AEROSONIC CORP /DE/
Form 11-K
July 01, 2013

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)

x **ANNUAL REPORT PURSUANT TO SECTION 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended December 31, 2012

OR

o **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

Aerosonic Corporation 401(k) Plan

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Administrator of the

Aerosonic Corporation 401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of Aerosonic Corporation 401(k) Plan as of December 31, 2012 and 2011, and the related statement of changes in net assets available for benefits for the year ended December 31, 2012. 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. The Plan has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. 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 Aerosonic Corporation 401(k) Plan as of December 31, 2012 and 2011, and the changes in net assets available for benefits for the year ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Mayer Hoffman McCann P.C.

Clearwater, Florida

July 1, 2013

AEROSONIC CORPORATION

401(k) PLAN

Statements of Net Assets Available for Benefits

	December 31, 2012	December 31, 2011
Assets		
Investments, at fair value:		
Cash	$-	$13,975
Aerosonic Corporation common stock	289,712	231,567
Mutual Funds	3,303,484	2,591,067
Common collective trust	849,286	875,877
Total investments, at fair value	4,442,482	3,712,486
Receivables:		
Contributions receivable	14,474	16,533
Promissory notes receivable	203,631	210,002
Total receivables	218,105	226,535
Net assets available for benefits at fair value	4,660,587	3,939,021
Adjustment from fair value to contract value for fully benefit responsive investment contract	(21,643)	(18,316)
Net assets available for benefits	$4,638,944	$3,920,705

The accompanying Notes to Financial Statements 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, 2012

Additions to net assets attributed to:	
Investment income:	
Interest and dividends	$68,917
Interest on participant loans	7,946
Net appreciation in fair value of investments	387,228
Total investment income	464,091
Contributions:	
Employer contributions	270,930
Participant contributions	433,927
Rollover contributions	15,338
Total additions	720,195
Deductions from net assets attributed to:	
Benefits paid to participants	(425,516)
Administrative expenses	(40,531)
Total deductions	(466,047)
Net increase	718,239
Net assets available for plan benefits:	
Beginning of year	3,920,705
End of year	$4,638,944

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Aerosonic Corporation 401(k) Plan

Notes to Financial Statements

December 31, 2012 and 2011

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 document 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. Employees hired to work on a temporary basis will become eligible employees upon the completion of a year of service, as defined in the Plan Document. Temporary employees not attaining 1,000 hours of service in an annual period are ineligible, resulting in their contributions being distributed back to the employee and the related employer matching contribution being forfeited.

Contributions

An eligible participant may voluntarily contribute, on a pre-tax basis, up to a maximum of 85% of his or her annual eligible compensation (up to the IRS maximum allowable amount) to the Plan. The maximum allowable pre-tax voluntary contribution, as determined under the Internal Revenue Code, is $17,000 for the 2012 Plan year. For participants over the age of 50, an additional catch-up contribution of $5,500 is also allowed for the 2012 Plan year. A participant also may roll over to the Plan amounts from individual retirement accounts or distributions from other qualified defined benefit or defined contribution plans.

The Company may also make contributions, in cash or Company common stock, to the Plan. The Company may make a matching contribution, as determined by the Board of Directors annually, of an amount equal to a percentage of a participant’s contributions up to a maximum percentage of eligible compensation. The Company contributed an amount equal to 100% of a participant’s contributions up to 3% of eligible compensation in 2012.

The Company may also make discretionary profit sharing contributions to the Plan which are allocated to a participant’s account based upon the participant’s annual compensation. The Company did not make discretionary profit sharing contributions to the Plan during 2012.

Forfeitures

The balance of amounts forfeited by nonvested accounts of inactive participants as of December 31, 2012 and December 31, 2011 was $0 and $671, respectively. Under Article V of the Plan Document, forfeitures may first be applied towards Plan expenses and then to reduce future employer contributions, other than elective contributions.

Participant Accounts

Each participant’s account is credited with the participant’s contributions, his or her 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 and allocation of Plan expenses. All contributions are held in trust and invested by the Plan’s trustee in accordance with the options selected by the participants (i.e. all investments are participant-directed). Participants can chose from a variety of investment options including a common collective trust and mutual funds. Also, participants have the option to contribute to a fund which purchases Aerosonic Corporation common stock.

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 under the Plan is the benefit that can be provided from the participant's vested account.

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:

Years of Service	Vesting Percentage	
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 are eligible for one distribution per calendar year from the vested portion of their account. Distributions are made in a single lump-sum payment, in whole shares of Company common stock, or in cash, or partially in Company common 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 consists of Company stock or investments.

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

Promissory Notes Receivable

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 two loans 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%. The loan rate of interest was 4.25% per annum during the 2012 and 2011 Plan years. 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 from 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 fair value of mutual funds is determined based on quoted market prices. Units held in bank common collective trust funds are reported at fair value based on the unit prices quoted by the fund, representing the fair value of the underlying investments. The value of the Company’s common stock is determined using the closing market price from the NYSE MKT at December 31, 2012 and 2011.

The BMO Employee Benefit Stable Principal Fund (“BMO Fund”) is a common collective trust which holds investments in fully benefit-responsive investment contracts that is stated at contract value which is equal to the principal balance plus accrued interest. The average yield earned by the BMO Fund was 2.4% and 2.8% for the years ended December 31, 2012 and 2011, respectively. On a quarterly basis, the crediting interest rate was reset to determine the sensitivity of each fund to the market yield. Accounting principles generally accepted in the United States of America require common collective trusts to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate a permitted transaction under the terms of the Plan. At December 31, 2012 and 2011, the BMO Fund is recorded at fair value with an adjustment to contract value on the Statements of Net Assets Available for Benefits. The Company is not aware of any event that would limit the Plan’s ability to execute transactions at contract value.

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 securities are recorded on a trade-date basis.

Earnings on investments 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 of participant account balances within investment type.

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.

Payment 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, 2012.

Administrative Expenses

Investment management service fees are paid directly from the Plan's assets. Other administrative expenses are paid directly by the Plan sponsor and consist primarily of accounting and legal fees.

3. Investments

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

	2012	2011
DWS Global Small Cap Growth Fund	375,695	314,851
American Growth Fund of America R6	1,032,233	812,766
Aerosonic Corp Del Com Par $0.40	289,712	231,567
Oakmark Equity & Income Fd 1	*	642,242
JP Morgan Government Bond A	*	245,431
Vanguard Target Retirement 2020 #682	380,580	*
JP Morgan Government Bond Fund - Select	240,308	*
BMO Employee Benefit Stable Principal Fund	849,286	857,561

* Did not represent 5% or more of net assets available for benefits

4. Net Appreciation in Estimated Fair Value of Investments

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 $387,228 during the year ended December 31, 2012, as follows:

Mutual Funds	$349,396
Common collective trust	20,058
Aerosonic Corporation common stock	17,774
Total Net Appreciation	$387,228

5. Fair Value Measurements

FASB ASC 820 *Fair Value Measurements and Disclosures* ("FASB ASC 820") establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 for financial assets and financial liabilities are described below:

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, for substantially the full term of the financial instrument.

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Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These inputs reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the valuation methodologies used for instruments within the Plan measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Aerosonic Corporation Common Stock

The Company's common stock is traded on an active exchange, and accordingly is classified in Level 1 of the fair value hierarchy.

Common Collective Trust

Investments in common collective trust funds are valued based on the year-end unit value; unit values are determined by the issuer or Third Party Administrator by dividing the fair values of the total net assets at year-end by the outstanding units. The fair values of the total net assets are determined by the nature of the underlying investments. Each underlying investment is valued at fair value in accordance with the valuation description associated with its investment type as stated above. Units in common collective trust funds, which hold benefit-responsive contracts, are priced based upon fair value of the underlying investments with an adjustment to contract value in the Statements of Net Assets Available for Benefits. These assets are classified within Level 2 of the valuation hierarchy. Adjustments to these assets, based upon unobservable inputs, may result in the fair value measurement being classified as Level 3 measurement, if those inputs are significant to the overall fair value measurement.

Mutual Funds

Investments in shares of mutual funds are valued at quoted market prices, which represent the net asset values of shares held by the Plan at year-end. These assets are classified within Level 1 of the valuation hierarchy.

Plan assets have been classified in their entirety within a level of the fair value hierarchy based on the lowest level of input that is significant to the estimated fair value measurement, as set forth below:

		Estimated Fair Value Measurements at December 31, 2012		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Aerosonic Corporation common stock	289,712	289,712		
Mutual Funds				
Large Company Equity	1,275,342	1,275,342		
Fixed Income	452,340	452,340		
Small Company Equity	138,637	138,637		
Mid Company Equity	164,532	164,532		
International Equity	408,207	408,207		
Balanced Equity	864,426	864,426		
Common collective trust	849,286		$ 849,286	
Total Investments	$4,442,482	$ 3,593,196	$ 849,286	$ -

	Estimated Fair Value Measurements at December 31, 2011			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$13,975	$ 13,975		
Aerosonic Corporation common stock	$231,567	$ 231,567		
Mutual Funds				
Large Company Equity	983,191	983,191		
Fixed Income	408,192	408,192		
Small Company Equity	85,815	85,815		
Mid Company Equity	120,831	120,831		
International Equity	324,563	324,563		
Balanced Equity	668,475	668,475		
Common collective trust	875,877		$ 875,877	
Total Investments	$3,712,486	$ 2,836,609	$ 875,877	$ -

6. Tax Status

As of December 31, 2012, the most recent favorable determination letter received by the Plan was dated November 6, 2007 which provides that the form of the Plan qualifies under the applicable provisions of the Internal Revenue Code for exemption from federal income taxes. Accordingly, no provision for income taxes has been included in the accompanying financial statements. The Plan has been amended since receiving the determination letter. On February 1, 2011, upon changing plan trustee, the Plan was restated to incorporate all prior amendments. The restated Plan’s most recent favorable determination letter was dated March 31, 2008 which provides that the form of the Plan qualifies under the applicable provisions of the Internal Revenue Code for exemption from federal income taxes. The Plan administrator and the Plan’s tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code.

7. Plan Amendment and Termination

Although the Company has not expressed any intent to do so, the Company has the right, under the Plan, to amend any or all provisions of the Plan as well as 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.

8. 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.

9. 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 mutual funds and a common collective trust managed by BMO Harris Bank N.A. (“BMO”). On February 1, 2011, the Plan changed trustees from Wells Fargo to BMO, formerly Marshall & Ilsley Trust Company N.A., as 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.

10. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements as of December 31, 2012 and 2011 to Form 5500:

Statements of net assets available for benefits:	2012	2011
Net assets available for benefits per the financial statements	$4,638,944	$3,920,705
Contributions receivable	(14,474)	(16,533)
Defaulted loans	(16,448)	(16,484)
Net assets available for benefits per Form 5500	$4,608,022	$3,887,688

The following is a reconciliation of changes in net assets per the financial statements for the year ended December 31, 2012, to total net income per Form 5500:

Statement of changes in net assets available for benefits:	
Net increase in net assets available for benefits	$718,239
Reversal of Plan year 2011 accrued revenue for contributions receivable	16,533
Accrual of Plan year 2012 accrued revenue for contributions receivable	(14,474)
Change in Defaulted loans	36
Total net gain per Form 5500	$720,334

Schedule I

AEROSONIC CORPORATION

401(k) PLAN

Schedule H, Line 4(i) - Schedule of Assets

(Held at End of Year)

December 31, 2012

EIN #74-1668471

Plan #002

(a)	(b) Identity of issue, borrower, lessor or similar Party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity date	(d) Cost	**(e)** Current value
		Common Collective Trust		
*	BMO	BMO Employee Benefit Stable Principal Fund (826,323.55 Units)	**	$ 849,286
		Mutual Funds		
		Perkins Small Cap Value Fund (1,263.75 Units)	**	26,602
*	BMO	BMO Small-Cap Growth fund Cl I (6,176.15 Units)	**	112,035
		Columbia Mid Cap Value Opportunity Fund Class Z (5,964.03 Units)	**	51,291
		Janus Enterprise Fund Class I (1,705.18 Units)	**	113,241
		American Growth Fund of America R6 (30,059.20 Units)	**	1,032,233
		MFS Value Fund Cl R4 (7,348.28 Units)	**	186,279
		T Rowe Price Dividend Growth Fund #58 (785.64 Units)	**	20,694
		Vanguard 500 Index Fund – Sign #1340 (335.65 Units)	**	36,425
		DWS Global Small Cap Growth Fund Class A (10,253.70 Units)	**	375,695

		Dodge & Cox International Stock Fund (938.55 Units)	**	32,511
		Vanguard Target Retirement 2055 Fund (21.13 Units)	**	524
		Vanguard Target Retirement Income Fund (5,570.94 Units)	**	67,910
		Vanguard Target Retirement 2015 Fund (7,110.35 Units)	**	95,137
		Vanguard Target Retirement 2025 Fund (12,025.10 Units)	**	163,421
		Vanguard Target Retirement 2035 Fund (3,114.98 Units)	**	43,890
		Vanguard Target Retirement 2045 Fund (621.76 Units)	**	9,047
		Vanguard Target Retirement 2020 Fund (15,970.64 Units)	**	380,580
		Vanguard Target Retirement 2050 Fund (258.96 Units)	**	5,979
		Vanguard Target Retirement 2040 Fund (1,465.46 Units)	**	33,969
		Vanguard Target Retirement 2030 Fund (2,736.04 Units)	**	63,969
		American Century Inflation Protection Bond Fund #347 (950.28 Units)	**	10,082
		JP Morgan Government Bond Fund - Select (20,680.58 Units)	**	240,308
		PIMCO Total Return Fund Inst #35 (17,967.06 Units)	**	201,662
		Common Stock		
*	Aerosonic Corporation Common Stock	Equity Securities of Aerosonic Corporation, par value $0.40	**	289,712
		Promissory Notes Receivable		
*	Promissory Notes Receivable	Various maturities ranging from 12/26/2012 to 11/30/2017 (interest rates from 4.25% to 6.00%)	**	203,631
			$-	$ 4,646,113

*Party-in-interest
**Historical cost is not required as investments are participant-directed

See accompanying independent auditor's report.

AEROSONIC CORPORATION

401(K) PLAN

SIGNATURE

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/ Kevin J. Purcell
Administrator and Agent for Service

of Legal Process of the Aerosonic

Corporation 401(k) Plan

July 1, 2013

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