

AEROSONIC CORP /DE/  
Form 11-K  
July 13, 2006

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 11-K**

**ANNUAL REPORTS OF EMPLOYEE STOCK  
PURCHASE, SAVINGS AND SIMILAR PLANS  
PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

**S** ANNUAL REPORT PURSUANT TO SECTION 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the Fiscal Year Ended December 31, 2005

**OR**

**£** TRANSITION REPORT PURSUANT TO SECTION 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the Transition Period ----- to -----

**Commission File Number 1-11750**

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

**AEROSONIC CORPORATION 401(k) PLAN**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**Aerosonic Corporation**

**1212 North Hercules Avenue**

**Clearwater, Florida 33765**

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**Aerosonic Corporation 401(k) Plan**

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**Report of Independent Registered Certified Public Accounting Firm**

To the Administrator and Participants of the

Aerosonic Corporation 401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of the Aerosonic Corporation 401(k) Plan as of December 31, 2005 and 2004, and the related statement of changes in net assets available for benefits for the year ended December 31, 2005. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2005 and 2004, and the changes in net assets available for benefits for the year ended December 31, 2005 in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes at end of year as of December 31, 2005 and the supplemental schedule of delinquent participant contributions for the year ended December 31, 2005 are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Tedder, James, Worden & Associates, P.A.

Orlando, Florida

June 26, 2006

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**AEROSONIC CORPORATION**

**401(k) PLAN**

**Statements of Net Assets Available for Benefits**

**as of December 31, 2005 and 2004**

|  | <b>2005</b> | <b>2004</b>  |
|--|-------------|--------------|
| <b>Assets:</b>                         |             |              |
| <b>Investments, at fair value:</b>     |             |              |
| Aerosonic Corporation common stock     | \$ 197,775  | \$ 202,810   |
| Registered investment companies        | 5,148,113   | 4,208,665    |
| Money market funds                     | 604,639     | 564,409      |
| Participant loans                      | 164,590     | 140,762      |
| Total investments                      | 6,115,117   | 5,116,646    |
| <b>Receivables:</b>                    |             |              |
| Employer s contributions               | -           | 216,828      |
| Participants contributions             | -           | 54,795       |
| Total receivables                      | -           | 271,623      |
| Net assets available for plan benefits | \$6,115,117 | \$ 5,388,269 |

The accompanying notes are an integral part of these financial statements.

**AEROSONIC CORPORATION**

**401(k) PLAN**

**Statement of Changes in Net Assets Available for Benefits**

**For the Year Ended December 31, 2005**

**Additions to net assets attributed to:**

Investment income:

|   |                |
|---|----------------|
| Interest and dividends                        | \$ 138,750     |
| Net appreciation in fair value of investments | <u>211,088</u> |
| Total investment income                       | 349,838        |

Contributions:

|                     |                |
|---------------------|----------------|
| Employers           | 216,382        |
| Participants        | <u>509,439</u> |
| Total contributions | <u>725,821</u> |
| Total additions     | 1,075,659      |

**Deductions from net assets attributed to:**

|                               |                  |
|-------------------------------|------------------|
| Benefits paid to participants | <u>(348,811)</u> |
| Net increase                  | 726,848          |

**Net assets available for plan benefits:**

|                   |                  |
|-------------------|------------------|
| Beginning of year | <u>5,388,269</u> |
| End of year       | \$6,115,117      |

The accompanying notes are an integral part of these financial statements.





**Aerosonic Corporation 401(k) Plan**

**Notes to Financial Statements**

**December 31, 2005 and 2004**

**1. Plan Description**

The following description of the Aerosonic Corporation 401(k) Plan (the "**Plan**") provides only general information. Participants of the Plan should refer to the Plan Agreement for a more complete description of the Plan.

*General*

The Plan is a defined contribution plan that covers the eligible employees of Aerosonic Corporation (the "**Company**") by allowing them a system of savings and salary deferral and by providing discretionary employer profit sharing contributions.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ( **ERISA** ). The Plan was established on February 1, 1993, and has been amended from time to time thereafter.

*Eligibility*

Employees become eligible to participate in the Plan beginning on January 1, April 1, July 1, or October 1, immediately following completion of three months of service and attaining age 21.

*Contributions*

Plan participants may voluntarily contribute, on a pre-tax basis, up to a maximum of 100% of their annual eligible compensation (up to the IRS maximum allowable amount) to the Plan. Participants also may rollover amounts representing distributions from other qualified defined benefit or defined contribution plans. All contributions are held in trust and invested by the Plan's trustee in accordance with the options elected by the participants (i.e all investments are participant-directed). The maximum allowable pre-tax voluntary contribution, as determined by the Internal Revenue Service was \$14,000 and \$13,000 for 2005 and 2004, respectively.

The Company may contribute, in cash or Company common stock, an amount equal to 100% of the employee's participation up to a maximum percentage (currently 3%) of eligible compensation. The Company contributes a percentage, as determined by the Board of Directors annually, of total eligible employee compensation (based upon calendar year earnings) to the Plan which amounted to approximately \$216,000 for the year ended December 31, 2005.

***Participant Accounts***

Each participant's account is credited with the participant's contributions, their pro rata share of Company matching and additional discretionary contributions, and an allocation of Plan earnings or losses including market value adjustments on Plan investments. Company contributions are allocated to a participant's account based upon a combination of the participant's annual compensation and years of service, as described in the Plan document. Plan earnings (losses) are allocated to a participant's account based on the participant's account balance as a percent of total invested assets in each investment fund. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. During 2005, the Company did not make any discretionary contributions to the Plan.

***Vesting***

Participants are immediately vested in their contributions to the Plan plus actual earnings and losses thereon. Participants become vested in employer matching and additional discretionary contributions (and earnings or losses thereon) according to the following schedule:

| <b><u>Years of Service</u></b> | <b><u>Vesting Percentage</u></b> |
|--------------------------------|----------------------------------|
| less than 2                    | 0%                               |
| 2 but less than 3              | 33%                              |
| 3 but less than 4              | 67%                              |
| 4 or more                      | 100%                             |

Participants become fully vested upon death, disability, attainment of normal retirement age, or upon termination of the Plan.

***Distribution of Participant Accounts***

Distributions of a participant's account are made upon retirement from the Company at age 65, in cases of financial hardship, termination from service with the Company, death, or disability. Participants still employed who have reached the age of 59½ and are 100% vested are eligible for one distribution per calendar year. Distributions are made in a single lump-sum payment, in whole shares of Company stock, or in cash, or partially in Company stock or partially in cash, as determined by the Plan Administrator and based upon the relative proportion in which the participant's account balance under the Plan consisted of stock or cash.

The Plan allows participants that are less than age 70½ to defer benefit payments until they cease employment.

***Forfeitures of Accounts***

Forfeitures of participant's non-vested balances are used to reduce employer contributions. During 2005 and 2004, forfeitures of \$12,973 and \$4,154, respectively, were used to reduce the employer's contributions.

***Participants Loans***

Participants may borrow from their fund accounts a minimum of \$1,000 and up to a maximum of the lesser of \$50,000 or 50% of their vested account balance. A participant may not have more than one loan outstanding at any time. Loans, which are collateralized by the balance in the participant's account, bear interest at rates based upon the prime interest rate as published in the Wall Street Journal on the first business day of the month when the loan is drawn plus 1%, which range from 5% to 10.5% per annum at December 31, 2005. All loans are repaid through salary reductions within a period of five years, except loans to acquire the participant's principal residence, for which the term of the loan may be up to ten years. Each loan is documented in the form of a promissory note signed by the participant and collateralized by this pledge on the participant's account balance.

## **2. Summary of Significant Accounting Policies**

### ***Basis of Accounting***

The accompanying financial statements are prepared on the accrual basis of accounting, except for benefits paid, which are recorded when paid, in conformity with accounting principles generally accepted in the United States of America.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

### ***Investment Valuation and Income Recognition***

The Plan's investments are stated at fair value. The value of investments is determined using quoted market prices from national exchanges, which represent the net asset value of shares held by the Plan at year-end. Participant loans are valued at the amount of unpaid principal, which approximates fair value. The value of Aerosonic Corporation common stock is determined using the quoted market price from the American Stock Exchange at year end. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date. Realized gains and losses on investments are recognized upon the sale of the related investments and unrealized appreciation or depreciation is recognized at period end when the carrying values of the related investments are adjusted to their estimated fair market value. Purchases and sales of investments are recorded on a trade date basis.

Earnings on investments, with the exception of participant loans, are allocated on a pro rata basis to individual participant accounts based on the type of investment and the ratio of each participant's individual account balance to the aggregate participant account balances. The portion of interest included in each loan payment made by a participant is recognized as interest income in the participant's individual account.

### ***Net Appreciation (Depreciation) in Fair Value of Investments***

The Plan presents in the statement of changes in net assets available for benefits the net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation or depreciation on those investments.

### ***Risks and Uncertainties***

Investment securities are exposed to various risks, including those involving interest rates, the securities market, and credit conditions. Due to the level of risk associated with certain investment securities, changes in the values of such

investment securities may involve declines in value in the near term and in the long term, and such declines could have a material adverse effect upon participants' account balances, and the amounts reported in the statements of net assets available for benefits.

*Payments of Benefits*

The Plan records benefit payments to withdrawing participants when paid. Under the rules for preparation of the Form 5500, the Plan's Form 5500 will reflect an accrual for the amount to be paid to participants who withdrew from the Plan prior to year-end, and who had requested a distribution which was approved but not yet paid at period end, if any. There were no unpaid distributions at December 31, 2005 or 2004.

***Administrative Expenses***

The Plan provides that the Company may pay all or part of the administrative expenses of the Plan or administrative expenses can be charged against investment earnings before allocation to the participant accounts. All administrative expenses were paid by the Company for the benefit of the Plan and therefore are not reflected in the accompanying financial statements.

**3. Investments**

The following presents investments that represent 5% or more of the Plan's net assets as of December 31:

|  | <b>2005</b> | <b>2004</b> |
|--|-------------|-------------|
| Dreyfus Premier S&P Stars Fund                 | \$1,287,478 | \$1,042,733 |
| The George Putnam Fund of Boston               | 994,441     | 865,306     |
| Putnam New Opportunities Fund                  | 990,803     | 751,472     |
| Putnam Global Equity Fund                      | 666,003     | 483,170     |
| Dreyfus Premier Intrinsic Value Portfolio Fund | 636,700     | 534,195     |
| Putnam Money Market Fund                       | 604,639     | 564,409     |
| Putnam U.S. Government Income Trust            | 572,688     | 531,789     |

The Plan's investments (including gains and losses on investments bought and sold, as well as those held during the year), increased in value by \$211,088 during the year ended December 31, 2005, as follows:

|                                    |            |
|------------------------------------|------------|
| Registered investment companies    | \$ 196,297 |
| Aerosonic Corporation common stock | 14,791     |
|                                    | \$ 211,088 |

**4. Tax Status**

The Plan has received a favorable determination letter from the Internal Revenue Service dated July 19, 1994, which states that the Plan qualifies under the applicable provisions of the Internal Revenue Code and that it is therefore



exempt from federal income taxes. The Plan was amended and restated effective January 1, 2001 to incorporate changes required under the IRS "GUST" provisions. The Company received a favorable determination letter from the Internal Revenue Service dated August 1, 2002. Accordingly, no provision for income taxes has been included in the accompanying financial statements. The Plan was also amended and restated effective January 1, 2003 to comply with final regulations issued under IRS Code Section 401(a)(9) regarding required minimum distributions.

## **5. Plan Amendment and Termination**

Although the Company has not expressed any intent to do so, the Company has the right, under the Plan agreement, to amend any or all provisions of the Plan as well as discontinue contributions and terminate the Plan at any time, subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts. All such vested interests shall be non-forfeitable.

## 6. Concentrations of Credit Risk

Financial instruments which potentially subject the Plan to concentrations of credit risk consist of the Plan's investments. Management maintains the Plan's investments with what management believes to be high credit quality financial institutions and attempts to limit the amount of credit exposure to any particular investment.

## 7. Party-In-Interest

Section 3(14) of ERISA defines a party-in-interest to include, among others, fiduciaries or employees of the Plan, any person who provides services to the Plan, or an employer whose employees are covered by the Plan. Certain Plan investments are shares of registered investment companies managed by Putnam Fiduciary Trust Company. Putnam Fiduciary Trust Company is the trustee as defined by the Plan. Therefore, these transactions qualify as party-in-interest transactions. An employee of the Company serves as the plan administrator of the Plan. In addition, Plan investments include investments in the Company's common stock; therefore, these transactions also qualify as party-in-interest transactions.

## 8. Reconciliation of Financial Statements to the Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2005 and 2004:

|  | <b>2005</b>  | <b>2004</b>  |
|--|--------------|--------------|
| Net assets available for benefits per the financial statements | \$ 6,115,117 | \$ 5,388,269 |
| Less contributions receivable:                                 |              |              |
| Participants   | -            | (54,795)     |
| Employer's   | -            | (216,828)    |
| Net assets available for benefits per the Form 5500            | \$ 6,115,117 | \$ 5,116,646 |

The following is a reconciliation of contributions per the financial statements to the Form 5500 for the year ended December 31, 2005:

|  |            |
|--|------------|
| Contributions per the financial statements | \$ 725,821 |
| Add 2004 contributions receivable:         |            |

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|                                 |            |
|---------------------------------|------------|
| Participants                    | 54,795     |
| Employer's                      | 216,828    |
| Contributions per the Form 5500 | \$ 997,444 |

Contributions per the Form 5500 represent all contributions received as of December 31, 2005. The receivable balances reflect payments due but not yet paid to the trustee as of December 31, 2004.

|  |            |
|--|------------|
| Net increase in net assets available for benefits per the financial statements | \$ 726,848 |
| Plus 2004 contributions receivable:  |            |
| Participants   | 54,795     |
| Employer s   | 216,828    |
| Net income per the Form 5500   | \$ 998,471 |

### 9. Prohibited Transactions

During 2005, the Plan sponsor inadvertently failed to deposit approximately \$2,700 of participant deferrals within the required timeframe as stated by the United States Department of Labor ( **DOL** ). The DOL considers late deposits to be prohibited transactions. The Plan sponsor will file a Form 5330 and pay all applicable excise taxes. The excise tax payments will be made from the Plan sponsor's assets and not from assets of the Plan.

## AEROSONIC CORPORATION

## 401(k) PLAN

## Schedule of Assets Held for Investment Purposes at End of Year

as of December 31, 2005

EIN #74-1668471

Plan #002

| (a) | (b)   | (c)  | (d)           | (e)              |
|-----|---|--|---------------|------------------|
|     | Identity of issue,<br>borrower, lessor or<br>similar<br>party | Description of investment including<br>maturity date, rate of interest, collateral,<br>par<br>or maturity date | Cost          | Current<br>value |
|     | Dreyfus Corporation   | Dreyfus Premier S&P Stars Fund   | **            | \$<br>1,287,478  |
| *   | Putnam Investments  | The George Putnam Fund of Boston   | **            | 994,441          |
| *   | Putnam Investments  | Putnam New Opportunities Fund  | **            | 990,803          |
| *   | Putnam Investments  | Putnam Global Equity Fund  | **            | 666,003          |
|     | Dreyfus Corporation   | Putnam Intrinsic Value Portfolio Fund  | **            | 636,700          |
| *   | Putnam Investments  | Putnam Money Market Fund   | **            | 604,639          |
| *   | Putnam Investments  | Putnam U.S. Government Income Trust  | **            | 572,688          |
| *   | Aerosonic Corporation   |  |               |                  |
|     | Common Stock  | Equity Securities of Aerosonic Corporation   | \$<br>416,016 | 197,775          |
| *   | Participant Loans   | Various maturities ranging from March<br>2006 to July 2014 (interest rates from 5.0%<br>to 10.5%)              | **            | 164,590          |
|     |   |  | \$<br>416,016 | \$<br>6,115,117  |

\* Party-in-interest

\*\* Historical cost is not required as investments are participant-directed

**AEROSONIC CORPORATION**

**401(k) PLAN**

**Schedule H, Part IV, Line 4(a) Schedule of Delinquent Participant Contributions**

**EIN #74-1668471**

**Plan #002**

**Year Ended December 31, 2005**

|   |  |
|---|--|
| <b>Participant Contributions Transferred<br/>Late to Plan</b> | <b>Total that Constitute Nonexempt<br/>Prohibited Transactions</b> |
| <b>\$2,700</b>  | <b>\$2,700</b>   |

**SIGNATURES**

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrator of the Aerosonic Corporation 401(k) Plan has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

**Aerosonic Corporation 401(k) Plan**

By: /s/ Gary E. Colbert

Executive Vice President and Chief Financial Officer,  
Secretary and Treasurer of Aerosonic Corporation and  
Agent for Service of Legal Process of the 401(k) Plan

July 12, 2006



**CONSENT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-59064) of Aerosonic Corporation of our report dated June 26, 2006, with respect to the statements of net assets available for benefits of the Aerosonic Corporation 401(k) Plan as of December 31, 2005 and 2004, the related statement of changes in net assets available for benefits for the year ended December 31, 2005, and the related supplemental schedules as of December 31, 2005, which report appears in the December 31, 2005 Annual Report on Form 11-K of the Aerosonic Corporation 401(k) Plan.

/s/ Tedder, James, Worden & Associates, P.A.

Orlando, Florida

July 12, 2006