

MICROPAC INDUSTRIES INC
Form 10-Q
April 10, 2018

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended February 24, 2018

OR

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

Commission File Number 0-5109

MICROPAC INDUSTRIES, INC.

Delaware
(State of Incorporation)

75-1225149
(IRS Employer Identification No.)

905 E. Walnut, Garland, Texas
(Address of Principal Executive Office)

75040
(Zip Code)

Registrant's Telephone Number, including Area Code (972) 272-3571

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

Indicate by check mark whether the registrant has submitted electronically 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 No

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 definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(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 No

On April 9, 2018 there were 2,578,315 shares of Common Stock, \$0.10 par value outstanding.

MICROPAC INDUSTRIES, INC.

FORM 10-Q

February 24, 2018

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PART I - FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****MICROPAC INDUSTRIES, INC.****CONDENSED BALANCE SHEETS**

(Dollars in thousands)

ASSETS

| CURRENT ASSETS | 02/24/18 (Unaudited) | 11/30/17 |
|---|-------------------------|----------|
| Cash and cash equivalents | \$ 9,643 | \$9,388 |
| Short-term investments | 2,038 | 2,031 |
| Receivables, net of allowance for doubtful accounts of \$0 at February 24, 2018 and November 30, 2017 | 2,086 | 3,462 |
| Inventories: | | |
| Raw materials and supplies | 4,231 | 3,874 |
| Work-in process | 2,318 | 1,991 |
| Total inventories | 6,549 | 5,865 |
| Prepaid income tax | 210 | 227 |
| Prepaid expenses and other assets | 256 | 274 |
| Total current assets | 20,782 | 21,247 |
| PROPERTY, PLANT AND EQUIPMENT, at cost: | | |
| Land | 1,518 | 1,518 |
| Buildings | 498 | 498 |
| Facility improvements | 1,109 | 1,109 |
| Furniture and fixtures | 938 | 938 |
| Construction in process equipment | 714 | 678 |
| Machinery and equipment | 8,600 | 8,492 |
| Total property, plant, and equipment | 13,377 | 13,233 |
| Less accumulated depreciation | (9,505) | (9,429) |
| Net property, plant, and equipment | 3,872 | 3,804 |
| Deferred income taxes, net | 125 | 203 |
| | \$ 24,779 | \$25,254 |
| Total assets | | |

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

| | | |
|---------------------------|--------|-------|
| Accounts payable | \$ 711 | \$372 |
| Accrued compensation | 437 | 704 |
| Deferred revenue | 249 | 392 |
| Property taxes | 24 | 86 |
| Other accrued liabilities | 68 | 140 |
| Total current liabilities | 1,489 | 1,694 |

SHAREHOLDERS' EQUITY

| | | |
|--|-----------|----------|
| Common stock, \$.10 par value, authorized 10,000,000 shares, 3,078,315 issued and 2,578,315 outstanding at February 24, 2018 and November 30, 2017 | 308 | 308 |
| Additional paid-in capital | 885 | 885 |
| Treasury stock, 500,000 shares, at cost | (1,250) | (1,250) |
| Retained earnings | 23,347 | 23,617 |
| Total shareholders' equity | 23,290 | 23,560 |
| Total liabilities and shareholders' equity | \$ 24,779 | \$25,254 |

See accompanying notes to financial statements.

MICROPAC INDUSTRIES, INC.**CONDENSED STATEMENTS OF OPERATIONS**

(Dollars in thousands except share data)

(Unaudited)

| | <u>Three months ended</u> | |
|--|---------------------------|-----------|
| | 02/24/18 | 02/25/17 |
| NET SALES | \$3,851 | \$3,908 |
| COST AND EXPENSES: | | |
| Cost of goods sold | (2,350) | (2,502) |
| Research and development | (297) | (440) |
| Selling, general & administrative expenses | (1,134) | (989) |
| Total cost and expenses | (3,781) | (3,931) |
| OPERATING INCOME (LOSS) | 70 | (23) |
| Other income, net | 12 | 3 |
| INCOME (LOSS) BEFORE TAXES | 82 | (20) |
| (Provision) benefit for taxes | (94) | 7 |
| NET LOSS | \$(12) | \$(13) |
| NET (LOSS) INCOME PER SHARE, BASIC AND DILUTED | \$(0.01) | \$(0.01) |
| DIVIDENDS PER SHARE | \$0.10 | \$0.10 |
| WEIGHTED AVERAGE OF SHARES, basic and diluted | 2,578,315 | 2,578,315 |

See accompanying notes to financial statements.

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MICROPAC INDUSTRIES, INC.**CONDENSED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)

(Unaudited)

| | Three months ended | |
|--|-----------------------|----------|
| | 2/24/18 | 2/25/17 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$(12) | \$(13) |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | 76 | 71 |
| Deferred tax | 77 | — |
| Changes in certain current assets and liabilities | | |
| Accounts receivable | 1,376 | (346) |
| Inventories | (684) | 92 |
| Prepaid expense and other current assets | 18 | 17 |
| Prepaid income taxes | 18 | (6) |
| Deferred revenue | (143) | (103) |
| Accounts payable | 323 | (200) |
| Accrued compensation | (267) | (34) |
| Other accrued liabilities | (134) | (69) |
| Net cash provided by (used in) operating activities | 648 | (591) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Sale of short term investments | 2,033 | 2,014 |
| Purchase of short term investments | (2,040) | (2,017) |
| Additions to property, plant and equipment | (128) | — |
| Net cash used in investing activities | (135) | (3) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash dividend | (258) | (258) |
| Net cash used in financing activities | (258) | (258) |
| Net change in cash and cash equivalents | 255 | (852) |
| Cash and cash equivalents at beginning of period | 9,388 | 10,012 |

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| | | |
|--|---------|---------|
| Cash and cash equivalents at end of period | \$9,643 | \$9,160 |
|--|---------|---------|

Supplemental Cash Flow Disclosure:

| | | |
|----------------------------|-----|-----|
| Cash paid for income taxes | \$1 | \$— |
|----------------------------|-----|-----|

Supplemental Non Cash Flow Disclosure:

| | | |
|--------------------------------|------|------|
| Accrued additions to equipment | \$17 | \$17 |
|--------------------------------|------|------|

See accompanying notes to financial statements.

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MICROPAC INDUSTRIES, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

Note 1 BASIS OF PRESENTATION

Business Description

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

The Company’s facilities are certified and qualified by the Defense Logistics Agency (DLA) to MIL-PRF-38534 (class K-space level) and MIL-PRF-19500 JANS (space level) and is certified to ISO 9001:2008 and AS 9100C. Micropac is a National Aeronautics and Space Administration (NASA) core supplier, and is registered to AS9100-Aerospace Industry standard for supplier certification. The Company has Underwriters Laboratories (UL) approval on our industrial power controllers.

The Company’s core technology is microelectronic and optoelectronic designs to include the packaging and interconnecting of multi-chip microelectronics modules. Other technologies include light emitting and light sensitive materials and products, including light emitting diodes and silicon phototransistors, and electronic integration used in the Company’s optoelectronic components and assemblies.

The business of the Company 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 452 shareholders on February 24, 2018.

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 February 24, 2018, the results of operations and cash flows for the three months ended February 24, 2018 and February 25, 2017. Unaudited financial statements are prepared on a basis substantially consistent with those audited for the year ended November 30, 2017.

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. The Company's fiscal year ends on the last day of November. The quarterly results end on the last Saturday of the quarter.

It is suggested that these financial statements be read in conjunction with the November 30, 2017 Form 10-K filed with the SEC, including the audited financial statements and the accompanying notes thereto.

Note 2 SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Revenues are recorded as shipments 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.

Deferred Revenue represents prepayments from customers and will be recognized as revenue when the products are shipped per the terms of the contract.

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the modified retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. On July 9, 2015, the FASB agreed to defer the effective date to annual reporting periods beginning after December 15, 2017 and the interim periods within that year. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting. The standard will be effective for the Company for fiscal year ending November 30, 2019 and the interim periods within the year.

Short-Term Investments

The Company has \$2,038,000 in short-term investments at February 24, 2018. Short-term investments consist of certificates of deposits with maturities greater than 90 days. These investments are reported at historical cost, which approximates fair value. 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 and mature within one year.

Inventories

Inventories are stated at lower of cost or net realizable 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 determines the need to write inventory down to the lower of cost or net realizable value via an analysis based on the usage of inventory over a three year period and projected usage based on current backlog.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. This ASU does not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. This ASU eliminates from GAAP the requirement to measure inventory at the lower of cost or market. Market under the previous requirement could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. Entities within scope of this update will now be required to measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory using LIFO or the retail inventory method. The amendments in this update are effective for fiscal years beginning after December 15, 2016, with early adoption permitted, and should be applied prospectively. The Company adopted this guidance on December 1, 2017 and the adoption did not have a material impact on its consolidated financial statements.

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.

The Company records a liability for an unrecognized tax benefit for a tax position that is not “more-likely-than-not” to be sustained. The Company did not record any liability for uncertain tax positions as of February 24, 2018 and November 30, 2017.

On December 22, 2017, the Tax Cuts and Jobs Act (the “Act”) was signed into United States tax law, which among other provisions lowered the corporate tax rate to 21%.

Our effective tax rate decreased from 32% for the three months ended February 25, 2017 to 20% for the three months ended February 24, 2018 due primarily to the enactment of the Tax Act on December 22, 2017.

In December 2017, the Securities and Exchange Commission issued Staff Accounting Bulletin (“SAB”) 118 to provide guidance for companies that allows for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts under ASC 740. In accordance with SAB 118, a company must reflect the income tax effect of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, the company must record a provisional estimate in the financial statements.

ASC 740 requires the effects of changes in tax rates and laws on deferred tax balances to be recognized in the period in which the legislation is enacted. Consequently, as of the date of enactment, and during the three months ended February 24, 2018, we revalued all deferred tax assets and liabilities at the newly enacted Federal corporate US income tax rate. This revaluation as of enactment resulted in a non-cash provisional estimate of \$77,000 to income tax expense and a corresponding reduction in the net deferred tax asset.

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 in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) ASC 360-10-35, *Property, Plant and Equipment – Subsequent Measurement*. 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 less cost to sell is required.

Repairs and maintenance are expensed as incurred. Improvements which extend the useful lives of property, plant, and equipment are capitalized.

Research and Development Costs

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

Note 3 OTHER NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under the new standard, lessees will be required to recognize lease assets and liabilities for all leases, with certain exceptions, on their balance sheets. Public business entities are required to adopt the standard for reporting periods beginning after December 15, 2018. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

Note 4 FAIR VALUE MEASUREMENT

The Company had no financial assets or liabilities measured at fair value on a recurring basis as of February 24, 2018 and November 30, 2017. The fair value of financial instruments such as cash and cash equivalents, short term investments, accounts receivable, and accounts payable approximate their carrying amount based on the short maturity of these instruments. There were no nonfinancial assets measured at fair value on a nonrecurring basis at February 24,

2018 and November 30, 2017.

Note 5 COMMITMENTS

On April 23, 2016, the Company renewed the Loan Agreement with a Texas banking institution. The Loan Agreement provides for revolving credit loans, in amounts not to exceed a total principal balance of \$6,000,000. The Loan Agreement also contains financial covenants to maintain at all times including (i) minimum working capital of not less than \$4,000,000, (ii) a ratio of senior funded debt, minus the Company's balance sheet cash on hand to the extent in excess of \$2,000,000 to EBITDA of not more than 3.0 to 1.0, and (iii) a ratio of free cash flow to debt service of not less than 1.2 to 1.0. The Company has not, to date, drawn any amounts under the revolving line of credit and is currently in compliance with the financial covenants.

Note 6 EARNINGS PER COMMON SHARE

Basic and diluted earnings per share are computed based upon the weighted average number of shares outstanding during the respective periods. Diluted earnings per share gives effect to all dilutive potential common shares. For the three months ended February 24, 2018 and February 25, 2017, the Company had no dilutive potential common stock.

Note 7 SHAREHOLDERS' EQUITY

On December 13, 2016, the Board of Directors of Micropac Industries, Inc. approved the payment of a \$0.10 per share special dividend to all shareholders of record as of January 10, 2017. The dividend was paid to shareholders on February 8, 2017.

On December 12, 2017, the Board of Directors of Micropac Industries, Inc. approved the payment of a \$0.10 per share special dividend to all shareholders of record as of January, 10 2018. The dividend was paid to shareholders on February 8, 2018.

MICROPAC INDUSTRIES, INC.

(Unaudited)

**ITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS
2. OF OPERATIONS**

Business

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

The Company's facilities are certified and qualified by the Defense Logistics Agency (DLA) to MIL-PRF-38534 (class K-space level) and MIL-PRF-19500 JANS (space level) and is certified to ISO 9001:2008 and AS 9100C. Micropac is a National Aeronautics and Space Administration (NASA) core supplier, and is registered to AS9100-Aerospace Industry standard for supplier certification. The Company has Underwriters Laboratories (UL) approval on our industrial power controllers.

The Company's core technology is microelectronic and optoelectronic designs to include the packaging and interconnecting of multi-chip microelectronics modules. Other technologies include light emitting and light sensitive materials and products, including light emitting diodes and silicon phototransistors, and electronic integration used in the Company's optoelectronic components and assemblies.

Results of Operations

| | <u>Three months</u> | |
|-----------|---------------------|------------------|
| | <u>ended</u> | |
| | <u>2/24/2018</u> | <u>2/25/2017</u> |
| NET SALES | 100.0% | 100.0% |

COST AND EXPENSES:

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| | | |
|--|---------|---------|
| Cost of Goods Sold | 61.0 % | 64.0 % |
| Research and development | 7.7 % | 11.3 % |
| Selling, general & administrative expenses | 29.5 % | 25.3 % |
| Total cost and expenses | 98.2 % | 100.6 % |
| | | |
| OPERATING INCOME | 1.8 % | (0.6)% |
| | | |
| Other income | 0.3 % | 0.1 % |
| | | |
| INCOME BEFORE TAXES | 2.1 % | (0.5)% |
| | | |
| Provision for taxes | 2.4 % | 0.2 % |
| | | |
| NET INCOME | (0.3)% | (0.3)% |

Sales for the first quarter ended February 24, 2018 totaled \$3,851,000. Sales for the first quarter decreased 1.5% or \$57,000 below sales for the first quarter of 2018. Sales were 15% in the commercial market, 60% in the military market, and 25% in the space market in the first quarter of 2018 compared to 12% in the commercial market, 62% in the military market, and 26% in the space market for the same period of 2017.

One customer accounted for 16% of the Company's sales for the first quarter of 2018 and two customers accounted for 11% and 10% of the Company's sales for the first quarter of 2017.

Cost of goods sold for the first quarter of 2018 and 2017 totaled 61.0% and 64.0% of net sales, respectively. Cost of goods sold decreased \$152,000 in the first quarter of 2018 as compared to 2017 due to product mix. Material cost of goods decreased by \$128,000 and labor cost of goods sold decreased by \$33,000.

Research and development cost decreased \$143,000 for the first quarter of 2018 compared to the same period of 2017. The decrease was due to lower material and outside service cost. The research and development expenditures were associated with the continued development of power management products, optoelectronic products and process automation improvements.

Selling, general and administrative expenses for the first quarter of 2018 totaled 29.5% of net sales, compared to 25.3% for the same period in 2017. Selling, general and administrative expenses increased \$145,000 in the first quarter of 2018 as compared to 2017. The majority of the increase was associated with the implementation of a new Enterprise Resource Planning system.

Income before taxes for the first fiscal quarter 2018 was \$82,000, or 2.1% of net sales, compared to a loss of \$20,000 in the first fiscal quarter of 2017.

Provisions for taxes increased \$101,000 for the first quarter of 2018 compared to the same period in 2017. The increase was associated with the enactment of the Tax Act on December 22, 2017. ASC 740 requires the effects of changes in tax rates and laws on deferred tax balances to be recognized in the period in which the legislation is enacted. Consequently, as of the date of enactment, and during the three months ended February 24, 2018, we revalued all deferred tax assets and liabilities at the newly enacted Federal corporate US income tax rate. This revaluation as of enactment resulted in a non-cash provisional estimate of \$77,000 to income tax expense and a corresponding reduction in the net deferred tax asset. The estimated effective tax rate was 20% for the first quarter of 2018 and 32% for the first quarter of 2017.

Income for the first quarter of 2018 was a net loss of \$12,000 compared to a net loss of \$13,000 in the first quarter of 2017.

Liquidity and Capital Resources

Cash and cash equivalents totaled \$9,643,000 as of February 24, 2018 compared to \$9,388,000 on November 30, 2017, an increase of \$255,000. The increase in cash and cash equivalents is attributable to \$648,000 cash provided by operations, a payment of a cash dividend of \$258,000, \$128,000 invested in equipment and net payments for short-term investment of \$7,000.

In addition to cash on hand, the Company also has the ability to borrow under a loan agreement as discussed in Note 5 to the condensed financial statements.

Outlook

New orders for the first quarter of 2018 totaled \$3,652,000 compared to \$2,595,000 for the comparable period of 2017. Backlog totaled \$12,679,000 on February 24, 2018 compared to \$15,787,000 as of February 25, 2017 and \$12,864,000 on November 30, 2017. The majority of the backlog is expected to be completed and shipped in the next twelve months.

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-Q 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.

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 Company's ability to make timely delivery 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.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable

ITEM 4. 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 Rule 13a-15) as of February 24, 2018 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 during the three month period ended February 24, 2018.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A RISK FACTORS

Information about risk factors for the three months ended February 24, 2018 does not differ materially from that set forth in Part I, Item 1A, of our Annual Report on Form 10-K for the year ended November 30, 2017.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4.

MINE SAFETY DISCLOSURE

Not Applicable

ITEM 5.

OTHER INFORMATION

None

ITEM 6.

EXHIBITS

(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.

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.

April 10, 2018

Date /s/ Mark King
 Mark King
 Chief Executive Officer

April 10, 2018

Date /s/ Patrick Cefalu
 Patrick Cefalu
 Chief Financial Officer

