MISONIX INC
Form 10-Q
May 12, 2009

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended March 31, 2009

OR

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

For the transition period from __________ to __________

Commission file number: 1-10986

MISONIX, INC.

(Exact name of registrant as specified in its charter)

New York	11-2148932 .
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1938 New Highway, Farmingdale, NY	11735
(Address of principal executive offices)	(Zip Code)

(631) 694-9555

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o	Smaller reporting company þ
		(Do not check if a smaller reporting company)	

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practical date:

Class of Common Stock	Outstanding at May 11, 2009
Common Stock, $.01 par value	7,001,369

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PART I FINANCIAL INFORMATION
Item 1. Financial Statements.

MISONIX, INC. and Subsidiaries
Consolidated Balance Sheets

	March 31, 2009 (Unaudited)	June 30, 2008 (Derived from audited financial statements)
Assets		
Current assets:		
Cash	**$ 1,096,677**	$ 1,873,863
Accounts receivable, less allowance for doubtful accounts of $473,314 and $376,998, respectively	**6,245,861**	7,986,802
Inventories, net	**10,017,066**	11,906,091
Deferred income taxes	**1,125,846**	1,562,279
Prepaid expenses and other current assets	**1,157,893**	904,737
Current assets held for sale	**622,372**	745,473
Total current assets	**20,265,715**	24,979,245
Property, plant and equipment, net	**2,984,281**	4,371,373
Deferred income taxes	**819,269**	1,280,217
Goodwill	**5,713,034**	5,784,542
Other assets	**1,486,551**	807,203
Assets held for sale	**25,255**	27,494
Total assets	**$ 31,294,105**	$ 37,250,074
Liabilities and stockholders equity		
Current liabilities:		
Revolving credit facilities	**$ 2,816,852**	$ 4,470,389
Notes payable	**388,410**	246,888
Accounts payable	**3,344,840**	5,497,541
Accrued expenses and other current liabilities	**2,868,804**	4,760,115
Foreign income taxes payable	**546,775**	696,791
Current portion of deferred gain from sale and leaseback of building	**113,418**	159,195
Current maturities of capital lease obligations	**209,156**	307,325
Total current liabilities	**10,288,255**	16,138,244
Capital lease obligations	**32,353**	225,909
Deferred lease liability	**292,999**	348,502
Deferred income taxes	**687,526**	250,514
Deferred gain from sale and leaseback of building	**822,277**	1,273,772
Deferred income	**350,773**	371,452

Total liabilities	**12,474,183**		18,608,393
Commitments and contingencies			
Minority interest	**236,107**		199,237
Stockholders equity:			
Common stock, $.01 par value shares authorized 20,000,000; 7,079,169 issued and 7,001,369 outstanding	**70,792**		70,792
Additional paid-in capital	**25,193,939**		25,052,539
Accumulated deficit	**(6,001,199)**		(6,630,170)
Accumulated other comprehensive (loss) income	**(267,293)**		361,707
Treasury stock, 77,800 shares	**(412,424)**		(412,424)
Total stockholders equity	**18,583,815**		18,442,444
Total liabilities and stockholders equity	**$ 31,294,105**	$	37,250,074

See Accompanying Notes to Consolidated Financial Statements.

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MISONIX, INC. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	For the nine months ended March 31,	
	2009	2008
Net sales	**$ 29,325,347**	$ 30,588,650
Cost of goods sold	**17,474,066**	17,009,968
Gross profit	**11,851,281**	13,578,682
Operating expenses:		
Selling expenses	**4,429,295**	5,273,525
General and administrative expenses	**6,949,336**	7,596,223
Research and development expenses	**1,896,370**	2,175,713
Litigation expenses	**102,000**	
Total operating expenses	**13,377,001**	15,045,461
Operating loss from continuing operations	**(1,525,720)**	(1,466,779)
Other income (expense):		
Interest income	**17,089**	35,345
Interest expense	**(248,768)**	(353,070)
Royalty income and license fees	**464,416**	539,413
Royalty expense	**(99,545)**	(262,867)
Recovery of Focus Surgery, Inc. investment	**1,516,866**	
Other	**(68,951)**	179,129
Total other income	**1,581,107**	137,950
Income (loss) from continuing operations before minority interest and income taxes	**55,387**	(1,328,829)
Minority interest in net income of consolidated subsidiaries	**32,967**	47,580
Income (loss) from continuing operations before income taxes	**22,420**	(1,376,409)
Income tax benefit	**(234,679)**	(381,004)
Net income (loss) from continuing operations	**$ 257,099**	$ (995,405)
Net income from discontinued operations , net of tax	**$ 371,872**	$ 457,924

Net income (loss)	**$**	**628,971**	$	(537,481)
Net income (loss) per share from continuing operations Basic	**$**	**0.04**	$	(0.14)
Net income per share from discontinued operations Basic	**$**	**0.05**	$	0.07
Net income (loss) per share Basic	**$**	**0.09**	$	(0.08)
Net income (loss) per share from continuing operations Diluted	**$**	**0.04**	$	(0.14)
Net income per share from discontinued operations Diluted	**$**	**0.05**	$	0.07
Net income (loss) per share Diluted	**$**	**0.09**	$	(0.08)
Weighted average common shares outstanding Basic		**7,001,369**		7,001,369
Weighted average common shares outstanding Diluted		**7,016,299**		7,001,369

See Accompanying Notes to Consolidated Financial Statements.

MISONIX, INC. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	For the three months ended March 31,	
	2009	2008
Net sales	**$ 8,047,051**	$ 10,700,621
Cost of goods sold	**4,743,033**	6,143,723
Gross profit	**3,304,018**	4,556,898
Operating expenses:		
Selling expenses	**1,203,821**	1,883,948
General and administrative expenses	**2,098,672**	2,470,147
Research and development expenses	**574,181**	653,372
Litigation settlement expenses	**2,000**	
Total operating expenses	**3,878,674**	5,007,467
Operating loss from continuing operations	**(574,656)**	(450,569)
Other income (expense):		
Interest income	**2,081**	10,759
Interest expense	**(63,703)**	(101,890)
Royalty income and license fees	**148,453**	206,695
Royalty expense	**(300)**	(99,399)
Other	**(10,989)**	57,005
Total other income	**75,542**	73,170
Loss from continuing operations before minority interest and income taxes	**(499,114)**	(377,399)
Minority interest in net income (loss) of consolidated subsidiaries	**(3,361)**	24,269
Loss from continuing operations before income taxes	**(495,753)**	(401,668)
Income tax benefit	**(473,838)**	(97,266)
Net loss from continuing operations	**$ (21,915)**	$ (304,402)
Net income from discontinued operations, net of tax	**$ 137,382**	$ 110,365
Net income (loss)	**$ 115,467**	$ (194,037)

Net loss per share from continuing operations Basic	**$**	**0.00**	$	(0.04)
Net income per share from discontinued operations Basic	**$**	**0.02**	$	0.02
Net income (loss) per share Basic	**$**	**0.02**	$	(0.03)
Net loss per share from continuing operations Diluted	**$**	**0.00**	$	(0.04)
Net income per share from discontinued operations Diluted	**$**	**0.02**	$	0.02
Net income (loss) per share Diluted	**$**	**0.02**	$	(0.03)
Weighted average common shares outstanding Basic		**7,001,369**		7,001,369
Weighted average common shares outstanding Diluted		**7,001,369**		7,001,369

See Accompanying Notes to Consolidated Financial Statements.

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MISONIX, INC. and Subsidiaries
Consolidated Statement of Stockholders Equity
(Unaudited)

	Nine months ended March 31, 2009							
	Common Stock		**Treasury Stock**				**Accumulated other**	**Total**
	Number of shares	**Amount**	**Number of shares**	**Amount**	**Additional paid-in capital**	**Accumulated deficit**	**comprehensive income (loss)**	**stockholders equity**
Balance, June 30, 2008	**7,079,169**	**$ 70,792**	**(77,800)**	**$ (412,424)**	**$ 25,052,539**	**$ (6,630,170)**	**$ 361,707**	**$ 18,442,444**
Net income						628,971		628,971
Foreign currency translation adjustment							(629,000)	(629,000)
Comprehensive loss								(29)
Stock-based compensation					141,400			141,400
Balance, December 31, 2008	**7,079,169**	**$ 70,792**	**(77,800)**	**$ (412,424)**	**$ 25,193,939**	**$ (6,001,199)**	**$ (267,293)**	**$ 18,583,815**

See Accompanying Notes to Consolidated Financial Statements.

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MISONIX, INC. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	For the nine months ended March 31,	
	2009	2008
Operating activities		
Net income (loss) from continuing operations	**$ 257,099**	$ (995,405)
Net income from discontinued operations	**371,872**	457,924
Net income (loss)	**$ 628,971**	$ (537,481)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization and other non-cash items	**1,078,193**	1,051,349
Bad debt expense	**255,243**	(56,405)
Deferred income tax benefit	**1,090,557**	(246,753)
Loss on disposal of property, plant and equipment	**33,249**	63,159
Minority interest in net income of subsidiaries	**32,968**	47,580
Stock-based compensation	**141,400**	151,262
Deferred income (loss)	**(20,679)**	(96,269)
Deferred leasehold costs	**(153,553)**	(144,233)
Recovery of Focus Surgery, Inc. investment	**(1,516,866)**	
Changes in operating assets and liabilities:		
Accounts receivable	**540,060**	(624,458)
Inventories	**106,648**	286,985
Income taxes	**(64,596)**	21,584
Prepaid expenses and other current assets	**(370,826)**	615,601
Accounts payable and accrued expenses	**(3,026,888)**	40,369
Foreign income taxes payable	**540,854**	
Other assets	**(202,984)**	(19,944)
Change in assets held for sale	**125,340**	(771,966)
Net cash used in operating activities	**(782,909)**	(219,620)
Investing activities		
Acquisition of property, plant and equipment	**(231,579)**	(335,335)
Recovery of Focus Surgery, Inc. investment	**1,516,866**	
Investment in UKHIFU Limited	**(30,721)**	(37,781)
Acquisition of minority interest		(839,653)
Net cash provided by (used in) investing activities	**1,254,566**	(1,212,769)
Financing activities		
Proceeds from short-term borrowings	**21,235,940**	18,519,219
Payments of short-term borrowings	**(22,349,876)**	(18,032,773)
Principal payments on capital lease obligations	**(209,640)**	(348,398)

Net cash (used in) provided by financing activities	**(1,323,576)**	138,048
Effect of exchange rate changes on cash	**74,733**	1,512
Net decrease in cash	**(777,186)**	(1,292,829)
Cash at beginning of period	**1,873,863**	2,900,358
Cash at end of period	**$ 1,096,677**	$ 1,607,529
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	**$ 254,152**	$ 363,311
Income taxes	**$ 63,763**	$ 19,607
Supplemental disclosure of noncash investing and financing activities:		
Capital lease additions	**$ 33,568**	$ 391,900

See Accompanying Notes to Consolidated Financial Statements.

MISONIX, INC. and Subsidiaries
Notes to Consolidated Financial Statements
(Information with respect to interim periods is unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending June 30, 2009, or any interim period.

The balance sheet at June 30, 2008 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company s Annual Report on Form 10-K for the year ended June 30, 2008.

On April 7, 2009 the Company sold the assets of its Ultrasonics laboratory products business to iSonix LLC, a wholly owned subsidiary of Sonics & Materials, Inc., for a cash payment of $3,500,000. The Ultrasonics laboratory products business manufactures and sells ultrasonic liquid processors (Sonicators), ultrasonic soldering instruments, ultrasonic cleansers and related accessories. As of March 31, 2009 and June 30, 2008, all assets are classified as held for sale and the results of operations are classified as discontinued operations.

The following amounts related to the Ultrasonics laboratory products business have been segregated from the Company s continuing operations and are reported as held for sale in the consolidated balance sheet and in the results of operations classified as discontinued operations.

	March 31, 2009	June 30, 2008
Inventory	**$ 622,372**	$ 745,473
Property, plant and equipment net	**25,255**	27,494
Total assets held for sale	**$ 647,627**	$ 772,967

	For the nine months ended March 31,		For the three months ended March 31,	
	2009	2008	2009	2008
Revenues	$ 3,287,012	$ 3,346,666	$ 1,068,896	$ 1,102,405
Income from discontinued operations, before tax	695,544	633,366	259,689	145,620
Income tax expense	323,672	175,442	175,442	35,255
Income from discontinued operations, net of tax	$ 371,872	$ 457,924	$ 137,382	$ 110,365

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MISONIX, INC. and Subsidiaries
Notes to Consolidated Financial Statements
(Information with respect to interim periods is unaudited)

2. Net Income (Loss) Per Share of Common Stock

Basic net income (loss) per common share (basic EPS) is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted net income per common share (diluted EPS) is computed by dividing net income (loss) by the weighted average number of common shares and dilutive common share equivalents outstanding (principally outstanding common stock options) for the period.

The number of weighted average common shares used in the calculation of basic EPS and diluted EPS were as follows:

	For the nine months ended March 31,		For the three months ended March 31,	
	2009	2008	2009	2008
Basic shares	7,001,369	7,001,369	7,001,369	7,001,369
Dilutive effect of stock options	14,930			
Diluted shares	7,016,299	7,001,369	7,001,369	7,001,369

Excluded from the calculation of diluted EPS are options to purchase 1,810,283 shares of common stock for the nine months ended March 31, 2009, as their inclusion would be anti-dilutive.

Diluted EPS for the three ended March 31, 2009 and three and nine months ended March 31, 2008 presented is the same as basic EPS, as the inclusion of the effect of common share equivalents then outstanding would be anti-dilutive. For this reason, we excluded from the calculation of diluted EPS all outstanding options for the three months ended March 31, 2009 and three and nine months ended March 31, 2008.

3. Comprehensive (Loss) Income

Total comprehensive loss was $29 and income of $217,359 for the nine months and three months ended March 31, 2009 and ($569,187) and ($199,652) for the nine and three months ended March 31, 2008, respectively. The components of comprehensive (loss) income are net income (loss) and foreign currency translation adjustments.

4. Stock-Based Compensation

Stock options are granted with exercise prices not less than the fair market value of our common stock at the time of the grant, with an exercise term (as determined by the Committee administering the applicable option plan (the Committee)) not to exceed 10 years. The Committee determines the vesting period for the Company s stock options. Generally, such stock options have vesting periods of three to four years. Certain option awards provide for accelerated vesting upon meeting specific retirement, death or disability criteria, and upon a change in control. During the three month periods ended March 31, 2009 and 2008, the Company granted no options to purchase of the Company s common stock, respectively, and during the nine months ended March 31, 2009 and 2008 the Company granted options to purchase 303,150 and 61,850 shares of the Company s common stock, respectively.

Stock-based compensation expense for the nine month periods ended March 31, 2009 and 2008 was approximately $141,000 and $151,000, respectively. Stock-based compensation expense for the three month periods ended March 31, 2009 and 2008 was $58,000 and $53,000, respectively. Compensation expense is recognized in the general and administrative expenses line item of the Company s statements of operations on a straight-line basis over the vesting periods. As of March 31, 2009, there was $483,000 of total unrecognized compensation cost related to non-vested stock-based compensation arrangements to be recognized over a weighted-average period of 2.5 years.

MISONIX, INC. and Subsidiaries
Notes to Consolidated Financial Statements
(Information with respect to interim periods is unaudited)

There was no cash received from the exercise of stock options for the nine and three month periods ended March 31, 2009 and 2008. Statement of Financial Accounting Standards (SFAS) 123 (revised 2004), Share-Based Payment , requires that cash flows from tax benefits attributable to tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) be classified as financing cash flows.

The fair values of the options granted during the periods ended March 31, 2009 were estimated on the date of the grant using the Black-Scholes option-pricing model on the basis of the following weighted average assumptions:

	For the nine months ended March 31,	
	2009	2008
Risk-free interest rate	3.1%	4.3%
Expected option life in years	6.5	6.5
Expected stock price volatility	54.5%	54.7%
Expected dividend yield	0%	0%
Weighted-average fair value of options granted	$ 1.14	$ 2.51

The expected life was based on historical exercises and terminations. The expected volatility for the periods with the expected life of the options is determined using historical volatilities based on historical stock prices. The expected dividend yield is 0% as the Company has historically not declared dividends and does not expect to declare any in the future.

Changes in outstanding stock options during the nine months ended March 31, 2009 were as follows:

	Options			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value(a)
Outstanding as of June 30, 2008	1,822,841	5.71	4.9	
Granted	303,150	2.02		
Forfeited	500	4.04		
Expired	300,278	4.99		
Outstanding as of March 31, 2009	1,825,213	5.22	5.6	$ 2,894
Exercisable and vested at March 31, 2009	1,395,960	5.94	4.5	$
Available for grant at March 31, 2009	299,356			

(a) Intrinsic value for purposes of this table represents the amount by which the fair value of the underlying

stock, based on the respective market prices at March 31, 2009 or if exercised, the exercise dates, exceeds the exercise prices of the respective options.

MISONIX, INC. and Subsidiaries
Notes to Consolidated Financial Statements
(Information with respect to interim periods is unaudited)

5. Focus Surgery, Inc.

On March 3, 2008, the Company, USHIFU, LLC (USHIFU), FS Acquisition Company and certain other stockholders of Focus Surgery, Inc. (Focus) entered into a Stock Purchase Agreement (the Focus Agreement). Pursuant to the Focus Agreement, the Company agreed to sell to USHIFU the 2,500 shares of Series M Preferred Stock of Focus owned by the Company for a cash payment of $837,500. The Company was also to receive at the closing of the transactions contemplated by the Focus Agreement (the Closing) fifty percent (50%) of the outstanding principal and accrued interest of loans previously made by the Company to Focus with the remaining fifty percent (50%) of such amount due eighteen (18) months from the Closing. The balance of the debt owed to the Company by Focus at March 31, 2009 was approximately $650,000.

The Company s investments in Focus for both equity and debt were totally written down in 2001 as a result of both the debt and equity being deemed impaired. Under the impairment treatment, the equity and debt have been carried on our balance sheet at a zero value since 2001.

On July 1, 2008, the Company received $1,516,866 from USHIFU pursuant to the Focus Agreement. This payment consisted of $837,500 for the 2,500 shares of Series M Preferred Stock of Focus owned by the Company and 50% of the outstanding principal and accrued interest on loans previously made by the Company to Focus. The balance of such loans of approximately $679,000 plus accrued interest is now represented by a promissory note payable by USHIFU and Focus due January 1, 2010 and is secured by certain of USHIFU s and Focus assets. The Company recorded a non-recurring pretax gain of $1,516,866 in other income during the nine months ended March 31, 2009.

6. Income Taxes

The Company adopted the provisions of Financial Accounting Standards Board (FASB) interpretation No. 48 Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48), an interpretation of SFAS No. 109, Accounting for Income Taxes , effective July 1, 2007. In response to the issuance of FIN 48, the Company reviewed its uncertain tax positions in accordance with the recognition standards established by FIN 48. As a result of this review at July 1, 2007, the Company adjusted its estimate of its uncertain tax positions by recognizing an additional liability of approximately $235,000 (including interest of $32,000) through a charge to accumulated deficit. An additional $12,000 of interest expense accrued during the nine months ended March 31, 2009. As of March 31, 2009, the statute of limitations for the tax return that contains the uncertain tax position expired March 15, 2009, so as of March 31, 2009, the Company reversed the valuation allowance applicable to this uncertain tax position in the amount of $250,000.

There are no federal, state or foreign audits in process as of March 31, 2009. The Company files state tax returns in New York and Colorado and its tax returns in those states have never been examined. The Company s foreign subsidiaries, Labcaire Systems Ltd. (Labcaire), Misonix, Ltd. and UKHIFU Limited (UKHIFU) file tax returns in England. The England Inland Revenue Service has not examined these tax returns.

In June 2006, the FASB ratified the consensus reached by the Emerging Issues Tax Force in Issue No. 06-3, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross versus Net Presentation) (EITF 06-3). The scope of EITF 06-3 includes any tax assessed by a governmental authority that is directly imposed on a revenue-producing activity between a seller and a customer and may include, but is not limited to, sales, use, value added and some excise taxes. EITF 06-3 also concluded that the presentation of taxes within its scope on either a gross (included in revenues and costs) or net (excluded from revenues) basis is an accounting policy decision subject to appropriate disclosure. The Company currently presents these taxes on a net basis and has elected not to change its presentation method.

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MISONIX, INC. and Subsidiaries
Notes to Consolidated Financial Statements
(Information with respect to interim periods is unaudited)

7. Inventories

Inventories are summarized as follows:

	March 31, 2009	June 30, 2008
Raw materials	**$ 6,321,920**	$ 5,917,331
Work-in-process	**1,948,774**	3,060,547
Finished goods	**3,473,403**	4,870,587
	11,744,097	13,848,465
Less valuation reserve	**1,727,031**	1,942,374
	$ 10,017,066	$ 11,906,091

8. Accrued Expenses and Other Current Liabilities

The following summarizes accrued expenses and other current liabilities:

	March 31, 2009	June 30, 2008
Customer deposits and deferred contracts	**$ 929,552**	$ 1,765,827
Accrued payroll and vacation	**566,761**	945,933
Accrued VAT and sales tax	**303,945**	359,172
Accrued commissions and bonuses	**327,011**	675,069
Accrued professional fees	**114,244**	43,352
Litigation	**426,000**	324,000
Other	**201,291**	646,762
	$ 2,868,804	$ 4,760,115

9. Revolving Credit Facilities

On December 29, 2006, the Company and its subsidiaries, Acoustic Marketing Research, Inc. d/b/a Sonora Medical Systems (Sonora) and Hearing Innovations, Inc. (collectively referred to as the Borrowers) and Wells Fargo Bank entered into a (i) Credit and Security Agreement and a (ii) Credit and Security Agreement Export-Import Subfacility (collectively referred to as the Credit Agreements). The aggregate credit limit under the Credit Agreements is $8,000,000 consisting of a revolving facility in the amount of up to $8,000,000. Up to $1,000,000 of the revolving facility is available under the Export-Import Agreement as a subfacility for Export-Import working capital financing. All credit facilities under the Credit Agreements mature on December 29, 2009. Payment of amounts outstanding under the Credit Agreements may be accelerated upon the occurrence of an Event of Default (as defined in the Credit Agreements). All loans and advances under the Credit Agreements are secured by a first priority security interest in all of the Borrowers accounts receivable, letter-of-credit rights, and all other business assets.

MISONIX, INC. and Subsidiaries
Notes to Consolidated Financial Statements
(Information with respect to interim periods is unaudited)

The Borrowers have the right to terminate or reduce the credit facility prior to December 29, 2009 by paying a fee based on the aggregate credit limit (or reduction, as the case may be) of 1%.

The Credit Agreements contain financial covenants requiring that the Borrowers on a consolidated basis (a) have net income of not less than (i) $100,000 for the fiscal quarter ended March 31, 2009 and (ii) $130,000 for the fiscal quarter ending June 30, 2009, and (b) not incur or contract to incur Capital Expenditures (as defined in the Credit Agreements) of more than $1,000,000 in the aggregate in any fiscal year or more than $1,000,000 in any one transaction. At March 31, 2009, the Borrowers were in compliance with these financial covenants.

The available amount under the Credit Agreements is the lesser of $8,000,000 or the amount calculated under the Borrowing Base (as defined in the Credit Agreements). The Borrowers must maintain a minimum outstanding amount of $1,250,000 under the Credit Agreements at all times and pay a fee equal to the interest rate set forth on any such shortfall. Interest on amounts borrowed under the Credit Agreements is payable at Wells Fargo s prime rate of interest plus 1% per annum floating, payable monthly in arrears. The default rate of interest is 3% higher than the rate otherwise payable. A fee of 1/2 % per annum on the Unused Amount (as defined in the Credit Agreements) is payable monthly in arrears. At March 31, 2009, the balance outstanding under the Credit Agreement is $2,231,621. An additional $837,792 was available to be borrowed at March 31, 2009.

On September 29, 2008, Labcaire entered into a debt purchase agreement (the RBS Agreement) with The Royal Bank of Scotland (RBS). The RBS Agreement replaced the debt purchase agreement with Lloyds TSB Commercial Finance which expired September 28, 2008. The amount of this facility bears interest at the RBS base rate plus 2.0%. The RBS Agreement expires September 30, 2010. The available amount under the RBS Agreement is the lesser of $3,000,000 or the amount calculated under the borrowing base provided for by the RBS Agreement. The RBS Agreement covers all United Kingdom and European sales. At March 31, 2009, the balance outstanding under this credit facility was $565,835 and Labcaire was not in violation of the financial covenants contained in the RBS Agreement.

10. Commitments and Contingencies

A jury in the District Court of Boulder County, Colorado has returned a verdict against Sonora and in favor of Technics LLC in the amount of $419,000 which was recorded by the Company during the fourth quarter of fiscal 2005. In fiscal 2008, the judgment was decreased to $324,000 and the $95,000 reduction was included in other income. The case involved royalties claimed on recoating of transesophogeal probes, which is a process performed by Sonora. Approximately 80% of the judgment was based on the jury s estimate of royalties for potential sales of the product in the future. Sonora moved for judgment notwithstanding the verdict based on, among other things, the award of damages for future royalties. On December 2, 2008 the Colorado Supreme Court affirmed the judgment of the Colorado Court of Appeals in favor of Technics LLC. On January 21, 2009, the case was returned to the County of Boulder for entry of judgment in favor of Technics LLC in the amount of $324,000 together with costs along with prejudgment and post judgment interest. The Company has accrued the entire judgment of $324,000 plus $102,000 of pre-judgment and post-judgment interest.

The Company is a defendant in claims and lawsuits arising in the ordinary course of business. The Company believes that it has meritorious defenses to such claims and lawsuits and is vigorously contesting them. Although the outcome of litigation cannot be predicted with certainty, the Company believes that these actions will not have a material adverse effect on the Company s consolidated financial position or results of operations.

MISONIX, INC. and Subsidiaries
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(Information with respect to interim periods is unaudited)

11. Business Segments

The Company operates in two business segments which are organized by product types: medical devices and laboratory and scientific products. Medical devices include the AutoSonix ultrasonic cutting and coagulatory system, the Sonablate 500® (used to treat prostate cancer), refurbishing of high-performance ultrasound systems and replacement transducers for the medical diagnostic ultrasound industry, ultrasonic lithotriptor, ultrasonic neuroaspirator (used for neurosurgery), soft tissue aspirator (used primarily for the cosmetic surgery market) and the wound debrider. Laboratory and scientific products include the Aura ductless fume enclosure and Labcaire ISIS and Guardian endoscope disinfectant systems. The Company evaluates the performance of the segments based upon income from operations before general and administrative expenses. The accounting policies of the segments are the same as those described in the summary of significant accounting policies (Note 1) in the Company s Annual Report on Form 10-K for the year ended June 30, 2008.

Certain items are maintained at the corporate headquarters (corporate) and are not allocated to the segments. They primarily include general and administrative expenses. General and administrative expenses at the Company s Sonora, Labcaire, UKHIFU and Misonix, Ltd. subsidiaries are included in corporate and unallocated amounts in the tables below. The Company does not allocate assets by segment. Summarized financial information for each of the segments is as follows:

MISONIX, INC. and Subsidiaries
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For the nine months ended March 31, 2009:

	Medical Device Products	Laboratory and Scientific Products	Corporate and Unallocated	Total
Net sales	$ 17,241,229	$ 12,084,118	$	$ 29,325,347
Cost of goods sold	9,386,652	8,087,414		17,474,066
Gross profit	7,854,577	3,996,704		11,851,281
Selling expenses	3,270,353	1,158,942		4,429,295
Research and development expenses	1,384,187	512,183		1,896,370
Litigation settlement expenses	102,000			102,000
General and administrative expenses			6,949,336	6,949,336
Total operating expenses	4,756,540	1,671,125	6,949,336	13,377,001
Operating income (loss) from continuing operations	$ 3,098,037	$ 2,325,579	$ (6,949,336)	$ (1,525,720)
Income net of tax from discontinued operations	$	$ 371,872	$	$ 371,872

For the nine months ended March 31, 2008:

	Medical Device Products	Laboratory and Scientific Products	Corporate and Unallocated	Total
Net sales	$ 17,854,832	$ 12,733,818	$	$ 30,588,650
Cost of goods sold	9,053,042	7,956,926		17,009,968
Gross profit	8,801,790	4,776,892		13,578,682
Selling expenses	3,566,860	1,706,665		5,273,525
Research and development expenses	1,569,483	606,230		2,175,713
Litigation settlement expenses				
General and administrative expenses			7,596,223	7,596,223
Total operating expenses	5,136,343	2,312,895	7,596,223	15,045,461
Operating income (loss) from continuing operations	$ 3,665,447	$ 2,463,997	$ (7,596,223)	$ (1,466,779)
Income net of tax from discontinued operations	$	$ 457,924	$	$ 457,924

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MISONIX, INC. and Subsidiaries
Notes to Consolidated Financial Statements
(Information with respect to interim periods is unaudited)

For the three months ended March 31, 2009:

	Medical Device Products	Laboratory and Scientific Products	Corporate and Unallocated	Total
Net sales	$ 4,841,787	$ 3,205,264	$	$ 8,047,051
Cost of goods sold	2,634,870	2,108,163		4,743,033
Gross profit	2,206,917	1,097,101		3,304,018
Selling expenses	984,929	218,892		1,203,821
Research and development expenses	417,527	156,654		574,181
Litigation settlement expenses	2,000			2,000
General and administrative expenses			2,098,672	2,098,672
Total operating expenses	1,404,456	375,546	2,098,672	3,878,674
Operating income (loss) from continuing operations	$ 802,461	$ 721,555	$ (2,098,672)	$ (574,656)
Income from discontinued operations	$	$ 137,382	$	$ 137,382

For the three months ended March 31, 2008:

	Medical Device Products	Laboratory and Scientific Products	Corporate and Unallocated	Total
Net sales	$ 6,518,512	$ 4,182,109	$	$ 10,700,621
Cost of goods sold	3,389,720	2,754,003		6,143,723
Gross profit	3,128,792	1,428,106		4,556,898
Selling expenses	1,271,232	612,716		1,883,948
Research and development expenses	450,418	202,954		653,372
Litigation settlement expenses				
General and administrative expenses			2,470,147	2,470,147
Total operating expenses	1,721,650	815,670	2,470,147	5,007,467
Operating income (loss) from continuing operations	$ 1,407,142	$ 612,436	$ (2,470,147)	$ (450,569)
Income from discontinued operations	$	$ 110,365	$	$ 110,365

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MISONIX, INC. and Subsidiaries
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The Company s revenues are generated from various geographic regions. The following is an analysis of net sales by geographic region:

	Nine months ended March 31,		Three months ended March 31,	
	2009	2008	**2009**	2008
United States	**$ 15,416,781**	$ 16,079,766	**$ 4,477,485**	$ 5,760,773
United Kingdom	**9,508,760**	10,544,091	**2,365,581**	3,574,689
Europe	**2,382,306**	1,618,057	**593,864**	605,007
Asia	**783,591**	1,012,182	**277,344**	157,146
Canada and Mexico	**518,861**	397,639	**235,882**	194,524
Middle East	**173,209**	176,014	**38,439**	80,317
Other	**541,839**	760,901	**58,456**	328,165
	$ 29,325,347	$ 30,588,650	**$ 8,047,051**	$ 10,700,621

12. Recent Accounting Pronouncements

Effective July 1, 2008, the Company adopted SFAS 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles in the United States (GAAP), and expands disclosures about fair value measurements. SFAS 157 applies whenever other standards require, or permit, assets or liabilities to be measured at fair value. The adoption of SFAS 157 did not have a material impact on our consolidated results of operations, financial position and cash flows.

Effective July 1, 2008, the Company adopted SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 permits entities to elect to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. The adoption of SFAS 159 did not have a material impact on our consolidated operations, financial position and cash flows.

In December 2007, the FASB issued SFAS 141(R), Business Combinations (SFAS 141R). This Statement significantly changes the financial accounting and reporting of business combination transactions in the Company s consolidated financial statements. SFAS 141R is effective for fiscal years beginning after December 15, 2008 and prohibits early adoption. The Company is currently evaluating the impact of adopting SFAS 141R on our consolidated results of operations, financial position and cash flows.

In December 2007, the FASB issued SFAS 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 (SFAS 160). SFAS 160 significantly changes the accounting for and reporting of noncontrolling (minority) interests in the Company s consolidated financial statements. SFAS 160 is effective for fiscal years beginning after December 15, 2008 and prohibits early adoption. The Company is currently evaluating the impact of adopting SFAS 160 on our consolidated results of operations, financial position and cash flows.

In April 2008, the FASB issued Staff Position FAS 142-3, Determination of the Useful Life of Intangible Assets (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142). FSP FAS 142-3 is intended to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R, and other U.S. GAAP. FSP FAS 142-3 applies to all intangible assets and is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting FSP FAS 142-3 on our consolidated results of operations, financial position and cash flows.

13. Subsequent Event

On April 7, 2009 the Company sold the assets of its Ultrasonics laboratory products business to iSonix LLC, a wholly owned subsidiary of Sonics & Materials, Inc., for a cash payment of $3,500,000. The Ultrasonics laboratory products business manufactures and sells ultrasonic liquid processors (Sonicators), ultrasonic soldering instruments, ultrasonic cleansers and related accessories.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Nine months ended March 31, 2009 and 2008.

Net sales: Net sales of the Company s medical device products and laboratory and scientific products decreased $1,263,303 to $29,325,347 for the nine months ended March 31, 2009 from $30,588,650 for the nine months ended March 31, 2008. This difference in net sales is due to a decrease in sales of medical device products of $613,603 to $17,241,229 for the nine months ended March 31, 2009 from $17,854,832 for the nine months ended March 31, 2008. This difference in net sales is also due to a decrease in laboratory and scientific products sales of $649,700 to $12,084,118 for the nine months ended March 31, 2009 from $12,733,318 for the nine months ended March 31, 2008. The decrease in sales of medical device products is due to a decrease in sales of therapeutic medical device products of $159,356 and a decrease of $454,247 in sales of diagnostic medical device products. The decrease in sales of therapeutic medical device products was primarily attributable to sales of the Company s Neuroaspirator, Lysonix ultrasonic assisted liposuction product and Lithotripsy product, partially offset by an increase in sales of the Company s bone scalpel product, AutoSonix, and the SonicOne wound debridement system. The decrease in sales of diagnostic medical device products was not attributable to a single customer, distributor or any other specific factor. The decrease in sales of laboratory and scientific products was primarily due to a $445,119 decrease in Labcaire Systems Ltd. (Labcaire) products sales, a decrease in Mystaire product sales of $91,270 and a decrease of $113,311 in ductless fume enclosure product sales. Labcaire sales decreased $445,119 due to the strengthening of the U.S. Dollar against the English Pound during the nine months ended March 31, 2009 as compared to the nine months ended March 31, 2008 which had the impact of reducing Labcaire sales reported in U.S. Dollars by approximately $2,252,000.

Export sales from the United States are remitted in U.S. dollars and export sales for Labcaire are remitted in English Pounds. UKHIFU Limited (UKHIFU) sales are remitted in English Pounds and Misonix, Ltd. sales to date have been remitted in Euros. To the extent that the Company s revenues are generated in English Pounds, its operating results were translated for reporting purposes into U.S. dollars using weighted average rates of 1.64 and 2.01 for the nine months ended March 31, 2009 and 2008, respectively. A strengthening of the English Pound, in relation to the U.S. dollar, will have the effect of increasing recorded revenues and profits, while a weakening of the English Pound will have the opposite effect. Since the Company s operations in England generally set prices and bids for contracts in English Pounds, a strengthening of the English Pound, while increasing the value of its UK assets, might place the Company at a pricing disadvantage in bidding for work from manufacturers based overseas. The Company collects its receivables predominately in the currency of the country the subsidiary resides in. The Company has not engaged in foreign currency hedging transactions, which include forward exchange agreements. See Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Gross profit: Gross profit decreased to 40.4% for the nine months ended March 31, 2009 from 44.4% for the nine months ended March 31, 2008. Gross profit for medical device products decreased to 45.6% for the nine months ended March 31, 2009 from 49.3% for the nine months ended March 31, 2008. Gross profit for laboratory and scientific products decreased to 33.1% for the nine months ended March 31, 2009 from 37.5% for the nine months ended March 31, 2008. Gross profit for medical device products was unfavorably impacted in the nine months ended March 31, 2009 predominately due to a fee per use sale of the SB500® product for prostate cancer in Europe, which carried a very small initial margin and reduced sales which result in fixed costs being a higher percentage of overall cost of goods. The decrease in gross profit in the March 2009 period for laboratory and scientific products is due to lower margins at Labcaire due to higher costs related to ISIS units.

Selling expenses: Selling expenses decreased $844,230 to $4,429,295 for the nine months ended March 31, 2009 from $5,273,525 for the nine months ended March 31, 2008. Laboratory and scientific products selling expenses decreased $547,723. Selling expenses for medical device products decreased $296,507, primarily due to a reduction in expenses attributable to our European sales efforts. Selling expenses for laboratory products decreased principally at Labcaire predominately due to a reduction in exchange rate.

General and administrative expenses: General and administrative expenses decreased $646,887 from $7,596,223 in the nine months ended March 31, 2008 to $6,949,336 in the nine months ended March 31, 2009. General and administrative expenses decreased for the nine months ended March 31, 2009, principally due to lower employment fees, corporate insurance and salaries and exchange rate reductions at Labcaire.

Research and development expenses: Research and development expenses decreased $279,343 from $2,175,713 for the nine months ended March 31, 2008 to $1,896,370 for the nine months ended March 31, 2009. Laboratory and scientific products research and development expenses decreased approximately $94,047 due to decreased product support related to the Ultrasonic and Labcaire products. Research and development expenses for medical device products decreased $185,296, primarily due to a reduced milestone payment to Focus Surgery, Inc. (Focus) related to our HIFU kidney/liver product development efforts.

Litigation expenses: Litigation expenses increased to $102,000 for the nine months ended March 31, 2009, as compared to no litigation expenses for the nine months ended March 31, 2008. The increased expense relates to interest expense on pending litigation at Acoustic Marketing Research, Inc. d/b/a Sonora Medical Systems (Sonora).

Other income (expense): Other income for the nine months ended March 31, 2009 was $1,581,107 as compared to $137,950 for the nine months ended March 31, 2008. The increase of $1,443,157 was due to the receipt of $1,516,866 from USHIFU, LLC (USHIFU) pursuant to the Focus transaction between the Company and USHIFU. This payment consisted of $837,500 for the 2,500 shares of Series M Preferred Stock of Focus owned by the Company and fifty (50%) percent of the outstanding principal and accrued interest of loans previously made by the Company to Focus. The gain from the Focus transaction was partially offset by $123,140 of exchange losses related to the weakening of the English Pound against the U.S. Dollar.

Income taxes: The effective tax rate was (1,046.7%) for the nine months ended March 31, 2009, as compared to an effective tax rate of 27.7% for the nine months ended March 31, 2008. The March 2009 effective income tax rate differs from the statutory rate due to the impact of permanent differences between accounting and taxable income for non-cash compensation and entertainment expenses and the reversal of a valuation allowance established for an uncertain tax position which expired March 15, 2009 in the amount of $250,000.

Three months ended March 31, 2009 and 2008

Net sales: Net sales of the Company s medical device products and laboratory and scientific products decreased $2,653,570 to $8,047,051 for the three months ended March 31, 2009 from $10,700,621 for the three months ended March 31, 2008. This difference in net sales is due to a decrease in sales of medical device products of $1,676,725 to $4,841,787 for the three months ended March 31, 2009 from $6,518,512 for the three months ended March 31, 2008. This difference in net sales is also due to a decrease in laboratory and scientific products sales of $976,845 to $3,205,264 for the three months ended March 31, 2009 from $4,182,109 for the three months ended March 31, 2008. The decrease in sales of medical device products is due to a decrease in sales of therapeutic medical device products of approximately $1,231,730 and a decrease of $444,995 in sales of diagnostic medical device products. The decrease in sales of therapeutic medical device products was primarily attributable to a decrease in sales of the Company s Neuroaspirator and Lysonix ultrasonic assisted liposuction products, partially offset by an increase in sales of the Bone Scalpel and the SonicOne wound debridement system. The decrease in sales of diagnostic medical device products was not attributable to a single customer, distributor or any other specific factor. The decrease in sales of laboratory and scientific products was due to a $1,006,497 decrease in Labcaire products sales, a decrease in Mystaire product sales of $20,360 and an increase of $50,012 in ductless fume enclosure product sales. Labcaire sales decreased by $1,006,497 due to the strengthening of the U.S. Dollar against the English Pound during the three months ended March 31, 2009 as compared to the three months ended March 31, 2008 which had the impact of reducing Labcaire sales reported in U.S. Dollars by approximately $992,000.

Export sales from the United States are remitted in U.S. dollars and export sales for Labcaire are remitted in English Pounds. UKHIFU sales are remitted in English Pounds and Misonix, Ltd. sales to date have been remitted in Euros. To the extent that the Company s revenues are generated in English Pounds, its operating results were translated for reporting purposes into U.S. dollars using weighted average rates of 1.55 and 1.98 for the three months ended March 31, 2009 and 2008, respectively. A strengthening of the English Pound, in relation to the U.S. dollar, will have the effect of increasing recorded revenues and profits, while a weakening of the English Pound will have the opposite effect. Since the Company s operations in England generally set prices and bids for contracts in English Pounds, a strengthening of the English Pound, while increasing the value of its UK assets, might place the Company at a pricing disadvantage in bidding for work from manufacturers based overseas. The Company collects its receivables predominately in the currency of the country the subsidiary resides in. The Company has not engaged in foreign currency hedging transactions, which include forward exchange agreements. See Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Gross profit: Gross profit decreased to 41.1% for the three months ended March 31, 2009 from 42.6% for the three months ended March 31, 2008. Gross profit for medical device products decreased to 45.6% for the three months ended March 31, 2009 from 48.0% for the three months ended March 31, 2008. Gross profit for laboratory and scientific products increased to 34.2% for the three months ended March 31, 2009 from 34.1% for the three months ended March 31, 2008. Gross profit for medical device products was unfavorably impacted in the three months ended March 31, 2009 due to a fee per use sale of the SB500 product for prostate cancer in Europe, which carried no initial margin and reduced sales, which result in fixed costs being a higher percentage of overall cost of goods.

Selling expenses: Selling expenses decreased $680,127 to $1,203,821 for the three months ended March 31, 2009 from $1,883,948 for the three months ended March 31, 2008. Laboratory and scientific products selling expenses decreased $393,824. Selling expenses for medical device products decreased $286,303, primarily due to reduced expenses in European sales efforts. Selling expenses for laboratory products decreased principally at Labcaire due to lower exchange rates.

General and administrative expenses: General and administrative expenses decreased $371,475 from $2,470,147 in the three months ended March 31, 2008 to $2,098,672 in the three months ended March 31, 2009. General and administrative expenses decreased for the three months ended March 31, 2009, principally due to lower employment fees, corporate insurance and salaries and lower exchange rates.

Research and development expenses: Research and development expenses decreased $79,191 from $653,372 for the three months ended March 31, 2008 to $574,181 for the three months ended March 31, 2009. Laboratory and scientific products research and development expenses decreased approximately $46,300 due to lower exchange rates

for Labcaire expenses. Research and development expenses for medical device products decreased $32,891, primarily due to reduced milestone payments to Focus relating to our HIFU kidney/liver product development efforts.

Litigation expenses: Litigation expenses increased $2,000 for the three months ended March 31, 2009, as compared to no litigation expenses for the three months ended March 31, 2008. The increased expense relates to interest expense on pending litigation at Sonora.

Other income (expense): Other income for the three months ended March 31, 2009 was $75,542 as compared to $73,170 for the three months ended March 31, 2008.

Income taxes: The effective tax rate was 24.2% for the three months ended March 31, 2008, as compared to an effective tax rate of 95.6% for the three months ended March 31, 2009. The March 2009 effective income tax rate differs from the statutory rate due to the impact of permanent differences between accounting and taxable income for non-cash compensation and entertainment expenses and the reversal of a valuation allowance established for an uncertain tax position which expired March 15, 2009 in the amount of $250,000.

Critical Accounting Policies:

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Certain of these accounting policies require the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities, revenues and expenses. On an ongoing basis, the Company bases its estimates on historical data and experience, when available, and on various other assumptions that are believed to be reasonable under the circumstances, the combined results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

The Company evaluates its goodwill for impairment triggering events at each reporting period in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets (SFAS 142) The Company s stock price has been trading below its book value and tangible book value for three consecutive quarters. The Company attributes this low stock price to both the overall market conditions and company specific factors, including low trading volume of the Company s stock. As of March 31, 2009, the Company believes that based on operations to date and measures implemented, the amounts used in the discounted cash flow model used in its June 30, 2008 annual impairment test are reasonable. Based on our evaluation, there was no impairment of goodwill in the third fiscal quarter ended March 31, 2009. Due to the recent economic volatility, including fluctuations in interest rates, growth rates and changes in demand for our products, there could be a change in the valuation of goodwill when the Company conducts its annual impairment test.

Actual results may differ from these estimates. There have been no material changes in the Company s critical accounting policies and estimates from those discussed in Item 7 of the Company s Annual Report on Form 10-K for the year ended June 30, 2008.

Recent Accounting Pronouncements

Effective July 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles in the United States (GAAP), and expands disclosures about fair value measurements. SFAS 157 applies whenever other standards require, or permit, assets or liabilities to be measured at fair value. The adoption of SFAS 157 did not have an impact on our consolidated results of operations, financial position and cash flows.

Effective July 1, 2008, the Company adopted SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 permits entities to elect to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. The adoption of SFAS 159 did not have an impact on our consolidated results of operations, financial position and cash flows.

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In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141(R), Business Combinations (SFAS 141R). This Statement significantly changes the financial accounting and reporting of business combination transactions in the Company s consolidated financial statements. SFAS 141R is effective for fiscal years beginning after December 15, 2008 and prohibits early adoption. The Company is currently evaluating the impact of adopting SFAS 141R on our consolidated results of operations, financial position and cash flows.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 (SFAS 160). SFAS 160 significantly changes the accounting for and reporting of noncontrolling (minority) interests in the Company s consolidated financial statements. SFAS 160 is effective for fiscal years beginning after December 15, 2008 and prohibits early adoption. The Company is currently evaluating the impact of adopting SFAS 160 on our consolidated results of operations, financial position and cash flows.

In April 2008, the FASB issued Staff Position No. FAS 142-3, Determination of the Useful Life of Intangible Assets (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS 142. FSP FAS 142-3 is intended to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R and other U.S. GAAP. FSP FAS 142-3 applies to all intangible assets and is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting FSP FAS 142-3 on our consolidated results of operations, financial position and cash flows.

Forward Looking Statements

This Report contains certain forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), which are intended to be covered by the safe harbors created thereby. Although the Company believes that the assumptions underlying the forward looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward looking statements contained in this Report will prove to be accurate. Factors that could cause actual results to differ from the results specifically discussed in the forward looking statements include, but are not limited to, the absence of anticipated contracts, higher than historical costs incurred in performance of contracts or in conducting other activities, product mix in sales, results of joint ventures and investments in related entities, future economic, competitive and market conditions, and the outcome of legal proceedings as well as management business decisions.

Liquidity and Capital Resources

Working capital at March 31, 2009 and June 30, 2008 was $9,977,460 and $8,841,001, respectively. For the nine months ended March 31, 2009, cash used in operations totaled $782,909. Cash used in operations was primarily due to a reduction in customer deposits and VAT payable at Labcaire. For the nine months ended March 31, 2009, cash provided by investing activities totaled $1,254,566. The major source of cash from investing activities was the receipt of $1,516,866 from USHIFU pursuant to the Focus transaction between the Company and USHIFU. This payment consisted of $837,500 for the 2,500 shares of Series M Preferred Stock of Focus owned by the Company and fifty percent (50%) of the outstanding principal and accrued interest of loans previously made by the Company to Focus. The cash received from the Focus transaction was partially offset by the purchase of property, plant and equipment during the regular course of business. For the nine months ended March 31, 2009, cash used in financing activities was $1,323,576, primarily consisting of principal payments on capital lease obligations and short-term borrowings of $22,559,516, partially offset by proceeds from short-term borrowings of $21,235,940.

We regularly review our cash funding requirements and attempt to meet those requirements through a combination of cash on hand, cash provided by operations, available borrowings under bank lines of credit and possible future public or private debt and/or equity offerings. At times, we evaluate possible acquisitions of, or investments in, businesses that are complementary to ours, which may require the use of cash. We believe that our cash, other liquid assets, credit arrangements, and access to equity capital markets, taken together, provide adequate resources to fund ongoing operating expenditures. In the event that they do not, we may require additional funds in the future to support our working capital requirements or for other purposes and may seek to raise such additional funds through the sale of public or private equity and/or debt financings, divestiture of current business lines as well as from other sources. No assurance can be given that additional financing will be available in the future or that if available, such financing will be obtainable on terms favorable when required.

Revolving Credit Facilities

On December 29, 2006, the Company and its subsidiaries, Sonora and Hearing Innovations, Inc. (collectively referred to as the Borrowers) and Wells Fargo Bank entered into a (i) Credit and Security Agreement and a (ii) Credit and Security Agreement Export-Import Subfacility (collectively referred to as the Credit Agreements). The aggregate credit limit under the Credit Agreements is $8,000,000 consisting of a revolving facility in the amount of up to $8,000,000. Up to $1,000,000 of the revolving facility is available under the Export-Import Agreement as a subfacility for Export-Import working capital financing. All credit facilities under the Credit Agreements mature on December 29, 2009. Payment of amounts outstanding under the Credit Agreements may be accelerated upon the occurrence of an Event of Default (as defined in the Credit Agreements). All loans and advances under the Credit Agreements are secured by a first priority security interest in all of the Borrowers accounts receivable, letter-of-credit rights, and all other business assets. The Borrowers have the right to terminate or reduce the credit facility prior to December 29, 2009 by paying a fee based on the aggregate credit limit (or reduction, as the case may be) of 1%.

The Credit Agreements contain financial covenants requiring that the Borrowers on a consolidated basis (a) have net income of not less than (i) $100,000 for the fiscal quarter ending March 31, 2009 and (ii) $130,000 for the fiscal quarter ended June 30, 2009, and (b) not incur or contract to incur Capital Expenditures (as defined in the Credit Agreements) of more than $1,000,000 in the aggregate in any fiscal year or more than $1,000,000 in any one transaction. At March 31, 2009, the Borrowers were in compliance with these financial covenants.

The available amount under the Credit Agreements is the lesser of $8,000,000 or the amount calculated under the Borrowing Base (as defined in the Credit Agreements). The Borrowers must maintain a minimum outstanding amount of $1,250,000 under the Credit Agreements at all times and pay a fee equal to the interest rate set forth on any such shortfall. Interest on amounts borrowed under the Credit Agreements is payable at Wells Fargo s prime rate of interest plus 1% per annum floating, payable monthly in arrears. The default rate of interest is 3% higher than the rate otherwise payable. A fee of 1/2 % per annum on the Unused Amount (as defined in the Credit Agreements) is payable monthly in arrears. At March 31, 2009, the balance outstanding under the Credit Agreement is $2,231,621. An additional $837,792 was available to be borrowed at March 31, 2009.

On September 29, 2008, Labcaire entered into a debt purchase agreement (the RBS Agreement) with The Royal Bank of Scotland (RBS). The RBS Agreement replaced the debt purchase agreement with Lloyds TSB Commercial Finance which expired September 28, 2008. The amount of this facility bears interest at the RBS base rate plus 2.0%. The RBS Agreement expires December 31, 2010. The available amount under the RBS Agreement is the lesser of $3,000,000 or the amount calculated under the borrowing base provided for by the RBS Agreement. The agreement covers all United Kingdom and European sales. At March 31, 2009, the balance outstanding under this credit facility was $565,835 and Labcaire was not in violation of the financial covenants contained in the RBS Agreement.

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Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company s financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to the Company.

Other

In the opinion of management, inflation has not had a material effect on the operations of the Company.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market Risk:

The principal market risks (i.e., the risk of loss arising from adverse changes in market rates and prices) to which the Company is exposed are interest rates on short-term investments and foreign exchange rates, which generate translation gains and losses due to the English Pound to U.S. Dollar conversion of Labcaire, Misonix, Ltd. and UKHIFU.

Foreign Exchange Rates:

Approximately 38.3% of the Company s revenues in the nine month period ended March 31, 2009 were received in English Pounds currency. To the extent that the Company s revenues are generated in English Pounds, its operating results are translated for reporting purposes into U.S. Dollars using rates of 1.64 and 2.01 for the nine months ended March 31, 2009 and 2008, respectively, and 1.55 and 1.98 for the three months ended March 31, 2009 and 2008, respectively. A strengthening of the English Pound, in relation to the U.S. Dollar, will have the effect of increasing its reported revenues and profits, while a weakening will have the opposite effect. Since the Company s operations in England generally sets prices and bids for contracts in English Pounds, a strengthening of the English Pound, while increasing the value of its UK assets, might place the Company at a pricing disadvantage in bidding for work from manufacturers based overseas. The Company collects its receivables predominately in the currency of the country the subsidiary resides in. Misonix, Ltd. invoices certain customers in Euros and as a result there is an exchange rate exposure between the English Pound and the Euro. The Company has not engaged in foreign currency hedging transactions, which include forward exchange agreements.

Interest Rate Risk:

The Company earns interest on cash balances and pays interest on debt incurred. In light of the Company s existing cash, results of operations, the term of its debt obligations and projected borrowing requirements, the Company does not believe that a 10% change in interest rates would have a significant impact on its consolidated financial position.

Item 4. Controls and Procedures.

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. The Company carried out an evaluation, under the supervision and with the participation of the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures as of March 31, 2009 and, based on their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures are effective.

There has been no change in the Company s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the three months ended March 31, 2009 that has materially affected, or is reasonable likely to materially affect, the Company s internal control over financial reporting.

Part II OTHER INFORMATION

Item 1A. Risk Factors.

Risks and uncertainties that, if they were to occur, could materially adversely affect our business or that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this Report and other public statements were set forth in the Item 1A. Risk Factors section of our Annual Report on Form 10-K for the year ended June 30, 2008. There have been no material changes from the risk factors disclosed in that Form 10-K.

Item 6. Exhibits.

Exhibits 31.1	Rule 13a-14(a)/15d-14(a) Certification
Exhibits 31.2	Rule 13a-14(a)/15d-14(a) Certification
Exhibits 32.1	Section 1350 Certification of Chief Executive Officer
Exhibits 32.2	Section 1350 Certification of Chief Financial Officer

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SIGNATURES

Pursuant to the requirements 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.

Date: May 12, 2009

MISONIX, INC.
(Registrant)

By: /s/ Michael A. McManus, Jr.
Michael A. McManus, Jr.
President and Chief Executive Officer

By: /s/ Richard Zaremba
Richard Zaremba
Senior Vice President, Chief Financial Officer,
Treasurer and Secretary

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EXHIBIT INDEX

Exhibit Number	Description
31.1	Rule 13a-14(a)/15d-14(a) Certification
31.2	Rule 13a-14(a)/15d-14(a) Certification
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer