

MICROPAC INDUSTRIES, INC.

FORM 10-QSB

MAY 31, 2008

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(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

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section 906 of the Sarbanes-Oxley act of 2002.

(b) Reports on Form 8-K

SIGNATURES

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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

MICROPAC INDUSTRIES, INC.
CONDENSED STATEMENTS OF OPERATIONS
(Dollars in thousands except share data)
(Unaudited)

	Statement of Operations For three months ended		Statement Year
	05/31/08	05/26/07	05/31/08
	-----	-----	-----
NET SALES	\$ 4,597	\$ 4,447	\$ 8,78
 COST AND EXPENSES:			
Cost of goods sold	(3,189)	(3,012)	(6,10
Research and development	(123)	(90)	(21
Selling, general & administrative expenses	(812)	(859)	(1,59
	-----	-----	-----
Total cost and expenses	(4,124)	(3,961)	(7,91
	-----	-----	-----
OPERATING INCOME BEFORE INTEREST AND INCOME TAXES	473	486	87
Interest income	23	49	9
	-----	-----	-----
INCOME BEFORE TAXES	\$ 496	\$ 535	\$ 96
Provision for taxes	(179)	(203)	(34
	-----	-----	-----

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NET INCOME	\$ 317	\$ 332	\$ 61
	=====	=====	=====
NET INCOME PER SHARE, BASIC AND DILUTED	\$.12	\$.13	\$.2
DIVIDENDS PER SHARE	\$ 0	\$ 0	\$.1
WEIGHTED AVERAGE OF SHARES, Basic and diluted	2,578,315	2,578,315	2,578,315

See accompanying notes to financial statements.

These statements reflect all adjustments which, in the opinion of management, are necessary for fair statement of the results for the interim period.

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MICROPAC INDUSTRIES, INC.
CONDENSED BALANCE SHEETS
(Dollars in thousands)

ASSETS

CURRENT ASSETS	(Unaudited) 5/31/08	11/30/07
	-----	-----
Cash and cash equivalents	\$ 5,767	\$ 4,394
Short term investments	504	2,021
Receivables, net of allowance for doubtful accounts of \$89 on May 31, 2008 and \$89 on November 30, 2007	2,709	2,415
Inventories:		
Raw materials	1,650	1,588
Work-in process	2,148	2,455
	-----	-----
Total inventories	3,798	4,043
Prepaid expenses and other current assets	113	69
Deferred income tax	659	659
	-----	-----
Total current assets	13,550	13,601
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	80	80
Buildings	498	498
Facility improvements	796	796
Machinery and equipment	6,221	6,119
Furniture and fixtures	595	584
	-----	-----
Total property, plant, and equipment	8,190	8,077
Less accumulated depreciation	(6,945)	(6,843)
	-----	-----
Net property, plant, and equipment	1,245	1,234
	-----	-----

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	Total assets	\$ 14,795	\$ 14,835
		=====	=====
	LIABILITIES AND SHAREHOLDERS'		
EQUITY			
CURRENT LIABILITIES:			
	Accounts payable	\$ 686	\$ 608
	Accrued compensation	386	544
	Other accrued liabilities	174	194
	Deferred revenue	87	323
	Income taxes payable	173	235
		-----	-----
	Total current liabilities	1,506	1,904
		-----	-----
	DEFERRED INCOME TAXES	116	116
	SHAREHOLDERS' EQUITY		
	Common stock, (\$.10 par value), authorized 10,000,000 shares, 3,078,315 issued 2,578,315 outstanding at May 31, 2008 and November 30, 2007	308	308
	Paid-in capital	885	885
	Treasury stock, 500,000 shares, at cost	(1,250)	(1,250)
	Retained earnings	13,230	12,872
		-----	-----
	Total shareholders' equity	13,173	12,815
		-----	-----
	Total liabilities and shareholders' equity	\$ 14,795	\$ 14,835
		=====	=====

See accompanying notes to financial statements.

These statements reflect all adjustments which, in the opinion of management, are necessary for fair statement of the results for the interim period.

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MICROPAC INDUSTRIES, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

		Six months ended	
		05/31/08	05/26/07
		-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:			
	Net income	\$ 616	\$ 657
	Adjustments to reconcile net income to		

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cash from operating activities:		
Depreciation and amortization	127	122
Gain on sale of equipment	(3)	--
Changes in current assets and liabilities:		
Increase in accounts receivable	(294)	(92)
Decrease in inventories	245	377
Increase in prepaid expenses and other current assets	(44)	(8)
Decrease (increase) in income taxes, payable and deferred	(62)	45
Increase in accounts payable	78	60
Decrease in accrued compensation	(158)	(121)
(Decrease) increase in other accrued liabilities and deferred revenue	(256)	64
Net cash provided by operating activities	249	1,104
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in short term investments	1,517	(204)
Proceeds from the sale of equipment	9	--
Additions to property, plant and equipment	(144)	(172)
Net cash used (from) in investing activities	1,382	(376)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividend	(258)	(258)
Net cash used in financing activities	(258)	(258)
Net change in cash and cash equivalents	1,373	470
Cash and cash equivalents at beginning of period	4,394	2,558
Cash and cash equivalents at end of period	\$ 5,767	\$ 3,028
Supplemental Cash Flow Disclosure:		
Cash paid for income taxes	\$ 406	\$ 356

See accompanying notes to financial statements.

These statements reflect all adjustments, which, in the opinion of management, are necessary for fair statement of the results for the interim period.

MICROPAC INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Note 1

In the opinion of management, the unaudited financial statements include all adjustments (consisting of only normal, recurring adjustments) necessary to present fairly the financial position as of May 31, 2008, the cash flows for the six months ended May 31, 2008 and May 26, 2007, and the results of operations for the three months and six months ended May 31, 2008 and May 26, 2007. Unaudited financial statements are prepared on a basis substantially consistent with those audited for the year ended November 30, 2007. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to the rules and regulations promulgated by the Securities and Exchange Commission. However, management believes that the disclosures contained are adequate to make the information presented not misleading.

Note 2

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 sales and expenses during the reporting period. Actual results could differ from those estimates.

Note 3

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.

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 on March 7, 2008.

Note 4

On March 1, 2001, the Company's shareholders approved the 2001 Employee Stock Option Plan (the "Stock Plan"). As of May 31, 2008 there were 500,000 options available to be granted. No options have been granted to date.

Note 5

On June 1, 2008 the Company renewed an uncollateralized \$3,000,000 line of credit agreement with a bank for a term of two (2) years. The interest rate is equal to the prime rate less 1/4%. The line of credit requires that the Company

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maintain certain financial ratios. The financial covenants require the Company to maintain a 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.

Note 6

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. For the three months ended May 31, 2008 and May 26, 2007, the Company had no dilutive potential common stock.

Note 7

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.

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MICROPAC INDUSTRIES, INC. (Unaudited)

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business

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 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.

Results of Operations

	Three months ended		Year to Date	
	5/31/2008	5/26/2007	5/31/2008	5/26/2007
	-----	-----	-----	-----
NET SALES	100.00%	100.00%	100.00%	100.00%
COST AND EXPENSES:				
Cost of Goods Sold	69.37%	67.73%	69.48%	68.51%
Research and development	2.68%	2.02%	2.47%	2.18%
Selling, general & administrative expenses	17.66%	19.32%	18.13%	18.22%

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	Total cost and expenses	89.71%	89.07%	90.08%	88.91%
OPERATING INCOME BEFORE INTEREST AND INCOME TAXES		10.29%	10.93%	9.92%	11.09%
Interest income		.50%	1.10%	1.05%	1.09%
INCOME BEFORE TAXES		10.79%	12.03%	10.97%	12.18%
Provision for taxes		4.11%	4.56%	4.17%	4.62%
NET INCOME		6.68%	7.47%	6.80%	7.56%

Sales for the second quarter and six months ended May 26, 2008 totaled \$4,597,000 and \$8,782,000, respectively. Sales for the second quarter increased 3.4% or \$150,000 above sales for the same period of 2007, while sales for the first six months of 2008 increased 1.0% or \$84,000 above the first six months of 2007. Sales were 16% in the commercial market, 61% in the military market, and 23% in the space market for the six months ending May 31, 2008.

Cost of goods sold for the second quarter 2008 versus 2007 totaled 69.37% and 67.73% of net sales, respectively, while cost of goods sold for the six months of the comparable period totaled 69.48% and 68.51%, respectively. The cost of goods sold increase is attributable to changes in product mix.

Selling, general and administrative expenses for the second quarter and first six months of 2008 totaled 17.66% and 18.13% of net sales, respectively, compared to 19.32% and 18.22% for the same period in 2007. In actual dollars expensed, selling, general and administrative expenses increased \$7,000 for the first six months of 2008, versus 2007.

Net income for the second quarter and year to date 2008 totaled \$317,000 and \$616,000, respectively, compared to \$332,000 and \$657,000 for the comparable periods in 2007. Net income per share totaled \$.24 and \$.25 for the comparable six months of 2008 and 2007, respectively.

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Total assets decreased \$40,000 to \$14,795,000 as of May 31, 2008 from \$14,835,000 as of November 30, 2007 with a decrease in cash and short-term investments of \$144,000, inventory decrease of \$245,000, accounts receivable increase of \$294,000, increase in prepaid expense of \$44,000, and an increase in net property, plant, and equipment of \$11,000.

Accounts receivable, net totaled \$2,709,000 as of May 31, 2008 and represents an increase of \$294,000 since November 30, 2007.

Inventories totaled \$3,798,000 at the end of the second quarter 2008 compared to \$4,043,000 on November 30, 2007, a decrease of \$245,000. Raw materials inventories increased \$62,000 since November 30, 2007, while work-in-process inventories decreased \$307,000.

Liabilities totaled \$1,622,000 on May 31, 2008 representing a decrease of \$398,000 from November 30, 2007; primarily associated with an increase in accounts payable of \$78,000, a decrease of \$158,000 in accrued payroll, a decrease of \$62,000 in provision for income taxes, a decrease in deferred

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revenue of \$236,000, and a decrease of \$20,000 in other accrued liabilities.

Shareholders' equity increased \$358,000 in the first six months of 2008. Earnings per share for the six month period totaled \$.24 per share.

Liquidity and Capital Resources

Cash and short-term investments as of May 31, 2008 totaled \$6,271,000 compared to \$6,415,000 on November 30, 2007, a decrease of \$144,000. Cash flow from operations was \$249,000 for the first six months offset by a cash dividend of \$258,000, \$144,000 invested in automated production and test equipment, and a source of cash of \$1,517,000 from short term investments.

On June 1, 2008 the Company renewed an uncollateralized \$3,000,000 line of credit agreement with a bank. The interest rate is equal to the prime rate less 1/4%. The line of credit requires that the Company maintain certain financial ratios. The financial covenants require the Company to maintain a 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.

The Company expects to generate adequate amounts of cash from the sale of products and services and the collection thereof to meet its liquidity needs.

Outlook

New orders for the second quarter and year-to-date 2008 totaled \$4,891,000 and \$9,733,000, respectively, compared to \$4,260,000 and \$8,370,000 for the comparable periods of 2007 or an increase of 14.8% and 16.3% respectively.

Backlog totaled \$11,871,000 on May 31, 2008 compared to \$9,733,000 as of May 26, 2007 and \$7,918,000 on November 30, 2007. The majority of the backlog is expected to be shipped in the next twelve (12) months and represents a good mix of the company's products and technologies with 8% in the commercial market, 47% in the military market, and 45% in the space market compared to 11% in the commercial market, 64% in the military market, and 25% in the space market for the same period of 2007. The major increase was in the space market for solid state relays and solid state power controllers products with new orders totaling \$3,100,000.

The Company cannot assure that the results of operations for the interim period presented are indicative of total results for the entire year due to fluctuations in customer delivery schedules, or other factors over which the Company has no control.

Cautionary Statement

This Form 10-QSB 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 cyclicalities 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,

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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. Approximately \$1,700,000 of the Company's backlog is dependent on these semiconductors.

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

ITEM 3. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

The Chief Executive Officer and Chief Financial Officer of the Company evaluated the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) as of May 31, 2008 and, based on this evaluation, concluded that the Company's disclosure controls and procedures are functioning in an effective manner to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. .

(b) Changes in internal controls.

There has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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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 duly authorized.

MICROPAC INDUSTRIES, INC.

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July 15, 2008

Date

/s/ Mark King

Mark King
Chief Executive Officer

July 15, 2008

Date

/s/ Patrick Cefalu

Patrick Cefalu
Chief Financial Officer