MICROPAC INDUSTRIES INC
Form 10KSB
February 10, 2009

U. S. Securities and Exchange Commission
Washington, D. C. 20549
Form 10-KSB
Dated February 9, 2009

(Mark One)

(X) ANNUAL REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 (Fee Required)

For the fiscal year ended November 30, 2008.

( ) TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 (No Fee Required)

For the transition period from ________ to ________
Commission file number 0-5109

MICROPAC INDUSTRIES, INC.

DELAWARE	75-1225149
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
905 E. WALNUT STREET GARLAND, TEXAS	75040 (Zip Code)

Issuer's telephone number (972) 272-3571

Securities to be registered under Section 12 (b) of the Act:

Title of each class	Name of each exchange on which registered
______________________	____
______________________	____

Securities to be registered under Section 12 (g) of the Act:

COMMON STOCK $.10 par value

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Check if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-K contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in any definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. []

Revenues for its most recent fiscal year: $20,060,000

On November 30, 2008, the aggregate market value of the voting common stock held by non-affiliates of the registrant (based on the closing price reported on the Over-the-Counter ("OTC") Bulletin Board system on November 30, 2008 was approximately $2,586,000. For purposes of such calculation shares of Common Stock held by each executive officer and director and by each person who owns more than 5% of the outstanding Common Stock has been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

The number of shares outstanding of the issuer's only class of common equity, as of the latest practicable date was 2,578,315 as of November 30, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement dated January 26, 2009 for the Annual Meeting of Shareholders to be held on March 6, 2009 (the "Proxy Statement") are incorporated by reference into Part III of this Form 10-KSB.

PART I

Item 1. Description of Business

INTRODUCTION

Micropac Industries, Inc. (the "Company"), a Delaware corporation, manufactures and distributes various types of hybrid microelectronic circuits, solid state relays, power operational amplifiers, and optoelectronic components and assemblies. The Company's products are used as components in a broad range of military, space and industrial systems, including aircraft instrumentation and navigation systems, power supplies, electronic controls, computers, medical devices, and high-temperature (200o C) products.

The Company's facilities are certified and qualified by Defense Supply Center Columbus (DSCC) to MIL-PRF-38534 (class K-space level); MIL-PRF-19500 JANS (space level), MIL-PRF-28750 (class K space level) and is certified to ISO 9001-2002. Micropac is a NASA core supplier, and is registered to AS9100-Aerospace Industry standard for supplier certification.

The business was started in 1963 as a sole proprietorship. On March 3, 1969, the Company was incorporated under the name of "Micropac Industries, Inc." in the state of Delaware. The stock was publicly held by 504 shareholders on November 30, 2008.

PRODUCTS AND TECHNOLOGIES

The Company's products are either custom (being application specific circuits designed and manufactured to meet the particular requirements of a single customer) or standard, proprietary components such as catalog items. Custom-designed components are estimated to account for approximately 27% of the Company's sales for the fiscal year ended November 30, 2008, and 38% in fiscal 2007; standard components are estimated to account for approximately 73% of the Company's sales for the fiscal year ended November 30, 2008, and 62% for fiscal 2007.

Micropac Industries, Inc. provides microelectronic and optoelectronic components and assemblies along with contract electronic manufacturing services and offers a wide range of products sold to the industrial, medical, military, aerospace and space markets.

The Company's core technology is the packaging and interconnect of miniature electronic components, utilizing thick film and thin film substrates, forming microelectronics circuits. Other technologies include light emitting and light sensitive materials and products, including light emitting diodes and silicon phototransistors used in the Company's optoelectronic components, and assemblies. The Company's basic products and technologies include:

Custom design hybrid microelectronic circuits
Solid state relays and power controllers
Custom optoelectronic assemblies and components
Optocouplers
Light-emitting diodes
Hall-Effect devices
Displays
Power operational amplifiers
Fiber optic components and assemblies
High temperature (200 C) products

Micropac's products are primarily sold to original equipment manufacturers (OEM) who serve the following major markets:

Military/Aerospace - aircraft instrumentation, guidance and navigations systems, control circuitry, power supplies, laser positioning
Space - control circuitry, power monitoring and sensing
Industrial - power control equipment, robotics
Medical

The Company has no patents, licenses, franchises, concessions, royalty agreements or labor contracts. The Company's trademark "Mii" is registered with the U.S. Patent and Trademark Office.

Sales of our products internationally are subject to government regulations, including export control regulations of the U.S. Department of State and Department of Commerce. Violation of these regulations by the company could result in monetary penalties and denial of export privileges. We are not aware of any violations of export control regulations.

The Company is not currently impacted by export restrictions on sensitive technology. Five (5) of the Company's principal product families require government approval. Further, a significant portion of our business is military

and is dependent on maintaining our facility certifications to MIL-PRF-38534, MIL-PRF-19500 and MIL-PRF-28750. We expect to maintain these certifications and qualifications; however, the loss of any of these certifications would have a significant impact on our business.

Government regulations impose certain controls on chemicals used in electronics and semiconductor manufacturing. Micropac has obtained all the necessary environmental permits, and routinely monitors and reports the wastewater stream results to the local governing agency. Micropac is classified as a small generator of hazardous waste, and the annual cost of complying with the regulations is minimal.

In 2008, the Company's investment in technology through research and development, which was expensed, totals approximately $530,000 ($301,000 in 2007). The Company's research and development expenditures were directed primarily toward long-term specific customer requirements, some of which have future potential as Micropac proprietary products, and product development and improvement associated with the Company's space level and other high reliability programs.

In addition to the Company's investment in research and development, various customers paid the Company approximately $241,000 in non-recurring engineering costs associated with the development of custom products for specific applications.

The Company provides a one year warranty from the date of shipment to the original purchaser. The Company is obligated under this warranty to either replace or repair defective goods or refund the purchase price paid by the buyer.

CUSTOMERS

The Company's products are marketed throughout the United States and in Western Europe, through a direct technical sales staff, independent representatives and independent stocking distributors. Approximately 23% of the sales for fiscal year 2008 (17% in 2007) were to international customers. Sales to Western European customers are made by independent representatives under the coordination of the Company's office in Bremen, Germany.

Sales through the Company's distribution channels were $4,008,000 in 2008 compared to $4,474,000 in 2007 or 20% and 24% of sales, respectively.

The Company's major customers include contractors to the United States government with fixed price contracts. Sales to these customers for Department of Defense (DOD) and National Aeronautics and Space Administration (NASA) contracts accounted for approximately 68% of the Company's fiscal net sales in 2008 compared to 71% in 2007.

The Company's major customers are Lockheed Martin, Northrop Grumman, Boeing, Raytheon, BAE, Schlumberger, Honeywell, Rockwell Int'l and NASA.

At any time a single customer may have a disproportionate and material impact on the company's operations and profit and loss.

BACKLOG

At November 30, 2008, the Company had a backlog of unfilled orders totaling approximately $9,723,000 compared to approximately $7,918,000 at November 30, 2007. The Company expects to complete and ship most of its November 30, 2008 backlog during fiscal 2009.

EMPLOYEES

At November 30, 2008, the Company had 138 full-time employees (compared to 136 at November 30, 2007), of which 22 were executive and managerial employees, 33 were engineers and quality-control personnel, 14 were clerical and administrative employees, and 69 were production personnel. None of the Company's employees were covered by collective bargaining agreements.

The Company is an Equal Opportunity Employer. It is the Company's policy to recruit, hire, train and promote personnel in all job classifications, without regard to race, religion, color, national origin, sex or age. Above and beyond non-discrimination, we are committed to an Affirmative Action Program, dedicated to the hiring, training, and advancement within the Company of minority group members, women, veterans, and handicapped individuals.

COMPETITION

The Company competes with two or more companies with respect to each of its major products, including custom hybrid microcircuits, solid state relays and power controllers, optocouplers, light-emitting diodes, light sensitive silicon phototransistors and diodes, hall-effect devices, displays, power operational amplifier, custom optoelectronic components and assemblies. These products and technologies are sold into various markets, including military/aerospace, space, industrial and medical. Some of these competitors are larger and have greater

capital resources than the Company. Management believes the Company's competitive position is favorable with regard to our product reliability and integrity, past performance, customer service and responsiveness, timely delivery and pricing; however, no assurance can be given that the Company can compete successfully in the future.

The microcircuits product line, including custom microcircuits, solid state relays, power operational amplifiers and regulators accounted for 44% of the Company's business in 2008, and the Optoelectronics product line accounted for 56% of the Company's business in 2008, compared to 48% and 52% in 2007.

There are approximately 38 independent hybrid microcircuit manufacturing companies who are certified to supply microcircuits to MIL-PRF-38534, in addition to OEM's, who manufacture hybrid microcircuits for their internal needs. Micropac may compete with all of these for hybrid microcircuit business. Some of the Company's primary competitors are Teledyne Industries, Inc., Advanced Photonix, Honeywell, Avago, and International Rectifier.

SUPPLY CHAIN

The parts and raw materials for the Company's products are generally available from more than one source. Except for certain optoelectronic products, the Company does not manufacture the basic parts or materials used in production of its products. From time to time, the Company has experienced difficulty in obtaining certain materials when needed. The Company's inability to secure materials for any reason could have adverse effects on the Company's ability to deliver products on a timely basis. The Company uses capacitors, active semiconductor devices (primarily in chip form), hermetic packages, ceramic substrates, resistor inks, conductor pastes, precious metals and other materials in its manufacturing operations. However, the Company has not been materially affected by such shortages. The Company's delivery commitments to customers allow for adequate lead times for production of the products including lead time for order and receipt from the supply chain.

Some of the Company's primary suppliers are International Rectifier, NTK Technologies, Electrovac, Schott Glass, Micross Components, Kyocera, Microsemi and Aborn Electronics.

CAUTIONARY STATEMENTS - RISK FACTORS

This Form 10-KSB contains forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially. Investors are warned that forward-looking statements involve risks and unknown factors including, but not limited to, customer cancellation or rescheduling of orders, problems affecting delivery of vendor-supplied raw materials and components, unanticipated manufacturing problems and availability of direct labor resources.

Such risks and uncertainties include, but are not limited to historical volatility and cyclicality of the semiconductor and semiconductor capital equipment markets that are subject to significant and often rapid increases and decreases in demand. In addition, the Company produces silicon phototransistors and light emitting diode die for use in certain military, standard and custom products. Fabrication efforts sometimes may not result in successful results, limiting the availability of these components. Competitors offer commercial level alternatives and our customers may purchase our competitors' products if the Company is not able to manufacture the products using these technologies to meet the customer demands.

The Company disclaims any responsibility to update the forward-looking statements contained herein, except as may be required by law.

Majority shareholder ability to control the election of the Board of Directors

The majority shareholder has the ability to control the election of the Company's Board of Directors and elect individuals who may be more sympathetic to such majority shareholders' desires and not necessarily sympathetic to the desires of minority shareholders as to the policies and directions of the Company. However, the ability to control the election of the Board of Directors does not modify the fiduciary duties of the Board of Directors to represent the interests of all shareholders

Availability of public share for purchase and sale

A small number of shares is available for public purchase and sale. As a result the company's reported share price may be subject to extreme fluctuations due in part to the small number of shares traded at any time.

Pricing pressures from customers for reduction in selling prices

The Company continues to experience pricing pressures from some of its original equipment manufacturer (OEM) customers. In some cases, the Company's customers request the review of pricing for possible reduction in selling price on future orders. This requires the Company to improve its productivity and to request similar price reductions from its supplier chain. If one or both of the approaches by the Company does not succeed, the Company could be required to reduce the selling price on future orders reducing the product gross margins and

affecting the Company's net earnings in order to receive future orders from the customer. However, the Company has no agreement that requires a reduction in the selling price on any current customer order. All contracts are firm fixed pricing.

Insurance coverage and exposure to substantial claims or liabilities

The Company operates manufacturing facilities in Garland, Texas and subcontracts portions of the Company manufacturing to a contract manufacturer in Juarez, Mexico. These facilities use industrial machines and chemicals that could provide risks of personal injury and/or property damage. There is no assurance that accidents will not occur. If accidents do occur, the Company could be exposed to substantial liability. The Company has no liability for the Mexico operations. The Company maintains worker's compensation insurance and general liability insurance for protection of its employees and for protection of the Company's assets in Garland, Texas. In addition to the basic policies mentioned, the Company maintains an umbrella insurance policy. The Company reviews all insurance coverage on an annual basis, and makes any necessary adjustments based on risk assessment and changes in its business. In the opinion of the Company's management, and its' insurance advisors, the Company is adequately insured;

however, the Company's financial position could be materially affected by claims not covered or exceeding coverage currently carried by the Company.

The Company is subject to numerous environmental regulations or changes in government policy

The Company is subject to governmental regulations pertaining to the use, storage, handling and disposal of hazardous substances used in connection with its manufacturing activities. Failure of the Company to control all activities dealing with hazardous chemicals could subject the Company to significant liabilities or could cause the Company to cease its manufacturing activities.

The Company could be adversely affected by changes in laws and regulations made by U.S. and non U.S. governments and agencies dealing with foreign shipments. Changes by regulatory agencies dealing with environmental issues could affect the cost of the Company's products and make it hard for a small company to be competitive with larger companies.

Product liability claims

The use of the Company's products in commercial or government applications may subject the Company to product liability claims. Although the Company has not experienced any product liability claims, the sale of any product may provide risk of such claims. Product liability claims brought against the Company could have a material adverse effect on the Company's operating results and financial condition.

Component shortages or obsolescence from suppliers could affect ability to manufacture or delay shipments of products

The Company relies on suppliers to deliver quality raw materials in a timely and cost effective manner. Most of the materials and components are generally available from multiple sources; however, from time to time vendors do not deliver the product as needed due to manufacturing problems or possibly a decision not to furnish that product in the future. Such interruption of supply or price increases could have a material adverse effect on the Company's operation; however, the Company is not currently materially impacted by materials shortages.

The ability to develop new products and technologies used in the military, space or aerospace markets

The Company's base products and technologies generally have long life cycles. The Company's products are primarily used in military, space or aerospace applications, which also have long life cycles. There can be no assurance that the Company will be able to define, develop and market new products and technologies on a timely and cost effective basis. Failure to respond to customer's requirements and to competitors' progress in technological changes could have a material adverse effect on the Company's business.

General economic downturn or the current credit crisis

The Company cannot assure you that our business will not be adversely affected as a result of an industry or general economic downturn or the current credit crisis. If the Company's supply chain is adversely affected by the current credit crisis or economic downturn, resulting in the Company's inability to secure materials could have adverse effects on the Company's ability to deliver products on a timely basis.

Item 2. Properties

The Company occupies approximately 36,000 square feet of manufacturing, engineering and office space in Garland, Texas. The Company owns 31,200 square feet of that space and leases an additional 4,800 square feet. The Company considers its facilities adequate for its current level of operations.

The Company also subcontracts some manufacturing to Inmobiliaria San Jose De Ciuddad Juarez S.A. DE C.V, a maquila contract manufacturer in Juarez, Mexico. The Company owns all equipment and inventory with temporary importation into Mexico under the maquila rules of Mexico. The Company does not lease or own any real property in Mexico.

The Company employs an International Sales Manager in Bremen, Germany who coordinates sales to Western European customers made by independent representatives. The sales manager maintains an office in a private residence. The Company does not lease or own any real property in Germany, or any other foreign country.

Item 3. Legal Proceedings

The Company is not involved in any material current or pending legal proceedings.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to vote of the Company's security holders through the solicitation of proxies by the Company during the fourth quarter of the fiscal year ended November 30, 2008.

PART II

Item 5 Market for the Registrant's Common Equity and Related Stockholder Matters

On November 30, 2008, there were approximately 504 shareholders of record of the Company's common stock. The stock of the Company is closely held; and, therefore, certain shareholders have the ability to significantly influence decisions. Our common stock is quoted on the OTC Bulletin Board under the symbol "MPAD.OB". The following sets forth the high and low bid prices for each quarter during the last two fiscal years:

	High	Low
Fiscal Year Ended November 30, 2008		
Fourth Quarter	$7.30	$2.25
Third Quarter	$8.00	$5.66
Second Quarter	$7.05	$5.66
First Quarter	$7.30	$6.30
Fiscal Year Ended November 30, 2007		
Fourth Quarter	$7.37	$6.55
Third Quarter	$7.00	$5.75
Second Quarter	$6.40	$5.75
First Quarter	$6.10	$5.35

During the three (3) month period ended November 30, 2008, approximately 15,393 shares of the Company's common stock were reportedly traded in the over-the-counter market at a reported price range of $4.20 to $7.30 per share. For the two (2) year period ending November 30, 2008, approximately 198,156 shares of the Company's common stock were reportedly traded in the over-the-counter market at prices ranging from a low of $4.20 to a high of $7.37. Due to this average monthly volume of approximately 8,257 shares of common stock being publicly bought and sold during this two year period, the Company does not believe this share trading volume represents the market value of the Company's common stock held by non-affiliates.

Our stock prices quoted on the OTC Bulletin Board represent over-the-counter market quotations and reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

On December 19, 2007, the Board of Directors of Micropac Industries, Inc. approved the payment of a $.10 per share dividend to all shareholders of record on January 25, 2008. The dividend payment was paid to shareholders on February 8, 2008.

On January 12, 2009 the Board of Directors of Micropac Industries, Inc. approved the payment of a special dividend of $0.10 per share for shareholders of record as of January 26, 2009. It is anticipated that this dividend will be paid to the Company's shareholders on or about February 09, 2009.

There are no plans to make the dividend permanent.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

The Company currently has an existing line of credit with a Texas banking institution. The line of credit agreement provides the Company with up to $3,000,000 for normal operation of the Company. The interest rate on any borrowings against this credit agreement is equal to the prime rate less 1/4%. The line of credit requires the Company to maintain certain financial ratios, including quick ratio of at least 1:1, maintain a tangible net worth of $10,000,000 plus 75% of future net income, and maintain a total liabilities-to-tangible-net-worth of less than 1.25:1. The Company is in compliance with these covenants. To date, the Company has not used any of the available line of credit. The Company expects to continue to generate adequate amounts of cash to meet its liquidity needs from the sale of products and services and the collection thereof.

The Company realized $775,000 net in cash flows from operations in 2008. Cash influx came primarily from the combination of net income totaling $1,918,000, recovery of depreciation totaling $251,000, increase in payroll related liabilities of $87,000, decrease in net deferred tax assets of $8,000 and an increase in accounts payables of $561,000. This was partially offset by an increase of accounts receivables of $828,000, increase of inventories of $1,021,000, decrease in income tax liabilities of $141,000, increase in prepaid expenses of $54,000, gain on the sale of equipment of $3,000 and a decrease in other accrued liabilities of $3,000.

The Company used $419,000 in cash for investment in additional manufacturing equipment, computers and facility improvements in 2008 compared to $287,000 in 2007.

On December 22, 2006, the Board of Directors of Micropac Industries, Inc. approved the payment of a $.10 per share dividend to all shareholders of record on January 26, 2007. The dividend payment was paid to shareholders on February 9, 2007.

On December 19, 2007, the Board of Directors of Micropac Industries, Inc. approved the payment of a $.10 per share dividend to all shareholders of record on January 25, 2008. The dividend payment was paid to shareholders on February 8, 2008.

As of November 30, 2008, the Company had $6,552,000 in cash and cash equivalents compared to $4,394,000 in cash and cash equivalents and $2,021,000 in short term investments on November 30, 2007. The Company held no short term investments at November 30, 2008.

Company management believes it will meet its 2009 capital requirements through the use of cash derived from operations for the year and/or usage of the Company's cash and cash equivelants. There were no significant outstanding commitments for equipment purchases or improvements at November 30, 2008.

Results of Operations 2008 vs. 2007

	Three Months Ended		Twelve Month
	11/30/08	11/30/07	11/30/08
Net Sales	100.0%	100.0%	100.0%
Cost of sales	64.8%	68.3%	66.6%
R & D	3.4%	1.4%	2.6%
S, G, & A	15.8%	17.4%	17.0%
Total Cost & Expenses	84.0%	87.1%	86.2%
Operating Income	16.0%	12.9%	13.8%
Other and Interest Income	.95%	1.7%	.9%
Income Before Income Taxes	16.9%	14.6%	14.7%
Provision for taxes	5.9%	4.9%	5.1%
Net Income	11.0%	9.6%	9.6%

Sales in 2008 were approximately $20,060,000, an increase of 8.3% or $1,536,000 compared to 2007 sales. The increase in sales is primarily attributable to an increase in space level product sales to various customers and optocouplers to an international customer.

The Company's management expects sales and profits to be stable in 2009, based on the current backlog of optoelectronics products, certain space product contracts, and requirements for microcircuits.

New orders for fiscal year 2008 total $21,857,000 compared to $17,002,000 for fiscal 2007. Approximately $12,768,000 of the new orders received in 2008 were delivered to customers in 2008, along with approximately $7,284,000 of the Company's $7,918,000 backlog of orders at November 30, 2007.

The Company's backlog as of November 30, 2008, was approximately $9,723,000, compared to approximately $7,918,000 on November 30, 2007.

Custom-designed components are estimated to account for approximately 27% of the Company's sales for the fiscal year ended November 30, 2008, and 38% in fiscal 2007; standard components are estimated to account for approximately 73% of the Company's sales for the fiscal year ended November 30, 2008, and 62% for fiscal 2007.

Approximately 23% of the sales for fiscal year 2008 (17% in 2007) were to international customers. Sales to Western European customers are made by independent representatives under the coordination of the Company's office in Bremen, Germany.

Sales through the Company's distribution channels were $4,008,000 in 2008 compared to $4,474,000 in 2007 or 20% and 24% of sales, respectively.

The Company's major customers include contractors to the United States government with fixed price contracts. Sales to these customers for Department of Defense (DOD) and National Aeronautics and Space Administration (NASA) contracts accounted for approximately 68% of the Company's fiscal net sales in 2008 compared to 71% in 2007.

Cost of sales, as a percentage of net sales, was 66.6% in 2008 compared to 68.1% in 2007. The decrease of 1.5% is attributable to higher material cost for the space level products offset by stable fixed operating expense on higher sales volume. In actual dollars, cost of sales increased $744,000 for 2008 versus 2007

Expenses for research and development total $530,000 in 2008 compared to $301,000 in 2007. Most of the research and development expenses were concentrated on expanding the company's line of solid state power controllers, multi segment displays; and continued investments in enhancing manufacturing processes to improve the Company's competitive position.

Selling, general, and administrative expenses total 17.0% of net sales in 2008, compared to 17.7% in 2007, based on higher sales. In dollars expensed, selling, general and administrative expenses totaled $3,410,000 in 2008 compared to $3,278,000 in 2007, an increase of $132,000.

Interest and other income for fiscal 2008 totaled $182,000 compared to $226,000 for fiscal 2007. The decrease is related to lower interest rates on the Company's investments and cash and cash equivalents.

Income before taxes for fiscal 2008 was approximately $2,948,000 or 14.7% of net sales, compared to $2,561,000 or 13.8% of net sales in fiscal 2007.

Provisions for income tax for fiscal 2008 total $1,030,000 compared to $942,000 for fiscal 2007. The Company's effective income tax rate is 35% for the year ended November 30, 2008, compared to 38% for the year ended November 30, 2007. Our effective income tax rate in 2008 was decreased compared to 2007 primarily due to the changes in the Texas Franchise Tax and the Section 199 domestic federal tax deduction. Management believes it will meet its future tax payments through the use of cash derived from and/or usage of the Company's cash and cash equivalents.

Net income after taxes totaled approximately $1,918,000 or $.74 per share in 2008 versus 2007 net income of $1,619,000 or $.63 per share. Net income after taxes increased $299,000 in 2008 compared to 2007.

New Accounting Standards

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". The objective of SFAS 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The adoption of this statement did not have a material effect on the Company's future reported financial position or results of operations.

In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115". This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 apply only to entities that elect the fair value option. However, the amendment to SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities" applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provision of SFAS No. 157, "Fair Value Measurements". The adoption of this statement did not have a material effect on the Company's financial statements.

In June 2007, the Emerging Issues Task Force of the FASB issued EITF Issue No. 07-3, Accounting for Nonrefundable Advance Payments for Goods or Services to be Used in Future Research and Development Activities, ("EITF 07-3") which is effective for fiscal years beginning after December 15, 2007. EITF 07-3 requires that nonrefundable advance payments for future research and development activities be deferred and capitalized. Such amounts will be recognized as an expense as the goods are delivered or the related services are performed. The Company does not expect the adoption of EITF 07-3 to have a material impact on the financial results of the Company.

The Financial Accounting Standards Board has issued statement No. 160, Non-controlling Interests in Consolidated Financial Statements. This statement changes the way the consolidated income statement is presented when non-controlling interests are present. It requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest, and is effective for periods beginning on or after December 15, 2008. Management does not expect this pronouncement to have a significant impact on the financial statements of the Company.

The Financial Accounting Standards Board has issued Statement No. 141 (R), Business Combinations. This statement retains the fundamental requirements in Statement No. 141 that the acquisition method of accounting (which Statement No. 141 called the purchase method) be used, and applies to the all business entities, including mutual entities that previously used the pooling of interest method of accounting for some business combinations. The statement is effective for transactions within the annual reporting period beginning on or after December 15, 2008. Management does not expect this pronouncement to have a significant impact on the financial statements of the Company.

Item 7. Financial Statements

The financial statements listed below appear on pages 18 through 26 of this Report. The Company is not required to furnish the Supplementary Data required by Item 302 of Regulation S-K.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 8A. Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods. Disclosure controls are also designed with the objective of ensuring that this information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, the Company's management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures. Based on the evaluation, which disclosed no significant deficiencies or material weaknesses, the Chief Executive Officer and Chief Financial Officer each concluded that the Company's disclosure controls and procedures are effective.

PART III

In accordance with General Instruction G(3) of Form 10-KSB, the information required by this Part III is incorporated by reference to Micropac Industries, Inc.'s definitive proxy statement relating to its 2009 Annual Meeting of Stockholders, as set forth below. The 2009 Proxy Statement will be filed with the Securities and Exchange Commission on or about February 9, 2009.

Item 9. Directors & Executive Officers of The Registrant

The information set forth in the 2009 Proxy Statement under the headings "Election of Directors", and "Principal Stockholders and Stockholdings of Management", is incorporated herein by reference.

Name	Age	Position(s) With the Company
H. Kent Hearn	72	Director and Member of Audit Committee
Heinz-Werner Hempel	80	Director and Member of Audit Committee
Mark King	54	CEO, President and Member of Audit Committee And Board of Directors
James K. Murphey	66	Member of Audit Committee And Board of Directors and Secretary
Eugene Robinson	69	Director, and Member of Audit Committee
Connie Wood	69	Director, and Member of Audit Committee

Mr. Hearn is retired. Mr. Hearn was formerly employed as a stockbroker by Milkie/Ferguson Investments, Inc.

Mr. Hempel is the Chief Operating Officer of Hanseatische Waren-Gesellschaft MBH & Co, KG, Bremen Germany.

Mr. King is the current President and Chief Executive of the Company. Prior to November 2002, Mr. King was the President and Chief Operating Officer of Lucas Benning Power Electronics. Mr. King jointed the Company in November of 2002, and was elected Chief Executive Officer, President and Director in October 2005.

Mr. Murphey is an attorney and member of the law firm Glast, Phillips & Murray, P.C. in Dallas, Texas. Glast, Phillips & Murray, P.C. serves as legal counsel to the Company.

Mr. Robinson has 35 years of experience in the electronics industry, including 26 years with Texas Instruments, Inc. and later Raytheon through acquisition. During the past 10 years, Mr. Robinson has been actively engaged consulting with numerous high technology organizations. He has served on several advisory boards for high technology companies and universities.

Mrs. Wood served as the Company's Chief Executive Officer and President of the Company until her retirement in January 2006.

The Board of Directors held four (4) board meetings during the year ended November 2008. Directors received a fee of $1,500.00 for each meeting attended during the year ended November 2008. Beginning on December 1, 2005, the Board agreed to pay an annual retainer of $10,000 to Mr. Hearn and Mrs. Wood. Mr. Eugene Robinson will be paid the annual retainer of $10,000. Mr. King did not receive any payments for attending meetings of the Board of Directors. Ms. Wood, Mr. Hearn and Mr. Murphey attended all of the meetings. Mr. Hempel attended two (2) of the meetings.

The Audit Committee held four (4) meetings during the year ended November 30, 2008. Members of the Audit Committee received a fee of $750.00 for each meeting attended during the year ended November 2008. Mr. King did not receive any payments for attending meetings of the Audit Committee. Mrs. Wood and Messrs Murphey and Hearn attended all of the meetings. Mr. Hempel attended one (1) of the meetings.

With the exception of Mr. Hearn and Mr. Robinson, members of the Audit Committee are not considered as independent members under applicable United States statutes.

The Board of Directors does not have nominating or compensation committee or committees performing similar functions. The Board of Directors formed an audit committee on May 13, 2002. The members of the Audit Committee have a Charter.

The Audit Committee has discussed with management and the independent auditors the quality and adequacy of the Company's internal controls. The Audit Committee has considered and reviewed with the independent auditors their audit plans, the scope of the audit, and the identification of audit risks. The Audit Committee has reviewed and discussed the audited financial statements with management and has discussed such financial statements with the independent auditors.

The Audit Committee has received the written disclosures and the report from the independent accountants required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountants' communications with the Audit Committee concerning independence and has discussed with the independent accountant the independent accounts' independence. Based upon the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's annual report on Form 10-K for the fiscal year ended November 30, 2008, for filing with the Securities and Exchange Commission.

Management has the responsibility for the preparation and integrity of the Company's financial statements and the independent auditors have the responsibility for the examination of those statements. It is not the duty of the Audit Committee to conduct audits to determine that the Company's financial statements are complete and accurate and are in accordance with accounting principles generally accepted in the United States. Those responsibilities belong to management of the Company. In giving its recommendations, the Audit Committee considered (a) management's representation that such financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States, and (b) the report of the Company's independent auditors with respect to such financial statements.

The Company has adopted a code of ethics that applies to the Company's chief executive officer and principal financial officer.

Item 10. Executive Compensation

The information set forth in the 2009 Proxy Statement under the heading "Management Remuneration and Transactions", is incorporated herein by reference.

The following table shows as of November 30, 2008, all cash compensation paid to, or accrued and vested for the account of Mr. Mark King, President and Chief Executive Officer and Mr. Patrick Cefalu, Vice President and Chief Financial Officer. Mr. King and Mr. Cefalu received no non-cash compensation during 2008.

The company does not have any equity compensation plans.

Name and Principal Position	Year	Annual Compensation: Annual Salary	Bonus	Other Annual Compensation
Mark King,	2008	$239,250	$21,800	-0-
President and	2007	$232,641	$20,000	-0-
Chief Executive Officer (1)	2006	$220,318	$29,500	-0-
Patrick Cefalu,	2008	$133,208	$21,800	-0-
Vice President and	2007	$123,161	$20,000	-0-
Chief Financial Officer	2006	$114,468	$29,500	-0-

(a) Reflects amounts contributed by Micropac Industries, Inc., under Micropac's 401(k) profit sharing plan; unused vacation pay; and reimbursement for medical expenses under Micropac's Family Medical Reimbursement Plan.

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(1) Effective November 2005, Mr. King's existing employment agreement was revised to provide: (1) that Mr. King would serve as the Company's President and Chief Executive Officer, and a member on the Board of Directors and Audit Committee at a base salary of $186,400 for a term of three (3) years. In December 2005, the Company and Mr. King amended his employment agreement to increase his annual base salary to $225,000.

Amount included in all other compensation relating to employee benefit plans

The Company maintains a Family Medical Reimbursement Plan for the benefit of its executive officers and their dependents. The Plan is funded through a group insurance policy issued by an independent carrier and provides for reimbursement of 100% of all bona fide medical and dental expenses that are not covered by other medical insurance plans. During the fiscal year ended November 30, 2008, Mr. King received $1,530.99 and Mr. Cefalu received $6,118.67 which amounts are included in the "All Other Compensation" column shown in the preceding remuneration table.

In July 1984, the Company adopted a Salary Reduction Plan pursuant to Section 401(k) of the Internal Revenue Code. The Plan's benefits are available to all Company employees who are at least 18 years of age and have completed at least six months of service to the Company as of the beginning of a Plan year. Plan participants may elect to defer up to 15% of their total compensation as their contributions, subject to the maximum allowed by the Internal Revenue code 401(k), and the Company matches their contributions up to a maximum of 6% of their total compensation. A participant's benefits vest to the extent of 20% after two years of eligible service and become fully vested at the end of six years. During the fiscal year ended November 30, 2008, the Company made contributions to the Plan for Mr. King in the amount of $13,449.98 which amounts are included in the "All Other Compensation" column shown in the preceding remuneration table.

Employment agreements of the Company's officers provide that they may elect to carry over any unused vacation time to subsequent periods or elect to be paid for such unused vacation time. In 2008, Mr. King and Mr. Cefalu did not receive any unused vacation which is included in the "All Other Compensation" column shown in the preceding remuneration table

On January 15, 2001, the Board of Directors adopted the Micropac Industries, Inc. 2001 Employee Stock Option Plan. To date, no options have been granted under the Plan.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The information set forth in the 2009 Proxy Statement under the heading "Principal Stockholders and Stockholdings of Management" is incorporated herein by reference.

The following table shows the number and percentage of shares of the Company's common stock beneficially owned (a) by each person known by the Company to own 5% or more of the outstanding common stock, (b) by each director and nominee, and (c) by all present officers and directors as a group.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class(1)
Patrick Cefalu 8706 Arborside Richardson, Texas 75089	0	0%
Heinz-Werner Hempel (2) (3) (4) Hanseatische Waren-Gesellschaft MBH & Co., KG Am Wall 127 28195 Bremen 1 Germany	1,952,577	75.7%
H. Kent Hearn (3) 1409 Briar Hollow Garland, Texas 75043	3,500	Less than .2%
Mark King (3) 2905 Wyndham Ln. Richardson, TX 75082	500	Less than .1%
James K. Murphey (3) 2290 One Galleria Tower 13355 Noel Road, L.B.75 Dallas, Texas 75240	0	0%
Eugene Robinson (3) 1200 Lake Pointe Circle McKinney, Texas 75070	0	0%
Connie Wood (3) 877 FM 2948 Como, Texas 75431	6,000	Less than .2%
All officers and directors as a group (7 Persons)	1,962,077	76.1%

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(1) Calculated on the basis of the 2,578,315 outstanding shares. There are no options, warrants, or convertible securities outstanding.

(2) The Company and Mr. Heinz-Werner Hempel are parties to an Ancillary Agreement entered into in March 1987. The Ancillary Agreement primarily obligates the Company to register Mr. Hempel's stock and allows Mr. Hempel to participate in any sale of stock by the Company.

(3) A director of the Company. Each incumbent director has been nominated for reelection at the Annual Meeting.

((4)) Effective October 10, 2007, Mr. Hempel transferred all of the shares of the Company's common stock owned by him and consisting of 1,952,577 shares, to a partnership organized under the laws of Germany. This partnership is composed of Mr. Hempel, his son and his daughter. As the consideration for this transfer, Mr. Hempel received a 99.98% share in this partnership and received the sole voting and management control. His son and daughter each own a 0.01% ownership interest in this partnership.

Item 12. Certain Relationships and Related Transactions

The information set forth in the 2008 Proxy Statement under the heading "Management Remuneration and Transactions" is incorporated herein by reference.

The Company leases a building from the Company's former Chairman of the Board of Directors. Since 1980, the Company has leased a 4,800 square-foot building from Mr. Nadolsky which is used primarily for manufacturing. The lease originally provided for a monthly rental of $1,900 (an amount based upon a January 1984, independent appraisal of the building's value) and was to have expired on January 1, 1987. Since 1987, the Company has extended the term of this lease from time to time. The rental paid to Mr. Nadolsky pursuant to this lease was $44,034 for the fiscal year ended November 30, 2008. The lease was renewed for three (3) years, July 2007 to June 2010 at the same rental rate provided for in the previous lease subject to increase based upon increases in the Consumer Price Index.

Item 13. Principal Accountant Fees and Services

The information set forth in the 2009 Proxy Statement under the heading "Independent Public Accountants" and "Audit Fees" is incorporated herein by reference.

KPMG LLP was selected as the independent accountants in 2002 and has been responsible for the Company's financial audit for the fiscal years ended November 30, 2002 through November 30, 2008.

Management anticipates that a representative from KPMG LLP will be present at the Annual Meeting and will be given the opportunity to make a statement if he or she desires to do so. It is also anticipated that such representative will be available to respond to appropriate questions from stockholders.

AUDIT FEES

KPMG LLP fees for professional services for the audit of the Company's financial statements for 2008 and the review of the interim financial statements included in the Quarterly Reports was $108,500.

TAX FEES

In addition to the audit fees, KPMG LLP fees for tax advisory and 2007 tax return preparation services were $32,500.

ALL OTHER FEES

KPMG LLP did not provide any other services.

The Audit Committee requests that KPMG, LLP provide the committee with the anticipated charges of all accounting and tax related services to be performed by KPMG, LLP in advance of performing such services. The Audit Committee approves all KPMG, LLP tax return preparation in advance of the performance of such services.

Item 14. Exhibits and Reports on Form 8-K

(a) Exhibits

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002

31.2 Certification of Chief Accounting Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002.

32.2 Certification of Chief Accounting Officer pursuant to 18 U. S. C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002.

(b) Form 8K -

On December 22, 2006, the Board of Directors of Micropac Industries, Inc. approved the payment of a $.10 per share dividend to all shareholders of record on January 26, 2007. The dividend payment was paid to shareholders on February 9, 2007.

Effective October 10, 2007, the Company's majority shareholder, Mr. Heinz-Werner Hempel, transferred all of the shares of the Company's common stock, $.10 par value and consisting of 1,952.577 shares to Micropac Industries, Inc. Vermoegensverwaltungsgesellschaft buergerlichen Rechts. This Partnership is composed of Mr. Hempel, his son and his daughter. As the consideration for this transfer, Mr. Hempel received a 99.98% share in this partnership and retains the sole voting and management control. His son and daughter each own 0.01% in this Partnership.

On December 19, 2007, the Board of Directors of Micropac Industries, Inc. approved the payment of a $.10 per share dividend to all shareholders of record on January 25, 2008. The dividend payment was paid to shareholders on February 8, 2008.

On January 23, 2008, Mr. Nadolsky announced his plan not to run for re-election as a Director and Chairman of the Board of Micropac Industries, Inc. (the "Company") due to health reasons. Mr. Nadolsky continued to serve in such positions until the Company's Annual Shareholder Meeting held on March 7, 2008.

On October 15, 2008, the Board of Directors elected Mr. Eugene A. Robinson, 69, as a director to the board.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MICROPAC INDUSTRIES, INC.

By: /s/ Mark King

Mark King, President
and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Patrick Cefalu

Patrick Cefalu, CFO and
Principal Accounting Officer

Dated: 02/06/2009

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on 02/06/2009.

/s/ Connie Wood	/s/ Kent Hearn
Connie Wood, Director	H. Kent Hearn, Director
/s/ James Murphey	/s/ Heinz Werner Hempel
James K. Murphey, Director	Heinz-Werner Hempel, Director
/s/ Eugene Robinson	/s/ Mark King
Eugene Robinson, Director	Mark King, Director

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Micropac Industries, Inc.:

We have audited the accompanying balance sheets of Micropac Industries, Inc. as of November 30, 2008 and 2007, and the related statements of income, shareholders' equity, and cash flows for the years then ended. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit 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 Micropac Industries, Inc. as of November 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Dallas, Texas,
February 9, 2009

MICROPAC INDUSTRIES, INC.

BALANCE SHEETS

NOVEMBER 30, 2008 AND 2007

(Dollars in thousands except share data)

ASSETS	2008	2007
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,522	$ 4,394
Short-term investments	0	2,021
Receivables, net of allowance for doubtful accounts of $89 for 2008 and 2007 respectively	3,243	2,415
Inventories		
Raw materials and supplies	2,368	1,588
Work-in-process	2,696	2,455
Total inventories	5,064	4,043
Deferred income taxes	632	659
Prepaid expenses and other assets	123	69
Total current assets	15,584	13,601
PROPERTY, PLANT, AND EQUIPMENT, at cost:		
Land	80	80
Buildings	498	498
Facility improvements	796	796
Machinery and equipment	6,488	6,119

Furniture and fixtures	603	584
Total property, plant, and equipment	8,465	8,077
Less- accumulated depreciation	(7,069)	(6,843)
Net property, plant, and equipment	1,396	1,234
Total assets	$ 16,980	$ 14,835

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	$ 1,169	$ 608
Accrued compensation	631	544
Accrued professional fees	42	51
Income taxes payable	94	235
Property taxes	77	69
Commissions payable	68	49
Deferred revenue	204	323
Other accrued liabilities	123	25
Total current liabilities	2,408	1,904
DEFERRED INCOME TAXES	97	116
COMMITMENTS AND CONTINGENCIES (Note 5)		
SHAREHOLDERS' EQUITY:		
Common stock, $.10 par value, authorized 10,000,000 shares 3,078,315 issued 2,578,315 outstanding at November 30, 2008 and November 30, 2007	308	308
Paid-in capital	885	885
Treasury stock, at cost, 500,000 shares	(1,250)	(1,250)
Retained earnings	14,532	12,872
Total shareholders' equity	14,475	12,815
Total liabilities and shareholders' equity	$ 16,980	$ 14,835

See accompanying notes to financial statements.

MICROPAC INDUSTRIES, INC.

STATEMENTS OF INCOME

FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

(Dollars in thousands except share data)

	2008	2007

NET SALES	$ 20,060	$ 18,524
COSTS AND EXPENSES:		
Cost of sales	13,354	12,610
Research and development	530	301
Selling, general, and administrative expenses	3,410	3,278
Total costs and expenses	17,294	16,189
OPERATING INCOME BEFORE INTEREST AND INCOME TAXES	2,766	2,335
Other income	37	40
Interest income	145	186
INCOME BEFORE INCOME TAXES	2,948	2,561
PROVISION (BENEFIT) FOR INCOME TAXES:		
Current	1,022	939
Deferred	8	3
Total provision for current and deferred taxes	1,030	942
NET INCOME	$ 1,918	$ 1,619
BASIC AND DILUTED EARNINGS PER SHARE	$ 0.74	$ 0.63
WEIGHTED AVERAGE NUMBER OF SHARES, basic and diluted	2,578,315	2,578,315

See accompanying notes to financial statements.

MICROPAC INDUSTRIES, INC.

STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

(Dollars in thousands)

	Common Stock	Paid-in Capital	Treasury Stock	Retained Earnings	T
BALANCE, November 30, 2006	308	885	(1,250)	11,511	
Dividend	--	--	--	(258)	
Net income	--	--	--	1,619	

BALANCE, November 30, 2007	$ 308	$ 885	$ (1,250)	$ 12,872	$
Dividend	--	--	--	(258)	
Net income	--	--	--	1,918	
BALANCE, November 30, 2008	$ 308	$ 885	$ (1,250)	$ 14,532	$

See accompanying notes to financial statements.

MICROPAC INDUSTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007
(Dollars in thousands)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,918	$ 1,619
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	251	262
Deferred tax expense	8	3
Gain on sale of equipment	(3)	(1)
Changes in certain current assets and liabilities-		
Increase in receivables, net	(828)	(367)
(Increase) decrease in inventories	(1,021)	477
(Increase) decrease in prepaid expenses and other assets	(54)	8
Increase in accounts payable	561	26
Increase in accrued compensation	87	50
(Decrease) increase in income taxes payable	(141)	207
(Decrease) increase in all other accrued liabilities	(3)	86
Net cash provided by operating activities	775	2,370
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturity of short term investment, net	2,021	4
Proceeds from sale of equipment	9	7
Additions to property, plant, and equipment	(419)	(287)
Net cash provided by (used in) in investing activities	1,611	(276)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(258)	(258)
Net cash used in financing activities	(258)	(258)

NET INCREASE IN CASH AND CASH EQUIVALENTS	2,128	1,836
CASH AND CASH EQUIVALENTS, beginning of year	4,394	2,558
CASH AND CASH EQUIVALENTS, end of year	$ 6,522	$ 4,394
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid for income taxes, net of refunds received	$ 1,232	$ 730

See accompanying notes to financial statements.

MICROPAC INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2008 AND 2007

1. BUSINESS DESCRIPTION:

Micropac Industries, Inc. (the "Company"), a Delaware corporation, manufactures and distributes various types of hybrid microelectronic circuits, solid state relays, power operational amplifiers, and optoelectronic components and assemblies. The Company's products are used as components in a broad range of military, space and industrial systems, including aircraft instrumentation and navigation systems, power supplies, electronic controls, computers, medical devices, and high-temperature (200o C) products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Revenue Recognition

Revenues are recorded as deliveries are made based upon contract prices. Any losses anticipated on fixed price contracts are provided for currently. Sales are recorded net of sales returns, allowances and discounts.

Short-Term Investments

Short-term investments include certificates of deposits with maturities greater than 90 days. These investments are reported at historical cost, which approximates fair value as of November 30, 2008 and 2007. All highly liquid investments with maturities of 90 days or less are classified as cash equivalents. All short-term investments are securities which the Company has the ability and intent to hold to maturity. All held-to maturity securities mature within one year.

Inventories

Inventories are stated at lower of cost or market value and include material, labor and manufacturing overhead. All inventories are valued using the FIFO (first-in, first-out) method of inventory valuation. The Company provides an allowance for obsolete and overstocked inventory.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method the Company records deferred income taxes for the temporary differences between the financial reporting basis and the tax basis of assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. The resulting deferred tax liabilities and assets are adjusted to reflect changes in tax law or rates in the period that includes the enactment date.

Property, Plant, and Equipment

Property, plant, and equipment are carried at cost, and depreciation is provided using the straight-line method at rates based upon the following estimated useful lives (in years) of the assets:

Buildings	15
Facility improvements	8-15
Machinery and equipment	5-10
Furniture and fixtures	5-8

The Company assesses long-lived assets for impairment under Financial Accounting Standards Board Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. When events or circumstances indicate that an asset may be impaired, an assessment is performed. The estimated future undiscounted cash flows associated with the asset are compared to the asset's net book value to determine if a write down to market value or discounted cash flow value is required.

Repairs and maintenance are charged against income when incurred. Improvements, which extend the useful life of property, plant, and equipment are capitalized.

Research and Development Costs

Costs for the design and development of new products are expensed as incurred.

Comprehensive Income

Comprehensive income includes net income and other comprehensive income which is generally comprised of changes in the fair value of available-for-sale marketable securities, foreign currency translation adjustments and adjustments to recognize additional minimum pension liabilities. For each period presented in the accompanying statement of income, comprehensive income and net income are the same amount.

Basic and Diluted Earnings Per Share

Basic and diluted earnings per share are computed based upon the weighted average number of shares outstanding during the year. Diluted earnings per share gives effect to all dilutive potential common shares. During 2008 and 2007, the Company had no dilutive potential common stock.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

3. NOTES PAYABLE TO BANKS:

The Company currently has an existing line of credit with a Texas banking institution. The line of credit agreement provides the Company with up to $3,000,000 for normal operation of the Company. The interest rate on any borrowings against this credit agreement is equal to the prime rate less 1/4%. The line of credit requires the Company to maintain certain financial ratios, including quick ratio of at least 1:1, maintain a tangible net worth of $10,000,000 plus 75% of future net income, and maintain a total liabilities-to-tangible-net-worth of less than 1.25:1. The Company is in compliance with these covenants. The Company has not, to date, used any of the available line of credit.

4. RELATED PARTIES:

The Company leases a building from the Company's former Chairman of the Board of Directors. Since 1980, the Company has leased a 4,800 square-foot building from Mr. Nadolsky which is used primarily for manufacturing. The lease originally provided for a monthly rental of $1,900 (an amount based upon a January 1984, independent appraisal of the building's value) and was to have expired on January 1, 1987. Since 1987, the Company has extended the term of this lease from time to time. The rental paid to Mr. Nadolsky pursuant to this lease was $44,034 for the fiscal year ended November 30, 2008 and $41,936 in 2007. The lease was renewed for three (3) years, July 2007 to June 2010 at the same rental rate provided for in the previous lease subject to increase based upon increases in the Consumer Price Index.

Glast, Phillips & Murray, P.C. serves as the Company's legal counsel. Mr. James K. Murphey, a director and member of the Company's audit committee, is a member of Glast, Phillips & Murray, P.C.

Mr. Eugene Robinson, a director and member of the Company's audit committee, provides advisory services to the Company and was paid $6,500 in 2008.

Effective May 13, 2003, the Company's Board of Directors approved the formation of an audit committee composed of the members of the Board. It is possible that the members of the audit committee may resign from the committee if future Securities and Exchange Commission rules establish a criteria that such individuals must be independent, due to their relationships with the Company. The Board of Directors held four (4) board meetings during the year ended November 30, 2008. Directors (excluding Mark King) receive a fee of $1,500 for each meeting. The Audit Committee held four (4) meetings during the year ended November 30, 2008. Members (excluding Mark King) of the Audit Committee received a fee of $750 for each meeting.

5. PRODUCT WARRANTIES:

In November 2002, the FASB issued Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." Currently, the only applicable item of

FIN 45 relates to the impact of paragraph 14, which refers to product warranties.

Because the Company does not have extended warranties, the exposure is limited to product returns for defective products. In general, the Company warrants that the products, when delivered, will be free from defects in material workmanship

under normal use and service. The obligations are limited to replacing, repairing or giving credit for, at the option of the Company, any products that are returned within one year after the date of shipment.

The Company reserves for potential warranty expense based on historical warranty experience claims. While management considers the process to be adequate to effectively quantify its exposure to warranty claims based on historical performance, changes in warranty claims on a specific or cumulative basis may require management to adjust its reserve for potential warranty costs.

Warranty expense to repair or replace products in 2008 and 2007, was $62,700 and $57,100 respectively.

6. LEASE COMMITMENTS:

Rent expenses for the years ended November 30, 2008 and 2007, was approximately $44,034 and $41,936 respectively per year. The Company's future minimum lease payments under non-cancellable operating leases (including the related party lease described in note 4) for office and manufacturing space with remaining terms in excess of one year are:

2009	$ 43,877
2010	$ 25,595

7. EMPLOYEE BENEFITS:

The Company sponsors an Employees' Profit Sharing Plan and Trust (the "Plan"). Pursuant to section 401(k) of the Internal Revenue Code, the Plan is available to substantially all employees of the Company. Employee contributions to the Plan are matched by the Company at amounts up to 6% of the participant's salary. Contributions made by the Company and expensed were approximately $210,000 in 2008 and $204,000 in 2007. Employees become vested in Company contributions at 20% after two years, 40% after three years, 60% after four years, 80% after five years and 100% after six years. If the employee leaves the Company prior to being fully vested, the unvested portion of the Company's contributions are forfeited and such forfeitures are used to lower future Company contributions. The Company does not offer other post retirement benefits to its employees at this time.

8. NEW ACCOUNTING STANDARDS

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". The objective of SFAS 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The adoption of this statement did not have a material effect on the Company's future reported financial position or results of operations.

In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115". This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 apply only to entities that elect the fair value option. However, the amendment to SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities" applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provision of SFAS No. 157, "Fair Value Measurements". The adoption of this statement did not have a material effect on the Company's financial statements.

In June 2007, the Emerging Issues Task Force of the FASB issued EITF Issue No. 07-3, Accounting for Nonrefundable Advance Payments for Goods or Services to be Used in Future Research and Development Activities, ("EITF 07-3") which is effective for fiscal years beginning after December 15, 2007. EITF 07-3 requires that nonrefundable advance payments for future research and development activities be deferred and capitalized. Such amounts will be recognized as an expense as the goods are delivered or the related services are performed. The Company does not expect the adoption of EITF 07-3 to have a material impact on the financial results of the Company.

The Financial Accounting Standards Board has issued statement No. 160, Non-controlling Interests in Consolidated Financial Statements. This statement changes the way the consolidated income statement is presented when non-controlling interests are present. It requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest, and is effective for periods beginning on or after December 15, 2008. Management does not expect this pronouncement to have a significant impact on the financial statements of the Company.

The Financial Accounting Standards Board has issued Statement No. 141 (R), Business Combinations. This statement retains the fundamental requirements in Statement No. 141 that the acquisition method of accounting (which Statement No. 141 called the purchase method) be used, and applies to the all business entities, including mutual entities that previously used the pooling of interest method of accounting for some business combinations. The statement is effective for transactions within the annual reporting period beginning on or after December 15, 2008. Management does not expect this pronouncement to have a significant impact on the financial statements of the Company.

9. INCOME TAXES:

The income tax provision consisted of the following for the years ended November 30:

	2008	2007
Current Provision:		
Federal	$ 950,000	$ 809,000
State	72,000	130,000
	1,022,000	939,000

Deferred tax expense	8,000	3,000
Total	$1,030,000	$ 942,000

The provision for income taxes differs from that computed at the federal statutory corporate tax rate as follows:

	2008	2007
Tax at 34% statutory rate	$ 1,002,000	$ 871,000
State income taxes, net of federal benefit	47,000	84,000
Section 199 Adjustment	(60,000)	(47,000)
Deferred tax impact of effective tax rate change	47,000	--
Permanent differences and other	(6,000)	34,000
Income tax provision	$ 1,030,000	$ 942,000

The components of deferred tax assets and liabilities were as follows:

	November 30, 2008	November 30, 2007
Current Deferred Taxes -		
Allowance for doubtful accounts	$ 30,000	$ 33,000
Inventory	416,000	414,000
Accrued liabilities and other	186,000	212,000
Net current deferred tax asset	$632,000	$659,000
Non-current Deferred Taxes Liability		
Depreciation and other	$ 97,000	$116,000
Net deferred taxes	$535,000	$543,000

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 tax-planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the 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. Accordingly no deferred tax asset valuation allowance was necessary as of November 30, 2008 or 2007

10. SIGNIFICANT CUSTOMER INFORMATION:

The Company's primary line of business relates to the design, manufacture, and sale of hybrid microcircuits and optoelectronic components and assemblies. Sales to primary contractors for defense and space related contracts accounted for 68% of total sales in 2008 and 71% of total sales in 2007. No customer accounted for 10% of the Company's sales during 2008 and 2007.

11. SHAREHOLDERS' EQUITY:

On November 30, 2008, there were approximately 504 shareholders of record of the Company's common stock. The stock of the Company is closely held; and, therefore, certain shareholders/board members have the ability to significantly influence decisions.

On December 19, 2007, the Board of Directors of Micropac Industries, Inc. approved the payment of a $.10 per share dividend to all shareholders of record on January 25, 2008. The dividend payment was paid to shareholders on February 8, 2008.

On December 22, 2006, the Board of Directors of Micropac Industries, Inc. approved the payment of a $.10 per share dividend to all shareholders of record on January 26, 2007. The dividend payment was paid to shareholders on February 9, 2007.

On March 1, 2001, the Company's shareholders approved the 2001 Employee Stock Option Plan (the "Stock Plan"). As of November 30, 2006, there were 500,000 options available to be granted; however, no options had been granted at year-end.

12. SUBSEQUENT EVENTS

On January 12, 2009 the Board of Directors of Micropac Industries, Inc. approved the payment of a special dividend of $0.10 per share for shareholders of record as of January 26, 2009. It is anticipated that this dividend will be paid to the Company's shareholders on or about February 09, 2009.

DIRECTORS AND OFFICERS
NOVEMBER 30, 2008

MARK KING
Chief Executive Officer
Chairman of the Board
Micropac Industries, Inc

CONNIE WOOD
Retired Chief Executive Officer
Micropac Industries, Inc.

HEINZ-WERNER HEMPEL
Chief Operating Officer
Hanseatishe Waren Handelsgesellschaft MBH & Co. KG, Bremen, Germany

H. KENT HEARN
Retired Stockbroker
Milkie-Ferguson, Dallas, Texas

JAMES K. MURPHEY
Corporate Attorney

Glast, Phillips and Murray, Dallas, Texas

EUGENE ROBINSON
Retired

PATRICK CEFALU
Chief Financial Officer
Micropac Industries, Inc.

LEGAL COUNSEL
Glast, Phillips and Murray
Dallas, Texas

TRANSFER AGENT & REGISTRAR
Securities Transfer
Frisco, Texas