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# DELTA REPORT

## 10-K

SOTK - SONO TEK CORP

10-K - FEBRUARY 29, 2024 COMPARED TO 10-K - FEBRUARY 28, 2023

The following comparison report has been automatically generated

| TOTAL DELTAS | 1399 |
|---|---|
| CHANGES | 273 |
| DELETIONS | 550 |
| ADDITIONS | 576 |

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 29, 2024**
, 2023

Commission File Number: **000-16035**

(Name (Name of registrant as specified in its charter)

| | |
|---|---|
| **NEW YORK** | **14-1568099** |
| (State or other Jurisdiction of Incorporation or Organization) | (IRS Employer Identification Number) |
| **2012 Route 9W, Milton, New York** | **12547** |
| (Address of Principal Executive Offices) | (Zip Code) |

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

Securities Registered Pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered | |
|---|---|---|---|
| Common Stock $0.01 par value | SOTK | SOTK | The Nasdaq Stock Market LLC (Capital Market) |

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark 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 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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | |
|---|---|---|
| Large Accelerated Filer ☐ | Accelerated Filer ☐ | |
| Non-accelerated Filer ☑ | Smaller reporting company ☑ | Emerging growth company ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of August 31, 2022 August 31, 2023 the last business day of the Registrant’s most recently completed second fiscal quarter, the aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant was approximately $81,462,747 72,065,185 computed by reference to the average of the bid and asked prices of the Common Stock on said date, which average was $5.52. $4.84.

The Registrant had 15,742,073 15,750,880 shares of Common Stock outstanding as of May 23, 2023 May 17, 2024.

DOCUMENTS INCORPORATED BY REFERENCE: None.

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PART I

## ITEM 1 BUSINESS

Sono-Tek Corporation (the “Company”, “Sono-Tek”, “We” or “Our”) is the world leader in the design and manufacture of ultrasonic coating systems for applying precise, thin film coatings to add functional properties, protect or strengthen surfaces on parts and components for the microelectronics/electronics, alternative energy, medical, industrial and emerging research & development/other markets. We design and manufacture custom-engineered ultrasonic coating systems incorporating our patented technology, in combination with strong applications engineering knowledge, to assist our customers in achieving their desired coating solutions.

Our ultrasonic nozzle systems use high frequency ultrasonic vibrations that atomize liquids into minute drops that can be applied to surfaces at low velocity providing microscopic layers of protective and other useful materials over a wide variety of surfaces, including glass and metals. Our equipment solutions are environmentally-friendly, efficient and highly reliable. They enable dramatic reductions in overspray, savings in raw materials, water and energy usage and provide improved process repeatability, transfer efficiency, high uniformity and reduced emissions. We serve a variety of industries and applications and have a broad base of customers.

The applications that are employing our unique coating technology and expertise have been expanding as the advantages of ultrasonic coatings are more broadly recognized. The original application of our technology was to coat the inner surface of blood collection tubes used for medical diagnostic testing. Our products enable the application of a thin and uniform coating of material that prevents coagulation of blood. Following that initial breakthrough, our technology was then used for applying uniform flux coatings to printed circuit boards, a critical part of the fabrication process for all electronic devices. A later application for much larger surfaces was to address the many challenges that glass manufacturers faced. They needed a solution for specialized glass applications in the construction and automotive industries. Among other things, our ultrasonic nozzles are used to provide coatings that improve durability, create filters, increase clarity, reduce reflection, enable conductivity, and enhance safety. We have invested significant resources to enhance our market diversity by leveraging our core ultrasonic coating technology. As a result, we have increased our portfolio of products, the industries we serve, and the countries in which we sell our products.

We were founded by the inventor of the ultrasonic nozzle, Dr. Harvey Berger, and incorporated in New York on March 21, 1975. We became a public company in 1987 and our stock is traded on the Nasdaq Capital Market. Our corporate offices are located in Milton, New York where our production facilities are co-located. We also have a sales and service office in Singapore and an application process development laboratory in Guangzhou, China. We are ISO 9001 qualified since registering in September 1998 and have been recertified annually since then.

Our fiscal year ends on February 28. 28, except in leap years when it ends on February 29. We refer to the fiscal year ended February 28, 2023 February 29, 2024 as “fiscal 2023” 2024” and use similar protocol for previous fiscal years.

***Our Products, Markets and Customers***

Our products are used in a wide range of applications. We provide our customers a broad offering of ultrasonic spray coating equipment solutions custom suited for their requirements and we continually expand our offerings to address new applications. Our products include fully integrated Multi-Axis Coating Systems, Integrated Coating Systems, Fluxing Systems, OEM Systems and other related systems. We invest heavily in research and development to continually bring to market new solutions for our customers, to increase our market share and to solve high value problems in manufacturing.

Our Multi-Axis Coating Systems, Integrated Coating Systems and Fluxing Systems provide complete fully integrated solutions for our customers, while we created the Universal Align to offer our customers subsystems that integrate our nozzles and generators that they can then incorporate for incorporation into their original equipment.

We have built our brand and reputation on providing high quality, highly reliable products that provide consistent performance for critical applications in demanding operating environments. Our surface coating solutions are used in 24/7 work schedules, under harsh and challenging manufacturing environments, where they provide value in a continuous and dependable fashion.

We target the following markets where our product quality and consistency and application knowledge are valued by our customers:

- **Micro-Electronics/Electronics:**
- Micro-Electronics/Electronics:
  - Printed circuit boards: Ultrasonic flux application that removes oxidation and is more efficient than standard, historic processes
  - Semiconductors: Applications of micron-thin photo-resist layers onto complex wafers
  - Sensors: Application of chemical, biological or other detection coatings as well as physical photoelectric elements for conversion of input and output signals
  - Display/panel glass on personal electronic devices: for sensitivity to temperature, imprint, pressure and for physical protection
- **Medical:** Our systems are used in this industry to apply micron layers of polymers and drugs, biomedical materials and anti-coagulants.
  - **Medical:** Our systems are used in this industry to apply micron layers of polymers and drugs, biomedical materials and anti-coagulants.
  - Implanted medical devices such as:
    - Stents and balloons
    - Artificial joints
  - Blood collection tubes
  - Diagnostic devices
  - Bandages/protective wraps
  - Lenses
- Industrial
  - **Industrial**
  - Flat (“float”) glass used for windows in buildings and vehicles
  - Textiles: high performance value adding coatings such as anti-microbial, anti-stain, flame retardant and moisture barriers
  - Food packaging and food safety: anti-microbial coatings
  - Food: coatings of flavors, ingredients and other additives
- **Alternative Energy**: Our systems provide coatings of chemicals and other materials that act as catalysts, barriers, facilitators of symbiosis or other interactions between surfaces.
  - Fuel cells
  - **Alternative Energy**: Our systems provide coatings of chemicals and other materials that act as catalysts, barriers, facilitators of symbiosis or other interactions between surfaces.
  - Solar cells
  - Carbon Capture
  - Green Hydrogen
- Emerging Research and Development / Other Markets
  - Fuel cells
  - Solar cells
- **Emerging Research and Development / Other Markets**
  - Research and development efforts at universities, research institutions and government agencies that are not part of our already established markets
  - A variety of other small industries using our coating technology, that have not yet matured into a developed marketplace for our ultrasonic coating machines

Our principal customers include original equipment manufacturers, distributors and end users of our products in the industries that we serve.

Our products are sold primarily through our direct sales personnel, select independent distributors and through sales representatives around the world that are trained on our technologies and products. Our distributors are typically experts in their industries and recognize the significant value that our technology provides their customers. We provide extensive training and on-site support with our direct sales force and application engineers, who also respond to leads generated by our web site and the trade shows in which we participate. To grow sales, we continue to strengthen our laboratory and applications engineering personnel and support our worldwide process development labs with additional ultrasonic coating equipment, in conjunction with sponsoring various technical training seminars for our distribution network.

We also provide application consulting services enabling our customers to rely on our surface coating expertise and specific customer process optimization. We offer these services both in our application process development laboratory and at our customers' sites where we can assist in the design and development of customized coating systems.

We are a global business and our geographical sales mix can vary from year to year depending on the timing of orders from customers. In fiscal 2023, 55% 2024, 45% of our sales were from outside the U.S. and Canada.

***Our Strengths***

From our core strengths and capabilities, we:

- Have built a strong reputation in the industry based on our ability to solve our customers' complex problems and provide custom engineered, value-added solutions.
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- Are renowned for our product quality, customer service and responsiveness and critical thinking that enables a strong problem-solving culture throughout our organization.
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- Have expanded our ability to provide coating services for low to mid-volume demand to support our customers' product development and testing.
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- Are continually developing new technologies and solutions to address an ever-changing marketplace.
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- Have built a strong balance sheet with no debt, which we believe, provides us with the financial flexibility to pursue our strategic plans for growth, including aggressive pursuit of organic and other development opportunities.
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***Our Strategy***

Our strategy is to further advance the use of ultrasonic coating technologies for the microscopic coating of surfaces in a broader array of applications which enable better outcomes for our customers' products and processes. We believe product superiority is imperative and that it is attained through the extensive experience that we have in the coatings industry, our proprietary manufacturing know-how and skills, and our unique work force that we have built over the years.

We intend to leverage our innovative technologies, proprietary know-how, unique talent and experience, and global reach to:

- Grow the business globally by reaching new markets and further penetrating the markets and customers we currently serve;
- Increase our earnings power through lean manufacturing processes, automation and continuous improvement;
- Develop new and unique technologies that solve our customers' most challenging problems;
- Meet or exceed our customers' expectations; and
- Develop new and unique technologies that solve our customers' most challenging problems;
- Provide an acceptable return to our shareholders.
- Meet or exceed our customers' expectations; and
- Provide an acceptable return to our shareholders.

To accomplish these objectives, we believe that we must judiciously deploy our monetary and human capital in order to expand our presence in our targeted markets and create broader offerings for our customers.

***Availability of Raw Materials***

Historically, we have not been adversely impacted by the availability of raw materials or components used in the manufacture of our products. However, since the onset of the COVID-19 pandemic, we have encountered challenges in procuring supplies of various materials and components, and electronic components in particular, due to well-documented shortages and constraints in the global supply chain. Lead times for ordered components may vary significantly, and some components used to manufacture our products are provided by a limited number of sources. We have experienced lengthened lead times throughout our supply chain as a result of supply chain constraints and material shortages that have occurred through fiscal year 2023.

Generally, except in instances of pandemic related supply chain issues, all raw materials used in our products are available from many different domestic suppliers. We purchase circuit board assemblies and sheet metal components from a wide range of suppliers throughout the world.

When materials are plentiful, we carefully manage our inventory using lean manufacturing processes. We provide a limited warranty on all of our products that covers parts and labor for a period of one year from the date of sale.

***Research and Development***

We believe that our long-term growth is dependent upon the development and commercialization of ultrasonic coating technologies to solve customers' high value problems across a wide spectrum of applications in various industries, while also advancing the utility of our core technology. During fiscal 2023 2024 and fiscal 2022, 2023, we spent $2,149,000 $2,886,000 and $1,730,000, $2,149,000, respectively, on research and development activities related to new products and services and the ongoing improvement of existing products and services. As a percentage of sales, research and development expenses were 14.3% 14.6% and 10.1% 14.3% in fiscal 2023 2024 and 2022, 2023, respectively.

***Intellectual Property***

Our business is based in part on the technology covered by our U.S. patents. We also rely on unpatented know-how in the design and production of our nozzle systems, subsystems and complete solutions. 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.

***Competition***

We operate in competitive markets in many of our industry segments. We compete against alternative coating technologies, as well as global and regional manufacturers of nozzles and other products based on price, quality, product features, application engineering and follow-up service. We maintain our competitive position by providing highly effective solutions that meet our customers' requirements and needs. In several emerging markets, we encounter less competition compared to more established markets based on the uniqueness of our ultrasonic technology in these applications.

***Information Regarding Sales Outside the United States and Canada and Significant Customers***

During fiscal 2023 2024 and fiscal 2022, 2023, net sales to customers outside the U.S. and Canada accounted for approximately $8,822,000, or 45% of total net sales, and $8,254,000, or 55% of total net sales, and $11,653,000, or 68% of total net sales, respectively.

Our two largest customers accounted for 14% of net sales in fiscal 2023.

***Employees***

As of February 28, 2023 February 29, 2024, we employed 73 82 full-time and 11 12 part-time employees. We believe that relations with our employees are generally good.

***Available Information***

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended. Therefore, we file "reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). The SEC maintains a website at www.sec.gov that contains the reports, proxy statements and other information for registrants that file electronically, as we do. Additionally, these reports may be read and copied at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, DC 20549. Information regarding the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330.

We maintain a website at http://www.sono-tek.com. On our site, we provide copies of our Forms 8-K, 10-K, 10-Q, Proxy and Annual Report as soon as reasonably practicable after filing electronically such material with the SEC. Copies are also available, without charge, from Sono-Tek Corporation, 2012 Route 9W, Milton, NY 12547.

## ITEM 1A RISKS RELATED TO OUR BUSINESS AND OPERATIONS

***Ongoing impacts from COVID-19 or another pandemic, epidemic or outbreak of an infectious disease may materially and adversely impact our business, prospects, financial condition and operating results.***

The COVID-19 pandemic has adversely impacted our business, and it, as well as other possible health pandemics, epidemics or outbreaks, may materially and adversely impact our business, prospects, financial condition and operating results in the future. Our engineering and product development operations, among others, cannot all be conducted in a remote working structure and often require on-site access to materials and equipment. We have customers with international operations in varying industries. We also depend on suppliers and manufacturers worldwide. We are currently experiencing disruptions and delays in our supply chain. Depending upon the duration of the ongoing effects of the COVID-19 pandemic, which may linger for some time even if significant health risks abate, our customers, suppliers, manufacturers and partners may suspend or delay their engagement with us or take other actions or experience their own negative impacts, any of which could result in a material adverse effect on our financial condition and ability to meet current timelines. The COVID-19 pandemic has adversely affected and may continue to adversely affect our ability to recruit skilled employees to join our team and to meet our product development timelines. Our response to the ongoing COVID-19 pandemic and its ongoing impacts on our supply chain and business activities may prove to be inadequate, and we may be unable to operate in the manner necessary to avoid interruptions, reputational harm and delays in our product development and shipments, any of which could have a material adverse effect on our business, prospects, financial condition and operating results. In addition, pre-COVID-19 supply chain, economic and business conditions may not ever return.

To the extent COVID-19 continues to impact our business, financial position and results of operations, it may also have the effect of heightening certain of the other risks described in this Annual Report on Form 10-K, such as those relating to our international operations and global strategies and our dependence on third-party suppliers.

***We do not have long-term commitments for significant revenues with most of our customers and may be unable to retain existing customers, attract new customers or replace departing customers with new customers that can provide comparable revenues and profit margins.***

Because we generally do not obtain firm, long-term volume purchase commitments from our customers, most of our sales are derived from individual purchase orders. We remain dependent upon securing new purchase orders in the future in order to sustain and grow our revenues. Accordingly, there is no assurance that our revenues and business will grow in the future. Our failure to maintain and expand our customer relationships could materially and adversely affect our business and results of operations.

***In recent years, a few major customers and distributors have accounted for a significant portion of our revenue. Our revenue could decline if we are unable to maintain or develop relationships with additional customers or distributors and our results of operations could be adversely affected if any one of these customers is unable to meet their financial obligations to us.***

For the year ended February 29, 2024, our two largest customers accounted for approximately 12% of our net sales. For the year ended February 28, 2023, our two largest customers accounted for approximately 14% of our net sales. For the year ended February 28, 2022, our two largest customers accounted for approximately 24% of our net sales. If we are unable to diversify our customer base, our future results could be heavily dependent on these customers and distributors. Our dependence on a limited number of customers and distributors means that the loss of a major customer or distributor or any reduction in orders by a major customer or distributor would materially reduce our net sales and adversely affect our results of operations. We expect that sales to relatively few customers will continue to account for a significant percentage of our net sales for the foreseeable future; however, these customers or our other customers, may not use our products at current levels in the future, if at all. Customer purchase orders may be delayed or cancelled, and order volume levels can be changed with loss of deposit as the only penalty. We may not be able to replace cancelled, delayed, or reduced purchase orders with new orders. If any one of these customers reduces its demand for our products, it will likely have a material adverse effect on our operations.

Furthermore, a significant portion of our accounts receivables is concentrated with a few major customers, who may not be able to meet their financial obligations to us. The failure of any such customers to pay amounts owed to us in a timely fashion or at all could have an adverse effect on our results of operations. The Company is also exposed to credit risk on its accounts receivable, and this risk is heightened during periods when economic conditions worsen. The Company's outstanding receivables are not covered by collateral or credit insurance. The Company's exposure to credit and collectability risk on its receivables may also be higher in certain international markets, and its ability to mitigate such risks may be limited. While the Company has procedures to monitor and limit exposure to credit risk on its receivables, there can be no assurance such procedures will effectively limit our credit risk and avoid losses.

***We will may need to raise additional funds to develop our business, which may adversely affect our future growth.***

We may finance a portion of our anticipated future growth and possibly future strategic acquisitions through public or private equity offerings or debt financings. Additional funds may not be available when we need them on terms that are acceptable to us, or at all. If adequate funds are not available, we may be required to delay or reduce the scope of, our plans to grow our revenues or to consummate one or more strategic acquisitions or otherwise to scale back our business plans. In addition, we could be forced to reduce or forego attractive business opportunities. To the extent that we raise additional funds by issuing equity securities, our stockholders may experience significant dilution. In addition, debt financing, if available, may involve restrictive covenants. We may seek to access the public or private capital markets whenever conditions are favorable, even if we do not have an immediate need for additional capital at that time. Our access to the financial markets and the pricing and terms we receive in the financial markets could be adversely impacted by various factors, including changes in financial markets and interest rates.

***We may be adversely affected by global and regional economic conditions and military, legislative, regulatory and political developments.***

We sell our products around the world, and we expect to continue to derive a substantial portion of sales from outside the U.S. The uncertain macroeconomic environment caused by the outbreak of COVID-19 may adversely affect our results and could have a negative impact on demand for our products. In addition, we are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine. Our business, financial condition and results of operations could be materially adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions. tensions such as regional instability from the conflict between Israel and Hamas.

Customers or suppliers may experience cash flow problems and as a result, may modify, delay or cancel plans to purchase our products, and suppliers may significantly and quickly increase their prices or reduce their output. Additionally, if customers are not successful in generating sufficient revenue or are precluded from securing financing, they may not be able to pay, or may delay payment of, amounts owed to us. Any inability of current and/or potential customers to purchase our products and/or to pay us for our products may adversely affect our sales, earnings and cash flow. Sales and earnings could also be affected by our ability to manage the risks and uncertainties associated with the application of local legal requirements or the enforceability of laws and contractual obligations, trade protection measures, changes in tax laws, regional political instability, war, terrorist activities, severe or prolonged adverse weather conditions and natural disasters as well as health epidemics or pandemics.

***Our success will depend, to a large degree, on the expertise and experience of the members of our management team, the loss of whom could have a material adverse effect on our business.***

Our success is, to a large degree, dependent upon the expertise and experience of the management team and its ability to attract and retain qualified personnel who are technically proficient. The loss of the services of one or more of such personnel could have a material adverse effect on our business. Our business may be adversely affected if we are unable to continue to attract and retain such personnel.

***We will need to add qualified additional personnel as we expand our business, and we may not be able to employ such persons, which could affect our ability to expand and have a material adverse effect on our business.***

In order to expand our product offerings and customer base, we will need to hire additional qualified personnel. We may not be able to identify such persons, and even if we identify them, we may not have the funds or ability to employ them, which could have a material adverse effect on our business.

Although we have not experienced any material disruptions due to labor shortages to date, we have observed an overall tightening and increasingly competitive labor market. A sustained labor shortage or increased turnover rates within our employee base whether caused by COVID-19 or as a result of general macroeconomic factors, could lead to increased costs, such as increased overtime to meet demand and increased wage rates to attract and retain employees, and could negatively affect our ability to complete our projects according to the required schedule or otherwise efficiently operate our business. If we are unable to hire and retain employees capable of performing at a high level, or if mitigation measures we may take to respond to a decrease in labor availability, such as overtime and third-party outsourcing, have unintended negative effects, our business could be adversely affected. An overall labor shortage, lack of skilled labor, increased turnover or labor inflation, caused by COVID-19 or as a result of general macroeconomic factors, could have a material adverse impact on our operations, results of operations, liquidity or cash flows.

***If we are unable to manage our expected growth, our business may be materially and adversely affected.***

We expect to expand our operations, including by expanding our internal resources, making possible acquisitions and entering into new markets, and we intend to continue to focus on rapid growth, including organic growth and possibly acquisitions. The growth of our business could place significant strain on our management, operational and financial resources. To manage our future growth, we could be required to improve existing or implement new operational or financial systems, procedures and controls or expand, train and manage a growing employee base. Our failure to accomplish any of these tasks could materially and adversely affect our business. Even if we are successful in integrating future acquisitions into our existing operations, we may not derive the benefits, such as operational or administrative synergies, that we expected from such acquisitions, which may result in the investment of our capital resources without realizing the expected returns on such investment.

***Our inability to protect our intellectual property rights could negatively affect our business and results of operations.***

Our ability to compete effectively depends in part upon developing, maintaining and/or protecting intellectual property rights relevant to our ultrasonic nozzles and coating processes. We rely principally on a combination of patent protection, trade secret laws, confidentiality and non-disclosure agreements, and trusted business relationships to establish, maintain and protect the intellectual property rights relevant to our business. These measures, however, may not be adequate in every given case to permit us to gain or retain any competitive advantage, particularly in those countries where the laws do not protect our proprietary rights as fully as in the United States.

Where we consider it appropriate, we may seek patent protection in the United States on technologies used in, or relating to, our ultrasonic nozzles, applications and manufacturing processes. The issuance of a patent is not conclusive as to its scope, validity and enforceability. Thus, any patent or patent application which may issue into a patent held by us could be challenged, invalidated or held unenforceable in litigation or proceedings before the U.S. Patent and Trademark Office and/or other patent tribunals or circumvented by others. No consistent policy regarding the breadth of patent claims has emerged to date in the United States, and the landscape could become more uncertain in view of future rule changes by the United States Patent and Trademark Office, the introduction of patent reform legislation and decisions in patent law cases by United States federal courts. The patent landscape outside the United States is even less predictable. As a result, the validity and enforceability of patents cannot be predicted with certainty. In addition, we may fail to apply for patents on important technologies or product candidates in a timely fashion, if at all, and our existing and future patents may not be sufficiently broad to prevent others from utilizing our technologies or from developing competing products or technologies.

Our patent strategy involves complex legal and factual questions. Our ability to maintain and solidify our proprietary technology may depend in part upon our success in obtaining patent rights and enforcing those rights once granted or licensed. Our issued patents and those that may be issued in the future may be challenged, invalidated, rendered unenforceable or circumvented, which could limit our ability to prevent competitors from marketing similar or related products, or shorten the term of patent protection that we may have for our products, processes and enabling technologies. In addition, the rights granted under any issued patents may not provide us with competitive advantages against competitors with similar technology. Furthermore, our competitors may independently develop similar technologies, duplicate technology developed by us or otherwise possess intellectual property rights that could limit our ability to manufacture our products and operate our business.

We also rely on trade secret protection for our confidential and proprietary information. Trade secrets, however, can be difficult to protect. We may not be able to maintain our technology or know-how as trade secrets, and competitors may develop or acquire equally valuable or more valuable technology or know-how related to the manufacture of comparable ultrasonic nozzles. We also seek to protect our confidential and proprietary information, in part, by requiring all employees, consultants and business partners to execute confidentiality and/or nondisclosure agreements upon the commencement of any employment, consulting arrangement or engagement with us. These agreements generally require that all confidential and proprietary information developed by the employee, consultant, or business partner, or made known to the employee, consultant or business partner by us, during the course of the relationship with us, be kept confidential and not disclosed to third parties. These agreements may be breached and may not provide adequate remedies in the event of breach. To the extent that our employees, consultants, or business partners use intellectual property owned by others in their work for and/or with us, disputes could arise as to the rights in related or resulting technologies, know-how or inventions. Moreover, while we also require customers and vendors to execute agreements containing confidentiality and/or nondisclosure provisions, we may not have obtained such agreements from all of our customers and vendors. In addition, our trade secrets may otherwise become known or be independently discovered by competitors, customers, or vendors. Such customers or vendors may also be subject to laws and regulations that require them to disclose information that we would otherwise seek to keep confidential.

Moreover, others may independently develop and obtain patents covering technologies that are similar or superior to the product forms, applications, or manufacturing processes that we employ. If that happens, we may need to obtain licenses for these technologies and may not be able to obtain licenses on reasonable terms, if at all, which could limit our ability to manufacture our future products and operate our business. In addition, third parties could utilize our intellectual property rights in territories where we do not have intellectual property protection. Such third parties may then try to import products made using our intellectual property rights into the United States or other countries, which could have a material adverse effect on our business.

***We could become subject to intellectual property litigation that could be costly, limit or cancel our intellectual property rights, divert time and efforts away from business operations, require us to pay damages and/or otherwise have an adverse material impact on our business.***

The success of our business is highly dependent on protecting our intellectual property rights. Unauthorized parties may attempt to copy or otherwise obtain and use our products and/or enabling technologies. Policing the unauthorized use of our intellectual property rights is difficult and expensive, as is enforcing these rights against unauthorized use by others. Identifying unauthorized use of our intellectual property rights is difficult because we may be unable to monitor the processes and/or materials being employed by other parties. The steps we have taken may not prevent unauthorized use of our intellectual property rights, particularly in foreign countries where enforcement of intellectual property rights may be more difficult than in the United States.

Our continued commercial success will also depend in part upon not infringing the patents or violating the intellectual property rights of third parties. We are aware of patents and patent applications generally relating to aspects of our technologies filed by, and issued to, third parties. Nevertheless, we cannot determine with certainty whether such patents or patent applications of other parties may materially affect our ability to conduct our business. There may be existing patents of which we are unaware that we may inadvertently infringe, resulting in claims against us or our customers. In the event that the manufacture, use and/or sale of our products or processes is challenged, or if our product forms or processes conflict with the patent rights of others, third parties could bring legal actions against us or our customers in the United States, Asia, Europe or other countries, claiming damages and seeking to enjoin the manufacturing and/or marketing of our products. Additionally, it is not possible to predict with certainty what patent claims may issue from any relevant third-party pending patent applications. Third parties may be able to obtain patents with claims relating to our product forms, applications and/or manufacturing processes which they could attempt to assert against us or our customers.

In either case, litigation may be necessary to enforce, protect or defend our intellectual property rights or to determine the validity and scope of the intellectual property rights of others. Any litigation could be unsuccessful, cause us to incur substantial costs, divert resources and the efforts of our personnel away from daily operations, harm our reputation and/or result in the impairment of our intellectual property rights. In some cases, litigation may be threatened or brought by a patent holding company or other adverse patent owner who has no relevant product revenues and against which our patents may provide little or no deterrence. If we are found to infringe any patents, we could be required to (1) pay substantial monetary damages, including lost profits, reasonable royalties and/or treble damages if an infringement is found to be willful and/or (2) totally discontinue or substantially modify any products or processes that are found to be in violation of another party's intellectual property rights. If our competitors are able to use our technology without payment to us, our ability to compete effectively could be harmed.

***The markets within which we compete are highly competitive. Many of our competitors have greater financial and other resources than we do and one or more of these competitors could use their greater financial and other resources to gain market share at our expense.***

If our business continues to develop as expected, we anticipate that our revenues will continue to grow. If, due to capital constraints or otherwise, we are unable to fulfill our existing backlog in a timely manner and/or procure and timely fulfill our anticipated future backlog, our customers and potential customers may decide to use competing systems or products. If we are unable to fulfill the demand for products and systems in a timely manner, our customers and potential customers may choose to purchase products from our competitors. In addition, we could face new competition from large international or domestic companies with established industrial brands and distribution networks that enter our end markets. Demand for our products may also be affected by our ability to respond to changes in design and functionality, to respond to downward pricing pressure, and to provide shorter lead times for our products than our competitors. If we are unable to respond successfully to these competitive pressures, we could lose market share, which could have an adverse impact on our results. We cannot assure that we will be able to compete successfully in our markets or compete effectively against current and new competitors as our industry continues to evolve.

***Rapid technological changes may prevent us from remaining current with our technological resources and maintaining competitive product and service offerings.***

The markets in which we and our customers operate are characterized by rapid technological change. Significant technological changes could render our existing and potential new products, systems, and technology obsolete. Our future success will depend, in large part, upon our ability to:

- effectively identify and develop leading technologies;
- continue to develop our technical expertise;
- enhance our current products and systems with new, improved and competitive technology; and
- respond to technological changes in a cost-effective and timely manner.

If we are unable to successfully respond to technological change or if we do not respond to it in a cost-effective and timely manner, then our business will be materially and adversely affected. We cannot assure you that we will be successful in responding to changing technology. In addition, technologies developed by others may render our products, systems, and technology uncompetitive or obsolete. Even if we do successfully respond to technological advances, the integration of new technology may require substantial time and expense, and we cannot assure you that we will succeed in adapting our products, systems and technology in a timely and cost-effective manner.

***If we are unable to continue to develop new and enhanced products and systems that achieve market acceptance in a timely manner, our competitive position and operating results could be harmed.***

Our future success will depend on our ability to continue to develop new and enhanced ultrasonic nozzles and coating systems and related products that achieve market acceptance in a timely and cost-effective manner. The markets in which we and our customers operate are characterized by frequent introductions of new and enhanced products and services, evolving industry standards and regulatory requirements, government incentives and changes in customer needs. The successful development and market acceptance of our products and systems, depends on a number of factors, including:

- the impact of the COVID-19 pandemic on the global markets;
- the changing requirements and preferences of the potential customers in our markets;
- the accurate prediction of market requirements, including any regulatory issues;
- the timely completion and introduction of new products and systems to avoid obsolescence;
- the quality, price and performance of new products and systems;
- the availability, quality, price and performance of competing products and systems;
- our customer service and support capabilities and responsiveness;
- the successful development of our relationships with existing and potential customers; and
- changes in industry standards.

We may experience financial or technical difficulties or limitations that could prevent us from introducing new or enhanced products or systems. Furthermore, any of these new or enhanced products and systems could contain problems that are discovered after they are introduced. We may need to significantly modify the design of these products and systems to correct problems. Rapidly changing industry standards and customer preferences and requirements may impede market acceptance of our products and systems.

Development and enhancement of our products and systems will require significant additional investment and could strain our management, financial and operational resources. The lack of market acceptance of our products or systems or our inability to generate sufficient revenues from this development or enhancement to offset their development costs could have a material adverse effect on our business. In addition, we may experience delays or other problems in releasing new products and systems and enhancements, and any such delays or problems may cause customers to forego purchases of our products and systems and to purchase those of our competitors.

We cannot provide assurance that products and systems that we have recently developed or that we develop in the future will achieve market acceptance. If our new products and systems fail to achieve market acceptance, or if we fail to develop new or enhanced products and systems that achieve market acceptance, our growth prospects, operating results and competitive position could be adversely affected.

***We manufacture and assemble all our products at one facility. Any prolonged disruption in the operations of this facility would result in a decline in our sales and profitability.***

We manufacture and assemble our products and systems at our production facility located in Milton, New York. Any prolonged disruption in the operations of our manufacturing and assembly facility, whether due to the COVID-19 pandemic, equipment or information technology infrastructure failure, labor difficulties, prolonged health emergencies, destruction of or damage to this facility as a result of a hurricane, earthquake, fire, flood, other catastrophes, and other operational problems would result in a decline in our sales and profitability. In the event of a business interruption at our facility, we may be unable to shift manufacturing and assembly capabilities to alternate locations, accept materials from suppliers or meet customer shipment needs, among other severe consequences. Such an event could have a material and adverse impact on our financial condition and results of our operations.

***Failure to obtain adequate supplies of components and raw materials or failure to obtain components or raw materials at affordable prices could negatively affect our ability to supply products to our customers and negatively affect our profit margins.***

We use a variety of components and raw materials in the manufacture of our products. As other industries develop products utilizing similar components and raw materials that we use, we may not be able to obtain adequate supplies of components and raw materials required for the manufacture of our existing and future products that would prevent us from supplying products to our customers and materially affect our business. Furthermore, any increased demand for, the raising of tariff rates on, or an increase of non-tariff trade barriers that apply to the components and raw materials that we use could increase the price we must pay to obtain them and could adversely affect our profitability, which would have an adverse effect on our financial results.

Recently, we have encountered challenges in our supply of various materials and components, and electronic components in particular, due to well-documented shortages and constraints in the global supply chain. Lead times for ordered components may vary significantly, and some components used to manufacture our products are provided by a limited number of sources. We have experienced lengthened lead times throughout our supply chain as a result of supply chain constraints and material shortages that have occurred in the recent months, and may continue through fiscal year 2024.

***We may rely on sub-contractors to meet current demand for our products, and we may need to obtain additional manufacturing capacity in order to increase production of our existing products or to produce our proposed new products, the failure of which could have a material adverse effect on our operations.***

We may not have sufficient internal manufacturing capacity to meet the current demand for our products, and we may need to rely on subcontractors to enable us to meet this demand. Since we may rely on our subcontractors for a significant amount of our production capacity, the loss of the services of our subcontractors would have a material adverse effect on our business. Our plans for the growth of our business rely upon increasing sales of our existing products and systems and developing and marketing new products. We may not have adequate internal manufacturing facilities to substantially increase production of our products and obtaining additional manufacturing capacity in-house could require substantial capital expenditures. We may not have the capital resources to obtain or construct new facilities to expand manufacturing capacity and meet increasing demand for our products, which could have a material adverse effect on our operations. Conversely, any significant decrease in demand for our products could create idle plant capacity and an inability to cover fixed costs, which could adversely impact our results of operations and financial condition.

***We are exposed to risks related to our international sales, and the failure to manage these risks could harm our business.***

In addition to our net sales to customers within the U.S. and Canada, we may become increasingly dependent on net sales to customers outside the U.S. and Canada as we pursue expanding our business with customers worldwide. In the fiscal years ended February 28, 2023 February 29, 2024 and 2022, February 28, 2023, our net sales outside of the U.S. and Canada accounted for approximately 55% 45% and 68% 55%, respectively, of our total net sales. We continue to expect that a significant portion of our future revenues will be from international sales. As a result, the occurrence of any international, political, economic, or geographic event could result in a significant decline in revenue. There are significant risks associated with conducting operations internationally, requiring significant financial commitments to support such operations. These numerous and sometimes conflicting laws and regulations include internal control and disclosure rules, data privacy and filtering requirements, anti-corruption laws, such as the Foreign Corrupt Practices Act, and other local laws prohibiting corrupt payments to governmental officials, and anti-competition regulations, among others.

Violations of these laws and regulations could result in fines and penalties, criminal sanctions against us, our officers, or our employees, prohibitions on the conduct of our business and on our ability to offer our products and services in one or more countries, and could also materially affect our brand, our international expansion efforts, our ability to attract and retain employees, our business, and our operating results. Although we have implemented policies and procedures designed to ensure compliance with these laws and regulations, there can be no assurance that our employees, contractors, or agents will not violate our policies.

Some of the risks and challenges of conducting business internationally include:

- the impact of COVID-19 on the global markets;
- requirements or preferences for domestic products or solutions, which could reduce demand for our products;
- unexpected changes in regulatory requirements;
- restrictions on the import or export of critical technology;
- management communication and integration problems resulting from cultural and geographic dispersion;
- the burden of complying with a variety of laws and regulations in various countries;
- difficulties in enforcing contracts;
- the uncertainty of protection for intellectual property rights in some countries;

- application of the income tax laws and regulations of multiple jurisdictions, including relatively low-rate and relatively high-rate jurisdictions, to our sales and other transactions, which results in additional complexity and uncertainty;
- tariffs and trade barriers, export regulations and other regulatory and contractual limitations on our ability to sell products;
- failure to comply with both U.S. and foreign laws, including export and antitrust regulations, the Foreign Corrupt Practices Act and any trade regulations ensuring fair trade practices;
- heightened risk of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, or irregularities in, financial statements;
- potentially adverse tax consequences, including multiple and possibly overlapping tax structures;
- general economic and geopolitical conditions, including war and acts of terrorism;
- lack of the availability of qualified third-party financing; and
- currency exchange controls.

While these factors and the impacts of these factors are difficult to predict, any one or more of them could adversely affect our business, financial condition and results of operations in the future.

***Any liability damages resulting from technical faults or failures of our products could be substantial and could materially adversely affect our business and results of operations.***

Our products are used by customers and integrated into customers' machines and systems, and therefore a malfunction or the inadequate design of our products could result in product liability claims. Any liability for damages resulting from technical faults or failures could be substantial and could materially adversely affect our business and results of operations. In addition, a well-publicized actual or perceived problem could adversely affect the market's perception of our products, which would materially impact our financial condition and operating results.

***Inflationary Pressures and Rising Prices for Goods and Services.***

Inflation rose sharply beginning in late 2021 and continued rising through 2022, leveling off in 2023 at levels rates not seen for over 40 years. Although the Federal Reserve has significantly increased interest rates in response to rising inflation, inflationary pressures are currently expected to remain elevated throughout 2023. 2024. Small to medium-sized businesses may be impacted more during periods of high inflation as they are not as able to leverage economics of scale to mitigate cost pressures compared to larger businesses. Inflation has the potential to adversely affect our liquidity, business, financial condition and results of operations by increasing our overall cost structure, particularly if we are unable to achieve commensurate increases in the prices we charge our customers. The existence of inflation in the economy has resulted in, and may continue to result in, higher interest rates and capital costs, shipping costs, supply shortages, increased costs of labor, weakening exchange rates and other similar effects. As a result of inflation, we have experienced and may continue to experience, cost increases. Although we may take measures to mitigate the impact of this inflation, if these measures are not effective our business, financial condition, results of operations and liquidity could be materially adversely affected. Even if such measures are effective, there could be a difference between the timing of when these beneficial actions impact our results of operations and when the cost inflation is incurred.

***We could become liable for damages resulting from our manufacturing activities, which could have a material adverse effect on our business or cause us to cease operations.***

The nature of our manufacturing operations exposes us to potential claims and liability for environmental damage, personal injury, loss of life and damage to, or destruction of, property. Our manufacturing operations are subject to numerous laws and regulations that govern environmental protection and human health and safety. These laws and regulations have changed frequently in the past and it is reasonable to expect additional and more stringent changes in the future. Our manufacturing operations may not comply with future laws and regulations, and we may be required to make significant unanticipated capital and operating expenditures to bring our operations within compliance with such evolving regulations. If we fail to comply with applicable environmental laws and regulations, manufacturing guidelines, and workplace safety requirements, governmental authorities may seek to impose fines and penalties on us or to revoke or deny the issuance or renewal of operating permits, and private parties may seek damages from us. Under such circumstances, we could be required to curtail or cease operations, conduct site remediation or other corrective action, or pay substantial damage claims for which may not have sufficient or any insurance coverage for claims.

***If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results, and current and potential stockholders may lose confidence in our financial reporting.***

Section 404 of the Sarbanes-Oxley Act of 2002 requires our management to assess the effectiveness of our internal control over financial reporting and to disclose in our filing if such controls were unable to provide assurance that a material error would be prevented or detected in a timely manner. We have an ongoing program to review the design of our internal controls framework in keeping with changes in business needs, implement necessary changes to our controls design and test the system and process controls necessary to comply with these requirements. If in the future, our internal controls over financial reporting are determined to be not effective resulting in a material weakness or significant deficiency, investor perceptions regarding the reliability of our financial statements may be adversely affected which could cause a decline in the market price of our stock and otherwise negatively affect our liquidity and financial condition.

***We may have risks associated with security of our information technology systems.***

We make significant efforts to maintain the security and integrity of our information technology systems and data. Despite significant efforts to create security barriers to such systems, it is virtually impossible for us to entirely mitigate this risk. There is a risk of industrial espionage, cyber-attacks, misuse or theft of information or assets, or damage to assets by people who may gain unauthorized access to our facilities, systems, or information. Such cybersecurity breaches, misuse, or other disruptions could lead to the disclosure of confidential information; improper usage and distribution of our intellectual property; theft, manipulation, and destruction of private and proprietary data; and production downtimes. Although we actively employ measures to prevent unauthorized access to our information systems, preventing unauthorized use or infringement of our rights is inherently difficult. These events could adversely affect our financial results and any legal action in connection with any such cybersecurity breach could be costly and time-consuming and may divert management's attention and adversely affect the market's perception of us and our products. In addition, we must frequently expand our internal information system to meet increasing demand in storage, computing and communication, which may result in increased costs. Our internal information system is expensive to expand and must be highly secure due to the sensitive nature of our customers' information that we transmit. Building and managing the support necessary for our growth places significant demands on our management and resources. These demands may divert such resources from the continued growth of our business and implementation of our business strategy.

**RISKS RELATED TO OUR COMMON STOCK**

***Future equity financings and issuances of shares under equity compensation plans would dilute your ownership and could adversely affect your common stock ownership rights in comparison with those of other security holders.***

Our board of directors has the power to issue additional shares of common stock without stockholder approval. Additional shares are subject to issuance through various equity compensation plans or through the exercise of currently outstanding equity awards. Our stockholders do not have preemptive rights to any common stock issued by us in the future; therefore, stockholders may experience additional dilution of their equity investment if we issue additional shares of common stock in the future, including shares issuable under equity incentive plans, or if we issue securities that are convertible into shares of our common stock.

If additional funds are raised through the issuance of equity securities, the percentage of ownership of our existing stockholders will be reduced, and such newly issued securities may have rights, preferences or privileges senior to those of existing stockholders. If we issue additional common stock or securities convertible into common stock, such issuance will reduce the proportionate ownership and voting power of each other stockholder. In addition, such stock issuances might result in a reduction of the market value of our common stock, which could make our stock unattractive to existing stockholders.

***Provisions in our articles of incorporation and bylaws could discourage changes in the composition of our board of directors which could hinder an acquisition of us by a third party, even if the acquisition would be favorable to you, thereby adversely affecting existing stockholders.***

Our articles of incorporation and bylaws contain provisions that may have the effect of making more difficult or delaying attempts by others to obtain control of our board of directors and our Company, even when these attempts may be in the best interests of stockholders. For example, our articles of incorporation and bylaws provide for a classified board of directors which could delay or prevent changes in our control or management, including transactions in which stockholders might otherwise receive a premium for their shares over then-current market prices. These provisions may also limit the ability of stockholders to approve transactions that they may deem to be in their best interests.

***There is limited trading volume of our common stock, which could make it difficult for you to liquidate an investment in our common stock in a timely manner.***

Since August 27, 2021, our common stock has been traded on the Nasdaq Capital Market under the symbol SOTK. Because there is limited volume in our common stock, investors may not be able to liquidate their investments when they desire to do so.

In addition, if we fail to meet the criteria set forth in SEC and Nasdaq Capital Market rules and regulations, various requirements would be imposed by law on broker-dealers who sell our securities to persons other than established customers and accredited investors. Consequently, such regulations may deter broker-dealers from recommending or selling our common stock, which may further affect its liquidity.

***If securities analysts do not publish research or reports about our business or if they downgrade us or our sector, the price of our common stock could decline.***

The trading market for our common stock will depend in part on research and reports that industry or financial analysts publish about us or our business. Furthermore, if one or more of the analysts who cover us downgrades us, the industry in which we operate, or the stock of any of our competitors, the price of our common stock may decline. If one or more of these analysts ceases coverage altogether, we could lose visibility, which could also lead to a decline in the price of our common stock.

***Our operating results can fluctuate significantly from period to period, which makes our operating results difficult to predict and can cause our operating results, in any particular period, to be less than comparable periods and expectations from time to time.***

Our operating results have fluctuated significantly from quarter-to-quarter, period-to-period and year-to-year during our operating history and are likely to continue to fluctuate in the future due to a variety of factors, many of which are outside of our control. Certain factors that may affect our operating results include, without limitation, those set forth under “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies” in this Annual Report on Form 10-K.

Because we have little or no control over many of these factors, our operating results are difficult to predict. Any adverse change in any of these factors could negatively affect our business and results of operations.

Our revenues, net income and other operating results are heavily dependent upon the size and timing of customer orders and projects, and the timing of the completion of those projects. The timing of our receipt of large individual orders, and of project completion, is difficult for us to predict. Because our operating expenses are based on anticipated revenues over the mid and long-term and because a high percentage of our operating expenses are relatively fixed, a shortfall or delay in recognizing revenues can cause our operating results to vary significantly from quarter-to-quarter and can result in significant operating losses or declines in profit margins in any particular quarter. If our revenues fall below our expectations in any particular quarter, we may not be able, or it may not be prudent for us, to reduce our expenses rapidly in response to the revenue shortfall, which can result in us suffering significant operating losses or declines in profit margins in that quarter.

Due to these factors and the other risks discussed in this Annual Report on Form 10-K, you should not rely on quarter-to-quarter, period-to-period or year-to-year comparisons of our results of operations as an indication of our future performance. Quarterly, period and annual comparisons of our operating results are not necessarily meaningful or indicative of future performance. As a result, it is likely that, from time to time, our results of operations or our revenue backlog could fall below historical levels or the expectations of public market analysts and investors, which could cause the trading price of our common stock to decline significantly.

***The market price of our common stock has been and may continue to be volatile.***

The market price of our common stock has been volatile and fluctuates widely in response to various factors that are beyond our control. The price of our common stock is not necessarily indicative of our operating performance or long-term business prospects. In addition, the securities markets have from time-to-time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock. Factors such as the following could cause the market price of our common stock to fluctuate substantially:

- the underlying price of the commodities, materials, equipment that affect our key markets;
- announcements of capital budget changes by major customers;
- the introduction of new products by our competitors;
- announcements of technology advances by us or our competitors;
- current events affecting the political and economic environment in the United States, Europe or Asia;
- conditions or industry trends, including demand for our products, services and technological advances;
- changes to financial estimates by us or by any securities analysts who might cover our stock;
- additions or departures of our key personnel;
- seasonal, economic, or financial conditions;
- our quarterly operating and financial results; or
- litigation or public concern about the safety of our systems or products;
- the impact of inflation;
- war wars in Ukraine; Ukraine or
- the effect of COVID-19. Gaza; or

The realization of any of these risks and other factors beyond our control could cause the market price of our common stock to decline significantly. The stock market in general experiences, from time to time, extreme price and volume fluctuations. Periodic and/or continuous market fluctuations could result in extreme volatility in the price of our common stock, which could cause a decline in the value of our common stock. Price volatility may be worse if the trading volume of our common stock is low.

***Future sales of our common stock, or the perception that future sales may occur, may cause the market price of our common stock to decline.***

If any significant number of our outstanding shares are sold, such sales could have a depressive effect on the market price of our stock. We are unable to predict the effect, if any, that the sale of shares, or the availability of shares for future sale, will have on the market price of the shares prevailing from time to time. Sales of substantial numbers of shares in the public market, or the perception that such sales could occur, could depress prevailing market prices for the shares. Such sales may also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price that we deem appropriate.

***The Company is considered a "smaller reporting company" and is exempt from certain disclosure requirements, which could make our common stock less attractive to potential investors.***

Rule 12b-2 of the Securities Exchange Act of 1934 ("Exchange Act") defines a "smaller reporting company" as an issuer that is not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent, that is not a smaller reporting company, and that had a public float of less than $250 million as of the last business day of its most recently completed second fiscal quarter, computed by multiplying the aggregate worldwide number of shares of its voting and non-voting common equity held by non-affiliates by the price at which the common equity was last sold, or the average of the bid and asked prices of common equity, in the principal market for the common equity.

As a "smaller reporting company," we are subject to reduced disclosure requirements that are less comprehensive than applicable to issuers that are not "smaller reporting companies," which could make our stock less attractive to potential investors and could make it more difficult for shareholders to sell their shares.

***We have no current plan to pay dividends on our common stock, and investors may lose the entire amount of their investment.***

We have no current plans to pay dividends on our common stock; therefore, investors will not receive any funds absent a sale of their shares. We cannot assure investors of a positive return on their investment when they sell their shares, nor can we assure that investors will not lose the entire amount of their investment.

**GENERAL RISK FACTORS**

***We will continue to incur significant costs as a result of operating as a public company, and our management may be required to devote substantial time to compliance initiatives that ultimately could have a material adverse effect on our financial condition and results of operations.***

As a public company, we expect to continue to incur significant legal, accounting and other expenses. In addition, the Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC, have imposed various requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls as well as mandating certain corporate governance practices. Our management and other personnel will continue to devote a substantial amount of time and financial resources to these compliance initiatives.

As a “smaller reporting company” we are able to take advantage of certain exceptions to disclosure requirements, including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and the exemption from providing a “Compensation Discussion and Analysis” section in our proxy statements; providing only three years of business information; and other “scaled” disclosure requirements that are less comprehensive than issuers that are not smaller reporting companies.

If we fail to staff our accounting and finance function adequately or maintain internal control systems adequate to meet the demands that are placed upon us as a public company, we may be unable to report our financial results accurately or in a timely manner and our business and stock price may suffer. The costs of being a public company, as well as diversion of management’s time and attention, may have a material adverse effect on our future business, financial condition and results of operations.

***Changes in U.S. Generally Accepted Accounting Principles (“GAAP”) could adversely affect our financial results and may require significant changes to our internal accounting systems and processes.***

We prepare our consolidated financial statements in conformity with GAAP. These principles are subject to interpretation by the Financial Accounting Standards Board (“FASB”), the SEC and various bodies formed to interpret and create appropriate accounting principles and guidance. The FASB periodically issues new accounting standards on a variety of topics. For information regarding new accounting standards, please refer to Note 1 and 2, “Business Description and Significant Accounting Policies,” of the Notes to Consolidated Financial Statements in Part II, Item 8, “Financial Statements and Supplementary Data,” of this Annual Report on Form 10-K. These and other such standards generally result in different accounting principles, which may significantly impact our reported results or could result in variability of our financial results.

***In preparing our financial statements we make certain assumptions, judgments and estimates that affect amounts reported in our consolidated financial statements, which, if not accurate, may significantly impact our financial results.***

We make assumptions, judgments and estimates for a number of items, including the fair value of financial instruments, long-lived assets and other intangible assets; the realizability of deferred tax assets; the recognition of revenue and the fair value of stock option awards; and others. We also make assumptions, judgments and estimates in determining the accruals for revenue recognition, product warranties, employee-related liabilities, including commissions and variable compensation, and in determining the allowance or provisions for uncertain tax positions, doubtful accounts, excess or obsolete inventory, and legal contingencies. These assumptions, judgments and estimates are drawn from historical experience and various other factors that we believe are reasonable under the circumstances as of the date of the consolidated financial statements. Actual results could differ materially from our estimates, and such differences could significantly impact our financial results.

***Our business could be negatively affected as a result of actions of activist shareholders, and such activism could impact the trading value of our securities.***

In recent years, shareholder activists have become involved in numerous public companies. Shareholder activists frequently propose to involve themselves in the governance, strategic direction and operations of the Company. Such proposals may disrupt our business and divert the attention of our Board of Directors, management and employees, and any perceived uncertainties as to our future direction resulting from such a situation could result in the loss of potential business opportunities, interfere with our ability to execute our strategic plan, be exploited by our competitors, cause concern to our current or potential customers, and make it more difficult to attract and retain qualified personnel and business partners, all of which could adversely affect our business. A proxy contest for the election of directors at our annual meeting could also require us to incur significant legal fees and proxy solicitation expenses. In addition, actions of activist shareholders may cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

***Major bank failure or sustained financial market illiquidity, or illiquidity at our clearing, cash management and custodial financial institutions, could adversely affect our business, financial condition and results of operations.***

We face certain risks in the event of a sustained deterioration of financial market liquidity, as well as in the event of sustained deterioration in the liquidity, or failure, of our clearing, cash management and custodial financial institutions. In particular:

- We may be unable to access funds in our investment portfolio, deposit accounts and clearing accounts on a timely basis to settle our payments or to make money transfers. Any resulting need to access other sources of liquidity or short-term borrowing would increase our costs. Any delay or inability to settle our payments or to make money transfers could adversely impact our business, financial condition and results of operations.
- In the event of a major bank failure, we could face major risks to the recovery of our bank deposits used for the purpose of settling our payments and to the recovery of a significant portion of our investment portfolio. A substantial portion of our cash, cash equivalents and interest-bearing deposits are either held at financial institutions that are not subject to insurance protection against loss or exceed the deposit insurance limit.
- We may be unable to borrow from financial institutions or institutional investors on favorable terms, which could adversely impact our ability to pursue our growth strategy and fund key strategic initiatives.

If financial liquidity deteriorates, there can be no assurance we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

**ITEM 1B** **UNRESOLVED STAFF COMMENTS - None.**

**ITEM 1C** CYBERSECURITY Sample Disclosure

Risk Management and Strategy

Securing our business information, intellectual property, customer and employee data and technology systems is essential for the continuity of our business, meeting applicable regulatory requirements and maintaining the trust of our stockholders. Cybersecurity is an important and integrated part of our enterprise risk management function that identifies, monitors and mitigates business, operational and legal risks.

To help protect us from a major cybersecurity incident that could have a material impact on operations or our financial results, the Company is in the process of implementing policies, programs and controls, including technology investments that focus on cybersecurity incident prevention, identification and mitigation. The steps we expect to take to reduce our vulnerability to cyberattacks and to mitigate impacts from cybersecurity incidents include, but are not limited to: penetration testing by a third party vendor, agent based security scanning that runs continuously, establishing information security policies and standards, implementing information protection processes and technologies, monitoring our information technology systems for cybersecurity threats and implementing cybersecurity training. In addition, we annually purchase a cybersecurity risk insurance policy that would help defray the costs associated with a covered cybersecurity incident if it occurred.

Governance

Our Board of Directors is actively engaged in overseeing and reviewing our strategic direction and objectives, taking into account, among other considerations, our risk profile and related exposures, including oversight of risks from cybersecurity threats. As part of this oversight, the Company will update the Board periodically, and at least annually, on our cybersecurity program, including with respect to particular cybersecurity threats, cybersecurity incidents, new developments in our risk profile, the status of projects to strengthen our cybersecurity systems, assessments of our cybersecurity program, and the emerging threat landscape.

## ITEM 2 DESCRIPTION OF PROPERTIES

We own an industrial park located in Milton, New York. The industrial park consists of approximately 50,000 square feet of office and warehouse space. Our offices, product development, manufacturing and assembly facilities are located in the industrial park. We presently utilize 37,000 square feet or 74% of the park for our operations. We believe our facilities will be adequate for the foreseeable future and the ownership of the industrial park provides us opportunity to expand as we grow.

Approximately 13,000 square feet of the park is leased or available for lease to unrelated third parties at any given time.

## ITEM 3 LEGAL PROCEEDINGS – None

## ITEM 4 MINE SAFETY DISCLOSURES – Not Applicable

**PART II**

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

Our common stock currently trades on the Nasdaq Capital Market.

As of May 18, 2023 May 17, 2024, there were 97 96 record holders of our common stock and approximately 1,519 1,586 beneficial shareholders of our Common Stock.

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.

## ITEM 6 RESERVED

## 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, news 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 and could cause actual results to differ materially. These factors include, among other considerations, general economic and business conditions; political, regulatory, tax, competitive and technological developments affecting our operations or the demand for our products; inflationary and supply chain pressures; the continued abatement of the COVID-19 pandemic; the extent and duration of the pandemic's adverse effect on economic and social activity, consumer confidence, discretionary spending and preferences, labor and healthcare costs, and unemployment rates, any of which may reduce demand for some of our products and impair the ability of those with whom we do business to satisfy their obligations to us; our ability to sell and provide our services and products, including as a result of continued pandemic related travel restrictions, mandatory business closures, and stay-at home or similar orders; any temporary reduction in our workforce, closures of our offices and facilities and our ability to adequately staff and maintain our operations resulting from the pandemic; the ability of our customers and suppliers to continue their operations as result of the pandemic, which could result in terminations of contracts, losses of revenue; the recovery of the Electronics/Microelectronics and Medical markets following COVID-19 related slowdowns; and further adverse effects to our supply chain; markets; maintenance of increased order backlog, including effects of any COVID-19 related cancellations; backlog; the imposition of tariffs; timely development and market acceptance of new products and continued customer validation of our coating technologies; adequacy of financing; capacity additions, the ability to enforce patents; maintenance of operating leverage; maintenance of increased order backlog; consummation of order proposals; completion of large orders on schedule and on budget; continued sales growth in the medical and alternative energy markets; successful transition from primarily selling ultrasonic nozzles and components to a more complex business providing complete machine solutions and higher value subsystems; and realization of quarterly and annual revenues within the forecasted range of sales guidance.

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

**Highlights**

Highlights for fiscal 2023 2024 include:

- Net sales for fiscal 2023 decreased 12% 2024 increased 31% to $19.7 million from $17.1 million to $15.1 million, due to supply chain challenges which delayed the receipt of necessary parts to complete several customer shipments. Our customized complex coating systems, which typically require longer than average delivery lead times, were especially impacted driven by these remaining supply chain issues.
- Gross profit margin for fiscal 2023 increased to 50.8% compared to 50.3% in fiscal 2022.
- Operating income for fiscal 2023 decreased 64% to $683,000 compared to $1.9 million in fiscal 2022, due strong shipments to the current period's decrease in net sales combined with an increase in operating expenses.Alternative/Clean Energy, Industrial and Medical Markets.
- Backlog at February 28, 2023 reached a historical high of $8.5 million compared to the backlog at February 28, 2022 of $5.3 million The Alternative/Clean Energy Market grew by 96%, an increase of 60%. The large increase $2.94 million, in part due to a $766,000 shipment of a production scale system to a customer in the solar market; with three additional systems valued at $730,000 each to be manufactured for the same customer remaining in backlog resulted from the receipt of several large, complex system orders with longer than typical build delivery time frames and higher than average selling prices from the clean energy sector during the year and from ongoing supply chain issues which slowed the rate at which we completed our backlog of orders. all scheduled to ship in FY2025.
- Gross profit margin for fiscal 2024 decreased to 50% compared to 50.8% in fiscal 2023. Decreased profit margin was a result of product mix and a Q4 FY2024 realignment of our organizational framework as an outcome of completion of several successful R&D endeavors, which shifted some costs from R&D to cost of goods sold (COGS).
- Operating income for fiscal 2024 increased 73% to $1.2 million compared to $683,000 in fiscal 2023, due to the current period's increase in gross profit offset by an increase in operating expenses.
- Despite record sales, equipment related backlog at February 29, 2024 reached a historical fiscal year end high of $9.1 million compared to the backlog at February 28, 2023 of $8.5 million, an increase of 7%. The increase is due to continued strong orders in the second, third and fourth quarters of fiscal 2024 from the clean energy sector.
- Net income was $1.4 million compared to $636k in the prior fiscal year. The increase in net income in fiscal year 2024 is a result of an increase in operating income and interest and dividend income partially offset by an increase in operating expenses, an increase in income tax expense and the creation of a $138k reserve related to certain sales tax expenses.
- As of February 29, 2024, we had no outstanding debt. Cash, cash equivalents and marketable securities increased $400,000 to $11.8 million at February 29, 2024 compared to $11.4 million on February 28, 2023 from $10.7 million.
- Interest income, dividend income and unrealized gain on February 28, 2022. marketable securities increased to $562,000 reflecting the high interest rate environment during fiscal 2024.

**Market and Geographic Diversity**

We have invested significant resources to enhance our market diversity. By leveraging our core ultrasonic coating technology, we've we have expanded our portfolio of products, the industries we serve, and the countries in which we sell our products.

Today, we serve five industries: microelectronics/electronics, medical, alternative alternative/clean energy, industrial markets, and emerging research and development and other.

We are a geographically diverse company with a presence either directly or through distributors and trade representatives in the United States and Canada, EMEA (Europe, Middle East and Africa), APAC (Asia Pacific) and Latin America (including Mexico). In fiscal 2023, 2024, approximately 55% 45% of sales originated outside of the United States and Canada.

We have an established infrastructure of application process development laboratories located at our distributor sites in Japan, China, Germany, Taiwan, Korea and our home office in New York, USA. York. These laboratories are equipped with Sono-Tek systems and technical personnel to conduct customer demonstrations and process development for new coating applications that our customers bring to us. Our engineering, service and sales teams all continue to grow as we expand our addressable markets and enhance our product line to include larger more sophisticated machinery and systems with increased capabilities.

We believe that the new products we have introduced, the new markets we have penetrated, and the expanded regions in which we now sell our products, are a strong foundation for our future sales growth and enhanced profitability.

## Results of Operations

***Sales and Gross Profit:***

| | Fiscal Year Ended | | Change | | Fiscal Year Ended | | Change | |
|---|---|---|---|---|---|---|---|---|
| | February 28, 2023 | February 28, 2022 | $ | % | February 29, 2024 | February 28, 2023 | $ | % |
| Net Sales | $ 15,058,000 | $ 17,133,000 | $ (2,075,000) | (12%) | $ 19,700,000 | $ 15,058,000 | $ 4,642,000 | 31% |
| Cost of Goods Sold | 7,406,000 | 8,520,000 | (1,114,000) | (13%) | 9,855,000 | 7,406,000 | 2,449,000 | 33% |
| Gross Profit | $ 7,652,000 | $ 8,613,000 | $ (961,000) | (11%) | $ 9,845,000 | $ 7,652,000 | $ 2,193,000 | 29% |
| Gross Profit % | 50.8% | 50.3% | | | 50.0% | 50.8% | | |

Gross profit decreased $961,000, increased $2,193,000, or 11% 29% to $7,652,000 $9,845,000 for fiscal 2023 2024 compared with $8,613,000 $7,652,000 in fiscal 2022. 2023. Gross profit margin increased decreased to 50.0% for fiscal 2024, compared to 50.8% for fiscal 2023, 2023. Overall, the gross profit margin on our products remained relatively consistent when compared to 50.3% for fiscal 2022. The improvement 2023.

In fiscal 2024 the decrease in the gross profit margin is due to a sales product mix with higher sales margins combined with lower than expected increased indirect salaries, an increase in transportation expenses, increased installation costs and increased warranty and installation costs.

In fiscal 2023, our sales included approximately $2,120,000 warranty costs were lower than expected. Warranty costs fluctuate year to year and are a function of product mix. In addition, our gross profit margin decreased due to the reallocation and recharacterization of specific labor expenses from the engineering department to cost of goods sold.

In light of the successful culmination of several innovative R&D endeavors, we have strategically realigned our operational structure. Historically, certain salary expenditures associated with these initiatives were classified under the R&D category during the developmental phase. However, following the recent successful completion of several of these development projects, we have transitioned some of these expenses to the manufacturing labor category. This transition necessitated a change in our organizational framework, where a select group of individuals now fall under the purview of the manufacturing organization rather than the engineering team. Effective December 1, 2023, coinciding with the commencement of the fourth quarter of fiscal 2024, we shifted the cost allocation associated with these individuals to Cost of Goods Sold.  This realignment of labor allocation carries no discernible impact on our overarching financial performance; however, it does yield noteworthy adjustments to our cost structure. Notably, while our R&D expenses experienced a modest reduction, our direct labor costs underwent a commensurate increase, resulting in an approximate 2% decline in gross margin for orders that were delivered the fourth quarter of fiscal 2024.  This trend is anticipated to two customers. continue, with a similar annual impact anticipated for fiscal 2025.

***Product Sales:***

| | Twelve Months Ended | | | | Change | | Twelve Months Ended | | | | Change | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | February 28, 2023 | *% of Total* | February 28, 2022 | *% of total* | $ | % | February 29, 2024 | *% of Total* | February 28, 2023 | *% of total* | $ | % |
| Fluxing Systems | $ 1,179,000 | *8%* | $ 691,000 | *4%* | $ 488,000 | 71% | $ 724,000 | *4%* | $ 1,179,000 | *8%* | $ (455,000) | (39%) |
| Integrated Coating Systems | 1,114,000 | *7%* | 1,182,000 | *7%* | (68,000) | (6%) | 2,889,000 | *14%* | 1,114,000 | *7%* | 1,775,000 | 159% |
| Multi-Axis Coating Systems | 6,785,000 | *45%* | 9,912,000 | *58%* | (3,127,000) | (32%) | 10,075,000 | *51%* | 6,785,000 | *45%* | 3,290,000 | 48% |
| OEM Systems | 2,144,000 | *14%* | 2,381,000 | *14%* | (237,000) | (10%) | 1,533,000 | *8%* | 2,144,000 | *14%* | (611,000) | (28%) |
| Other | 3,836,000 | *26%* | 2,967,000 | *17%* | 869,000 | 29% | 4,479,000 | *23%* | 3,836,000 | *26%* | 643,000 | 17% |
| TOTAL | $ 15,058,000 | | $ 17,133,000 | | $ (2,075,000) | (12%) | $ 19,700,000 | | $ 15,058,000 | | $ 4,642,000 | 31% |

Sales of Total sales for the fiscal 2024 grew by 31%, propelled by heightened demand for our Multi-Axis coating Coating systems recorded a 32% decrease which are commonly used in the clean energy sector. Integrated Coating System sales accelerated by 159%, or $1.8M, to $2.9M due to lingering supply chain challenges, resulting continued success with our newly developed float glass coating platform and a newly completed custom-built system tailored for a key strategic partner within the solar energy market.

Following uncharacteristically high revenue for Printed Circuit Board “PCB” Fluxing systems for our fiscal year ended February 28, 2023, PCB Fluxing sales dipped by 39% for fiscal 2024. Also, sales to our OEM Printed Circuit Board customers that integrate our ultrasonic nozzles into their own spray fluxers declined, causing OEM sales to decrease by 28%. We believe the slowdown in several large system orders being pushed from planned fiscal 2023 shipments into planned fiscal 2024 shipments, and are included sales to the PCB spray fluxer market has returned us to what is closer to our historical revenue norms. The dip in our year end fiscal 2023 backlog. Fluxing Systems OEM sales showed was largely mitigated by an increase of 71%, due to the continued adoption of a newly released spray fluxing platform, SonoFlux X2, which continues to be implemented with several large printed circuit board contract manufacturers. Sales of the “Other” product basket increased by 29%, or $869,000, in large part due to increased sales of high value spare parts packages to support our high ASP multi-axis machines already and service-related revenue, which is a growing revenue stream, categorized in the field. ”Other” product category.

***Market Sales:***

| | Twelve Months Ended | | | | Change | | Twelve Months Ended | | | | Change | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | February 28, 2023 | *% of Total* | February 28, 2022 | *% of total* | $ | % | February 29, 2024 | *% of Total* | February 28, 2023 | *% of total* | $ | % |
| Electronics/Microelectronics | $ 5,509,000 | *37%* | $ 7,134,000 | *42%* | $ (1,625,000) | (23%) | $ 5,602,000 | *29%* | $ 5,509,000 | *37%* | $ 93,000 | 2% |
| Medical | 3,702,000 | *25%* | 4,338,000 | *25%* | (636,000) | (15%) | 4,180,000 | *21%* | 3,702,000 | *25%* | 478,000 | 13% |
| Alternative Energy | 3,060,000 | *20%* | 3,688,000 | *22%* | (628,000) | (17%) | 5,997,000 | *30%* | 3,060,000 | *20%* | 2,937,000 | 96% |
| Emerging R&D and Other | 347,000 | *2%* | 918,000 | *5%* | (571,000) | (62%) | 315,000 | *2%* | 347,000 | *2%* | (32,000) | (9%) |
| Industrial | 2,440,000 | *16%* | 1,055,000 | *6%* | 1,385,000 | 131% | 3,606,000 | *18%* | 2,440,000 | *16%* | 1,166,000 | 48% |
| TOTAL | $ 15,058,000 | | $ 17,133,000 | | $ (2,075,000) | (12%) | $ 19,700,000 | | $ 15,058,000 | | $ 4,642,000 | 31% |

Sales to the Alternative Alternative/Clean Energy market recorded growth of 96% in fiscal 2024, which were positively impacted by a growing number of our customers transitioning from our R&D systems to production scale systems that carry much higher average selling prices.

Electronics market revenue experienced a modest uptick in fiscal year 2024. This growth was strongly influenced by three significant orders totaling $497,000, from the semiconductor market. However, this positive momentum was partially tempered by a $455,000 decrease in sales from our PCB spray fluxers.

Medical sales rebounded strongly in the second half of Fiscal 2024 and Medical markets decreased by 17%, 23% and 15% respectively. Large portions of all these markets use our multi-axis systems which experienced delayed deliveries due to supply chain challenges, and moving several planned fiscal 2023 orders into ended with 13% growth for fiscal 2024. The industrial market grew

Industrial sales remain very strong, showing growth of 48% for fiscal 2024, influenced by 131% due shipment of two next-gen float glass coating systems totaling approximately $700,000, and the last two machines of a multi-system order to a large multi-system order valued at $1,540,000, $1,080,000 of this order was shipped in fiscal 2023 and the remaining $460,000 of the order shipped after the completion of fiscal 2023. US based customer for $432,000.

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***Geographic Sales:***

| | Twelve Months Ended | | Change | | Twelve Months Ended | | Change | |
|---|---|---|---|---|---|---|---|---|
| | February 28, 2023 | February 28, 2022 | $ | % | February 29, 2024 | February 28, 2023 | $ | % |
| U.S. & Canada | $ 6,804,000 | $ 5,480,000 | $ 1,324,000 | 24% | $ 10,878,000 | $ 6,804,000 | $ 4,074,000 | 60% |
| Asia Pacific (APAC) | 3,260,000 | 5,301,000 | (2,041,000) | (39%) | 3,268,000 | 3,260,000 | 8,000 | 0% |
| Europe, Middle East, Asia (EMEA) | 3,448,000 | 5,255,000 | (1,807,000) | (34%) | 4,333,000 | 3,448,000 | 885,000 | 26% |
| Latin America | 1,546,000 | 1,097,000 | 449,000 | 41% | 1,221,000 | 1,546,000 | (325,000) | (21%) |
| TOTAL | $ 15,058,000 | $ 17,133,000 | $ (2,075,000) | (12%) | $ 19,700,000 | $ 15,058,000 | $ 4,642,000 | 31% |

In fiscal 2023, 2024, approximately 45% 55% of our sales were to US and Canadian customers. This is compared to 32% 45% in fiscal 2022. The increased 2023.

We continue to record strong sales from the U.S. and Canada, growing 60% for fiscal 2024. This achievement can be attributed to various factors, including proactive governmental initiatives such as the CHIPS ACT and the Inflation Reduction Act. Additionally, the ongoing trend of onshoring for high-technology products has significantly bolstered our sales performance in these regions.
Asia sales remained flat for fiscal 2024. While robust sales from the clean energy sector were shown from India, South Korea and Singapore, China sales continue a downward trajectory amidst the uncertain economic landscape prevailing in the region.
In Latin America, we encountered a discernible decline of 21%, representing a reduction of $325,000. This decrease can be largely attributed to the US sluggish performance in the spray fluxer segment, a market segment commonly associated with our customer base in this region.

In fiscal 2024, EMEA sales experienced a notable surge, marking a 26% increase equivalent to $885,000. This upward trajectory was driven by robust sales in Ireland, where we secured orders and Canada were positively shipments for two unique machines catering to separate customers within the medical sector. These systems are designed for the specialized coating of unique implantable devices, reflecting our commitment to innovation in thin film coatings on next gen healthcare devices. Furthermore, Germany had continued sales growth of our electrolysis membrane coating systems, impacted by several US Government government initiatives to invest in aimed at fostering expansion of the green clean energy sector and advanced research markets. APAC revenue decreased by 39% in fiscal 2023, impacted by reduced sales in China due to several China-based manufacturing sites moving operations back to the US and Mexico. Also, the currently strong US Dollar has made Sono-Tek products more expensive in Japan and South Korea, resulting in several delayed purchases.

sector.
***Operating Expenses:***

| | Twelve Months Ended | | Change | | Twelve Months Ended | | Change | |
|---|---|---|---|---|---|---|---|---|
| | February 28, 2023 | February 28, 2022 | $ | % | February 29, 2024 | February 28, 2023 | $ | % |
| Research and product development | $ 2,149,000 | $ 1,730,000 | $ 419,000 | 24% | $ 2,886,000 | $ 2,149,000 | $ 737,000 | 34% |
| Marketing and selling | 3,170,000 | 3,367,000 | (197,000) | (6%) | 3,696,000 | 3,170,000 | 526,000 | 17% |
| General and administrative | 1,650,000 | 1,626,000 | 24,000 | 2% | 2,080,000 | 1,650,000 | 430,000 | 26% |
| Total Operating Expenses | $ 6,969,000 | $ 6,723,000 | $ 246,000 | 4% | $ 8,662,000 | $ 6,969,000 | $ 1,693,000 | 24% |

***Research and Product Development:***
Research and product development costs increased $419,000 $737,000 to $2,149,000 $2,886,000 for fiscal 2023 2024 due to increased salaries and related costs and an increase in research and development materials and supplies, as which are used in the focused growth initiatives we continue the development of new products for new and existing markets. to implement.

***Marketing and Selling:***
Marketing and selling costs decreased $197,000 increased $526,000 to $3,170,000 $3,696,000 for fiscal 2023 primarily 2024 due to a decrease in commission expense. This decrease was partially offset by increased salaries and increased travel and trade show expenses.

During fiscal 2023, 2024, we expended approximately $623,000 for commissions as compared with $974,000 for the prior fiscal year, a decrease of $351,000. The decrease in commission expense is due to a decrease in international sales being generated by our external distributors, which are commissioned at a higher rate than our in-house sales team.
During fiscal 2023, we expended approximately $398,000 $505,000 for travel and trade show expenses compared with $205,000 $398,000 for the prior fiscal year, an increase of $193,000. $107,000. The increased travel and trade show expenses are a result of the global lifting of COVID-19 restrictions. restrictions aligning closely with pre-pandemic levels.

***General and Administrative:***
General and Administrative (G&A) costs increased $24,000 $430,000 to $1,650,000 $2,080,000 for fiscal 2023 2024 due to an increase in stock-based compensation expense. This increase was salaries, professional fees and corporate expenses. These increases were partially offset by decreases a decrease in corporate stock-based compensation expense.

Effective January 1, 2024, Steve Harshbarger became our Chief Executive Officer and President, having previously served as Chief Operating Officer and President prior to such date. We have implemented adjustments to the allocation of certain expenses and bad debt expense. in fiscal 2024 associated with this transition. Specifically, we reclassified the expenses related to Mr. Harshbarger's compensation in connection with this positional change. Prior to January 1, 2024, we categorized Mr. Harshbarger's salary under sales expenses due to his instrumental involvement in nurturing strategic accounts. In connection with Mr. Harshbarger's assumption of the principal executive officer role, the costs associated with his compensation have been reallocated to the G&A category ensuring a more precise representation of resource allocation in our financial statements.

In the fourth quarter of fiscal 2023 stock-based compensation expense increased $78,000 2024, we were notified by the State of California that we were required to $257,000 compared with $179,000 collect sales tax on our shipments to customers in fiscal 2022. The increase in stock-based compensation expense in fiscal 2023 is due California. According to option awards that were issued California, we have both physical and economic nexus in the prior fiscal year. Option awards state and are expensed over three years based required to collect sales tax. We have taken the position that we do not have physical nexus, but that we are subject to the economic nexus filing requirements. The California economic nexus requirements have a look back period that began on vesting terms. April 1, 2019.

We are in the process of reviewing our sales to California for the period beginning April 1, 2019. For taxable sales, we are in the process of trying to collect any sales tax due from our customers. As of February 29, 2024, on the basis of a preliminary analysis of our sales to our California customers since April 1, 2019, we have recorded an accrual in the amount of $138,000 for the estimated sales tax, penalties and interest that we may be required to remit to the State of California.

***Operating Income:***

Our operating income decreased $1,206,000 increased $499,000 or 64% 73%, to $683,000 $1,182,000 in fiscal 2023 2024 compared with $1,889,000 $683,000 for the prior fiscal year due to year. In fiscal 2024, the current period's decrease increase in operating margin is a result of an increase in revenue and gross profit. profit offset by an increase in operating expenses. Operating margin for fiscal 2023 decreased 2024 increased to 5% 6% compared with 11% 5% in the prior fiscal year. As a percentage of net sales, operating expenses increased 700 decreased 200 basis points to 44% in fiscal 2024 compared with 46% in fiscal 2023 compared with 39% in fiscal 2022. 2023.

***Interest and Dividend Income:***

Interest and dividend income increased $131,000 $390,000 to $140,000 $530,000 for fiscal 2023 2024 as compared with $9,000 $140,000 for the prior fiscal year. The increase in interest and dividend income is due to the reallocation of our investments into US Treasury securities and certificates of deposit combined with the increase in current interest rates. Our present investment policy is to invest excess cash in highly liquid, low risk US Treasury securities and certificates of deposit. At February 28, 2023 February 29, 2024, the majority of our holdings are rated at or above investment grade.

***Income Tax Expense:***

We recorded income tax expense of $154,000 $303,000 for fiscal 2023 2024 compared with $362,000 $154,000 for the prior fiscal year. The decrease increase in income tax expense in fiscal 2023 2024 is due to the current period's decrease increase in operating profit. income before income taxes offset by the application of available research and development tax credits.

***Net Income:***

Net income decreased by $1,907,000 increased $805,000 or 75% 127%, to $636,000 $1,441,000 for fiscal 2023 2024 compared with $2,543,000 $636,000 for the prior fiscal year. The decrease increase in net income in fiscal 2023 2024 is a result of a decrease an increase in operating income and interest and dividend income partially offset by an increase in operating expenses and an increase income tax expense combined with the PPP Loan forgiveness recorded in the prior year.

**Impact of COVID-19**

In response to the COVID-19 pandemic and related government actions, we began implementing changes in our business in March 2020 to protect our employees and customers. These changes include adjusting our policies on social distancing, flexing our workforce hours, enhanced cleaning and sanitary procedures, limiting travel when appropriate, and restricting access of non-employees to our facility when necessary. These policies continue to be modified and adjusted dependent upon government regulations and CDC guidelines.

While these measures are necessary and appropriate, they may result in additional costs and may adversely impact our business and financial performance. As our response to the pandemic evolves, we may incur additional costs and will potentially experience adverse impacts to our business, each of which may be significant. In addition, an extended period of remote work arrangements could impair our ability to effectively manage our business, and introduce additional operational risks, including, but not limited to, cybersecurity risks and increased vulnerability to security breaches, cyber-attacks, computer viruses, ransomware, or other similar events and intrusions. We mayexperience, decreases in demand and customer orders for our products in all sales channels, as well as temporary disruptions and closures of our facilities due to decreased demand and government mandates.

COVID-19 has also impacted various aspects of the supply chain as our suppliers experience similar business disruptions due to operating restrictions from government mandates. We continue to monitor procurement of raw materials and components used in the manufacturing, distribution and sale of our products, but continued disruptions in the supply chain due to COVID-19 may cause difficulty in sourcing materials or unexpected shortages or delays in delivery of raw materials and components, and may result in increased costs in our supply chain.

We have implemented plans to reduce spending in certain areas of our business, including reductions or delays in capital expenditures, reduced trade show participation costs, reduced travel expenditures and may need to take additional actions to reduce spending in the future. expense.

We are closely monitoring and assessing the impact of the pandemic on our business. The extent of the impact on our results of operations, cash flow, liquidity, and financial performance, as well as our ability to execute near- and long-term business strategies and initiatives, will depend on numerous evolving factors and future developments, which are highly uncertain and cannot be reasonably predicted.

Given the inherent uncertainty surrounding COVID-19, the pandemic may continue to have an adverse impact on our business in the near term. Should these conditions persist for a prolonged period, the COVID-19 pandemic, including any of the above factors and others that are currently unknown, may have a material adverse effect on our business, results of operations, cash flow, liquidity, and financial condition.

**Liquidity and Capital Resources**

***Working Capital –*** Our working capital increased $335,000 $1,006,000 to $12,123,000 at February 29, 2024 from $11,117,000 at February 28, 2023 from $10,782,000 at February 28, 2022. The increase in working capital was primarily the result of the current period's year's net income and non-cash charges partially offset by purchases of equipment.

We aggregate cash and cash equivalents and marketable securities in managing our balance sheet and liquidity. For purposes of the following analysis, the total is referred to as "Cash." At February 28, 2023 February 29, 2024 and February 28, 2022 February 28, 2023, our working capital included:

| | February 28, 2023 | February 28, 2022 | Cash Increase | February 29, 2024 | February 28, 2023 | Cash Increase |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | $ 3,355,000 | $ 4,841,000 | $ (1,486,000) | $ 2,135,000 | $ 3,355,000 | $ (1,220,000) |
| Marketable securities | 8,090,000 | 5,868,000 | 2,222,000 | 9,712,000 | 8,090,000 | 1,622,000 |
| Total | $ 11,445,000 | $ 10,709,000 | $ 736,000 | $ 11,847,000 | $ 11,445,000 | $ 402,000 |

The following table summarizes the accounts and the major reasons for the $736,000 $402,000 increase in "Cash":

| | Impact on Cash | Reason | Impact on Cash | Reason |
|---|---|---|---|---|
| Net income, adjusted for non-cash items | $ 853,000 | To reconcile increase in cash. | $ 1,915,000 | To reconcile increase in cash. |

| | | | | |
|---|---|---|---|---|
| Accounts receivable increase | (497,000) | Increase primarily due to shipments in the last month of the fiscal year. | | |
| Accounts receivable decrease | | | 163,000 | Decrease due to timing of receipts. |
| Inventories increase | (875,000) | Additional inventory purchases and increase in work in process due to supply chain delays in receipt of required components. | (2,027,000) | Additional inventory purchases and increase in work in process due to customer requirements and supply chain delays in receipt of required components. |
| Customer deposits increase | 1,670,000 | Received for new orders. | 582,000 | Received for new orders. |
| Accounts payable | 126,000 | Timing of disbursements. | 239,000 | Timing of disbursements. |
| Accrued expenses | (376,000) | Timing of disbursements. | 312,000 | Timing of disbursements. |
| Prepaid and Other Assets decrease | 69,000 | Decreased prepaid expenses. | 46,000 | Decreased prepaid expenses. |
| Income taxes payable increase | 322,000 | Timing of disbursements. | | |
| Income taxes payable decrease | | | (33,000) | Timing of disbursements. |
| Equipment purchases | (556,000) | Equipment and facilities upgrade. | (795,000) | Equipment and facilities upgrade. |
| Net increase in cash | $ 736,000 | | $ 402,000 | |

***Stockholders' Equity –*** Stockholders' equity increased $893,000 $1,645,000 from $13,741,000 at February 28, 2022 to $14,634,000 at February 28, 2023 to $16,279,000 at February 29, 2024. The increase was a result of the current year's net income of $636,000 $1,441,000 and $257,000 $204,000 in additional equity related to stock-based compensation awards. The details of stock-based compensation are explained in Note 4 in our financial statements.

***Operating Activities –*** We generated $1,325,000 $1,164,000 of cash in our operating activities in fiscal 2023 2024 compared with generating $2,319,000 $1,325,000 in fiscal 2022. 2023. The decrease in cash generated by operating activities was the result of increases an increase in accounts receivable and inventories, a decrease in accrued expenses combined with the current period's decrease in net income. These uses inventories. This use of cash were was partially offset by increases in customer deposits, income taxes payable, an increase increases in accounts payable and a decrease accrued expenses and decreases in accounts receivable and prepaid expenses.

In fiscal 2024, we used $2,027,000 of cash compared with using $875,000 in fiscal 2023 for the purchase of inventories, a 132% increase. Approximately half of this increase aligns with Sono-Tek's 31% revenue growth, necessitating additional inventory to fulfill order demand efficiently. Of the remaining half of the inventory increase, approximately $730,000, stems from finished goods and work-in-progress items associated with three substantial orders associated with high-volume production systems. These systems boast high average selling prices and lengthy lead times, with all three scheduled for shipment in fiscal year 2025.

In addition, approximately $220,000 of finished goods comprise buy-ahead modules designed to mitigate supply chain challenges. It's anticipated that this figure will decrease to $110,000 by Q3 FY2025, reflecting improved supply chain conditions.

***Investing Activities –*** In fiscal 2023, 2024, we used $2,811,000 $2,384,000 in our investing activities compared with using $1,631,000 $2,811,000 of cash in fiscal 2022. 2023. Capital spending in fiscal 2023 2024 was $556,000 $795,000 for the purchase or manufacture of equipment, furnishings and leasehold improvements and patent costs. This compares with $327,000 $556,000 for the purchase of equipment and furnishings in fiscal 2022. 2023.

In fiscal 2023, 2024, we used $2,255,000 $1,589,000 of cash compared with using $1,304,000 $2,255,000 for the purchase of marketable securities in fiscal 2022.
***Financing Activities –*** In fiscal years 2023 and 2022, we received $0 and $69,000 from the exercise of stock options. 2023.

***Bank Credit Facilities:***
We currently have a revolving credit line of $1,500,000 and a $750,000 equipment purchase facility, both of which are with a bank. The revolving credit line is collateralized by the Company's accounts receivable and inventory. The revolving line of credit is payable on demand and must be retired for a 30-day period, once annually. As of February 28, 2023 February 29, 2024, there were no outstanding borrowings under the line of credit.

As of February 28, 2023 February 29, 2024, $145,000 $72,000 of the Company's credit line was being utilized to collateralize letters of credit issued to customers that have remitted cash deposits to the Company on existing orders. The unused portion of the credit line was $1,355,000 $1,428,000 as of February 28, 2023 February 29, 2024. The letters of credit expire in fiscal year 2024.

***Paycheck Protection Program Loan Forgiveness: Backlog***

During We typically disclose our equipment-related backlog at the close of each fiscal 2021, quarter. However, we entered into a loan transaction pursuant have not previously included our services-related backlog, encompassing repair parts, contract coating, paid applications development time in our laboratories, and purchase orders for planned paid installation commitments, in our reported backlog figures. While historically the services-related backlog has represented an insignificant portion of our total backlog in dollar terms, our strategic focus is aimed at growing this aspect of our business to which we received proceeds of $1,001,640 (the "PPP Loan") under become significant in the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying companies and is administered by the U.S. Small Business Administration (the "SBA"). future.

The Company applied Accordingly, beginning with our fiscal 2024 year-end figures included in this discussion, we will incorporate service-related backlog into our reported total backlog number and present it separately. Despite its current size, we believe that service-related backlog holds potential for forgiveness considerable growth. At the end of the PPP Loan fiscal year 2024, our total backlog amounted to $9,277,168, comprised of $9,079,422 in December 2020. On April 1, 2021, the Company received notice from the Bank that the Bank had received confirmation from the SBA that the application for forgiveness of the PPP Loan had been approved. The loan forgiveness request equipment backlog and $197,746 in the amount of $1,001,640 was applied to the Company's entire outstanding PPP Loan balance with the Bank.
During fiscal 2022, the Company recorded a gain on the forgiveness of the PPP Loan and accrued interest in the amount of $1,005,372. The gain on the forgiveness of the PPP Loan is a non-taxable event. services-related backlog.

***Off - Balance Sheet Arrangements***

We do not have any Off - Balance Sheet Arrangements as of February 28, 2023 February 29, 2024.

***Critical Accounting Policies Estimates***

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.

Management's estimates and judgements are continually evaluated and are based on historial experience and expectations regarding future events that are believed to be reasonable under the specific circumstances.
Critical accounting policies estimates 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. As of February 28, 2023 February 29, 2024, management believes that there are no critical accounting policies applicable to the Company that are reflective of significant judgments and or uncertainties.

**Accounting for Income Taxes**
The Company accounts for income taxes under the asset and liability method. Under this method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. If Based on management's estimate, if it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized. Management evaluates the valuation allowance based on current estimates and historical experience. We use a recognition threshold and a measurement attribute for financial statement recognition and measurement tax positions taken or expected to be taken in a return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. As of February 28, 2023 February 29, 2024 and February 28, 2022 February 28, 2023, there were no uncertain tax provisions.

**Stock-Based Compensation**
The computation of the expense associated with stock-based compensation requires the use of a valuation model. ASC 718 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. ASC 718 requires the recognition of the fair value of stock compensation in net income.

**Revenue Recognition**
The Company recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers, the core principle of which is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive

in exchange for those goods or services.
Judgement is required when determining at what point in time control of the Company's manufactured equipment is transferred to its customers. Management's judgement is based on each customer contract and the transfer of control of the equipment to the customer. The sales revenue to be recorded is based on each contract.

**Impact of New Accounting Pronouncements**

Accounting In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures.* This ASU requires greater disaggregation of information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. This ASU applies to all entities subject to income taxes and is intended to help investors better understand an entity's exposure to potential changes in jurisdictional tax legislation and assess income tax information that affects cash flow forecasts and capital allocation decisions. This ASU is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact the adoption of this ASU will have on its consolidated financial statements and related disclosures.
Other than ASU 2023-09 discussed above, accounting pronouncements issued but not yet effective have been deemed to be not applicable or the adoption of such accounting pronouncements is not expected to have a material impact on the financial statements of the Company.

## 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 43 to 60 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 us 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 Chief Executive Officer (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 and for the year ended February 28, 2023 February 29, 2024. 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.

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.None.

## ITEM 9C DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS. – Not Applicable.

PART III

## ITEM 10 DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Identification of Directors

| Name | Age | Position with the Company |
|---|---|---|
| Christopher L. Coccio, Ph.D. | 8283 | Executive Chairman and Director |
| R. Stephen Harshbarger | 56 | Chief Executive Officer, Chairman and Director |
| R. Stephen Harshbarger | 55 | President and Director |
| Eric Haskell, CPA | 7677 | Director* |
| Adeniyi Lawal, Ph.D. | 67 | Director |
| Donald F. Mowbray, Ph.D. | 8586 | Director |
| Carol O'Donnell | 6667 | Director* |
| Joseph Riemer, Ph.D. | 7475 | Director |
| Philip A. Strasburg, CPA | 8485 | Director* |

* Member of the Audit 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 Drs. Coccio and Riemer and Messrs. Strasburg and Harshbarger run until the annual meeting to be held in 2023. The terms of Dr. Mowbray, Mr. Haskell, Dr. Lawal and Ms. O'Donnell run until the annual meeting to be held in 2024, and in each case until their respective successors are duly elected and qualified.
The terms of Drs. Coccio and Riemer and Messrs. Strasburg and Harshbarger run until the annual meeting to be held in 2025.

Audit Committee

The Company has a separate designated standing Audit Committee established and administered in accordance with SEC rules. The three members of the Audit Committee are Philip A. Strasburg, Eric Haskell, CPA (who serves as Chairman of the Audit Committee), Carol O'Donnell and Eric Haskell, Philip A. Strasburg, CPA. The Board of Directors has determined that each member of the Audit Committee meets the independence criteria prescribed by NASDAQ governing the qualifications for audit committee members and each Audit Committee member meets NASDAQ's financial knowledge requirements. The Board of Directors has determined that Mr. Strasburg Haskell qualifies as an "audit committee financial expert," as defined in the rules and regulations of the SEC.

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.

Compensation Committee

The Company's executive compensation is administered by the Compensation Committee of the Board of Directors. The members of the Compensation Committee are Drs. Mowbray and Riemer and Mr. Strasburg, all of whom have been determined by the Board to be independent in accordance with NASDAQ's requirement for independent director oversight of executive officer compensation.

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 | 6061 | Chief Financial Officer |
| Christopher C. Cichetti | 4142 | Vice President – Sales and Application Engineering |
| Christopher L. Coccio, Ph.D. | 8283 | Executive Chairman and Director |
| R. Stephen Harshbarger | 56 | Chief Executive Officer, Chairman and a Director |
| Robb W. Engle | 52 | Executive Vice President |
| R. Stephen Harshbarger | 55 | President and Director |
| Maria T. Kuha | 4647 | Vice President – Manufacturing Operations |

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

Business Experience

STEPHEN J. BAGLEY, CPA was appointed Chief Financial Officer of the Company 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 at Oneonta and an MBA from Marist College. He was licensed as a CPA in 1990. Mr. Bagley served on the OTCQX US Advisory Council from 2019 to 2020. Mr. Bagley is a past President of the Board of Education for the New Paltz Central School District and a past Chairman of the Audit and Finance Committee for the District.

CHRISTOPHER C. CICHETTI was appointed Vice President – Sales and Application Engineering of the Company in August 2022. Mr. Cichetti joined Sono-Tek in 2005 as an Electrical Engineer and has served as Application Engineer, Senior Application Engineer, Application Engineering Manager, and Vice President of Application Engineering. Mr. Cichetti has experience in lab testing, process development, project management, and has successfully implemented several successful OEM relationships with outside vendors. He is a graduate of Worcester Polytechnic Institute with a major in Computer and Electrical Engineering and a minor in International Studies.

DR. CHRISTOPHER L. COCCIO was appointed President and has served as Executive Chairman of the Company since January 2024. Prior thereto, Dr. Coccio served as Sono-Tek's Chief Executive Officer of Sono-Tek on April 30, 2001, from April 2001 until January 2024. Dr. Coccio has been a Director of the Company since June 1998 and was appointed became Chairman of the Board of Directors 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. He also won an ASME Congressional Fellowship and served with the Senate Energy Committee in 1976. His business experience includes both domestic and international markets and customers. He founded a management consulting business in 1996 and was appointed a legislative Fellow on 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.

*Key attributes, Experience and Skills:* Dr. Coccio brings his strategic vision for our Company to the Board together with his leadership, business experience and investor relations skills. Dr. Coccio has an immense knowledge of our Company and its related applications which is beneficial to the Board. Dr. Coccio's service as Executive Chairman and CEO bridges a critical gap between the Company's management and the Board, enabling the Board to benefit from management's perspective on the Company's business while the Board performs its oversight function.

ROBB W. ENGLE joined Sono-Tek in 2000 as a Field Service Technician, became Vice President of Engineering in January 2013 and was appointed Executive Vice President in September 2019. Mr. Engle created the Sono-Tek Service Department and led the development of key products in his leadership role of our engineering resources. As Vice President of Engineering, he directs the engineering department, service department, IT and coordinates the Company's intellectual property. Mr. Engle was formally trained and certified by the U.S. Navy as a Nuclear Operator where he was recognized with an induction into the Navy League Memorial for meritorious service and the advancement of training techniques. He also served with honors on board a submarine and earned the prestigious Sub-Surface Warfare (E) Insignia.

R. STEPHEN HARSHBARGER joined Sono-Tek in 1993. He was appointed has been Chief Executive Officer and President of the Company since January 2024 and a Director since 2013. Mr. Harshbarger originally joined Sono-Tek in 2012 1993 and became a Director President in August 2013. As 2012.

Before becoming Chief Executive Officer and President, he directs the Company's Sales, Marketing, Engineering, Service, and Manufacturing Operations. Prior to assuming his present position, Mr. Harshbarger served as honed his expertise through various pivotal roles within Sono-Tek, including Sales Engineer, World-Wide Worldwide Sales and Marketing Manager, Vice President & Director of Electronics and Advanced Energy (E&AE), and Executive Vice President. In Under his years managing stewardship, the sales organization he established flourished, with a worldwide global distribution and representative network in more than spanning over 40 countries consisting and boasting a revenue surge of more than 300 persons, with revenue growth of greater than over 300%. He has over 30 years of experience

Mr. Harshbarger is a recognized authority in ultrasonic coating equipment, for particularly within the electronics, medical device, and advanced energy industries. sectors. Prior to joining his tenure at Sono-Tek, Mr. Harshbarger was he played a pivotal role as the Sales and Marketing Manager for Plasmaco Inc., a world leader pioneer in the development of flat panel displays. In that position, Flat Panel Displays, where he established spearheaded the establishment of their distribution network, participated in venture capital funding, and introduced the first flat panel technology panels to the Wall Street trading floors. He is a graduate of

Mr. Harshbarger graduated from Bentley University, with a major in Finance and a minor in Marketing.

*__Key attributes Experience and Skills:__* Mr. Harshbarger is among a small handful pivotal asset to Sono-Tek and its Board. Renowned as one of the foremost ultrasonic coating experts in the world. He globally, he has a proven successful track record of identifying, developing, and implementing the technology innovative technologies for new diverse markets and applications. His expertise adeptness in establishing strong cultivating robust distribution networks and knowledge his deep understanding of ultrasonic coating for new product developments targeted at specific advanced technology applications, bring insights to are invaluable assets that drive the Board. Company's growth and innovation. Moreover, Mr. Harshbarger also brings Harshbarger's leadership and oversight experience to prowess further enrich the Board. strategic vision of the Board, ensuring that Sono-Tek remains at the forefront of technological advancement and market leadership.

ERIC HASKELL, CPA has been a Director since August 2009. He has over 40 years of experience in senior financial positions at several public and private companies. He has significant expertise in the areas of acquisitions and divestitures, strategic planning and investor relations. From December 2005 through March 2008, Mr. Haskell served as the Executive Vice President and Chief Financial Officer of SunCom Wireless Holdings, Inc., a company providing digital wireless communications services which was publicly traded until its merger with a wholly-owned subsidiary of T-Mobile USA, Inc. in February 2008. He also served as a member of SunCom's Board of Directors from November 2003 through May 2007. From 1989 until April 2004, Mr. Haskell served as the Chief Financial Officer of Systems & Computer Technology Corp., a NASDAQ listed software and services corporation. He has served as Audit Committee Chairman since 2023. Mr. Haskell received a Bachelors Degree in Business Administration from Adelphi University in 1969.

*__Key attributes, Experience and Skills:__* Mr. Haskell's training and extensive experience in financial management at both public and private companies provide the Board with valuable insights. Mr. Haskell's significant experience in acquisitions and divestitures and investor relations bring strategic judgment and experience to the Board. Mr. Haskell's strong operational and business background complement his accounting and finance experience and are valuable resources to the Board as it exercises its oversight duties and support of the Company's growth strategies.

MARIA T. KUHA joined Sono-Tek in 2007. Mrs. Kuha was appointed VP, Manufacturing Operations, Procurement & Logistics in September 2022. Prior to assuming her present position, Mrs. Kuha served as Operations Director, Purchasing Manager, and several other positions within the procurement aspects of Sono-Tek; providing extensive expertise in several vital areas of Sono-Tek operations.

Prior to joining Sono-Tek, Mrs. Kuha held various positions in high tech manufacturing companies revolving around purchasing and operations. She holds an AAS in business from Dutchess County Community College.

DR. ADENIYI LAWAL became a Director in April 2024. He has considerable experience in both industries and academia, having worked with Shell Petroleum Development Company, Texaco Overseas Oil Company, and three different universities. Currently he's a Professor of Chemical Engineering at the Department of Chemical Engineering & Materials Science, Stevens Institute of Technology where he has been a member of the faculty for over twenty-five years. At Stevens, he has held several administrative positions, including Program Director, Associate Department Chair, and now, Department Chair. Dr. Lawal has directed research groups in academia, and has been a highly successful researcher, having executed several multi-million dollar, and multi-year projects funded by the Department of Energy and the Department of Defense. ACS-Petroleum Research Fund, GAF Materials Corporation, Phillips Netherlands, and International Flavors & Fragrances have also funded his research. He has published extensively in highly esteemed, archival journals and is the recipient of five U.S. and international patents. Dr. Lawal has also been active in scientific societies, organized and chaired national and international conferences. He received a B.Sc (Honors) Degree in Engineering from the University of Ibadan, Nigeria, an S.M. Degree from the Massachusetts Institute of Technology and a Ph.D. from McGill University, Canada, both in Chemical Engineering.

*Key Attributes, Experience, and Skills:* Dr. Lawal's core expertise is in catalysis, reaction engineering and process intensification with specific application to renewable energy. His extensive research experience and knowledge of the renewable energy landscape bring valuable insights to the Board on emerging local and global business opportunities in green energy. His administrative and leadership experience that has spanned decades is also of value to the Board.

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.

*Key attributes, Experience and Skills:* Dr. Mowbray's extensive research and managerial experience enables him to bring valuable insights to the Board. His knowledge of the Company's products and the materials sciences technology underlying them has enabled him to contribute to the Company's advanced products development and designs. Dr. Mowbray also brings leadership and oversight experience to the Board from his General Electric management background.

CAROL O'DONNELL has been a Director since November 2018. Ms. O'Donnell joined Protégé Partners, an industry leading firm investing in and seeding smaller and emerging hedge fund managers in 2016 and has served as Chief Executive Officer since 2018. Prior to joining Protégé Partners, Ms. O'Donnell was the Director of Legal and Compliance with DARA Capital US, Inc., a Swiss-owned boutique registered investment advisory and wealth management firm from 2013 to 2016. She also served as General Counsel to Boothbay Fund Management LLC, a registered investment adviser, from December 2019 through May 2021, and was General Counsel and Chief Compliance Officer of each of the Permal Group and Framework Investment Group from 2004 through 2011 and from 2002 to 2004, respectively. Ms. O'Donnell is admitted to practice law in the States of New York and Connecticut.

*Key attributes, Experience and Skills:* Ms. O'Donnell's extensive experience as an attorney enables her to bring valuable strategic insights to the Board in the areas of corporate governance, finance and securities law. Ms. O'Donnell also brings leadership and oversight experience to the Board.

DR. JOSEPH RIEMER joined the Company in January 2007 as Vice President of Engineering and has been a Director since August 2007. Dr. Riemer served as President from September 2007 until August 2012 when he became Vice President of Food Business Development, which position he held until June 2016. 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.

*Key attributes, Experience and Skills:* Dr. Riemer's extensive research and management experience enables him to bring valuable insights to the Board. His considerable experience in the biotech, food and pharmaceutical industries bring specific product application insights to the Board. Dr. Riemer's previous service as Vice President of Food Business Development helps to provide focus to the Board on this important marketing area. Dr. Riemer also brings leadership and oversight experience to the Board.

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 has served as Audit Committee Chairman since 2005. from 2005 through 2023. 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 Bachelor of Science degree from Lehigh University, where he majored in business administration.

*Key attributes, Experience and Skills:* Mr. Strasburg's training and extensive experience in auditing provide the Board with valuable insights and skills necessary to lead the Audit Committee. Mr. Strasburg's strong operational and business background complement his accounting and finance experience, and are valuable resources to the Board as it exercises its oversight duties and support of the Company's growth strategies.

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, 2023 February 29, 2024, 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, with the exception of four late filings by Philip Strasburg. reports.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics that applies to all directors, officers, and employees. This code of ethics is designed to comply with the NASDAQ marketplace rules related to codes of conduct. 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/code-of-ethics/ and is available in print to any shareholder who requests a copy. The Company intends to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of our code of ethics by posting such information on the Company's website.

## ITEM 11 EXECUTIVE COMPENSATION

The following table sets forth the aggregate remuneration paid or accrued by the Company for fiscal 2023 2024 and fiscal 2022 2023 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 | 2023 | 192,200 | 20,200 | 0 | 15,000 | 6,373 | 233,773 |
| CEO, Chairman and Director | 2022 | 150,000 | 42,200 | 0 | 54,520 | 5,766 | 252,486 |
| R. Stephen Harshbarger | 2023 | 249,200 | 23,000 | 0 | 15,000 | 8,167 | 295,367 |
| President and Director | 2022 | 227,500 | 48,700 | 0 | 3,667 | 8,286 | 288,153 |
| Stephen J. Bagley | 2023 | 174,800 | 18,500 | 0 | 7,500 | 5,799 | 206,599 |
| Chief Financial Officer | 2022 | 165,000 | 38,900 | 0 | 6,383 | 6,117 | 216,400 |

| Name and Principal Position | Year | Salary ($) | Bonus ($) | Stock Awards | Option Awards ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|
| Christopher L. Coccio[1] | | | | | | | |
| CEO, Executive Chairman | 2024 | 193,800 | 48,000 | 0 | 15,000 | 7,300 | 264,100 |
| and Director | 2023 | 192,200 | 20,200 | 0 | 15,000 | 6,373 | 233,773 |
| R. Stephen Harshbarger[2] | 2024 | 252,300 | 55,000 | 0 | 15,000 | 9,200 | 331,500 |
| CEO, President and Director | 2023 | 249,200 | 23,000 | 0 | 15,000 | 8,167 | 295,367 |
| Stephen J. Bagley | 2024 | 176,500 | 44,000 | 0 | 7,500 | 6,600 | 234,600 |
| Chief Financial Officer | 2023 | 174,800 | 18,500 | 0 | 7,500 | 5,799 | 206,599 |
| Christopher C. Cichetti | 2024 | 179,800 | 37,000 | 0 | 27,500 | 6,500 | 250,800 |
| Vice President – Sales Applications | 2023 | 168,200 | 14,200 | 0 | 7,500 | 5,500 | 195,400 |

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

Option awards in the above table are calculated using the Black-Scholes options pricing model which is further discussed in Note 4 – Stock Based Compensation, in the Company's consolidated financial statements.

[1] Dr. Coccio stepped down as CEO on January 1, 2024 and became Executive Chairman.
[2] Mr. Harshbarger became CEO on January 1, 2024.

Officer Compensation Arrangements

During fiscal 2023, 2024, Dr. Coccio was compensated at the rate of $150,000 $200,000 per annum, until May 2022, January 2024, at which time his annual base compensation decreased to $160,000.
During fiscal 2024, Mr. Harshbarger was compensated at the rate of $250,000 per annum, until January 2024, at which time his annual base compensation increased to $200,000. $265,000.
During fiscal 2023, 2024, Mr. Harshbarger Bagley was compensated at the rate of $235,000 $175,000 per annum, until November 2022, January 2024, at which time his annual base compensation increased to $250,000. $185,000.
During fiscal 2023, 2024, Mr. Bagley Cichetti was compensated at the rate of $165,000 $170,000 per annum, until November 2022, August 2023, at which time his annual base compensation increased to $175,000. $185,000 per annum and increased to $200,000 per annum in January 2024.

In addition, each named officer earned bonus compensation based on the achievement of certain operating objectives.

## Outstanding Equity Awards at Fiscal Year End

| Name | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price ($) | Option Expiration Date |
|---|---|---|---|---|
| Christopher L. Coccio | 2,617 | 3,198 | 6.05 | 11/18/2031 |
| CEO, Chairman and Director | 16,340 | - | 6.26 | 02/17/2032 |
| | 16,340 | - | 6.26 | 02/17/2032 |
| | - | 4,505 | 5.96 | 11/17/2032 |
| R. Stephen Harshbarger | 2,617 | 3,198 | 6.05 | 11/18/2031 |
| President | 7,353 | 8,987 | 6.26 | 02/17/2032 |
| | - | 3,937 | 5.96 | 11/17/2032 |
| Stephen J. Bagley | 1,750 | 1,000 | 4.45 | 01/15/2031 |
| Chief Financial Officer | 4,412 | 5,392 | 6.26 | 02/17/2032 |
| | - | 1,969 | 5.96 | 11/17/2032 |

| Name | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price ($) | Option Expiration Date |
|---|---|---|---|---|
| Christopher L. Coccio[1] | 4,652 | 1,163 | 6.05 | 11/18/2031 |
| CEO, Executive Chairman and Director | 32,680 | — | 6.26 | 02/17/2032 |
| | 2,027 | 2,477 | 5.96 | 11/17/2032 |
| | — | 5,282 | 5.00 | 11/16/2033 |
| R. Stephen Harshbarger[2] | 4,652 | 1,163 | 6.05 | 11/18/2031 |
| CEO, President and Director | 13,072 | 3,268 | 6.26 | 02/17/2032 |
| | 1,772 | 2,165 | 5.96 | 11/17/2032 |
| | — | 4,658 | 5.00 | 11/16/2033 |
| Stephen J. Bagley | 2,750 | — | 4.45 | 01/15/2031 |
| Chief Financial Officer | 7,843 | 1,961 | 6.26 | 02/17/2032 |
| | 886 | 1,082 | 5.96 | 11/17/2032 |
| | — | 2,329 | 5.00 | 11/16/2033 |
| Christopher C. Cichetti | 2,750 | — | 4.45 | 01/15/2031 |
| Vice President – Sales Applications | 7,843 | 1,961 | 6.26 | 02/17/2032 |
| | 886 | 1,082 | 5.96 | 11/17/2032 |
| | — | 8,540 | 5.00 | 11/16/2033 |

[1] Dr. Coccio stepped down as CEO on January 1, 2024 and became Executive Chairman.

[2] Mr. Harshbarger became CEO on January 1, 2024.

Estimated Payments and Benefits Upon Termination or Change in Control

On September 1, 2007, the Company entered into identical Executive Agreements with Stephen J. Bagley, the Company's Chief Financial Officer and Christopher L. Coccio, Chief the Company's Executive Officer. Chairman. The Company also entered into an Executive Agreement with R. Stephen Harshbarger, the Company's Chief Executive Officer and President, on March 5, 2008. The agreements, as subsequently amended, provide that in the event of a change of control of the Company followed by a termination of the executives' employment under certain circumstances, the officers shall receive severance payments equal to two years of the executive's annual base, commissions and bonus compensation paid by the Company for the previous calendar year.

Based on last year's 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 $411,000, $394,000, Christopher L. Coccio $442,000 $440,000 and R. Stephen Harshbarger $572,000. $546,000.

Severance Agreements

On October 20, 2017, the Company entered into identical Executive Agreements with Stephen J. Bagley, Chief Financial Officer, Christopher L. Coccio, Executive Chairman and R. Stephen Harshbarger Chief Executive Officer and R. Stephen Harshbarger, President. The agreements provide that in the event of termination of the executive's employment, other than for the cause, the officers shall receive severance payments equal to two weeks of compensation for each full year employed by the Company.

Clawback Policy

On November 16, 2023, our Board adopted an executive compensation recoupment policy consistent with the requirements of the Exchange Act Rule 10D-1 and the Nasdaq listing standards thereunder, to help ensure that incentive compensation is paid based on accurate financial and operating data, and the correct calculation of performance against incentive targets. Our policy addresses recoupment of amounts from performance-based awards paid to all corporate officers, including awards under our equity incentive plans, in the event of a financial restatement to the extent that the payout for such awards would have been less, or in the event of fraud, or intentional, willful or gross misconduct that contributed to the need for a financial restatement.

Compensation of Directors

Each non-employee director receives $2,500 for each meeting attended. Directors who are employees of the Company receive no additional compensation for serving as directors. For the year ended February 28, 2023 February 29, 2024, director compensation was as follows:

**2023 2024 Director Compensation**

| Name | Fees Earned or Paid in Cash ($) | Stock Awards ($) | Option Awards ($) | Non-Equity Incentive Plan Compensation ($) | Nonqualified Deferred Compensation Earnings ($) | All Other Compensation ($) | Total ($) | Fees Earned or Paid in Cash ($) | Stock Awards ($) | Option Awards ($) | Non-Equity Incentive Plan Compensation ($) | Nonqualified Deferred Compensation Earnings ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Eric Haskell | 10,000 | — | 9,900[1] | — | — | — | 19,900 | 10,000 | — | 10,000[1] | — | — | — | 20,000 |
| Donald F. Mowbray | 10,000 | — | 9,900[2] | — | — | — | 19,900 | 10,000 | — | 10,000[2] | — | — | — | 20,000 |
| Carol O'Donnell | 10,000 | — | 9,900[3] | — | — | — | 19,900 | 10,000 | — | 10,000[3] | — | — | — | 20,000 |
| Philip Strasburg | 10,000 | — | 9,900[4] | — | — | — | 19,900 | 10,000 | — | 10,000[4] | — | — | — | 20,000 |
| Joseph Riemer | 10,000 | — | 9,900[5] | — | — | — | 19,900 | 10,000 | — | 10,000[5] | — | — | — | 20,000 |

1 During fiscal 2023, 2024, Mr. Haskell received a grant of 3,300 3,676 options exercisable at $5.50 $4.79 per share. At the end of fiscal 2023, 2024, Mr. Haskell held an aggregate of 19,350 23,026 stock options.

2 During fiscal 2023, 2024, Dr. Mowbray received a grant of 3,300 3,676 options exercisable at $5.50 $4.79 per share. At the end of fiscal 2023, 2024, Dr. Mowbray held an aggregate of 19,350 6,700 stock options.

3 During fiscal 2023, 2024, Ms. O'Donnell received a grant of 3,300 3,676 options exercisable at $5.50 $4.79 per share. At the end of fiscal 2023, Ms. O'Donnell held an aggregate of 9,350 13,026 stock options.

4 During fiscal 2023, 2024, Mr. Strasburg received a grant of 3,300 3,676 options exercisable at $5.50 $4.79 per share. At the end of fiscal 2023, Mr. Strasburg held an aggregate of 6,627 10,303 stock options.

5 During fiscal 2023, 2024, Dr. Riemer received a grant of 3,300 3,676 options exercisable at $5.50 $4.79 per share. At the end of fiscal 2023, Dr. Riemer held an aggregate of 11,350 15,026 stock options.

Option awards in the above table are calculated using the Black-Scholes options pricing model which is further discussed in Note 4 – Stock Based Compensation, in the Company's consolidated financial statements.

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

The following information is furnished as of May 23, 2023 May 17, 2024 to indicate beneficial ownership of the Company's Common Stock by each Director, by each named executive officer, 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 | Amount Beneficially Owned | Percent |
|---|---|---|---|---|
| Directors and Officers | | | | |
| *Stephen J. Bagley | 60,844 [1] | ** | 63,511 [1] | ** |
| *Christopher Cichetti | | | 11,479 [2] | ** |
| *Christopher L. Coccio | 387,296 [2] | 2.45% | 366,658 [3] | 2.32% |
| *R. Stephen Harshbarger | 291,748 [3] | 1.85% | 301,574 [4] | 1.91% |
| *Eric Haskell | 15,310 [4] | ** | 25,485 [5] | ** |
| *Donald F. Mowbray | 69,913 [5] | ** | 64,864 | ** |
| *Carol O'Donnell | 24,723 [6] | ** | 28,326 [6] | ** |
| *Joseph Riemer | 47,029 [7] | ** | 26,988 [7] | ** |
| *Philip A. Strasburg | 42,118 [8] | ** | 41,721 [8] | ** |
| *Adeniyi Lawal | | | — | ** |
| All Executive Officers and Directors as a Group | 1,034,122 [9] | 6.53% | 933,742 [9] | 5.88% |
| Additional 5% owners | | | | |
| Emancipation Management LLC[11] | | | | |
| Charles Frumberg[11] | 6,628,393 [10] | 42.11% | 6,466,261 [10] | 41.05% |
| Circle N Advisors, LLC[12] | | | | |
| V. Adah Nicklin[13] | 915,599 | 5.82% | 915,599 | 5.81% |
| Richard A. Bayles[14] | 840,536 | 5.34% | 840,536 | 5.34% |

The above ownership percentages are based on 15,742,073 15,750,880 shares outstanding as of May 23, 2023 May 17, 2024.

**c/o Sono-Tek Corporation, 2012 Route 9W, Milton, NY 12547.*
*** Less than 1%*
[1] *Includes 6,162 11,479 options currently exercisable issued under the Company's Stock Incentive Plans.*
[2] *Includes 4,000 shares held in the name of Dr. Coccio's wife and 35,297 11,479 options currently exercisable issued under the Company's Stock Incentive Plans.*
[3] *Includes 9,970 4,000 shares held in the name of Dr. Coccio's wife and 39,359 options currently exercisable issued under the Company's Stock Incentive Plans.*
[4] *Includes 10,723 19,496 options currently exercisable issued under the Company's Stock Incentive Plans.*
[5] *Includes 10,723 16,326 options currently exercisable issued under the Company's Stock Incentive Plans.*
[6] *Includes 2,723 6,326 options currently exercisable issued under the Company's Stock Incentive Plans.*
[7] *Includes 4,723 8,326 options currently exercisable issued under the Company's Stock Incentive Plans.*
[8] *Includes 10,000 shares in the name of Mr. Strasburg's wife. wife and 3,603 options currently exercisable issued under the Company's Stock Incentive Plans.*
[9] *The group total includes 93,695 118,930 options currently exercisable issued under the Company's Stock Incentive Plans. The group total does not include 88,612 72,526 options that are currently unexercisable. The group total includes 81,167 shares and 6,162 currently exercisable options held by Robb Engle, Executive Vice President, 600 shares and 1,050 2,536 currently exercisable options held by Maria Kuha, a Vice President and 6,162 currently exercisable options held by Christopher Cichetti, a Vice President.*
[10] *Emancipation Management LLC, Charles Frumberg and Circle N Advisors share the power to dispose or to direct the disposition of these shares. The Company does not consider these holders to be "affiliates" of the Company.*
[11] *The address of this person is 299 Park Avenue, New York, NY 10171.*
[12] *The address of this person is 1065 Main Street, Suite F, PO Box 336, Fishkill, NY 12524.*
[13] *The address of this person is 3 Rivers Edge, Newburgh, NY 12550.*
[14] *The address of this person is 3697 Se Doubleton Drive, Stuart, FL 34997.*

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) | 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: | | | | | | |
| 2013 Stock Incentive Plan | 250,759 | $ 4.84 | 1,212,793 | 229,749 | $ 4.99 | — |
| 2023 Stock Incentive Plan | | | | 65,793 | $ 4.99 | 2,434,207 |
| Total | 250,759 | | 1,212,793 | 295,542 | | 2,434,207 |

Description of Equity Compensation Plans:

2013 Stock Incentive Plan

Under the 2013 Stock Incentive Plan (the "2013 Plan"), up to 2,500,000 options and shares can be granted had been available for grant to officers, directors, consultants and employees of the Company and its subsidiaries . subsidiaries. No additional options or shares could be granted under the 2013 Plan after June 2023. Under the 2013 Plan options expire ten years after the date of grant. As of February 28, 2023 February 29, 2024, there were 250,759 229,749 options outstanding under the 2013 plan. Plan.

2023 Stock Incentive Plan

In May 2023, to replace the expiring 2013 Plan, the Company's Board of Directors authorized the creation of the 2023 Stock Incentive Plan (the "2023 Plan") pursuant to which the Company may grant up to 2,500,000 options or shares to officers, directors, employees and consultants of the Company and its subsidiaries. The 2023 Plan is intended to supplement and replace Company's shareholders approved the 2013 Plan under which no additional options or shares may be granted after June 2023. Under the 2023 Plan, options expire ten years after the date of grant. Adoption adoption of the 2023 Plan remains subject to shareholder approval which shall be sought at the Company's annual meeting in August 2023. No There are currently 65,793 options or shares have been granted outstanding under the 2023 Plan.

Under the 2013 Plan and the 2023 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 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 and terminating at a stipulated period of time after an employee's termination of employment.

## ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Transactions with Related Persons – None

Independence of Directors

The Company's Board of Directors is comprised of five six "independent directors", as that term is defined under NASDAQ rules, and two directors who are not "independent directors". The Company's "independent directors" are Donald Mowbray, Eric Haskell, Carol O'Donnell, Philip Strasburg, Joseph Riemer and Joseph Riemer. Adeniyi Lawal. Christopher L. Coccio and R. Stephen Harshbarger are current employees of the Company and therefore are not considered independent.

## ITEM 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees

For fiscal 2024 and 2023 the Company paid or accrued fees of approximately $100,000 $171,000 and $146,000, respectively, for services rendered by Marcum LLP, its independent auditors. These fees included audit and review services.
For fiscal 2023 and 2022, the Company paid or accrued fees of approximately $46,000 and $129,000, respectively, for services rendered by Friedman LLP, its independent auditors. These fees included audit and review services.

Audit Related Fees - None

Tax Fees - None

For fiscal 2023 and 2022, the Company paid or accrued tax preparation fees of approximately $18,000 and $14,000, respectively, for services rendered by RBSM, LLP.

All Other Fees – None

Pre-Approval Policies and Procedures

The Audit Committee's current policy is to pre-approve all audit and non-audit services that are to be performed and fees to be charged by the Company's independent auditor to assure that the provision of these services does not impair the independence of the auditor. The Audit Committee pre-approved all audit and non-audit services rendered by the Company's principal accountants in fiscal 2023 2024 and fiscal 2022. 2023.

## PART IV

**ITEM 15** **EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

| Ex. No. | Description |
|---|---|
| 3(a)[1] | Certificate of Incorporation of the Company and all amendments thereto. |
| 3(b)[2] | By-laws of the Company as amended. |
| 10(d) 10(a) [3] | Executive Agreement between Sono-Tek Corporation and Stephen J. Bagley dated September 1, 2007. |
| 10(e) 10(b) [3] | Executive Agreement between Sono-Tek Corporation and Christopher L. Coccio dated September 1, 2007. |
| 10(g) 10(c) [4] | Executive Agreement between Sono-Tek Corporation and R. Stephen Harshbarger dated March 5, 2008. |
| 10(h) 10(d)[5] | Amended Executive Agreement between Sono-Tek Corporation and R. Stephen Harshbarger dated March 8, 2012. |
| 10(j) 10(e)[6] | Sono-Tek Corporation 2013 Stock Incentive Plan. |
| 10(p) 10(f)[7] | Sono-Tek Corporation 2023 Stock Incentive Plan. |
| 10(g)[8] | Amended Executive Agreement between Sono-Tek Corporation and Christopher L. Coccio dated August 24, 2014. |
| 10(q) 10(h)[7] [8] | Amended Executive Agreement between Sono-Tek Corporation and R. Stephen Harshbarger dated August 24, 2014. |
| 10(r) 10(i)[8] [9] | Amended Executive Agreement between Sono-Tek Corporation and Stephen J. Bagley dated May 21, 2015. |
| 10(s) 10(j)[10] [11] | Amended Executive Agreement between Sono-Tek Corporation and Christopher L. Coccio dated November 17, 2016. |
| 10(t) 10(k)[9] [10] | Amended Executive Agreement between Sono-Tek Corporation and R. Stephen Harshbarger dated November 17, 2016. |
| 10(u) 10(l)[9] [10] | Amended Executive Agreement between Sono-Tek Corporation and Stephen J. Bagley dated November 17, 2016. |
| 10(v) 10(m)[10] [11] | Letter Agreement between Sono-Tek Corporation and Christopher L. Coccio dated October 20, 2017. |
| 10(w) 10(n)[10] [11] | Letter Agreement between Sono-Tek Corporation and R. Stephen Harshbarger dated October 20, 2017. |
| 10(x) 10(o)[10] [11] | Letter Agreement between Sono-Tek Corporation and Stephen J. Bagley dated October 20, 2017. |
| 10(y) 10(p)[11] [12] | Amended and Restated Loan Agreement between Sono-Tek Corporation and M&T Bank dated January 17, 2019. |
| 10(z) 10(q)[11] [13] | Addendum to Loan Agreement (Flexline) between Sono-Tek Corporation and M&T Bank dated January 17, 2019. |
| 10(aa) 10(r)[11] [12] | Addendum to Loan Agreement (Loan Limit) between Sono-Tek Corporation and M&T Bank dated January 17, 2019. |
| 10(bb) 10(s)[11] [12] | Loan Agreement between Sono-Tek Corporation and M&T Bank dated January 17, 2019. |
| 10(cc) 10(t)[11] [12] | Amended and Restated Revolving Demand Note between Sono-Tek Corporation and M&T Bank dated January 17, 2019 . |
| 10(dd) 10(u)[11] [12] | Security Agreement between Sono-Tek Corporation and M&T Bank dated January 17, 2019. |
| 14[12] [13] | Code of Ethics. |
| 21[13] [14] | Subsidiaries of Issuer. |
| 23.1[13] [14] | Consent of Marcum LLP |
| 23.2[13] | Consent of Friedman LLP |
| 31.1[13] [14] | Rule 13a-14/15d – 14(a) Certification. |
| 31.2[13] [14] | Rule 13a-14/15d – 14(a) Certification. |
| 32.1[13] [14] | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2[13] [14] | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS[13] [14] | XBRL Instance Document — This instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH[13] [14] | XBRL Taxonomy Extension Schema Document. |
| 101.CAL[13] [14] | XBRL Taxonomy Calculation Linkbase Document. |
| 101.DEF[13] [14] | XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB[13] [14] | XBRL Extension Label Linkbase Document. |
| 101.PRE[13] [14] | XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104[13] [14] | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |

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 Current Report on Form 8-K dated March 7, 2019 and filed with the Securities and Exchange Commission on March 13, 2019.

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

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

5 Incorporated herein by reference to the Company's Form 10-K for the year ended February 29, 2012.

6 Incorporated herein by reference to Exhibit A to the Company's definitive proxy statement filed with the Securities and Exchange Commission on July 25, 2013.

7 Incorporated herein by reference to Exhibit A to the Company's Form 10-K for definitive proxy statement filed with the year ended February 29, 2015 Securities and Exchange Commission on July 20, 2023.

8 Incorporated herein by reference to the Company's Form 10-K for the year ended February 29, 2016 February 29, 2015.

9 Incorporated herein by reference to the Company's Form 10-K for the year ended February 28, 2017 February 29, 2016.

10 Incorporated herein by reference to the Company's Form 10-K for the year ended February 28, 2018 February 28, 2017.

11 Incorporated herein by reference to the Company's Form 10-K for the year ended February 28, 2018.

12 Incorporated herein by reference to the Company's Form 10-K for the year ended February 28, 2019.

12 13 Incorporated herein by reference to the Company's Current Report on Form 8-K dated September 24, 2020 and filed with the Securities and Exchange Commission on September 17, 2020.

13 14 Filed herewith.

**ITEM 16** **10-K SUMMARY**

None.

**SONO-TEK CORPORATION**

**FORM 10-K**

**ITEM 8**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND NOTES**

**FOR THE YEARS ENDED FEBRUARY 28, 2023 29, 2024 and 2022 February 28, 2023**

**REPORTS REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS FIRM**
**Marcum LLP (PCAOB ID No: 688)**
**Friedman LLP (PCAOB ID No: 711)**

CONSOLIDATED FINANCIAL STATEMENTS:

Consolidated Balance Sheets as of February 28, 2023 February 29, 2024 and 2022 February 28, 2023

Consolidated Statements of Income
For the Years Ended February 28, 2023 February 29, 2024 and 2022 February 28, 2023

Consolidated Statements of Stockholders' Equity
For the Years Ended February 28, 2023 February 29, 2024 and 2022 February 28, 2023

Consolidated Statements of Cash Flows
For the Years Ended February 28, 2023 February 29, 2024 and 2022 February 28, 2023

Notes to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Sono-Tek Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet sheets of Sono-Tek Corporation (the "Company") as of February 29, 2024 and February 28, 2023, the related consolidated statements of income, stockholders' equity and cash flows for each of the year two years in the period ended February 28, 2023 February 29, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 29, 2024 and February 28, 2023, and the results of its operations and its cash flows for each of the year two years in the period ended February 28, 2023 February 29, 2024, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Marcum LLP LLP
Marcum LLP LLP

We have served as the Company's auditor since 2020 (such date takes into account the acquisition of certain assets of Friedman LLP by Marcum LLP effective September 1, 2022).
East Hanover, New Jersey
May 25, 2023

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Sono-Tek Corporation

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Sono-Tek Corporation (the “Company”) as of February 28, 2022, and the related consolidated statements of income, stockholders’ equity, and cash flows for the year ended February 28, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2022, and the results of its operations and its cash flows for the year ended February 28, 2022, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Friedman LLP
We served as the Company’s auditor from 2020 through 2022. 2020.

East Hanover, New Jersey NJ

May 24, 2022
23, 2024

SONO-TEK CORPORATION
CONSOLIDATED BALANCE SHEETS

| | February 28, 2023 | February 28, 2022 | February 29, 2024 | February 28, 2023 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | $ 3,354,601 | $ 4,840,558 | $ 2,134,786 | $ 3,354,601 |
| Marketable securities | 8,090,000 | 5,867,990 | 9,711,351 | 8,090,000 |
| Accounts receivable (less allowance of $12,225 and 56,123, respectively) | 1,633,866 | 1,092,505 | | |
| Accounts receivable (less allowance of $12,225) | | | 1,470,711 | 1,633,866 |
| Inventories | 3,242,909 | 2,373,242 | 5,221,980 | 3,242,909 |
| Prepaid expenses and other current assets | 254,046 | 323,304 | 207,738 | 254,046 |
| Total current assets | 16,575,422 | 14,497,599 | 18,746,566 | 16,575,422 |
| Land | 250,000 | 250,000 | 250,000 | 250,000 |
| Buildings, equipment, furnishings and leasehold improvements, net | 2,624,996 | 2,561,184 | 2,832,156 | 2,624,996 |
| Intangible assets, net | 57,202 | 76,015 | 47,566 | 57,202 |
| Deferred tax asset | 667,098 | 240,736 | 1,255,977 | 667,098 |
| TOTAL ASSETS | $ 20,174,718 | $ 17,625,534 | $ 23,132,265 | $ 20,174,718 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | |
| Current Liabilities: | | | | |
| Accounts payable | $ 810,863 | $ 684,511 | $ 1,049,742 | $ 810,863 |
| Accrued expenses | 1,427,446 | 1,804,028 | 1,739,478 | 1,427,446 |
| Customer deposits | 2,838,165 | 1,167,968 | 3,419,706 | 2,838,165 |
| Income taxes payable | 381,421 | 58,874 | 414,807 | 381,421 |
| Total current liabilities | 5,457,895 | 3,715,381 | 6,623,733 | 5,457,895 |
| Deferred tax liability | 82,865 | 168,840 | 229,534 | 82,865 |
| Total Liabilities | 5,540,760 | 3,884,221 | 6,853,267 | 5,540,760 |
| Commitments and Contingencies (Note 13) | | | | |
| Commitments and Contingencies (Note 12) | | | | |
| Stockholders' Equity | | | | |
| Common stock, $.01 par value; 25,000,000 shares authorized, 15,742,073 and 15,729,175 issued and outstanding as February 28, 2023, and 2022, respectively | 157,421 | 157,292 | | |
| Common stock, $.01 par value; 25,000,000 shares authorized, 15,750,880 and 15,742,073 issued and outstanding as of February 29, 2024, and February 28, 2023, respectively | | | 157,509 | 157,421 |
| Additional paid-in capital | 9,566,898 | 9,310,287 | 9,770,387 | 9,566,898 |
| Accumulated earnings | 4,909,639 | 4,273,734 | 6,351,102 | 4,909,639 |
| Total stockholders' equity | 14,633,958 | 13,741,313 | 16,278,998 | 14,633,958 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 20,174,718 | $ 17,625,534 | $ 23,132,265 | $ 20,174,718 |

See accompanying notes to consolidated financial statements.







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SONO-TEK CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

| | Fiscal Year Ended | | Fiscal Year Ended | |
|---|---|---|---|---|
| | February 28, 2023 | February 28, 2022 | February 29, 2024 | February 28, 2023 |
| Net Sales | $ 15,058,203 | $ 17,132,710 | $ 19,699,886 | $ 15,058,203 |
| Cost of Goods Sold | 7,406,196 | 8,520,156 | 9,855,311 | 7,406,196 |
| Gross Profit | 7,652,007 | 8,612,554 | 9,844,575 | 7,652,007 |
| Operating Expenses | | | | |
| Research and product development | 2,149,525 | 1,729,509 | 2,885,773 | 2,149,525 |
| Marketing and selling | 3,169,730 | 3,367,403 | 3,695,870 | 3,169,730 |
| General and administrative | 1,649,761 | 1,626,306 | 2,080,447 | 1,649,761 |
| Total Operating Expenses | 6,969,016 | 6,723,218 | 8,662,090 | 6,969,016 |
| Operating Income | 682,991 | 1,889,336 | 1,182,485 | 682,991 |
| Other Income (Expense): | | | | |
| Interest and Dividend Income | 140,042 | 9,496 | 529,735 | 140,042 |
| Net unrealized loss on marketable securities | (33,119) | — | | |
| Paycheck Protection Program Loan Forgiveness | — | 1,005,372 | | |
| Net unrealized gain/(loss) on marketable securities | | | 32,360 | (33,119) |
| Income before Income Taxes | 789,914 | 2,904,204 | 1,744,580 | 789,914 |
| Income Tax Expense | 154,009 | 361,631 | 303,117 | 154,009 |
| Net Income | $ 635,905 | $ 2,542,573 | $ 1,441,463 | $ 635,905 |
| Basic Earnings Per Share | $ 0.04 | $ 0.16 | $ 0.09 | $ 0.04 |
| Diluted Earnings Per Share | $ 0.04 | $ 0.16 | $ 0.09 | $ 0.04 |
| Weighted Average Shares – Basic | 15,735,451 | 15,586,404 | 15,743,763 | 15,735,451 |
| Weighted Average Shares – Diluted | 15,769,499 | 15,623,485 | 15,774,007 | 15,769,499 |

See accompanying notes to consolidated financial statements.

SONO-TEK CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023 AND 2022

| | Common Stock Par Value $.01 | | Additional Paid – In Capital | Accumulated Earnings | Total Stockholders' Equity | Common Stock Par Value $.01 | | Additional Paid – In Capital | Accumulated Earnings | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | Shares | Amount | | | |
| Balance - February 28, 2021 | 15,452,656 | $ 154,527 | $ 9,064,994 | $ 1,731,161 | $ 10,950,682 | | | | | |
| Stock based compensation expense | | | 179,283 | | 179,283 | | | | | |
| Cashless exercise of stock options | 249,019 | 2,490 | (2,490) | | — | | | | | |
| Proceeds from exercise of stock options | 27,500 | 275 | 68,500 | | 68,775 | | | | | |
| Net Income | | | | 2,542,573 | 2,542,573 | | | | | |
| Balance - February 28, 2022 | 15,729,175 | $ 157,292 | $ 9,310,287 | $ 4,273,734 | $ 13,741,313 | 15,729,175 | $ 157,292 | $ 9,310,287 | $ 4,273,734 | $ 13,741,313 |
| Stock based compensation expense | | | 256,740 | | 256,740 | | | 256,740 | | 256,740 |
| Cashless exercise of stock options | 12,898 | 129 | (129) | | — | 12,898 | 129 | (129) | | — |
| Net Income | | | | 635,905 | 635,905 | | | | 635,905 | 635,905 |
| Balance - February 28, 2023 | 15,742,073 | $ 157,421 | $ 9,566,898 | $ 4,909,639 | $ 14,633,958 | 15,742,073 | $ 157,421 | $ 9,566,898 | $ 4,909,639 | $ 14,633,958 |
| Stock based compensation expense | | | | | | | | 203,577 | | 203,577 |
| Cashless exercise of stock options | | | | | | 8,807 | 88 | (88) | | — |
| Net Income | | | | | | | | | 1,441,463 | 1,441,463 |
| Balance - February 29, 2024 | | | | | | 15,750,880 | $ 157,509 | $ 9,770,387 | $ 6,351,102 | $ 16,278,998 |

See accompanying notes to consolidated financial statements.

SONO-TEK CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Fiscal Year Ended February 28, 2023 | Fiscal Year Ended February 28, 2022 | Fiscal Year Ended February 29, 2024 | Fiscal Year Ended February 28, 2023 |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | |
| Net Income | $ 635,905 | $ 2,542,573 | $ 1,441,463 | $ 635,905 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 510,868 | 435,525 | 597,166 | 510,868 |
| Stock based compensation expense | 256,740 | 179,283 | 203,577 | 256,740 |
| Accounts receivable reserve | (43,898) | — | — | (43,898) |
| Inventory reserve | 4,864 | 43,381 | 47,875 | 4,864 |
| Paycheck Protection Program Loan Forgiveness | — | (1,005,372) | | |
| Unrealized loss on marketable securities | 33,119 | _ | | |
| Unrealized (gain) loss on marketable securities | | | (32,360) | 33,119 |
| Deferred tax asset, net | (512,337) | (17,620) | (442,210) | (512,337) |
| (Increase) Decrease in: | | | | |
| Accounts receivable | (497,463) | 665,297 | 163,155 | (497,463) |
| Inventories | (874,531) | 194,483 | (2,026,946) | (874,531) |
| Prepaid expenses and other assets | 69,258 | (171,988) | 46,308 | 69,258 |
| (Decrease) Increase in: | | | | |
| Accounts payable | 126,352 | (606,241) | 238,879 | 126,352 |
| Accrued expenses | (376,582) | 53,112 | 312,032 | (376,582) |
| Customer deposits | 1,670,197 | 1,427 | 581,541 | 1,670,197 |
| Income taxes payable | 322,547 | 5,307 | 33,386 | 322,547 |
| Net Cash Provided by Operating Activities | 1,325,039 | 2,319,167 | 1,163,866 | 1,325,039 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | |
| Purchase of equipment, furnishings and leasehold improvements | (555,867) | (326,942) | (794,690) | (555,867) |
| Purchase of marketable securities, net | (2,255,129) | (1,304,520) | | |
| Sale of marketable securities | | | 20,237,051 | 14,329,159 |
| Purchase of marketable securities | | | (21,826,042) | (16,584,288) |
| Net Cash Used In Investing Activities | (2,810,996) | (1,631,462) | (2,383,681) | (2,810,996) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | | |
| Proceeds from exercise of stock options | — | 68,775 | | |
| Net Cash Provided By Financing Activities | — | 68,775 | | |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | (1,485,957) | 756,480 | | |
| **NET (DECREASE) IN CASH AND CASH EQUIVALENTS** | | | (1,219,815) | (1,485,957) |
| **CASH AND CASH EQUIVALENTS:** | | | | |
| Beginning of year | 4,840,558 | 4,084,078 | 3,354,601 | 4,840,558 |
| End of year | $ 3,354,601 | $ 4,840,558 | $ 2,134,786 | $ 3,354,601 |
| **Supplemental Cash Flow Disclosure:** | | | | |
| Interest Paid | $ — | $ — | $ — | $ — |
| Income Taxes Paid | $ 363,590 | $ 373,928 | $ 712,092 | $ 363,590 |

See accompanying notes to consolidated financial statements.

**NOTE 1: BUSINESS DESCRIPTION**

Sono-Tek Corporation (the "Company", "Sono-Tek", "We" or "Our") was incorporated in New York on March 21, 1975. We are the world leader in the design and manufacture of ultrasonic coating systems for applying precise, thin film coatings to add functional properties, protect or strengthen surfaces on parts and components for the microelectronics/electronics, alternative energy, medical, industrial and emerging research & development/other markets. We design and manufacture custom-engineered ultrasonic coating systems incorporating our patented technology, in combination with strong applications engineering knowledge, to assist our customers in achieving their desired coating solutions.

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

***Advertising Expenses*** - The Company expenses the cost of advertising in the period in which the advertising takes place. Advertising expense for fiscal 2023 2024 and fiscal 2022 2023 was $297,500 371,000 and $178,500 297,500, respectively.

***Accounts Receivable, net -*** In the normal course of business, the Company extends credit to customers. Accounts receivable, less the an allowance for doubtful accounts, credit losses, reflect the net realizable value of receivables and approximate fair value. The Company records a bad debt expense/allowance based on management's estimate of uncollectible accounts. All outstanding accounts receivable accounts are reviewed for collectability on an individual basis.

***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. At February 28, 2023 February 29, 2024, the Company had $2,892,000 1,819,000 of cash in excess of the FDIC insured limit.

***Consolidation*** - The accompanying consolidated financial statements of the Company include the accounts of the Company and its wholly owned subsidiary, Sono-Tek Industrial Park, LLC ("SIP") in conformity with generally accepted accounting principles in the United States ("GAAP"). SIP operates as a real estate holding company for the Company's real estate operations. All intercompany accounts and transactions have been eliminated in consolidation.

***Earnings Per Share*** - Basic earnings per share ("EPS") is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock under the treasury stock method.

***Equipment, Furnishings and Leasehold Improvements*** - Equipment, furnishings and leasehold improvements are stated at cost. Depreciation of equipment and furnishings is computed by use of the straight-line method based on the estimated useful lives of the assets, which range from three to five years . years.

***Fair Value of Financial Instruments -*** The Company applies Accounting Standards Codification ("ASC") 820, *Fair Value Measurement* ("ASC 820"), which establishes a framework for measuring fair value and clarifies the definition of fair value within that framework. ASC 820 defines fair value as an exit price, which is the price that would be received for an asset or paid to transfer a liability in the Company's principal or most advantageous market in an orderly transaction between market participants on the measurement date. The fair value hierarchy established in ASC 820 generally requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect the assumptions that market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the entity's own assumptions based on market data and the entity's judgments about the assumptions that market participants would use in pricing the asset or liability and are to be developed based on the best information available in the circumstances.

The carrying amounts of financial instruments reported in the accompanying consolidated financial statements for current assets and current liabilities approximate the fair value because of the immediate or short-term maturities of the financial instruments.

The valuation hierarchy is composed of three levels. The classification within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The levels within the valuation hierarchy are described below:

Level 1 — Assets and liabilities with unadjusted, quoted prices listed on active market exchanges. Inputs to the fair value measurement are observable inputs, such as quoted prices in active markets for identical assets or liabilities.

Level 2 — Inputs to the fair value measurement are determined using prices for recently traded assets and liabilities with similar underlying terms, as well as direct or indirect observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 — Inputs to the fair value measurement are unobservable inputs, such as estimates, assumptions, and valuation techniques when little or no market data exists for the assets or liabilities.

The fair values of financial assets of the Company were determined using the following categories at February 28, 2023 February 29, 2024 and February 28, 2022 February 28, 2023, respectively:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Marketable Securities – February 28, 2023 | $ 7,361,000 | $ 729,000 | $ — | $ 8,090,000 |
| Marketable Securities – February 28, 2022 | $ 5,716,338 | $ 151,652 | $ — | $ 5,867,990 |

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Marketable Securities – February 29, 2024 | $ 9,711,351 | $ — | $ — | $ 9,711,351 |
| Marketable Securities – February 28, 2023 | $ 7,361,000 | $ 729,000 | $ — | $ 8,090,000 |

Marketable Securities include certificates of deposit and US Treasury securities, totaling $8,090,000 9,711,351 and $5,867,990 8,090,000 that are considered to be highly liquid and easily tradeable as of February 28, 2023 February 29, 2024 and February 28, 2022 February 28, 2023, respectively. US Treasury securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 and certificates of deposit are classified as Level 2 within the Company's fair value hierarchy. The Company's marketable securities are considered to be trading securities as defined under ASC 320 "Investments – Debt and Equity Securities."

***Income Taxes*** - The Company accounts for income taxes under the asset and liability method. Under this method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized. The Company uses a recognition threshold and a measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken in a return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. As of February 28, 2023 February 29, 2024 and February 28, 2022 February 28, 2023, there were no uncertain tax positions.

***Intangible Assets*** - Include costs of patent applications which are deferred and charged to operations over seventeen 17years for domestic patents and twelve 12 twelve years for foreign patents, which is considered the useful life. Amortization expense for the years ended February 29, 2024 and February 28, 2023 was $16,434 and $18,814, respectively. The accumulated amortization of patents is $202,681 212,861 and $192,490 202,681 at February 28, 2023 February 29, 2024 and February 28, 2022 February 28, 2023, respectively. Annual amortization expense of such intangible assets is expected to be approximately $11,00016,000 per year for the next five years.

***Inventories*** - Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method for raw materials, subassemblies and work-in-progress and the specific identification method for finished goods. Management compares the cost of inventory with the net realizable value and, if applicable, an allowance is made for writing down the inventory to its net realizable value, if lower than cost. On an ongoing basis, inventory is reviewed for potential write-down for estimated obsolescence or unmarketable inventory based upon forecasts for future demand and market conditions.

***Land and Buildings -*** Land and buildings are stated at cost. Buildings are being depreciated by use of the straight-line method based on an estimated useful life of forty years.

At February 28, 2023 February 29, 2024 and 2022, February 28, 2023, the Company had Land, stated at cost of $250,000.

***Long-Lived Assets*** - The Company periodically evaluates the carrying value of long-lived assets, including intangible assets, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. No impairment losses were identified or recorded for the years ended February 28, 2023 February 29, 2024 and February 28, 2022 February 28, 2023 on the Company's long-lived assets.

***Management Estimates*** - The preparation of the consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***New Accounting Pronouncements***– In June 2016, the FASB issued ASU 2016-13 - Financial Instruments-Credit Losses-Measurement of Credit Losses on Financial Instruments. Codification Improvements to Topic 326, Financial Instruments – Credit Losses, have been released in November 2018 (2018-19), November 2019 (2019-10 and 2019-11) and a January 2020 Update (2020-02) that provided additional guidance on this Topic. This guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For SEC filers meeting certain criteria, the amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For SEC filers that meet the criteria of a smaller reporting company (including this Company) and for non-SEC registrant public companies and other organizations, the amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. Early adoption will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company has adopted ASU 2016-13 as updated and does not expect the adoption of this guidance to did not have a material impact on the Company's consolidated financial statements.

Other than***Recent Accounting Standards Update ("ASU") Pronouncements Not Yet Adopted*** - In December 2023, the FASB issued ASU 2016-13 discussed above, 2023-09, *Improvements to Income Tax Disclosures.* This ASU requires greater disaggregation of information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. This ASU applies to all new accounting pronouncements issued but not yet entities subject to income taxes and is intended to help investors better understand an entity's exposure to potential changes in jurisdictional tax legislation and assess income tax information that affects cash flow forecasts and capital allocation decisions. This ASU is effective have been deemed to for annual periods beginning after December 15, 2024, with early adoption permitted. This ASU should be not applicable to applied on a prospective basis although retrospective application is permitted. The Company is currently evaluating the Company. Hence, impact the adoption of these new accounting pronouncements, once this ASU will have on its consolidated financial statements and related disclosures.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting* (Topic 280): Improvements to Reportable Segment Disclosures. The amendments in this ASU require disclosures, on an annual and interim basis, of significant segment expenses that are regularly provided to the chief operating officer decision maker ("CODM"), as well as the aggregate amount of other segment items included in the reported measure of segment profit or loss. The ASU requires that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. Public entities will be required to provide all annual disclosures currently required by Topic 280 in interim periods, and entities with a single reportable segment are required to provide all the disclosures required by the amendments in this ASU and existing segment disclosures in Topic 280. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments in this ASU should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact of this standard on its consolidated financial statements and related disclosures, and does not expected to expect the standard will have an a material impact on the Company. Company's consolidated financial statements and related disclosures.

***Product Warranty*** - Expected future product warranty expense is recorded when revenue is recognized for product sales.
***Reclassifications -*** Building, equipment, leasehold improvements reclassifications have been made to the fiscal 2022 consolidated financial statements to conform to the fiscal 2023 consolidated financial statement presentation. These reclassifications had no effect on net loss or cash flows as previously reported.

***Research and Product Development Expenses*** - Research and product development expenses represent engineering and other expenditures incurred for developing new products, for refining the Company's existing products and for developing systems to meet unique customer specifications for potential orders or for new industry applications and are expensed as incurred.

During fiscal 2023 2024 and fiscal 2022, 2023, the Company spent approximately $2,149,000 2,886,000 and $1,730,000 2,149,000, respectively, on research and development activities related to new products and services and the ongoing improvement of existing products and services.

***Revenue Recognition -*** The Company recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers, the core principle of which is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, performance obligations are satisfied

***Stock-Based Compensation*** - The Company currently uses a Black-Scholes option pricing model to calculate the fair value of its stock options. 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 lives of the awards. The Company primarily uses historical data to determine the assumptions to be used in the Black-Scholes model. 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.

ASC 718 requires the recognition of the fair value of stock compensation expense to be recognized over the vesting term of such award. The Company accounts for forfeitures as they occur.
***Uncertainties -*** Since early 2020, when the World Health Organization established the transmissible and pathogenic coronavirus a global pandemic, there have been business slowdowns. The outbreak of such a communicable disease has resulted in a widespread health crisis which has adversely affected general commercial activity and the economies and financial markets of many countries, including the United States. As the outbreak of the disease has continued through fiscal 2022 and into fiscal 2023, the measures taken by the governments of impacted countries have, at times, adversely affected the Company's business, financial condition, and results of operations. Pandemic related supply shortages and increased energy expenses resulting from the war in Ukraine have recently created worldwide inflationary pressures which may have a material adverse effect on the Company's business, financial condition, and results of operations if such factors continue unabated.
The Company has encountered challenges in procuring supplies of various materials and components, and electronic components in particular, due to well-documented shortages and constraints in the global supply chain. Lead times for ordered components may vary significantly, and some components used to manufacture our products are provided by a limited number of sources. The Company experienced lengthened lead times throughout its supply chain as a result of supply chain constraints and material shortages that have occurred through fiscal year 2023. This has been exacerbated by the recent resurgence of the COVID-19 pandemic in certain parts of China, which has resulted in the temporary closure of manufacturing facilities, including those that manufacture electronic parts that the Company includes in its products.

**NOTE 3: REVENUE RECOGNITION**

The Company's sales revenue is derived primarily from short term contracts with customers, which, on average, are in effect for less than twelve months. Sales revenue from manufactured equipment transferred at a single point in time accounts for a majority of the Company's revenue.

Sales revenue is recognized when control of the Company's manufactured equipment is transferred to its customers in an amount that reflects the consideration the Company expects to receive based upon the agreed transaction price. The Company's performance obligations are satisfied when its customers take control of the purchased equipment, in accordance with the contract terms. Based on prior experience, the Company reasonably estimates its sales returns and warranty reserves. Sales are presented net of discounts and allowances. Discounts and allowances are determined when a transaction is negotiated. The Company does not grant its customers or independent representatives the ability to return equipment nor does it grant price adjustments after a sale is complete.

The Company does not capitalize any sales commission costs related to the acquisition of a contract. All commissions related to a performance obligation that are satisfied at a point in time are expensed when the customer takes control of the purchased equipment and revenue is recognized.

The Company applies the practical expedient in paragraph ASC 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one-year or less.

At February 29, 2024, the Company had received $3,420,000 in cash deposits, representing contract liabilities, and had issued Letters of Credit in the amount of $72,000 to secure these cash deposits. At February 29, 2024, the Company was utilizing $72,000 of its available credit line to collateralize these letters of credit.
At February 28, 2023, the Company had received $2,838,000 in cash deposits, representing contract liabilities, and had issued Letters of Credit in the amount of $145,000 to secure these cash deposits. At February 28, 2023, the Company was utilizing $145,000 of its available credit line to collateralize these letters of credit.

At February 28, 2022, the Company had received $1,168,000 in cash deposits, representing contract liabilities, and had issued Letters of Credit in the amount of $5,000 to secure these cash deposits. At February 28, 2022, the Company was utilizing $5,000 of its available credit line to collateralize these letters of credit.
The Company's sales revenue, by product line is as follows:

| | Twelve Months Ended | | | | Twelve Months Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | February 28, | | February 28, | | February 29, | | February 28, | |
| | 2023 | *% of total* | 2022 | *% of total* | 2024 | *% of total* | 2023 | *% of total* |
| Fluxing Systems | $ 1,179,000 | 8% | $ 691,000 | 4% | $ 724,000 | 4% | $ 1,179,000 | 8% |
| Integrated Coating Systems | 1,114,000 | 7% | 1,182,000 | 7% | 2,889,000 | 14% | 1,114,000 | 7% |
| Multi-Axis Coating Systems | 6,785,000 | 45% | 9,912,000 | 58% | 10,075,000 | 51% | 6,785,000 | 45% |
| OEM Systems | 2,144,000 | 14% | 2,381,000 | 14% | 1,533,000 | 8% | 2,144,000 | 14% |
| Other | 3,836,000 | 26% | 2,967,000 | 17% | 4,479,000 | 23% | 3,836,000 | 26% |
| TOTAL | $ 15,058,000 | | $ 17,133,000 | | $ 19,700,000 | | $ 15,058,000 | |

**NOTE 4: STOCK-BASED COMPENSATION**

***Stock Options*** – In May 2023, the Company's Board of Directors authorized the creation of the 2023 Stock Incentive Plan (the "2023 Plan") pursuant to which the Company may grant up to 2,500,000 options or shares to officers, directors, employees and consultants of the Company and its subsidiaries. The Company's shareholders approved the adoption of the 2023 Plan in August 2023. The 2023 Plan replaced the 2013 Stock Incentive Plan (the "2013 Plan") under which no additional options or shares could be granted after June 2023. There are currently 65,793 and 229,749 options outstanding, respectively, under the 2023 Plan and the 2013 Plan.
Under the 2013 2023 Stock Incentive Plan, as amended (the "2013 "2023 Plan"), options can be granted to officers, directors, consultants and employees of the Company and its subsidiaries to purchase up to 2,500,000 shares of the Company's common stock. Under the 2013 2023 Plan options expire ten years years after the date of grant. As of February 28, 2023, there were
During fiscal 2024, the Company granted options to acquire 250,759 54,813 shares to employees exercisable at prices ranging from $4.79 to $5.60 and options outstanding under to acquire 18,380 shares to the 2013 plan.

Under the 2013 Stock Incentive Plan, option prices must be at least 100% non-employee members of the board of directors with an exercise price of $4.79. The options granted to employees and directors vest over three years and expire in ten years. The options granted by the Company during fiscal 2024 had a combined weighted average grant date fair market value of the common stock at time of grant. For qualified employees, except under certain circumstances specified in the 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 and terminating at a stipulated period of time after an employee's termination of employment. $3.11 per share.

During fiscal 2023, the Company granted options to acquire 28,239 shares to employees exercisable at prices ranging from $5.45 to $5.96 and options to acquire 16,500 shares to the non-employee members of the board of directors with an exercise price of $5.50. The options granted to employees and directors vest over three years years and expire in ten years . ten years. The options granted by the Company during fiscal 2023 had a combined weighted average grant date fair value of $3.44 per share.

During fiscal 2022, the Company granted options to acquire 138,085 shares to employees exercisable at prices ranging from $3.19 to $6.26 and options to acquire 30,250 shares to the non-employee members of the board of directors with an exercise price of $3.19. The options granted to employees and directors vest over three years and expire in ten years . The options granted by the Company during fiscal 2022 had a combined weighted average grant date fair value of $2.76 per share.
A summary of the activity for both plans, for fiscal 2023 2024 and fiscal 2022 2023 is as follows:

| | Stock Options | | Weighted Average Exercise Price $ | | Remaining |
|---|---|---|---|---|---|
| | Outstanding | Exercisable | Outstanding | Exercisable | Term - Years |

| | | | | | |
|---|---|---|---|---|---|
| Balance - February 28, 2021 | 508,459 | 333,500 | $ 2.35 | $ 2.17 | 6.99 |
| Granted | 168,335 | | 5.10 | | |
| Exercised | (403,334) | | (2.12) | | |
| Cancelled | (19,750) | | (3.27) | | |
| Balance - February 28, 2022 | 253,710 | 61,690 | $ 4.46 | $ 3.53 | 8.94 |
| Granted | 44,739 | | $ 5.71 | | |
| Exercised | (16,973) | | (1.77) | | |
| Cancelled | (30,717) | | (4.66) | | |
| Balance - February 28, 2023 | 250,759 | 133,609 | $ 4.84 | $ 4.62 | 8.52 |

| | Stock Options | | Weighted Average Exercise Price $ | | Remaining |
|---|---|---|---|---|---|
| | Outstanding | Exercisable | Outstanding | Exercisable | Term - Years |
| Balance - February 28, 2022 | 253,710 | 61,690 | $ 4.46 | $ 3.53 | 8.94 |
| Granted | 44,739 | | 5.71 | | |
| Exercised | (16,973) | | (1.77) | | |
| Cancelled | (30,717) | | (4.66) | | |
| Balance - February 28, 2023 | 250,759 | 133,609 | $ 4.84 | $ 4.62 | 8.52 |
| Granted | 73,193 | | $ 5.02 | | |
| Exercised | (19,701) | | (3.62) | | |
| Cancelled | (8,709) | | (4.20) | | |
| Balance - February 29, 2024 | 295,542 | 181,376 | $ 4.99 | $ 4.89 | 8.04 |

The aggregate intrinsic value of the Company's vested and exercisable options at February 28, 2023 February 29, 2024 was $155,077 167,709.

For the years ended February 28, 2023 February 29, 2024 and 2022 February 28, 2023 the Company recognized $256,740 203,577 and $179,283 256,740 in stock based compensation expense, respectively. Such amounts are included in general and administrative expenses on the consolidated statements of income. Total compensation expense related to non-vested options not yet recognized as of February 28, 2023 February 29, 2024 was $288,000 298,000and will be recognized over the next three years years based on vesting date. The amount of future stock option compensation expense could be affected by any future option grants or by any forfeitures. During the year ended February 28, 2023 February 29, 2024, the Company had net settlement exercises of stock options, whereby, the optionee did not pay cash for the options but instead received the number of shares equal to the difference between the exercise price and the market price on the date of exercise. Net settlement exercises during the year ended February 28, 2023 February 29, 2024 resulted in 12,898 8,807 shares of common stock issued.

Determining the appropriate fair value of the stock-based awards requires the input of subjective assumptions, including the fair value of the Company's common stock, and for stock options, the expected life of the option, and the expected stock price volatility. The Company uses the Black-Scholes option pricing model to value its stock option awards. The assumptions used in calculating the fair value of stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment.

The expected term of the options is estimated based on the Company's historical exercise rate. The expected life of awards that vest immediately use the contractual maturity since they are vested when issued. For stock price volatility, the Company uses its expected volatility of the price of the Company's common stock based on historical activity. The risk-free interest rate is based on U.S. Treasury notes with a term approximating the expected life of the option at the grant-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:

| | Fiscal Year Ended | | Fiscal Year Ended | |
|---|---|---|---|---|
| | February 28, 2023 | February 28, 2022 | February 29, 2024 | February 28, 2023 |
| Expected life | 5 - 8 years | 5 - 8 years | 5 - 8 years | 5 - 8 years |
| Risk free interest rate | 2.82% - 4.02% | 0.78% – 2.0% | 2.82% - 4.39% | 2.82% – 4.02% |
| Expected volatility | 55.02% - 62.01% | 50.73% - 57.13% | 55.02% - 62.48% | 55.02% - 62.01% |
| Expected dividend yield | 0% | 0% | 0% | 0% |

**NOTE 5: INVENTORIES**

Inventories consist of the following:

| | February 28, 2023 | February 28, 2022 | February 29, 2024 | February 28, 2023 |
|---|---|---|---|---|
| Raw materials and subassemblies | $ 1,868,689 | $ 1,250,589 | $ 2,270,567 | $ 1,868,689 |
| Finished goods | 613,915 | 779,533 | 1,785,952 | 613,915 |
| Work in process | 760,305 | 343,120 | 1,165,461 | 760,305 |
| Total | $ 3,242,909 | $ 2,373,242 | $ 5,221,980 | $ 3,242,909 |

The Company maintains an allowance for slow moving slow-moving inventory for raw materials and finished goods. The recorded allowances at February 28, 2023 February 29, 2024 and 2022, February 28, 2023, totaled $332,525 $380,400 and $327,661, $332,525, respectively.







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**NOTE 6: BUILDINGS, EQUIPMENT, FURNISHINGS AND LEASEHOLD IMPROVEMENTS**

Buildings, equipment, furnishings and leasehold improvements consist of the following:

| | February 28, 2023 | February 28, 2022 | February 29, 2024 | February 28, 2023 |
|---|---|---|---|---|
| Buildings | $ 2,250,000 | $ 2,250,000 | $ 2,250,000 | $ 2,250,000 |
| Laboratory equipment | 1,647,951 | 1,421,845 | 1,733,911 | 1,647,951 |
| Machinery and equipment | 1,807,817 | 1,729,587 | 1,891,345 | 1,807,817 |
| Leasehold improvements | 789,044 | 715,999 | 924,356 | 789,044 |
| Tradeshow and demonstration equipment | 1,137,346 | 1,137,346 | 1,151,899 | 1,137,346 |
| Furniture and fixtures | 1,302,545 | 1,206,918 | 1,771,084 | 1,302,545 |
| Totals | 8,934,703 | 8,461,695 | 9,722,595 | 8,934,703 |
| Less: Accumulated depreciation | (6,309,707) | (5,900,511) | (6,890,439) | (6,309,707) |
| | $ 2,624,996 | $ 2,561,184 | $ 2,832,156 | $ 2,624,996 |

Depreciation expense for the years ended February 28, 2023 February 29, 2024 and February 28, 2022 February 28, 2023 was $492,055 580,732 and $416,083 492,055, respectively.

**NOTE 7: ACCRUED EXPENSES**

Accrued expenses consist of the following:

| | February 28, 2023 | February 28, 2022 | February 29, 2024 | February 28, 2023 |
|---|---|---|---|---|
| Accrued compensation | $ 352,619 | $ 449,673 | $ 579,757 | $ 352,619 |
| Estimated warranty costs | 500,650 | 622,775 | 524,875 | 500,650 |
| Accrued sales tax | | | 152,547 | — |
| Accrued commissions | 157,927 | 195,540 | 133,771 | 157,927 |
| Professional fees | 100,921 | 104,850 | 74,826 | 100,921 |
| Other accrued expenses | 315,329 | 431,190 | 273,702 | 315,329 |
| | $ 1,427,446 | $ 1,804,028 | $ 1,739,478 | $ 1,427,446 |

**NOTE 8: REVOLVING LINE OF CREDIT**

The Company has a $1,500,000 revolving line of credit at prime which was 8.50% at February 29, 2024 and 7.75% at February 28, 2023 and 3.25% at February 28, 2022. The revolving credit line is collateralized by the Company's accounts receivable and inventory. The revolving credit line is payable on demand and must be retired for a 30-day period, once annually. If the Company fails to perform the 30-day annual pay down or if the bank elects to terminate the credit line, the bank may, at its option, convert the outstanding balance to a 36-month term note with payments including interest in 36 equal installments.

As of February 29, 2024, $72,000 of the Company's credit line was being utilized to collateralize Letters of Credit issued to customers that have remitted cash deposits to the Company on existing orders. The Letters of Credit expire in April 2024. As of February 29, 2024, there were no outstanding borrowings under the line of credit and the unused portion of the credit line was $1,428,000.
As of February 28, 2023, $145,000 of the Company's credit line was being utilized to collateralize Letters of Credit issued to customers that have remitted cash deposits to the Company on existing orders. The Letters of Credit expire expired in May and July 2023. As of February 28, 2023, there were no outstanding borrowings under the line of credit and the unused portion of the credit line was $1,355,000.
As of February 28, 2022, $5,000 of the Company's credit line was being utilized to collateralize letters of credit issued to customers that have remitted cash deposits to the Company on existing orders. The letters of credit expire in May 2023. As of February 28, 2022, there were no outstanding borrowings under the line of credit and the unused portion of the credit line was $1,495,000.

**NOTE 9:LONG-TERM DEBT**
In fiscal year 2021, the Company obtained a loan under the Paycheck Protection Program for $1,001,640. In April 2021, the Company received notice from the SBA that the loan was forgiven in full and recorded a gain on forgiveness of $1,005,372, which is recorded on the consolidated statements of income in fiscal 2022.
**NOTE 10: INCOME TAXES**

The annual provision (benefit) for income taxes differs from amounts computed by applying the maximum U.S. Federal income tax rate of 21% to pre-tax income as follows:

| | February 28, 2023 | February 28, 2022 | February 29, 2024 | February 28, 2023 |
|---|---|---|---|---|
| Expected federal income tax | $ 165,882 | $ 609,883 | $ 366,362 | $ 165,882 |
| State tax, net of federal | 37,204 | 37,894 | 52,510 | 37,204 |
| Research and development tax credits | (127,329) | (101,573) | (161,525) | (127,329) |
| Permanent differences | 78,252 | (179,320) | 45,770 | 78,252 |

| | | | | |
|---|---|---|---|---|
| Other | — | (5,253) | | |
| Income tax expense | $ 154,009 | $ 361,631 | $ 303,117 | $ 154,009 |

Components of the current and deferred tax expense are as follows:

| | February 28, 2023 | February 28, 2022 | February 29, 2024 | February 28, 2023 |
|---|---|---|---|---|
| Current: | | | | |
| Federal | $ 438,263 | $ 341,882 | $ 716,003 | $ 438,263 |
| State | 83,525 | 38,536 | 123,743 | 83,525 |
| Total current income tax | 521,788 | 380,418 | 839,746 | 521,788 |
| Deferred: | | | | |
| Federal | (321,458) | (18,787) | (471,396) | (321,458) |
| State | (46,321) | — | (65,233) | (46,321) |
| Total deferred income tax | (367,779) | (18,787) | (536,629) | (367,779) |
| Income tax expense | $ 154,009 | $ 361,631 | $ 303,117 | $ 154,009 |

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and projections for future taxable income over periods in which the deferred tax assets are deductible. Management believes it is more likely than not that the Company will realize the benefits of these deductible differences.

The incorporation of the new tax laws for 2023, requires the Company to capitalize for income tax purposes research and development expenses incurred during the year and for such expenses to be amortized over a five year period. As a result, a deferred tax asset "Capitalized R&D expenses – IRC Section 174" has been recorded.

The Company does not have any uncertain tax positions in 2023. 2024. There are no interest and penalties related to uncertain tax positions in 2023. 2024. As of February 28, 2023 February 29, 2024, open years related to the federal and state jurisdictions are 2023, 2022 2021 and 2020. 2021.

The deferred tax asset and liability are comprised of the following:

| | February 28, 2023 | February 28, 2022 | February 29, 2024 | February 28, 2023 |
|---|---|---|---|---|
| Deferred tax asset | | | | |
| Allowance for inventory | $ 76,000 | $ 69,000 | $ 91,000 | $ 76,000 |
| Allowance for accounts receivable | 3,000 | 12,000 | 3,000 | 3,000 |
| Capitalized R&D expenses – IRC Section 174 | 441,000 | — | 985,000 | 441,000 |
| Accrued expenses and other | 147,000 | 160,000 | 177,000 | 147,000 |
| Deferred tax asset – Long Term | $ 667,000 | $ 241,000 | $ 1,256,000 | $ 667,000 |
| Deferred tax liability | | | | |
| Building and leasehold depreciation | (83,000) | (169,000) | (230,000) | (83,000) |
| Deferred tax liability – Long Term | $ (83,000) | $ (169,000) | $ (230,000) | $ (83,000) |

**NOTE 11: 10: EARNINGS PER SHARE**

The following table sets forth the computation of basic and diluted earnings per share:

| | February 28, 2023 | February 28, 2022 | February 29, 2024 | February 28, 2023 |
|---|---|---|---|---|
| Numerator for basic and diluted earnings per share | $ 635,905 | $ 2,542,573 | $ 1,441,463 | $ 635,905 |
| Denominator for basic earnings per share - weighted average | 15,735,451 | 15,586,404 | 15,743,763 | 15,735,451 |
| Effects of dilutive securities: | | | | |
| Stock options for employees, directors and outside consultants | 34,048 | 37,081 | 30,244 | 34,048 |
| Denominator for diluted earnings per share | 15,769,499 | 15,623,485 | 15,774,007 | 15,769,499 |

| | | | | |
|---|---|---|---|---|
| Basic Earnings Per Share – Weighted Average | $ 0.04 | $ 0.16 | $ 0.09 | $ 0.04 |
| Diluted Earnings Per Share – Weighted Average | $ 0.04 | $ 0.16 | $ 0.09 | $ 0.04 |

**NOTE 12: 11: CUSTOMER CONCENTRATIONS AND FOREIGN SALES**

Export sales to customers located outside the United States and Canada were approximately as follows:

| | February 28, 2023 | February 28, 2022 | February 29, 2024 | February 28, 2023 |
|---|---|---|---|---|
| Asia Pacific (APAC) | 3,260,000 | 5,301,000 | 3,268,000 | 3,260,000 |
| Europe, Middle East, Asia (EMEA) | 3,448,000 | 5,255,000 | 4,333,000 | 3,448,000 |
| Latin America | 1,546,000 | 1,097,000 | 1,221,000 | 1,546,000 |
| | $ 8,254,000 | $ 11,653,000 | $ 8,822,000 | $ 8,254,000 |

During fiscal 2023 2024 and fiscal 2022, 2023, sales to foreign customers accounted for approximately $8,254,000 8,822,000 and $11,653,000 8,254,000, or 55% 45% and 68% 55% respectively, of total revenues.
For the fiscal years ended February 29, 2024 and February 28, 2023, no single customer accounted for more than 10% of the Company's revenues.
Two customers accounted for 26% of the outstanding accounts receivables February 29, 2024.
Two customers accounted for 28% of the outstanding accounts receivables at February 28, 2023.

The Company had two customers which accounted for 14% of sales during fiscal 2023. Four customers accounted for 44% of the outstanding accounts receivables at February 28, 2023.

The Company had two customers which accounted for 24% of sales during fiscal 2022. Three customers accounted for 41% of the outstanding accounts receivables at February 28, 2022.

**NOTE 13: 12: COMMITMENTS AND CONTINGENCIES**

Other than the letters of credit discussed in Notes 3 and 8, the Company did not have any material commitments or contingencies as of February 28, 2023 February 29, 2024.

The Company is subject, from time to time, to claims by third parties under various legal disputes. The defense of such claims, or any adverse outcome relating to any such claims, could have a material adverse effect on the Company's liquidity, financial condition, and cash flows. As of February 28, 2023 February 29, 2024, the Company did not have any pending legal actions.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 25, 2023 May 23, 2024
Sono-Tek Corporation
(Registrant)

By: /s/ Dr. Christopher L. Coccio R. Stephen Harshbarger
Dr. Christopher L. Coccio, R. Stephen Harshbarger,
Chief Executive Officer and Chairman President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| | | | |
|---|---|---|---|
| /s/ Dr. Christopher L Coccio<br>Christopher L. Coccio<br>Chief Executive Officer, Chairman and<br>DirectorChairman of the Board of Directors | May 25, 202323, 2024 | /s/ Eric Haskell<br>Eric Haskell<br>Director | May 25, 202323, 2024 |
| /s/ Stephen J. Bagley<br>Stephen J. Bagley<br>Chief Financial Officer | May 25, 202323, 2024 | /s/ Dr. Joseph Riemer<br>Dr. Joseph Riemer<br>Director | May 25, 202323, 2024 |
| /s/ Carol O'Donnell<br>Carol O'Donnell<br>Director | May 25, 202323, 2024 | /s/ Philip A. Strasburg<br>Philip A. Strasburg<br>Director | May 25, 202323, 2024 |
| /s/ R. Stephen Harshbarger<br>R. Stephen Harshbarger<br>President Chief Executive Officer and DirectorPresident | May 25, 202323, 2024 | /s/ Dr. Donald F. Mowbray<br>Donald F. Mowbray<br>Director | May 25, 202323, 2024 |
| /s/ Adeniyi Lawal<br>Adeniyi Lawal<br>Director | May 23, 2024 | | |

Exhibit 21

Subsidiaries of the Registrant

| Name | State of Organization |
|---|---|
| Sono-Tek Industrial Park LLC | New York |

Exhibit 23.1

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements Statement of Sono-Tek Corporation on Form S-8 (File No. 333-216504), and Form S-3 (File No. 333-267067) of our report dated May 25, 2023 May 23, 2024, with respect to our audit audits of the consolidated financial statements of Sono-Tek Corporation as of February 29, 2024 and February 28, 2023 and for the year years ended February 29, 2024 and February 28, 2023, which report is included in this Annual Report on Form 10-K of Sono-Tek Corporation for the year ended February 28, 2023 February 29, 2024.

/s/ Marcum LLP

Marcum LLP
East Hanover, New Jersey NJ
May 25, 2023

Exhibit 23.2

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of Sono-Tek Corporation on Form S-8 (File No. 333-216504) and Form S-3 (File No. 333-267067) of our report dated May 24, 2022, with respect to our audit of the consolidated financial statements of Sono-Tek Corporation as of and for the year ended February 28, 2022, which report is included in this Annual Report on Form 10-K of Sono-Tek Corporation for the year ended February 28, 2023.

We were dismissed as auditors on December 19, 2022, and, accordingly, we have not performed any audit or review procedures with respect to any financial statements for the periods after the date of our dismissal.

/s/ Friedman LLP
FRIEDMAN LLP
East Hanover, New Jersey
May 25, 2023 23, 2024

Exhibit 31.1

RULE 13a-14/15d – 14(a) CERTIFICATION

I, Christopher L. Coccio R. Stephen Harshbarger (principal executive officer), certify that:

1. I have reviewed this Annual Report on Form 10-K of Sono-Tek Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for the periods presented in this report;

4. Sono-Tek Corporation's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d – 15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. Sono-Tek Corporation's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 25, 2023 May 23, 2024

/s/ Christopher L. Coccio R. Stephen Harshbarger
Christopher L. Coccio R. Stephen Harshbarger
Chief Executive Officer and Chairman President
(principal executive officer)

Exhibit 31.2

RULE 13a-14/15d – 14(a) CERTIFICATION

I, Stephen J. Bagley (principal accounting officer), certify that:

1. I have reviewed this Annual Report on Form 10-K of Sono-Tek Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for the periods presented in this report;

4. Sono-Tek Corporation's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d – 15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. Sono-Tek Corporation's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 25, 2023 May 23, 2024

/s/ Stephen J. Bagley
Stephen J. Bagley
Chief Financial Officer
(principal accounting officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Sono-Tek Corporation on Form 10-K for the year ended February 28 2023 February 29, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"). I, Christopher L. Coccio, R. Stephen Harshbarger, Chief Executive Officer and Chairman President (principal executive officer) of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) and 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 25, 2023 May 23, 2024

/s/ Christopher L. Coccio R. Stephen Harshbarger
Christopher L. Coccio R. Stephen Harshbarger
Chief Executive Officer and Chairman President
(principal executive officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Sono-Tek Corporation on Form 10-K for the year ended February 28, 2023 February 29, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"). I, Stephen J. Bagley, Chief Financial Officer (principal accounting officer) of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) and 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 25, 2023 May 23, 2024

/s/ Stephen J. Bagley
Stephen J. Bagley
Chief Financial Officer
(principal accounting officer)

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