

NEW YORK COMMUNITY BANCORP INC
Form SC TO-I
July 29, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE TO

Tender Offer Statement Under Section 14(d)(1) or 13(e)(1)

of the Securities Exchange Act of 1934

NEW YORK COMMUNITY BANCORP, INC.

(Name of Subject Company (Issuer) and Filing Person (Offeror))

Units

(Title of Class of Securities)

64944P307

(CUSIP Number of Class of Securities)

Joseph R. Ficalora

Chairman, President and Chief Executive Officer

New York Community Bancorp, Inc.

615 Merrick Avenue

Westbury, New York 11590

Telephone: (516) 683-4100

(Name, address and telephone number of person authorized to receive notices and communications on behalf of filing persons)

Copies to:

Eric S. Kracov, Esq.

Victor L. Cangelosi, Esq.

Edward G. Olifer, Esq.

Kilpatrick Stockton LLP

607 14th Street, NW

Suite 900

Washington, DC 20005

(202) 508-5800

CALCULATION OF FILING FEE

Transaction Valuation*
\$188,270,147

Amount of Filing Fee**
\$10,506

* This valuation assumes the exchange of 5,498,544 Bifurcated Option Note Unit SecuritiesSM of New York Community Bancorp, Inc. (NYB), stated amount \$50.00 per unit, (BONUSSM units) for common shares of NYB, par value \$0.01 per share. Estimated for purposes of calculating the amount of the filing fee only, this amount is based on the average of the high and low prices of the NYB BONUSSM units of \$34.24 as of July 28, 2009 as reported on the New York Stock Exchange.

** The amount of the filing fee, calculated in accordance with Rule 0-11 of the Securities Exchange Act of 1934, as amended by Fee Rate Advisory #5 for Fiscal Year 2009, effective March 11, 2009, equals \$55.80 for each \$1,000,000 of the value of the transaction.

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Check the box if any part of the filing fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: N/A
Form or Registration No.: N/A

Filing Party: N/A
Date Filed: N/A

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transaction to which the statement relates:

third party tender offer subject to Rule 14d-1.

issuer tender offer subject to Rule 13e-4.

going private transaction subject to Rule 13e-3.

amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

INTRODUCTION

This Issuer Tender Offer Statement on Schedule TO (this Schedule TO) is being filed by New York Community Bancorp, Inc. (NYB), a Delaware corporation, pursuant to Rule 13e-4 promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), in connection with an offer by NYB to exchange any and all of its 5,498,544 Bifurcated Option Note Unit SecuritiesSM, stated amount \$50.00 per unit (the BONUSSESSM units), comprised of (i) a Trust Preferred Security issued by New York Community Capital Trust V (the Trust), having a liquidation preference of \$50.00 and a distribution rate of 6% per annum on the stated liquidation preference (Trust Preferred Security); and (ii) a warrant to purchase 2.4953 shares of NYB common stock (the Common Shares) at any time prior to May 7, 2051, the exercise price of which is \$50.00, for a number of its Common Shares, at an exchange ratio equal to (i) 2.4953 Common Shares plus (ii) a number of Common Shares equal to \$10.00 divided by the Weighted Average Price of the Common Shares, for each validly tendered and accepted BONUSSESSM unit, on the terms and subject to the conditions described in the Offer to Exchange, dated July 29, 2009 (the Offer to Exchange), and in the related Letter of Transmittal, which, as amended or supplemented from time to time, together constitute the Exchange Offer. The Weighted Average Price of the Common Shares will be calculated pursuant to the procedure set forth in the Offer to Exchange. The terms and conditions of the Exchange Offer are set forth in the Offer to Exchange and the accompanying Letter of Transmittal, which are attached hereto as Exhibit (a)(1)(A) and (a)(1)(B), respectively.

The information set forth in the Offer to Exchange and the accompanying Letter of Transmittal is hereby expressly incorporated herein by reference in response to all applicable items required in this Schedule TO. This Schedule TO is being filed in satisfaction of the reporting requirements of Rule 13e-4(c)(2) promulgated under the Exchange Act.

Item 1. Summary Term Sheet.

The information set forth under the captions entitled Questions and Answers About the Exchange Offer and Summary in the Offer to Exchange is incorporated herein by reference.

Item 2. Subject Company Information.

- (a) The name of the issuer is New York Community Bancorp, Inc., a Delaware corporation, and the address of its principal executive office is 615 Merrick Avenue, Westbury, New York 11590. The telephone number of its principal executive office is (516) 683-4100.
- (b) The subject securities are NYB's BONUSSESSM units. As of the date hereof, there are 5,498,544 BONUSSESSM units outstanding. The information set forth in the Offer to Exchange under the captions Summary The Exchange Offer ; Comparison of Rights of Holders of BONUSSESSM units and Holders of Common Shares and Description of Capital Stock is incorporated herein by reference.
- (c) The information set forth in the Offer to Exchange under the caption Market for Common Shares and BONUSSESSM units is incorporated herein by reference.

Item 3. Identity and Background of Filing Person.

- (a) The principal executive office of the filing person, NYB, is located at 615 Merrick Avenue, Westbury, New York 11590. The telephone number of its principal executive office is (516) 683-4100.

As required by General Instruction C to Schedule TO, the following persons are directors and executive officers of NYB. No single person or group of persons controls NYB.

Name	Position
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Joseph R. Ficalora	Chairman, Chief Executive Officer, President and Director
Robert Wann	Senior Executive Vice President, Chief Operating Officer and Director
Thomas R. Cangemi	Senior Executive Vice President and Chief Financial Officer
James J. Carpenter	Senior Executive Vice President and Chief Lending Officer
John J. Pinto	Executive Vice President and Chief Accounting Officer
Donald M. Blake	Director
Dominick Ciampa	Director
Maureen E. Clancy	Director

Name	Position
Hanif W. Dahya	Director
Robert S. Farrell	Director
William C. Frederick, M.D.	Director
Max L. Kupferberg	Director
Michael J. Levine	Director
Hon. Guy V. Molinari	Director
James J. O Donovan	Director
John M. Tsimbinos	Director
Spiros J. Voutsinas	Director

The address and telephone number of each director and executive officer of NYB listed above is: c/o New York Community Bancorp, Inc., 615 Merrick Avenue, Westbury, New York 11590, and such person's telephone number is (516) 683-4100.

Item 4. Terms of the Transaction.

- (a) The information set forth in the Offer to Exchange under the captions entitled Questions and Answers About the Exchange Offer, Summary The Exchange Offer, The Exchange Offer, Comparison of Rights of Holders of BONUSSES and Holders of Common Shares, Description of Capital Stock and Material United States Federal Income Tax Considerations, as well as the information set forth in the related Letter of Transmittal, are incorporated herein by reference.
- (b) To the knowledge of NYB, based on reasonable inquiry, no BONUSSESSM units are owned by any officer, director or affiliate of NYB, and there will therefore not be exchanges of BONUSSESSM units from any officer, director or affiliate of NYB. The information set forth under the caption Interests of Directors and Officers in the Offer to Exchange is incorporated herein by reference.

Item 5. Past Contacts, Transactions, Negotiations and Agreements.

- (a) NYB has entered into the following agreements, each of which are filed as an exhibit to this Schedule TO, in connection with the BONUSSESSM units:
 - (i) Underwriting Agreement for offering BONUSSESSM units
 - (ii) Amended and Restated Declaration of Trust of New York Community Capital Trust V
 - (iii) Indenture relating to the Junior Subordinated Debentures between New York Community Bancorp, Inc. and Wilmington Trust Company, as Trustee
 - (iv) First Supplemental Indenture between New York Community Bancorp, Inc. and Wilmington Trust Company, as Trustee
 - (v) Form of Preferred Security (included in Exhibit (d)(2))

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- (vi) Form of Warrant (included in Exhibit (d)(10))
- (vii) Form of Unit Certificate (included in Exhibit (d)(9))
- (viii) Guarantee issued in connection with the BONUSSESSM units
- (ix) Unit Agreement between New York Community Bancorp, Inc., New York Community Capital Trust V and Wilmington Trust Company, as Warrant Agent, Property Trustee and Agent
- (x) Warrant Agreement between New York Community Bancorp, Inc. and Wilmington Trust Company, as Agent
- (xi) Amendment No. 1 to the Amended and Restated Declaration of Trust of New York Community Capital Trust V
- (xii) Amendment No. 1 to the First Supplemental Indenture between New York Community Bancorp, Inc. and Wilmington Trust Company, as Trustee
- (xiii) Amendment No. 1 to the Warrant Agreement between New York Community Bancorp, Inc. and Wilmington Trust Company, as Warrant Agent

The information set forth in the Offer to Exchange under the captions *Where You Can Find More Information*, *Comparison of Rights of Holders of BONUSESSM units and Holders of Common Shares*, and *Description of Capital Stock* is incorporated herein by reference.

Item 6. *Purposes of the Transaction and Plans or Proposals.*

- (a) The information set forth in the Offer to Exchange under the captions *Questions and Answers About the Exchange Offer* *What is the purpose of the Exchange Offer?* and *The Exchange Offer* *Purpose of the Exchange Offer* is incorporated herein by reference.
- (b) The information set forth in the Offer to Exchange under the captions entitled *Summary* *The Exchange Offer* and *The Exchange Offer* *Terms of the Exchange Offer* is incorporated herein by reference.
- (c) The information set forth in the Offer to Exchange under the captions entitled *Risk Factors* *Risks to Holders of Non-Tendered BONUSESSM units* *There will be less liquidity in the market for non-tendered BONUSESSM units, and the market prices for non-tendered BONUSESSM units may therefore decline*, *Capitalization* and *The Exchange Offer* is incorporated herein by reference.

Item 7. *Source and Amount of Funds or Other Consideration.*

- (a) The information set forth in the Offer to Exchange under the captions *Summary* *The Exchange Offer* and *The Exchange Offer* *Terms of the Exchange Offer* is incorporated herein by reference.
- (b) Not applicable.
- (c) Not applicable.

Item 8. *Interest in Securities of the Subject Company.*

- (a) None of NYB or any of its directors or executive officers owns any BONUSESSM units. The information set forth in the Offer to Exchange under the caption *Interests of Directors and Officers* is incorporated herein by reference.
- (b) The information set forth in the Offer to Exchange under the caption *Interests of Directors and Officers* is incorporated herein by reference.

Item 9. *Persons/Assets, Retained, Employed, Compensated or Used.*

For information regarding the exchange agent and the information agent, see the information set forth in the Offer to Exchange under the caption *Exchange Agent and Information Agent*, which is incorporated herein by reference. No persons have been directly or indirectly employed, retained or otherwise compensated to make solicitations or recommendations in connection with the Exchange Offer, other than certain employees of NYB, none of whom will receive any special or additional compensation in connection with the Exchange Offer beyond their normal compensation. See the information set forth in the Offer to Exchange under the caption *The Exchange Offer* *Fees and Expenses*, which is incorporated herein by reference.

Item 10. *Financial Statements.*

- (a) The information set forth in the Offer to Exchange under the captions *Selected Financial Data* and *Where You Can Find More Information* is incorporated herein by reference. The information set forth under (i) Item 8, *Financial Statements and Supplementary Data*, in NYB's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and (ii) Item 1, *Consolidated Financial Statements* in NYB's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 is incorporated herein by reference and can also be accessed electronically on the Securities and Exchange Commission's website at <http://www.sec.gov>.
- (b) The information set forth in the Offer to Exchange under the captions *Unaudited Pro Forma Financial Information* and *Capitalization* is incorporated herein by reference.

Item 11. *Additional Information.*

- (a) The information set forth in the Offer to Exchange under the caption *The Exchange Offer* *Conditions to the Exchange Offer* is incorporated herein by reference.
- (b) The information set forth in the Offer to Exchange and the accompanying Letter of Transmittal is incorporated herein by reference.

Item 12. Exhibits.

- (a)(1)(A)* Offer to Exchange, dated July 29, 2009
- (a)(1)(B)* Form of Letter of Transmittal
- (a)(1)(C)* Form of Notice of Withdrawal
- (a)(1)(D)* Form of Letter to Clients
- (a)(1)(E)* Form of Letter to The Depository Trust Company Participants
- (a)(5)* Press Release, dated July 29, 2009
- (d)(1) Underwriting Agreement for offering BONUSSESSM units⁽¹⁾
- (d)(2)* Amended and Restated Declaration of Trust of New York Community Capital Trust V
- (d)(3)* Indenture relating to the Junior Subordinated Debentures between New York Community Bancorp, Inc. and Wilmington Trust Company, as Trustee
- (d)(4)* First Supplemental Indenture between New York Community Bancorp, Inc. and Wilmington Trust Company, as Trustee
- (d)(5)* Form of Preferred Security (included in Exhibit (d)(2))
- (d)(6)* Form of Warrant (included in Exhibit (d)(10))
- (d)(7)* Form of Unit Certificate (included in Exhibit (d)(9))
- (d)(8)* Guarantee issued in connection with the BONUSSESSM units
- (d)(9)* Unit Agreement between New York Community Bancorp, Inc., New York Community Capital Trust V and Wilmington Trust Company, as Warrant Agent, Property Trustee and Agent
- (d)(10)* Warrant Agreement between New York Community Bancorp, Inc. and Wilmington Trust Company, as Agent
- (d)(11) Amendment No. 1 to the Amended and Restated Declaration of Trust of New York Community Capital Trust V⁽²⁾
- (d)(12) Amendment No. 1 to the First Supplemental Indenture between New York Community Bancorp, Inc. and Wilmington Trust Company, as Trustee⁽²⁾
- (d)(13) Amendment No. 1 to the Warrant Agreement between New York Community Bancorp, Inc. and Wilmington Trust Company, as Warrant Agent⁽²⁾

* Filed herewith.

(1) Incorporated by reference to the exhibits to the Form 8-K filed with the Securities and Exchange Commission on November 4, 2002.

(2) Incorporated by reference to the exhibits to the Form 8-K filed with the Securities and Exchange Commission on April 17, 2003.

Item 13. Information Required by Schedule 13E-3.

Not applicable.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: July 29, 2009

NEW YORK COMMUNITY BANCORP, INC.

By: /s/ Joseph R. Ficalora

Name: Joseph R. Ficalora

Title: Chairman, President and Chief Executive Officer

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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 (principal executive officer) and Chief Financial Officer (principal accounting officer), we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, management has concluded that our internal control over financial reporting was effective as of February 28, 2011. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting pursuant to temporary rules of the Securities and Exchange Commission.

Changes in Internal Control Over Financial Reporting

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

ITEM 9B OTHER INFORMATION - None.

PART III

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

(a) Identification of Directors

<u>Name</u>	<u>Age</u>	<u>Position with the Company</u>
Christopher L. Coccio	70	Chief Executive Officer, Chairman and a Director
Edward J. Handler, Esq.	74	Director*
Eric Haskell, CPA	64	Director*
Donald F. Mowbray	73	Director
Joseph Riemer	62	President and Director
Samuel Schwartz	91	Chairman Emeritus and Director
Philip A. Strasburg, CPA	72	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 Mr. Strasburg run until the annual meeting to be held in 2011. The terms of Dr. Mowbray and Messrs. Handler, Haskell and Schwartz run until the annual meeting to be held in 2012, and in each case until their respective successors are duly elected and qualified.

Audit Committee

The Company's Board of Directors has an Audit Committee composed of Edward J. Handler, Eric Haskell, CPA and Philip A. Strasburg, CPA, as Chairman of the Audit Committee. The "audit committee financial expert" designated by the Board is Philip A. Strasburg. The Company considers Mr. Strasburg to be an "independent director".

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

Nominating Committee

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

Identification of Executive Officers

Name	Age	Position with the Company
Stephen J. Bagley, CPA	48	Chief Financial Officer
Christopher L. Coccio	70	Chief Executive Officer, Chairman and a Director
R. Stephen Harshbarger	43	Vice President – Director of Advanced Energy SBU
Joseph Riemer	62	President and Director

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

Business Experience

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

DR. CHRISTOPHER L. COCCIO was appointed President and Chief Executive Officer of Sono-Tek on April 30, 2001, has been a Director of the Company since June 1998, and was appointed Chairman in August 2007. From 1964 to 1996, he held various engineering, sales, marketing and management positions at General Electric Company, with P&L responsibilities for up to \$100 million in sales and 500 people throughout the United States. 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 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.

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

Key attributes, Experience and Skills: Mr. Handler's extensive experience as an attorney enables him to bring valuable strategic insights to the Board. Mr. Handler's past experience as the Company's intellectual property attorney provides him with an in depth knowledge of the Company and its related market applications. Mr. Handler also brings leadership and oversight experience to the Board.

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

ERIC HASKELL, CPA has been a Director since August 2009. He has over 30 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. Mr. Haskell received his 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 judgement 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.

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 our advanced products development and designs. Dr. Mowbray also brings leadership and oversight experience to the Board from his GE management background.

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

Key attributes, Experience and Skills: Dr. Riemer's extensive research and management experience enables him to bring valuable insights to the Board. His extensive experience in the biotech, food and pharmaceutical industries bring specific product application insights to the Board. Dr. Riemer's service as President helps to bridge the gap between the Company's management and the Board. Dr. Riemer also brings leadership and oversight experience to the Board.

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

Key attributes, Experience and Skills: Mr. Schwartz's long-time experience as a businessman and manufacturer enables him to bring valuable operational insights to the Board. Mr. Schwartz's experience as former Chairman of the Board enable him to bring operational insights to the Board. Mr. Schwartz 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 served as Audit Committee Chairman from August 2004 until February 2005, when he was elected Treasurer. Mr. Strasburg was reappointed Audit Committee chairman in May 2005 concurrent with his resignation as Treasurer. He was the lead partner on the Sono-Tek account from Fiscal 1994 to Fiscal 1996. Mr. Strasburg is a certified public accountant in New York State. He has a Master of Science in economics from The London School of Economics and Political Science and a Bachelors of Science degree from Lehigh University, where he majored in business administration.

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.

(b) Identification of Certain Significant Employees

Not applicable.

(c) Family Relationships

None.

(d) Involvement in certain legal proceedings

None.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's Directors, executive officers and persons who own more than ten percent of the Company's common stock to file with the Securities and Exchange Commission initial reports of beneficial ownership and reports of changes of beneficial ownership of common stock. Such persons are also required by Securities and Exchange Commission regulations to furnish the Company with copies of all such reports. Based solely on a review of such filings, during the year ended February 28, 2011, all of the Company's Directors and executive officers and holders of more than ten percent of the Company's stock have made timely filings of such reports.

Code of Ethics

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

ITEM 11 EXECUTIVE COMPENSATION

The following table sets forth the aggregate remuneration paid or accrued by the Company for the Fiscal Years ended February 28, 2011 and 2010 for each named officer of the Company.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
Christopher L. Coccio CEO, Chairman and Director	2011	198,462	26,000	0	0	2,797	227,259
	2010	190,615	0	0	0	1,446	192,061
Joseph Riemer, President	2011	153,556	20,000	0	18,207	3,471	195,234
	2010	147,368	0	0	22,382	1,214	170,964
R. Stephen Harshbarger Vice-President	2011	189,954	0	0	0	3,799	193,753
	2010	141,599	0	0	0	1,401	143,000

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 financial statements.

Officer Compensation Arrangements

During the year ended February 28, 2011, Dr. Coccio was compensated at a rate of \$200,000 per annum. Effective April 1, 2011, the Board of Directors increased his salary to \$225,000 per annum.

During the year ended February 28, 2011, Dr. Riemer was compensated at a rate of \$150,000 per annum. Effective April 1, 2011, the Board of Directors increased his salary to \$170,000 per annum.

Mr. Harshbarger is compensated at a rate of \$75,000 per annum plus a commission on sales that his business unit originates.

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	91,893		0.74	11/12/2014
	50,000		0.74	03/05/2018
	20,000		0.95	05/19/2014
	100,000		1.00	11/12/2014
	225,000		1.75	11/12/2014
Joseph Riemer	39,000	10,000	0.74	03/05/2018
	50,000		0.95	09/04/2017
	25,000		1.18	04/13/2017
	22,500	27,500	1.04	10/22/2019
	125,000 ¹	125,000	1.04	2/28/2021
R. Stephen Harshbarger	10,000		0.95	5/19/2014

¹ The Board of Directors waived the net income target under Dr. Riemer's option agreement dated October 22, 2009, permitting him to earn these options subject to the vesting schedule in the agreement.

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

Based on last 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 \$124,000, Christopher L. Coccio \$215,000, R. Stephen Harshbarger \$181,000 and Joseph Riemer \$162,000.

Compensation of Directors

Each non-employee director receives \$500 for each meeting attended. Committee Chairmen and committee members receive \$100 for each committee meeting attended. Directors who are employees of the Company receive no additional compensation for serving as directors. For the year ended February 28, 2011, director compensation was as follows:

2011 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 (\$)
Edward J. Handler	1,500	-	-	-	-	-	1,500
Eric Haskell	1,500	-	1,587	-	-	-	3,087
Donald F. Mowbray	1,500	-	-	-	-	-	1,500
Samuel Schwartz	1,500	-	-	-	-	-	1,500
Philip Strasburg	1,500	-	-	-	-	-	1,500

The number of vested and unvested stock options held by non-employee directors as of February 28, 2011 was as follows:

	Number of Vested Options	Number of Unvested Options
Edward J. Handler	30,000	-
Eric Haskell	20,000	20,000
Donald F. Mowbray	40,000	-
Samuel Schwartz	50,000	-
Philip Strasburg	40,000	-

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

The following information is furnished as of May 10, 2011 to indicate beneficial ownership of the Company's Common Stock by each Director, by each named executive officer who has a salary and bonus in excess of \$100,000, by all Directors and executive officers as a group, and by each person known to the Company to be the beneficial owner of more than 5% of the Company's outstanding Common Stock. Such information has been furnished to the Company by the indicated owners. Unless otherwise indicated, the named person has sole voting and investment power.

Name (and address if more than 5% of Beneficial owner)	Amount Beneficially Owned	Percent
Directors and Officers		
*Christopher L. Coccio	1,011,484 ¹	6.78%
*Edward J. Handler	127,508 ²	**
*R. Stephen Harshbarger	10,000 ³	**
*Eric Haskell	—	**
*Donald F. Mowbray	65,000 ⁴	**
*Joseph Riemer	167,725 ⁵	1.15%
*Samuel Schwartz	1,585,147 ⁶	10.8%
*Philip A. Strasburg	75,000 ⁷	**
All Executive Officers and Directors as a Group	3,070,114 ⁸	20.10%
Additional 5% owners		
Herbert Spiegel 425 East 58 th Street New York, NY 10022	756,931	5.24%
Norwood Venture Corporation 65 Norwood Avenue Montclair, NJ 07043	1,084,672	7.51%
Norman H. Pessin 366 Madison Avenue New York, NY 10017	619,990	4.29%
Sandra Pessin 366 Madison Avenue New York, NY 10017	196,588	1.36%

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

** *Less than 1%*

¹ *Includes 2,000 shares in the name of Dr. Coccio's wife and 486,893 options currently exercisable issued under the Company's Stock Incentive Plans.*

² *Includes 61,579 shares owned jointly with Mr. Handler's wife, 35,929 shares in the name of Mr. Handler's wife and 30,000 options currently exercisable issued under the Company's Stock Incentive Plans.*

³ *Represents 10,000 options currently exercisable under the Company's Stock Incentive Plans.*

⁴ *Includes 40,000 options currently exercisable issued under the Company's Stock Incentive Plans.*

⁵ *Includes 126,500 options currently exercisable issued under the Company's Stock Incentive Plans.*

⁶ *Includes 50,000 options currently exercisable issued under the Company's Stock Incentive Plans.*

⁷ *Includes 40,000 options currently exercisable issued under the Company's Stock Incentive Plans.*

⁸ *The group total includes 831,393 options currently exercisable issued under the Company's Stock Incentive Plans. The group total includes 250 shares and 48,000 exercisable options held by Mr. Bagley.*

Securities Authorized for Issuance Under Equity Compensation Plans:**EQUITY COMPENSATION PLAN INFORMATION**

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders:			
1993 Stock Incentive Plan	40,000	\$0.31	-
2003 Stock Incentive Plan	1,321,268	\$1.12	109,000
Total	1,361,268		109,000

Description of Equity Compensation Plans:1993 Stock Incentive Plan

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

Under the 1993 Stock Incentive Plan, option prices were at least 100% of the fair market value of the common stock at time of grant. For qualified employees, except under certain circumstances specified in the 1993 plan or unless otherwise specified at the discretion of the Board of Directors, no option may be exercised prior to one year after date of grant, with the balance becoming exercisable in cumulative installments over a three year period during the term of the option.

2003 Stock Incentive Plan

Under the 2003 Stock Incentive Plan, as amended ("2003 Plan"), options can be granted to officers, directors, consultants and employees of the Company and its subsidiaries to purchase up to 1,500,000 of the Company's common shares.

The 2003 Plan supplemented and replaced the 1993 Plan. Under the 2003 Stock Incentive Plan, option prices must be at least 100% of the fair market value of the common stock at time of grant. For qualified employees, except under certain circumstances specified in the 2003 plan or unless otherwise specified at the discretion of the Board of Directors, no option may be exercised prior to one year after date of grant, with the balance becoming exercisable in cumulative installments over a three year period during the term of the option.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Independence of Directors

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

ITEM 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees

For the Fiscal Years ended February 28, 2011 and 2010, the Company paid or accrued fees of approximately \$44,500 and \$44,500 for services rendered by Sherb & Co., LLP, its independent auditors. These fees included audit and review services.

Audit Related Fees - None

Tax Fees

For the Fiscal Years ended February 28, 2011 and 2010, the Company paid or accrued tax preparation fees of approximately \$8,000 and \$5,500 for services rendered by Sherb & Co., LLP, its independent auditors.

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 our 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 our principal accountant in 2011 and 2010.

PART IV

ITEM 15 EXHIBITS

Ex. No. Description

- 3(a)¹ Certificate of Incorporation of the Company and all amendments thereto.
- 3(b)¹ By-laws of the Company as amended.
- 10(a)¹ Sono-Tek Corporation 1993 Stock Incentive Plan as amended.
- 10(b)¹ Sono-Tek Corporation 2003 Stock Incentive Plan.
- 10(c)² Equipment Line Credit Agreement between Sono-Tek Corporation and M&T Bank, dated March 24, 2005.
- 10(d)² General Security Agreement between Sono-Tek Corporation and M&T Bank, dated December 21, 2004.
- 10(e)³ Executive Agreement between Sono-Tek Corporation and Stephen J. Bagley dated September 1, 2007.
- 10(f)³ Executive Agreement between Sono-Tek Corporation and Christopher L. Coccio dated September 1, 2007.
- 10(g)³ Executive Agreement between Sono-Tek Corporation and Joseph Riemer dated September 1, 2007.
- 10(h)⁴ Executive Agreement between Sono-Tek Corporation and R. Stephen Harshbarger dated March 5, 2008.
- 10(i)⁵ Non Plan Stock Option Agreement between Sono-Tek Corporation and Joseph Riemer dated October 22, 2009.
- 10(j)⁶ Purchase Money Mortgage dated December 17, 2010, between Sono-Tek Industrial Park LLC and Jean K. Woodward.
- 10(k)⁶ Contract of Sale dated December 17, 2010, between Sono-Tek Industrial Park LLC and Jean K. Woodward.
- 10(l)⁶ Purchase Money Note dated December 17, 2010, between Sono-Tek Industrial Park LLC and Jean K. Woodward.
- 14⁷ Code of Ethics.
- 21 Subsidiaries of Issuer.
- 23.1 Consent of Independent Registered Public Accounting Firm.
- 31.1 Rule 13a-14/15d – 14(a) Certification.
- 31.2 Rule 13a-14/15d – 14(a) Certification.
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

²Incorporated herein by reference to the Company's Form 10-KSB for the year ended February 28, 2005.

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

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

⁵Incorporated herein by reference to the Company's Form 10-K for the year ended February 28, 2010.

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

⁶Incorporated herein by reference to the Company's Form 10-Q for the quarter ended November 30, 2010.

⁷Incorporated herein by reference to the Company's Form 10-KSB for the year ended February 29, 2004.

SONO-TEK CORPORATION

FORM 10-K

ITEM 7

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

FOR THE YEARS ENDED FEBRUARY 28, 2011 and FEBRUARY 28, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

CONSOLIDATED FINANCIAL STATEMENTS:

Consolidated Balance Sheets at February 28, 2011 and February 28, 2010

Consolidated Statements of Operations

For the Years Ended February 28, 2011 and February 28, 2010

Consolidated Statements of Stockholders' Equity

For the Years Ended February 28, 2011 and February 28, 2010

Consolidated Statements of Cash Flows

For the Years Ended February 28, 2011 and February 28, 2010

Notes to the Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors

Sono-Tek Corporation

Milton, New York

We have audited the accompanying consolidated balance sheets of Sono-Tek Corporation as of February 28, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years ended February 28, 2011 and 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sono-Tek Corporation, as of February 28, 2011 and 2010 and the results of their operation and their cash flows for each of the years then ended February 28, 2011 and 2010 in conformity with accounting principles generally accepted in the United States.

/S/ SHERB & CO., LLP

Certified Public Accountants

New York, New York

May 16, 2011

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SONO-TEK CORPORATION**CONSOLIDATED BALANCE SHEETS**

	February 28,	
	2011	2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$1,683,801	\$1,787,516
Marketable Securities	249,100	—
Accounts receivable (less allowance of \$26,000 and \$16,000, respectively)	976,339	974,429
Inventories, net	1,868,144	1,757,153
Prepaid expenses and other current assets	131,404	57,775
Total current assets	4,908,788	4,576,873
Land	250,000	—
Buildings, net	2,280,175	—
Equipment, furnishings and building improvements, net	414,210	514,623
Intangible assets, net	79,150	76,913
Other assets	6,542	7,171
TOTAL ASSETS	\$7,938,865	\$5,175,580
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$643,315	\$595,174
Accrued expenses	507,517	466,656
Customer Deposits	373,577	73,954
Line of credit – Bank	—	350,000
Current maturities of long term debt	62,247	15,727
Total current liabilities	1,586,656	1,501,511
Long term debt, less current maturities	2,035,579	3,622
Total Liabilities	3,622,235	1,505,133
Commitments and Contingencies	—	—
Stockholders' Equity		
Common stock, \$.01 par value; 25,000,000 shares authorized, 14,441,511 and 14,437,511 issued and outstanding, respectively	144,416	144,376
Additional paid-in capital	8,599,122	8,546,924
Accumulated deficit	(4,426,908)	(5,020,853)
Total stockholders' equity	4,316,630	3,670,447

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$7,938,865	\$5,175,580
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See notes to consolidated financial statements.

SONO-TEK CORPORATION**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Years Ended February 28,	
	2011	2010
Net Sales	\$9,914,312	\$7,242,324
Cost of Goods Sold	5,142,229	3,568,174
Gross Profit	4,772,083	3,674,150
Operating Expenses		
Research and product development	823,089	717,816
Marketing and selling	2,180,268	1,801,941
General and administrative	1,166,690	1,071,636
Total Operating Expenses	4,170,047	3,591,393
Operating Income	602,036	82,757
Other Income (Expense):		
Interest Expense	(7,921)	(10,214)
Interest Income	1,870	1,929
Other Income	—	5,661
Income from real estate operations	12,460	—
Income before Income Taxes	608,445	80,133
Income Tax Expense (Benefit)	14,500	(1,543)
Net Income	\$593,945	\$81,676
Basic Earnings Per Share	\$.04	\$.01
Diluted Earnings Per Share	\$.04	\$.01
Weighted Average Shares – Basic	14,439,166	14,414,969
Weighted Average Shares – Diluted	15,028,047	14,524,417

See notes to consolidated financial statements.

SONO-TEK CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED FEBRUARY 28, 2011 AND 2010

	Common Stock		Additional	Accumulated	Total
	Par Value \$.01	Amount	Paid – In	Deficit	Stockholders'
	Shares		Capital		Equity
Balance – February 28, 2009	14,414,714	\$144,148	\$8,490,071	\$(5,102,529)	\$3,531,690
Exercise of stock options	22,797	228	(18)	—	210
Stock based compensation expense	—	—	56,871	—	56,871
Net Income	—	—	—	81,676	81,676
Balance – February 28, 2010	14,437,511	144,376	8,546,924	(5,020,853)	3,670,447
Exercise of stock options	4,000	40	2,920	—	2,960
Stock based compensation expense	—	—	49,278	—	49,278
Net Income	—	—	—	593,945	593,945
Balance – February 28, 2011	14,441,511	\$144,416	\$8,599,122	\$(4,426,908)	\$4,316,630

See notes to consolidated financial statements.

SONO-TEK CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended February 28,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$593,945	\$81,676
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	312,823	309,575
Stock based compensation expense	49,278	56,871
Allowance for doubtful accounts	10,000	(2,500)
(Increase) Decrease in:		
Accounts receivable	(11,910)	(170,639)
Inventories	(110,991)	(93,579)
Prepaid expenses and other current assets	(73,629)	41,030
(Decrease) Increase in:		
Accounts payable and accrued expenses	89,002	271,546
Customer deposits	299,623	—
Net Cash Provided by Operating Activities	1,158,141	493,980
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment, furnishings and building improvements	(195,035)	(290,301)
Purchase of land, buildings and improvements	(2,539,716)	—
Purchase of marketable securities	(249,100)	—
Sale of equipment	—	60,862
Patent application costs	(9,442)	(25,785)
Net Cash (Used In) Investing Activities	(2,993,293)	(255,224)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of options	2,960	210
Proceeds from note payable	2,100,000	—
Proceeds from line of credit – Bank	—	350,000
Repayment of line of credit – Bank	(350,000)	(250,000)
Repayment of long term debt	(21,523)	(23,504)
Net Cash Provided by Financing Activities	1,731,437	76,706
NET INCREASE IN CASH AND CASH EQUIVALENTS	(103,715)	315,462
CASH AND CASH EQUIVALENTS:		
Beginning of year	1,787,516	1,472,054
End of year	\$1,683,801	\$1,787,516

See notes to consolidated financial statements.

SONO-TEK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED FEBRUARY 28, 2010 AND FEBRUARY 28, 2009

NOTE 1: BUSINESS DESCRIPTION

The Company was incorporated in New York on March 21, 1975 for the purpose of engaging in the development, manufacture, and sale of ultrasonic liquid atomizing nozzles, which are sold world-wide. Ultrasonic nozzle systems atomize low to medium viscosity liquids by converting electrical energy into mechanical motion in the form of high frequency ultrasonic vibrations that break liquids into minute drops that can be applied to surfaces at low velocity.

Based on its core technology of ultrasonic liquid atomizing nozzles, the Company has developed intellectual property in the area of precision spray coating of liquids. The Company is presently engaged in the development, manufacture, sales, installation and servicing of diverse ultrasonic coating equipment for various manufacturing industries worldwide.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Consolidation - The accompanying consolidated financial statements of Sono-Tek Corporation, a New York corporation (the "Company"), include the accounts of the Company and its wholly owned subsidiaries, Sono-Tek Cleaning Systems Inc. and Sono-Tek Industrial Park, LLC. Sono-Tek Cleaning Systems, Inc., a New Jersey Corporation ("SCS"), ceased operations during the Fiscal Year Ended February 28, 2002. Sono-Tek Industrial Park, LLC ("SIP"), operates as a real estate holding company for the Company's real estate operations and started operating in December 2010.

Reclassifications – Where appropriate, prior year's financial statements reflect reclassifications to conform to the current year's presentation.

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.

Supplemental Cash Flow Disclosure -

	Years Ended	
	February 28,	
	2011	2010
Interest paid	\$14,546	\$10,214
Income taxes paid	\$216	\$—

Inventories - Inventories are stated at the lower of cost or market. 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.

Allowance for doubtful accounts - 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. The bad debt expense recorded for the years ended February 28, 2011 and 2010 was \$10,000 and \$32,470, respectively.

Equipment, Furnishings and Building Improvements – Equipment, furnishings and building 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.

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.

Product Warranty - Expected future product warranty expense is recorded when the product is sold.

Intangible Assets -Include costs of patent applications which are deferred and charged to operations over seventeen years for domestic patents and twelve years for foreign patents and the unamortized portion of deferred financing costs. The accumulated amortization of patents is \$78,058 and \$70,852 at February 28, 2011 and 2010, respectively. Annual amortization expense of such intangible assets is expected to be \$6,700 per year for the next five years.

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. Engineering costs directly applicable to the manufacture of existing products are included in cost of goods sold.

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.

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.

Shipping and Handling Costs – Shipping and handling costs are included in cost of sales in the accompanying consolidated statements of operations.

Advertising Expenses - The Company expenses the cost of advertising in the period in which the advertising takes place. Advertising expense for the years ended February 28, 2011 and 2010 was \$206,271 and \$138,676, respectively.

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.

Recognition of Revenue – Sales are recorded at the time title passes to the customer, which, based on shipping terms, generally occurs when the product is shipped to the customer. 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 sale 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.

Concentration of Credit Risk - The Company does not believe that it is subject to any unusual or significant risks, in the normal course of business. The Company also had one customer, which accounted for 8.5% of sales during the year ended February 28, 2011. Two customers accounted for 21.9% of the outstanding accounts receivables at February 28, 2011.

Fair Value of Financial Instruments - Effective June 1, 2008, the Company adopted the guidance in the Fair Value Measurements and Disclosure Topic of the Accounting Standards Codification for assets and liabilities measured at fair value on a recurring basis. This guidance establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements, establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of this guidance did not have an impact on the Company's financial position or operating results, but did expand certain disclosures. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, the guidance requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Quoted prices in active markets.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The fair values of financial assets of the Company were determined using the following categories at February 28, 2011:

Quoted prices in active markets (Level 1)

	\$	249,100
Marketable Securities		

Marketable Securities include mutual funds of \$249,100, that are considered to be highly liquid and easily tradeable as of February 28, 2011. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within the Company's fair value hierarchy.

In addition, the guidance of the Fair Value Option for Financial Assets and Financial Liabilities Topic of the Codification was effective for June 1, 2008. The guidance expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value.

Management Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements-

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

NOTE 3: SEGMENT INFORMATION

The Company currently operates in one business segment, ultrasonic spray coating systems and is primarily engaged in the business of developing, manufacturing, selling, installing and servicing ultrasonic spray coating equipment.

NOTE 4: STOCK-BASED COMPENSATION

The Company adopted ASC 718, “Share Based Payments,” which requires companies to expense the value of employee stock options and similar awards.

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:

	2011	2010
Expected life	4 years	4 years
Risk free interest rate	.57% - 1.17%	1.39% - 2.7%
Expected volatility	37% - 53%	66% - 96%
Expected dividend yield	0%	0%

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

For the years ended February 28, 2011 and February 28, 2010, net income and earnings per share reflect the actual deduction for stock-based compensation expense. The impact of applying ASC 718 approximated \$49,278 and \$56,871 in additional compensation expense for the years then ended, respectively. Such amount is included in general and administrative expenses on the statement of operations. The expense for stock-based compensation is a non-cash expense item.

NOTE 5: INVENTORIES

Inventories consist of the following:

	February 28,	
	2011	2010
Raw Materials	\$799,355	\$477,845
Work-in-process	594,744	527,553
Consignment	7,861	9,042
Finished Goods	729,142	951,671
Totals	2,131,102	1,966,111
Less: Allowance	(262,958)	(208,958)
	\$1,868,144	\$1,757,153

NOTE 6: BUILDINGS, EQUIPMENT, FURNISHINGS AND BUILDING IMPROVEMENTS

Equipment, furnishings and building improvements consist of the following:

	February 28,	
	2011	2010
Buildings	\$2,289,716	\$—
Laboratory equipment	423,286	414,112
Machinery and equipment	376,518	363,167
Building improvements	138,810	126,529
Tradeshaw and demonstration equipment	721,246	621,561
Furniture and fixtures	579,369	540,786
Totals	4,528,945	2,066,155
Less: accumulated depreciation	(1,834,560)	(1,551,532)
	\$2,694,385	\$514,623

Depreciation expense for the years ended February 28, 2011 and February 28, 2010 was \$305,618 and \$302,290, respectively.

NOTE 7: ACCRUED EXPENSES

Accrued expenses consist of the following:

	February 28,	
	2011	2010
Accrued compensation	\$288,929	\$235,980
Estimated warranty costs	28,050	21,900
Accrued commissions	126,092	168,831
Professional fees	14,850	25,014
Other accrued expenses	49,596	14,931
	\$507,517	\$466,656

NOTE 8: REVOLVING LINE OF CREDIT

The Company has a \$750,000 revolving line of credit at prime which was 3.25% at February 28, 2011. The loan is collateralized by all of the assets of the Company. The line of credit is payable on demand and must be retired for a 30 day period once annually. As of February 28, 2011 and February 28, 2010, the Company had outstanding borrowings of \$0 and \$350,000, respectively, under the revolving line of credit.

NOTE 9: LONG-TERM DEBT

Long-term debt consists of the following:

	February 28,	
	2011	2010
Note payable, individual, collateralized by land and buildings, payable in monthly installments of principal and interest of \$14,446 through January 2031. Interest rate 5.5%. 20 year term	\$2,095,179	\$0
Equipment loan, bank, collateralized by related production equipment, payable in monthly installments of principal and interest of \$832 through March 2010. Interest rate 6.51%. 60 month term	0	830
Equipment loan, bank, collateralized by related office equipment, payable in monthly installments of principal and interest of \$529 through September 2011. Interest rate 5.22%. 36 month term	2,647	9,632
Equipment loan, bank, collateralized by related engineering equipment, payable in monthly installments of principal and interest of \$770 through February 2011. Interest rate 6.54%. 60 month term	0	8,887
Total long term debt	2,097,826	19,349
Due within one year	62,247	15,727
Due after one year	\$2,035,579	\$3,622

Long-term debt is payable as follows:

<u>Fiscal Year ending February 28,</u>	
2012	\$ 62,247
2013	62,962
2014	66,514
2015	70,265
2016	74,229
Thereafter	1,761,609

NOTE 10: COMMITMENTS AND CONTINGENCIES

Leases – Total rent expense was approximately \$116,321 and \$142,094, for the years ended February 28, 2011 and 2010, respectively.

NOTE 11: INCOME TAXES

The annual provision (benefit) for income taxes differs from amounts computed by applying the maximum U.S. Federal income tax rate of 35% to pre-tax income as follows:

	February 28, 2011	February 28, 2010
Expected federal income tax (benefit)	\$ 212,880	\$ 28,587
State tax, net of federal	36,494	3,430
Permanent timing difference	53,721	22,748
(Decrease) in valuation allowance	(288,595)	(56,308)
Income tax expense (benefit)	\$ 14,500	(\$ 1,543)

The net deferred tax asset is comprised of the following:

	February 28, 2011	February 28, 2010
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Inventory	\$ 135,000	\$ 110,000
Accrued expenses and other	60,000	34,000
Net operating losses	541,000	870,000
Deferred tax asset	736,000	1,014,000
Deferred tax liability	(152,000)	(141,000)
Valuation allowance	(584,000)	(873,000)
Net deferred tax asset	\$—	\$—

The change in the valuation allowance was \$289,000 for the year ended February 28, 2011. This represents a \$289,000 decrease in the net operating loss valuation allowance and includes an \$11,000 change in depreciable timing differences.

At February 28, 2011, the Company has available net operating loss carryforwards of approximately \$1,300,000 for income tax purposes, which expire between fiscal 2019 and fiscal 2029. The net operating loss carryforwards generated by a subsidiary are subject to limitations under Section 382 of the Internal Revenue Code.

NOTE 12: STOCKHOLDERS' EQUITY

Stock Options – The Company has two stock option plans, the 1993 Stock Incentive Plan, as Amended (“1993 Plan”) and the 2003 Stock Incentive Plan (“2003 Plan”). Under each Plan, options can be granted to officers, directors, consultants and employees of the Company and its subsidiaries to purchase up to 1,500,000 of the Company's common shares. Options granted under the 1993 Plan expire on various dates through 2013. The 1993 Plan expired in October 2003 and no further options can be granted under the 1993 Plan. A total of 40,000 options remain outstanding under the 1993 Plan. Under the 2003 Plan options expire at various dates through 2020. A total of 1,321,268 options are outstanding under the 2003 Plan.

During Fiscal Year 2011, the Company granted options for 125,000 shares exercisable at \$1.04 to an officer of the Company, options for 20,000 shares exercisable at \$.95 to a director of the Company and options for 43,500 shares exercisable at prices from \$.88 to \$.97 to employees of the Company.

During Fiscal Year 2010, the Company granted options for 50,000 shares exercisable at \$1.04 to an officer of the Company, options for 5,500 shares exercisable at prices from \$.53 to \$1.04 to independent consultants and options for 17,500 shares exercisable at prices from \$.54 to \$1.03 to employees of the Company.

Under both the 1993 Plan and the 2003 Plan, options are granted at prices that are 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 both Plans or unless otherwise specified at the discretion of the Board of Directors, no option may be exercised prior to one year after date of grant, with the balance becoming exercisable in cumulative installments over a three year period during the term of the option, and terminate at a stipulated period of time after an employee's termination of employment.

A summary of the activity of both plans for the years ended February 28, 2011 and February 28, 2010 is as follows:

	Stock Options		Weighted Average Exercise Price		Fair Value
	Outstanding	Exercisable	Outstanding	Exercisable	Vested
Balance – February 29, 2009	1,205,565	920,906	\$ 1.10	\$ 1.08	\$.33
Granted	73,000		.98		
Exercised	(47,797)		(.74)		
Cancelled	(1,000)		(.42)		
Balance – February 28, 2010	1,229,768	1,018,418	1.11	1.06	.34
Granted	191,000		1.01		
Exercised	(4,000)		(.74)		
Cancelled	(55,500)		(1.11)		
Balance – February 28, 2011	1,361,268	1,104,293	\$ 1.11	\$ 1.06	\$.34

The intrinsic value of the Company's options exercised during the years ended February 28, 2011 and 2010 was \$1,560 and \$31,356, respectively.

Information, at date of issuance, regarding stock option grants for the years ended February 28, 2011:

	Shares	Weighted Average Exercise Price	Weighted Average Fair Value
Year ended February 28, 2011:			
Exercise price exceeds market price	-	-	-
Exercise price equals market price	191,000	\$ 1.01	\$.50
Exercise price is less than market price	-	-	-

The aggregate intrinsic value of the Company's outstanding options at February 28, 2011 was \$137,440.

The following table summarizes information about stock options outstanding and exercisable at February 28, 2011:

Number	Weighted-	Weighted Number
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	Outstanding	Average	Average	Exercisable
		Remaining	Exercise	
		Life in	Price	
		Years		
Range of exercise prices:				
\$.25 to \$.50	87,000	5.5	\$.39	81,000
\$.51 to \$1.00	647,893	6.8	\$.83	556,393
\$1.01 to \$1.75	553,875	8.3	\$1.49	394,400
\$1.76 to \$2.30	65,000	3.9	\$2.15	65,000
\$2.31 to \$3.00	7,500	4.1	\$2.58	7,500

NOTE 13: EARNINGS PER SHARE

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

	February 28, 2011	February 28, 2010
Numerator for basic and diluted Earnings per share	\$593,945	\$81,676
Denominator:		
Denominator for basic earnings per share-weighted average shares	14,439,166	14,414,969
Effects of dilutive securities:		
Stock options for employees, directors and outside consultants	588,881	109,448
Denominator for diluted earnings per share	15,028,047	14,524,417
Basic Earnings Per Share	\$.04	\$.01
Diluted Earnings Per Share	\$.04	\$.01

NOTE 14: SIGNIFICANT CUSTOMERS AND FOREIGN SALES

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

	February 28, 2011	February 28, 2010
Western Europe	\$1,252,000	\$1,324,000
Far East	3,841,000	2,304,000
Other	531,000	1,108,000
	\$5,624,000	\$4,736,000

During Fiscal Years 2011 and 2010, sales to foreign customers accounted for approximately \$5,624,000 and \$4,736,000, or 57% and 65% respectively, of total revenues.

One customer accounted for 8.5% of our sales for Fiscal Year ended February 28, 2011.

NOTE 15: SUBSEQUENT EVENTS

The Company has evaluated subsequent events for disclosure purposes.

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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 20, 2011

Sono-Tek Corporation

(Registrant)

By: /s/ Dr. Christopher L. Coccio

Dr. Christopher L. Coccio,

Chief Executive Officer and Chairman

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.

<u>/s/ Dr. Christopher L Coccio</u> Christopher L. Coccio Chief Executive Officer, Chairman and Director	May 20, 2011	<u>/s/ Samuel Schwartz</u> Samuel Schwartz Director	May 20, 2011
<u>/s/ Stephen J. Bagley</u> Stephen J. Bagley Chief Financial Officer	May 20, 2011	<u>/s/ Dr. Joseph Riemer</u> Dr. Joseph Riemer President and Director	May 20, 2011
<u>/s/ Edward J. Handler, III</u> Edward J. Handler, III Director	May 20, 2011	<u>/s/ Philip A. Strasburg</u> Philip A. Strasburg Director	May 20, 2011
<u>/s/ Eric Haskell</u> Eric Haskell Director	May 20, 2011	<u>/s/ Dr. Donald F. Mowbray</u> Donald F. Mowbray Director	May 20, 2011

