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SUTRON CORP
Form 10-Q
May 15, 2008

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

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2008

COMMISSION FILE NUMBER: 0-12227

SUTRON CORPORATION

(Name of small business issuer as specified in its charter)

VIRGINIA

54-1006352

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer
Identification Number)

21300 RIDGETOP CIRCLE, STERLING, VIRGINIA 20166

(Address of principal executive offices)

703-406-2800

(Issuer's telephone number)

SECURITIES REGISTERED UNDER SECTION 12(G) OF THE ACT: COMMON STOCK, \$.01 PAR VALUE Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the issuer 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 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
Non-accelerated filer

Accelerated Filer
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

There were 4,540,632 outstanding shares of the issuer's only class of common equity, Common Stock, \$0.01 par value, on May 13, 2008.

Transitional Small Business Disclosure Format (check one): Yes No

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SUTRON CORPORATION
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED MARCH 31, 2008

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SUTRON CORPORATION CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	MARCH 31, 2008	DECEMBER 31, 2007
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,982,822	\$ 5,299,904
Restricted cash and cash equivalents	172,351	134,241
Accounts receivable, net	3,348,526	3,614,532
Inventory	4,603,976	4,114,014
Prepaid items and other assets	501,806	477,754
Deferred income taxes	314,000	312,000
	-----	-----
TOTAL CURRENT ASSETS	13,923,481	13,952,445
PROPERTY AND EQUIPMENT, AT COST	2,419,790	2,424,768

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Accumulated depreciation and amortization	(1,898,946)	(1,845,486)
Property and equipment, net	520,844	579,282
OTHER ASSETS	98,172	99,308
TOTAL ASSETS	\$ 14,542,497	\$ 14,631,035
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 906,678	\$ 823,114
Accrued payroll	177,200	285,829
Other accrued expenses	940,672	995,123
Notes payable - current	23,725	38,381
Billings in excess of costs and estimated earnings	--	246,448
TOTAL CURRENT LIABILITIES	2,048,275	2,388,895
LONG-TERM LIABILITIES		
Notes payable, net of current maturities	1,296	2,075
Deferred income taxes	72,000	84,000
TOTAL LONG-TERM LIABILITIES	73,296	86,075
TOTAL LIABILITIES	2,121,571	2,474,970
STOCKHOLDERS' EQUITY		
Common stock	45,307	45,257
Additional paid-in capital	2,709,994	2,694,416
Retained earnings	9,731,728	9,484,811
Accumulated other comprehensive loss	(66,103)	(68,419)
TOTAL STOCKHOLDERS' EQUITY	12,420,926	12,156,065
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 14,542,497	\$ 14,631,035

See accompanying notes.

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SUTRON CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2008	2007
Net sales and revenues	\$ 3,819,048	\$ 3,146,744
Cost of sales and revenues	2,324,396	2,006,703
Gross profit	1,494,652	1,140,041
Operating expenses:		
Selling, general and administrative expenses	881,301	841,113
Research and development expenses	290,755	293,353

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Total operating expenses	1,172,056	1,134,466
Operating income	322,596	5,575
Interest income (expense), net	40,321	22,397
Income before income taxes	362,917	27,972
Income tax expense (benefit)	116,000	(11,000)
Net income	\$ 246,917	\$ 38,972
Net income per share:		
Basic income per share	\$.05	\$.01
Diluted income per share	\$.05	\$.01

See accompanying notes.

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SUTRON CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 2008	2007
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 246,917	\$ 38,972
Noncash items included in net income:		
Depreciation and amortization	53,460	56,250
Deferred income taxes	(14,000)	11,000
Stock option compensation	12,228	18,385
Changes in current assets and liabilities:		
Accounts receivable	266,006	2,732,300
Inventory	(489,962)	(646,669)
Prepaid items and other assets	(22,916)	(170,898)
Accounts payable	83,564	(576,181)
Accrued expenses	(163,080)	(285,012)
Billings in excess of costs and estimated earnings	(246,448)	--
Net Cash Provided (Used) by Operating Activities	274,231	1,178,147
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted cash and cash equivalents	(38,110)	(792,296)
Purchase of property and equipment	4,978	(10,881)
Net Cash Provided (Used) by Investing Activities	(33,132)	(803,177)

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CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(15,435)	(15,570)
Proceeds from stock options exercised	3,400	76,582
	-----	-----
Net Cash Provided (Used) by Financing Activities	(12,035)	61,012
	-----	-----
Effect of exchange rate changes on cash	2,316	6,206
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(317,082)	442,188
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,299,904	1,539,032
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 4,982,822	\$ 1,981,220
	=====	=====
CASH PAID DURING THE PERIOD FOR:		
Interest	\$ 0	\$ 762
	=====	=====

See accompanying notes.

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SUTRON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Sutron Corporation (the "Company") was incorporated on December 30, 1975, under the General Laws of the Commonwealth of Virginia. The Company operates from its headquarters located in Sterling, Virginia. The Company has several branch offices located throughout the United States, a branch office in India and a wholly owned subsidiary in India. The Company is a leading provider of real-time data collection and control products, systems software and professional services in the hydrological, meteorological and oceanic monitoring markets. The Company's principal products include data loggers, satellite transmitters/loggers, water level and meteorological sensors, tides systems and system and application software. Customers consist of a diversified base of Federal, state, local and foreign government agencies, universities and engineering and hydropower companies.

The financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report filed on Form 10-KSB for the year ended December 31, 2007. The condensed consolidated balance sheet as of December 31, 2007 was derived from the audited financial statements for the year then ended.

In the opinion of the Company, all adjustments necessary to present fairly the financial position of the Company and the results of its operations and its cash flows have been included in the accompanying financial statements. The results of operations for interim periods are not necessarily indicative of the expected results for the full year.

2. SIGNIFICANT ACCOUNTING POLICIES

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the

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reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These judgments are difficult as matters that are inherently uncertain directly impact their valuation and accounting. Actual results may vary from management's estimates and assumptions.

The Company's significant accounting policies are disclosed in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007 filed with the Securities and Exchange Commission.

STOCK COMPENSATION

The Company's Amended and Restated 1996, 1997 and 2002 Stock Option Plans (the "Stock Option Plans") provide for the issuance of non-qualified stock options to employees, officers and directors. The plans are administered by the compensation committee of the Board of Directors, which selects persons to receive awards and determines the number of shares subject to each award and the terms, conditions, performance measures and other provisions of the award. See Note 13 of the Company's financial statements in its Annual Report on Form 10-KSB for the year ended December 31, 2007 for additional information related to the stock option plans.

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Effective January 1, 2006, the Company adopted SFAS No. 123R ACCOUNTING FOR STOCK BASED COMPENSATION (SFAS 123R), which requires companies to measure and recognize compensation expense for all stock-based payments at fair value. SFAS 123R is being applied on the modified prospective transition method and therefore the Company has not restated results for prior periods. The financial statements for the three months ended March 31, 2008 recognize compensation cost for the portion of outstanding awards which have vested during the period. The Company recognizes stock-based compensation costs on a straight-line basis over the requisite service period of the award, which is generally the option vesting term. For the three months ended March 31, 2008, total stock-based compensation expense of \$12,228 was included in operating expenses as compared to stock-based compensation of \$18,385 for the three months ended March 31, 2007. The weighted average fair value of options granted during the three months ended March 31, 2008 was calculated using the Black-Scholes option pricing model with the following valuation assumptions and weighted average fair value as follows:

	Three Months ----- Ended March 31, 200 -----
Weighted average fair value of grants	\$6.00
Expected volatility	30%
Dividend yield	0
Risk-free interest rate	3.62%
Expected term in years	10.00

The volatility factor is based on the Company's historical stock price fluctuations. The Company has not, and does not intend to, issue dividends; therefore, the dividend yield assumption is 0. The Company applied the risk-free interest rate based on the U.S. Treasury yield in effect at the time of the grant. The expected term of the option is based on the contractual period of the options granted.

3. STOCK OPTIONS

The Company has granted stock options under the Stock Option Plans to key

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employees and directors for valuable services provided to the Company. Under the 1996 Plan, the Company authorized 260,000 shares, 259,000 of which have been granted. As of December 31, 2004, the Company authorized 60,000 shares and 400,000 shares under the 1997 and 2002 Stock Option Plans, respectively, all of which have been granted. During 2005, the 2002 Stock Option Plan was amended to authorize 650,000 shares, 501,333 of which have been granted. In addition, all three plans were amended in 2005 to allow Directors to participate in the plan, and to provide that vesting schedules will be determined by the Board at the time each individual option is granted.

Shares under all of the plans may be granted at not less than 100 percent of the fair market value at the grant date. All options have a ten-year term from the date of grant. Prior to the 2005 amendments, options vested ratably over five years on each anniversary date the option was granted. The Company elected to accelerate vesting of all outstanding options as of December 31, 2005, as permitted under the plans. Cancelled or expired options are able to be reissued. The following table summarizes stock option activity under the Stock Option Plans for the three months ended March 31, 2008:

	Number of Shares	Weighted Avg. Exercise Price	Number of Options Exercisable
	-----	-----	-----
Balance - December 31, 2007	583,252	\$1.65	583,252
Granted	1,000	6.00	
Exercised	5,000	.68	
Canceled	--	--	
	-----	-----	-----
Balance - March 31, 2008	579,252	\$1.67	579,252
	=====	=====	=====

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4. EARNINGS PER SHARE

The following table shows the weighted average number of shares used in computing earnings per share and the effect on weighted average number of shares of potential dilutive common stock.

	Three Months 2008	Ended March 31 2007
	-----	-----
Net income	\$246,917	\$38,972
	=====	=====
Shares used in calculation of income per share:		
Basic	4,531,354	4,500,792
Effect of dilutive options	443,141	535,722
	=====	=====
Diluted	4,974,496	5,036,514
	=====	=====
Net income per share:		
Basic	\$.05	\$.01
	=====	=====
Diluted	\$.05	\$.01
	=====	=====

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

STATEMENTS MADE IN THIS QUARTERLY REPORT ON FORM 10-Q,, INCLUDING WITHOUT LIMITATION THIS MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

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OPERATIONS, OTHER THAN STATEMENTS OF HISTORICAL INFORMATION, ARE 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. THESE FORWARD-LOOKING STATEMENTS MAY SOMETIMES BE IDENTIFIED BY SUCH WORDS AS "MAY," "WILL," "EXPECT," "ANTICIPATE," "BELIEVE," "ESTIMATE" AND "CONTINUE" OR SIMILAR WORDS. WE BELIEVE THAT IT IS IMPORTANT TO COMMUNICATE OUR FUTURE EXPECTATIONS TO INVESTORS. HOWEVER, THESE FORWARD-LOOKING STATEMENTS INVOLVE MANY RISKS AND UNCERTAINTIES. OUR ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE INDICATED IN SUCH FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS. WE ARE UNDER NO DUTY TO UPDATE ANY OF THE FORWARD-LOOKING STATEMENTS AFTER THE DATE OF THIS REPORT ON QUARTERLY FORM 10-Q TO CONFORM THESE STATEMENTS TO ACTUAL RESULTS.

OVERVIEW

Our primary focus is to provide real-time systems solutions, including equipment and software, and services to our customers in the areas of hydrological monitoring and control, meteorological monitoring including airport weather systems, oceanic monitoring and hydrological services. We design, manufacture and market these products and services to a diversified customer base consisting of federal, state, local and foreign governments, universities and engineering and hydropower companies. Our products and services enable these entities to monitor and collect hydrological, meteorological and oceanic data for the management of critical water resources, for early warning of potentially disastrous floods, storms or tsunamis, for the optimization of hydropower plants and for providing real-time weather conditions at airports.

Our key products are the SatLink2 Transmitter/Logger, Xpert/XLite datalogger, Accububble Self-Contained Bubbler, Accubar Pressure Sensor, Tides Systems and XConnect Systems Software. These are the essential components of most systems and are provided to customers as off-the-shelf equipment or as part of a custom system. The SatLink2 is a key product because it functions both as a transmitter and logger. Because of its logger/transmitter functionality, it is a cost-effective solution for small systems that do not require a significant number of sensors or communications options. The Xpert and XLite are more powerful dataloggers that have more logging capability and more communications options than the

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SatLink2. Our Tides Systems are the only National Ocean Survey approved tides monitoring system in the United States.

We anticipate that we will experience significant quarterly fluctuations in our sales and revenues which is not a fiscal year 2008 issue but is historically reflective of our business. Operating results will depend upon the product mix and upon the timing of project awards. International sales, which totaled 40% of revenues for fiscal year 2007, continue to constitute a more significant portion of our revenues. We are aware of many significant international opportunities and we expect international revenues to grow as a percentage of our total business. International sales are, however, difficult to forecast and international awards are frequently delayed due to the governmental approval process. We are committed to expanding our airport weather systems although we are relatively new in this market and compete against established firms with more experience. We are also committed to growing our hydrological services, however, our primary customer in Florida has expanded the pool of qualified contractors on all major contracts. We therefore might receive lower contract amounts in 2008 due to the expanded list of qualified contractors. We are committed in our ongoing sales, marketing and research and development activities to sustain and grow our sales and revenues from our products and services. We expect our sales and marketing, research and development and

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general and administrative expenses to increase moderately in 2008 as compared to 2007.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's discussion and analysis of financial condition and results of operations are based upon the condensed financial statements, which have been prepared in accordance with generally accepted accounting principles as recognized in the United States of America. The preparation of these financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosure of contingent assets and liabilities. Our estimates include those related to revenue recognition, the valuation of inventory, and valuation of deferred tax assets and liabilities, useful lives of intangible assets, warranty obligations and accruals. We base our estimates on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. For a complete description of accounting policies, see Note 1 to our financial statements included in the Company's Form 10-KSB for the year ended December 31, 2007. There were no significant changes in critical accounting estimates

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated the percentage of total revenues represented by certain items reflected in our statements of operations:

	Three Months Ended March 31,	
	2008	2007
	-----	-----
Net sales and revenues	100.0%	100.0%
Cost of sales and revenues	60.9	63.8
	-----	-----
Gross profit	9.1	36.2
Selling, general and administrative expenses	23.1	26.7
Research and Development expenses	7.6	9.3
	-----	-----
Operating income	8.4	.2
Interest income	1.1	.7
	-----	-----
Income before income taxes	9.5	.9
Income taxes (benefit)	3.0	(.3)
	-----	-----
Net income	6.5%	1.2%
	=====	=====

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THREE MONTHS ENDED MARCH 31, 2008 COMPARED TO THREE MONTHS ENDED MARCH 31, 2007

NET SALES AND REVENUES

The Company's revenues for the three months ended March 31, 2008 increased 21% to \$3,819,048 from \$3,146,744 in 2007 due to increased international revenues. Net sales and revenues are broken down between the Company's operating divisions or profit centers which include the HydroMet Products Division, the Integrated

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Services Division which includes Special Projects, the Hydrological Services Division, Airport Weather Systems Division and Sutron India Operations. The HydroMet Products Division, which is responsible for sales of standard products, had a net sales and revenue increase of 3% to \$2,107,407 from \$2,050,248 in 2007. Integrated Systems net sales and revenues increased 47% to \$994,701 from \$674,897 in 2007 primarily due to increased contract revenue from the Company's project with the Afghanistan Ministry of Energy and Water to provide 174 hydrological monitoring stations. Net sales and revenues from Hydrological Services decreased 23% to \$315,577 from \$411,760 in 2007 due a decrease in project work orders from the South Florida Water Management District. Airport Weather Systems had a net sales and revenue increase \$265,511 from \$0 in 2007 due to the shipment of an Automatic Weather Observation System (AWOS) to the Southern Airport Authority of Vietnam. Sutron India Operations had a net sales and revenue increase to \$135,852 from \$9,839 in 2007 due to increased revenues relating to a contract with the Central Water Commission of India for the installation of 168 Hydro-Met stations and 12 Modeling Centers.

Overall domestic revenues decreased 11% to \$2,118,683 in the first quarter of 2008 versus \$2,371,013 in 2007 while international revenues increased 36% to \$1,700,365 in 2008 versus \$775,731 in the same period in 2007. Customer orders or bookings in the first quarter of 2008 were \$2,507,580 as compared to \$3,061,907 in the first quarter of 2007.

COST OF SALES AND REVENUES

Cost of sales as a percentage of revenues was 60.9% for the quarter ended March 31, 2008 as compared to 63.8% for the quarter ended March 31, 2007. The decrease in cost of sales was primarily due to a reduction in parts costs due to purchasing efficiencies and to improvement in the operations of our Hydrological Services Division based in Florida.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased to \$881,301 for the quarter ended March 31, 2008 from \$841,113 for the quarter ended March 31, 2007. Selling, general and administrative expenses as a percentage of revenues decreased to 23.1% for the quarter ended March 31, 2008 from 26.7% for the quarter ended March 31, 2007 due to the revenue increase. The increase was primarily due to SOX 404 consulting fees and increased audit expenses.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses decreased to \$290,755 for the quarter ended March 31, 2008 from \$293,353 for the quarter ended March 31, 2007. Our product development continues to focus on enhancements to our current products including our Satlink2 satellite transmitter/logger, our Xpert and

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XLite dataloggers, our water level sensors and tides systems. These are the primary components of hydrometeorological and oceanic monitoring systems. We are also developing new dataloggers and sensors in order to maintain and improve our competitive position.

INTEREST INCOME AND EXPENSE, NET

Due to the Company's cash position, the Company did not use its line of credit during the first quarter of 2008. The Company had interest income for the quarter ended March 31, 2008 of \$40,321 as compared to interest income of \$22,397 for the quarter ended March 31, 2007.

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INCOME TAXES

Income tax expense for the quarter ended March 31, 2008 was \$116,000 as compared to an income tax benefit of \$11,000 for the quarter ended March 31, 2007. The provisions for income taxes represent an effective income tax rate of 32% in 2008 and an income tax benefit of 39.3% in 2007.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were \$4,982,822 at March 31, 2008 compared to \$5,299,904 at December 31, 2007. Working capital increased to \$11,875,206 at March 31, 2008 compared with \$11,563,550 at December 31, 2007.

Net cash provided by operating activities was \$274,231 for the quarter ended March 31, 2008 as compared to cash provided by operating activities of \$1,178,147 for the quarter ended March 31, 2007.

Net cash used by investing activities was \$33,132 for the quarter ended March 31, 2008 as compared to cash used by investing activities of \$803,177 for the quarter ended March 31, 2007. An increase of \$792,296 in restricted cash in 2007 was related to a bank guarantee for the Central Water Commission of India. This bank guarantee was subsequently released and is the primary reason for the decrease.

Net cash used by financing activities was \$12,035 for the quarter ended March 31, 2008 as compared to net cash provided by financing activities of \$61,012 for the quarter ended March 31, 2007 due primarily to the employee stock options proceeds that were received in the prior year.

We have a revolving credit facility of \$3,000,000 with BB&T Bank. We are permitted to borrow based on accounts receivable and inventory according to pre-established criteria. The credit facility expires on August 5, 2008 and is secured by substantially all assets of the Company. Borrowings bear interest at the bank's prime rate. During the first quarter of 2008, there were no borrowings on the line of credit.

We frequently bid on and enter into international contracts that require bid and performance bonds. At March 31, 2008 and December 31, 2007, a commercial bank had issued standby letters of credit in the amounts of \$1,692,818 and \$1,652,818, respectively that served as either bid or performance bonds. The amount available to borrow under the line of credit was reduced by these amounts.

Management believes that its existing cash resources, cash flow from operations and short-term borrowings on the existing credit line will provide adequate resources for supporting operations during fiscal 2008. Although there can be no assurance that our revolving credit facility will be renewed, management believes that, if needed, it would be able to find alternative sources of funds on commercially acceptable terms.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable

ITEM 4T. CONTROLS AND PROCEDURES

(A) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our management (with the participation of our Chief Executive Officer and Chief

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Financial Officer) evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of March 31, 2008, the end of the fiscal period covered by this report on Form 10-Q. The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 reports are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

(B) CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Various legal claims can arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on our financial statements. We have been named in a compensation claim under the Indian Anti-Trust Law that was filed in 2005 and is still pending before The Monopolies and Restrictive Trade Practices Commission in New Delhi, India. Management believes that the case is unsubstantiated.

ITEM 6. EXHIBITS

- 10.1 Stock Option Agreement between The Company and Leland R. Phipps dated March 6, 2008
- 31.1 Certification of the President and Chief Executive Officer pursuant to Rule 13a-14(a).
- 31.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).
- 32 Certification of the President and Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

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

Sutron Corporation
(Registrant)

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May 15, 2008

Date

/s/ Raul S. McQuivey

Raul S. McQuivey
President and Chief Executive Officer
(Principal Executive Officer)

May 15, 2008

Date

/s/ Sidney C. Hooper

Sidney C. Hooper
Chief Financial Officer and Treasurer
(Principal Accounting Officer)