Intangible assets, net	57,778	34,011
Other assets	7,171	7,171
Deferred tax asset	-	615,803
TOTAL ASSETS	\$ 4,688,781	\$ 5,889,348

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	\$ 385,825	\$ 412,692
Accrued expenses	478,413	452,911
Line of credit – Bank	250,000	-
Current maturities of long term debt	23,633	23,909
Deferred tax liability	-	16,239
Total current liabilities	1,137,871	905,751
Long term debt, less current maturities	19,220	27,628
Deferred tax liability	-	57,978
Total Liabilities	1,157,091	991,357
Commitments and Contingencies -	-	
Stockholders' Equity		
Common stock, \$.01 par value; 25,000,000 shares authorized, 14,414,714 and 14,361,091 issued and outstanding, respectively	144,148	143,612
Additional paid-in capital	8,490,071	8,343,880
Accumulated deficit	(5,102,529)	(3,589,501)
Total stockholders' equity	3,531,690	4,897,991

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	4,688,781	\$	5,889,348
--	----	-----------	----	-----------

See notes to consolidated financial statements.

SONO-TEK CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended	
February 28, 2009	February 29,