

AEROSONIC CORP /DE/
Form PRE 14A
June 02, 2004

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant ☒ Filed by a Party other than the Registrant ☐

Check the appropriate box:

☒ Preliminary Proxy Statement

☐ **Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))

☐ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to Rule 14a-12

AEROSONIC CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value:

(5) Total fee paid:

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

(3) Date Filed:

**Notice of Annual Meeting &
Proxy Statement 2004**

AEROSONIC CORPORATION

(A DELAWARE CORPORATION)

1212 North Hercules Avenue

Clearwater, Florida 33765

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS OF AEROSONIC CORPORATION:

The 2004 Annual Meeting of Shareholders (the **Meeting**) of AEROSONIC CORPORATION (the **Company**) will be held at the Grand Hyatt Tampa Bay, 6200 Courtney Campbell Causeway, Tampa, Florida 33607, on July 14, 2004, at 10:00 A.M., local time, for the following purposes, which are discussed in the accompanying Proxy Statement:

1. To approve an amendment to the bylaws of the Company providing for the classification of the Board of Directors of the Company into three classes with staggered terms of office;
2. To elect six directors of the Company, to hold office until their successors have been duly elected and qualified;
3. To approve the Aerosonic Corporation 2004 Stock Incentive Plan; and
4. To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The foregoing items are more fully described in the Proxy Statement attached hereto and made a part of this Notice. The Board has fixed the record date for determination of the shareholders entitled to notice of and to vote at the Meeting and any adjournment or postponement thereof as June 8, 2004, at the close of business.

If you are unable to attend the Meeting, please mark, sign and date the enclosed proxy and return it promptly in the envelope provided herewith. Your proxy may be revoked at any time before it is voted by filing with the Secretary of the Corporation a written revocation or a proxy bearing a later date, or by attending and voting at the Meeting. If you submit a proxy, you may still vote your stock in person at the Meeting if you so desire.

By Order of the Board of Directors,

David A. Baldini
President and Chief Executive Officer

June __, 2004

Clearwater, Florida

YOUR VOTE IS IMPORTANT. PLEASE MARK, SIGN, AND DATE THE ENCLOSED PROXY OR PROXIES OR VOTING INSTRUCTION SHEET AND MAIL IT OR THEM PROMPTLY IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

AEROSONIC CORPORATION

1212 North Hercules Avenue

Clearwater, Florida 33765

PROXY STATEMENT

Annual Meeting of Shareholders

to be held July 14, 2004

GENERAL INFORMATION

A Notice of the Annual Meeting of Shareholders (the **2004 Meeting** or simply the **Meeting**) of Aerosonic Corporation (the **Company**) is set forth on the preceding page, and there are enclosed herewith proxies which are being solicited by the Board of Directors of the Company. The cost of this solicitation will be borne by the Company. In addition to solicitation by mail, the officers and regular employees of the Company may solicit proxies personally or by telephone or telegram. This Proxy Statement and the form of proxy are first being sent to shareholders on or about June __, 2004. A copy of the Company's Annual Report to Shareholders for the fiscal year ended January 31, 2004 is being mailed herewith.

All shares represented by valid proxies received by the Company prior to the Meeting will be voted as specified in the proxy. If no specification is made by a shareholder giving a proxy, discretionary authority thereby shall have been conferred by the shareholder and the applicable shares will be voted FOR (1) the amendment to the bylaws of the Company to provide for a classification of the Board of Directors (described below under Proposal No.1); (2) the election of the nominees as directors (described below under Proposal No. 2); and (3) the approval of the Aerosonic Corporation 2004 Stock Incentive Plan (described below under Proposal No. 3).

If discretionary authority is conferred by the shareholder pursuant to the proxy, the shares also will be voted on such other matters as may properly come before the Meeting in accordance with the best judgment of the proxy holders. A shareholder giving a proxy has the right to revoke it any time prior to its exercise by delivering to the Secretary of the Company a written revocation or a duly executed proxy bearing a later date, or by attending the Meeting and voting his shares in person.

VOTING SECURITIES AND VOTING RIGHTS

Only holders of record of Common Stock, \$0.40 par value per share (the **Common Stock** or simply, the **shares**), of the Company as of the close of business on June 8, 2004 (the **Record Date**) are entitled to notice of, and to vote at, the Meeting and at any adjournment thereof. On the Record Date, the outstanding number of shares entitled to vote consisted of 3,921,019 shares of Common Stock. The holders of the Common Stock are entitled to one vote per share. There are no other classes of voting stock issued and outstanding.

QUORUM AND REQUIRED VOTE

A majority of the Company's outstanding Common Stock entitled to vote at the Meeting, present in person or represented by proxy will be necessary to constitute a quorum for the transaction of business at the Meeting. Under Delaware law and the bylaws of the Company, the affirmative vote of the holders of (i) a majority of shares voting at the Meeting will be required to approve Proposal No. 1 to classify the Board of Directors; (ii) a plurality of the shares voting at the Meeting will be required to elect each director (as discussed

below under Proposal No. 2); and (iii) a majority of the shares voting at the Meeting will be required to approve the Aerosonic Corporation 2004 Stock Incentive Plan (as discussed below under Proposal No. 3). Abstentions, withheld votes, and broker non-votes (collectively **Non-Votes**) will count for quorum purposes, but will not be deemed votes cast in determining whether the majority of votes cast on Proposals No. 1 and No. 3 were FOR or AGAINST such proposals or, with respect to Proposal No. 2, which nominees receive the greatest number of votes cast. Likewise, the affirmative vote of a majority of the shares voting on any other matters acted upon at the Meeting (excluding all Non-Votes) will be required to approve such matters. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power on that item and has not received instructions from the beneficial owner. The American Stock Exchange rules permit nominees to vote proxies for their beneficial owners, in their own discretion, on Proposals No. 1 and No. 2, but not on Proposal No. 3 (which requires specific instructions from the beneficial owner).

Proposal No. 1. Amendment to Bylaws to provide for the classification of the Board of Directors into three classes with staggered terms of office.

Our Board of Directors (the **Board**) has unanimously approved and adopted Amended and Restated Bylaws of the Company (the **Bylaws**), effective April 27, 2004, that includes provisions in Article III Section 1 for a classification of the Board into three classes, each of which is intended to be elected at the Meeting. Consistent with the classification of the Board, Article III Section 2 of the Bylaws provides that directors may be removed only for cause. As required by Delaware law, Article III Section 8 of the Bylaws specifies that the provisions for the classification of the Board are subject to approval by the stockholders (referred to in this proxy statement as **shareholders**) at the Meeting.

If such approval is not obtained, Article III Section 8 further specifies that all provisions in the Bylaws concerning the classification of directors (the **Classified Board Amendment**) shall be eliminated, all directors shall be elected for a term to last until the next annual meeting of shareholders at which their successors are duly elected and qualified, the Bylaws shall be amended and restated to eliminate the classified director provisions; and such new form of these Bylaws shall be referred to as the **Second Amended and Restated Bylaws**.

The Classified Board Amendment provides that at the Meeting, our Board of Directors will be divided into three classes (denominated **Class I Directors**, **Class II Directors** and **Class III Directors**), which shall be as nearly equal in number as feasible. The directors in each class will hold office following their initial classification for terms of one year, two years and three years, respectively. Thus, the term of office of the Class I Directors will expire at the year 2005 annual meeting of stockholders, the term of office of the Class II Directors will expire at the year 2006 annual meeting of stockholders, and the term of office of the Class III Directors will expire at the year 2007 annual meeting of stockholders. Thereafter, the successors to each class of directors shall be elected for three-year terms. If this proposal is not approved, each director will be elected to serve for a term of one year and until their successors are duly elected and qualified. Attached as Appendix A is Article III, Sections 1 through 8, of the Bylaws containing the applicable provisions of the Classified Board Amendment.

Under the Delaware General Corporation Law (the **Delaware Statute**), a director of a corporation with a classified board of directors may be removed by the shareholders only for cause unless the corporation's certificate of incorporation provides otherwise. Our Certificate of Incorporation does not provide otherwise. Therefore, if this proposal is approved, the holders of a majority of the outstanding voting shares would be able to remove a director during his or her elected term only for cause. In this context, cause is not defined by the Delaware Statute. If a vacancy occurs during the term of any director, under the Delaware Statute and the Bylaws, the majority of our Board may fill the vacancy, and the director so appointed will hold office until the next election of the class to which he or she was appointed.

Classification of the Board will promote continuity and stability in our management and policies since a majority of our directors at any given time will have prior experience with us. The Board further believes that such continuity and stability will facilitate long-range planning and will have a beneficial effect on employee loyalty and customer confidence. Currently, the entire Board must stand for election each year. Accordingly, it is possible that all or a majority of the current directors could be replaced at any given annual meeting of shareholders. If this proposal for the Classified Board Amendment is approved, the Board will be divided into three classes effective with this 2004 Meeting, only one of which classes will stand for election at each annual meeting thereafter.

In addition, classification of the Board may have the effect of delaying, deferring or preventing a change of control of the Company since only one-third of the directors are to be elected each year and directors may not be removed, except for cause. The Board believes that increased management stability and continuity fostered by a classified board of directors will enhance the capacity of our Board to defend against undesirable takeover attempts and, in the event of the sale of the Company, would enhance the Board's ability to negotiate a transaction that is in the shareholders' best interest. The Board has not been informed of any attempted takeover of the Company, nor is it aware of any such effort.

Vote required and Recommendation of Board of Directors

The affirmative vote of a majority of the votes cast (which will not include any Non-Votes) at the 2004 Meeting is required to adopt the proposed Classified Board Amendment, provided that a quorum exists.

THE BOARD RECOMMENDS A VOTE FOR THE ADOPTION OF THE PROPOSED CLASSIFIED BOARD AMENDMENT TO OUR BYLAWS

Proposal No. 2. Election of Directors

The Company's Bylaws provide that the number of directors which shall constitute the whole board shall be determined by the Board of Directors and shall consist of not less than three or more than seven members, as may be fixed from time to time by action of the Board or of the shareholders. The Board currently consists of six directors, each of which was elected at the 2003 annual meeting of shareholders.

The Nominating/Corporate Governance Committee of the Board has nominated as directors the six individuals listed below, to serve in the classes designated, and the Board has endorsed such nominations, with the intention that if the Classified Board Amendment is not approved by the shareholders, the nominees will stand for election as directors to hold office until the 2005 annual meeting and until their successors are duly elected and qualified.

The persons named in the enclosed proxy will vote all properly executed proxies for the election of the nominees named below unless authority to vote is withheld. In the event any nominee is unable to serve, the persons named in the proxy may vote for such substitute nominee or nominees as they, in their discretion, shall determine. The Board of Directors has no reason to believe that any of the following nominees will be unable to serve as a director.

Class I Directors (whose term will expire in 2005)

William C. Parker, age 71, has been a director since 1995. Mr. Parker was employed by Aerosonic for over 34 years. He rose to increasing levels of responsibility throughout his career at the Company, and held titles that included Vice President of Production, Vice President of Purchasing, and Vice President of Marketing, before becoming President in 1995. He served as President until his retirement in August 1997.

Thomas E. Whytas, age 39, became a director in May 2004. Mr. Whytas has 15 years of experience in positions of increasing responsibility in the aviation industry with CAE USA, Inc., where he currently serves as Chief Financial Officer and Finance Director of CAE's U.S. operations. Mr. Whytas, a Certified Public Accountant, holds a Bachelor of Science in Accounting and a Master's of Accountancy from the University of South Florida.

Class II Directors (whose term will expire in 2006)

Robert J. McGill, age 42, became a director in August 2003. Mr. McGill is President of L-3 Communications-Display Systems, a division of L-3 Communications Corporation. Since 1983, Mr. McGill has worked in the aerospace and defense industry holding positions of increasing responsibility with Miltope Corporation, GEC Marconi, Loral Corporation and Lockheed Martin Corporation. Mr. McGill holds a BS degree from Dowling College and an MBA from Georgia State University.

P. Mark Perkins, age 47, has been a director since 1997. Mr. Perkins has over 18 years of experience in various segments of the aviation industry. In July 1997, he was elected as a director of the Company while serving as Vice President of Marketing at Gulf Aerospace, Inc. In 1998, Mr. Perkins became Executive Vice President of Sales and Marketing for the Company, and he continues to serve in that capacity.

Class III Directors (whose term will expire in 2007)

David A. Baldini, age 54, has been a director since 1995. Mr. Baldini was with Teledyne Industries Inc. from 1974 through 1993. He was President of Teledyne Avionics from 1990 and has retained that position since Teledyne Avionics was acquired in 1993 and became a wholly owned subsidiary of the Company, named Avionics Specialties, Inc. Mr. Baldini was elected President of the Company in November 2002 and subsequently was designated as the Chief Executive Officer. He has a B.S. Degree in Economics from Hampden-Sydney College.

David M. Vosen, age 56, became a director in March 2003. Mr. Vosen is President of SouthTrust Bank Tampa Bay. Mr. Vosen has held positions of increasing responsibility since 1969 with Marshall & Ilsley, Wachovia Bank, Bank of America, SunTrust Banks and SouthTrust Bank. He is a graduate of the University of Wisconsin, where he studied finance and economics.

ADDITIONAL INFORMATION CONCERNING THE BOARD OF DIRECTORS

Meetings and Committees of the Board of Directors

During the fiscal year ended January 31, 2004, the Board held ten meetings.

The Board currently has, and appoints members of, a standing Audit Committee, Compensation Committee, and Nominating/Corporate Governance Committee.

Audit Committee. As of the date of this Proxy Statement, the Audit Committee is composed entirely of independent directors as determined by the audit committee independent director standards of the American Stock Exchange (the **Amex**). Its members are Thomas E. Whytas, Robert J. McGill, and David M. Vosen. At the beginning of fiscal year 2004, the Audit Committee was composed of A. Todd Beard, and William C. Parker. Mr. Beard resigned from the Board in March 2003. The resulting vacancy was filled by Mr. Vosen. In April 2003, Mr. Parker resigned from the Audit Committee, and Mr. Charles M. Foster, Jr. was elected to the Board to fill that vacancy, and he promptly was appointed to the Audit Committee and the Nominating Committee. In August 2003, the Board increased its size to seven directors, thereby creating a vacancy, and elected Mr. McGill to the Board, and appointed him to the Audit Committee in November 2003 after having promptly appointed him to the Nominating Committee. In May 2004, Mr. Foster resigned from the Board, thereby creating a vacancy that was filled by the election of Mr. Whytas, who also was appointed to the Audit Committee as well as the Nominating Committee. The Audit Committee met eight times during the fiscal year ended January 31, 2004. The functions performed by the Audit Committee are described in the Audit Committee Report, set forth below, and in the Audit Committee Charter adopted by the Company's Board of Directors, which is attached as Appendix B hereto.

Compensation Committee. As of the date of this Proxy Statement, the Compensation Committee members are William C. Parker and David M. Vosen. During most of fiscal year 2004, Mr. Parker and Mr. Vosen were the only members of the Compensation Committee. The Compensation Committee, which met one time during the fiscal year ended January 31, 2004, has authority as delegated by the Board to review and approve employee benefit plans and administer the Company's executive compensation plans, as set forth in its Charter.

Nominating/Corporate Governance Committee. The Nominating/Corporate Governance Committee (the **Nominating Committee**) members are Thomas E. Whytas, William C. Parker and Robert J. McGill, each of whom is an independent director as determined by standards established by the Amex for nominating committees. Charles M. Foster, Jr. had been a member of the Nominating Committee prior to his resignation from the Board in May 2004. The Nominating Committee, which was created in April 2003, reviews and assesses the composition of the Board, assists in identifying potential new candidates as directors, and submits its recommendations for nomination of directors to the Board. The Nominating Committee also regularly reviews the size and composition of the Board, individual director performance, and level of compensation of directors, and recommends to the Board any changes to those aspects of the Board and the individual directors. The Nominating Committee met three times during the fiscal year ended January 31, 2004.

The Nominating Committee will consider nominees recommended by shareholders of the Company. To recommend a prospective nominee to the Nominating Committee for the 2005 annual meeting, shareholders must submit the prospective nominee's name and qualifications to the Secretary of the Company, in writing, by delivering or sending such recommendation no later than March 1, 2005 to the following address: Aerosonic Corporation, 1212 North Hercules Avenue, Clearwater, Florida, 33765, Attention: Secretary. Shareholders are urged to assure delivery of their recommendations by arranging for some form of delivery receipt.

The Nominating Committee's policy regarding the consideration and selection of director candidates (whether recommended by directors, other members of management, shareholders, or any other persons) is to seek candidates who have a demonstrable record of personal and professional ethics and integrity, business and professional experience, knowledge of the Company's industry, academic achievements, service on other boards of directors, and civic involvement. The Nominating Committee has not set any objective minimum qualifications that must be met by a nominee, but rather seeks to identify candidates with outstanding backgrounds and experience as measured by the above selection criteria.

The Nominating Committee's process for identifying and evaluating director nominees includes active solicitation of suggestions from the Company's management, as well as from executives and directors in other corporations within the Company's industry and in related industries. The Nominating Committee also has been interested in any suggestions made by shareholders, and has established the policy referred to above of requiring that shareholders submit this information in writing. The Nominating Committee will require a careful background check by an independent contractor of any candidate it deems as an appropriate nominee, before making a recommendation of that person to the Board.

The identification of Thomas Whytas as a candidate for election to the Board resulted from the Company's search of the local marketplace for an individual with strong financial credentials as well as experience in the aviation industry.

The Nominating Committee did not receive any recommended nominees from the Company's shareholders since the December 18, 2003 annual meeting of shareholders. The Company has not paid any fees to third parties to identify or evaluate or assist in identifying or evaluating potential nominees, and has no immediate plans to pay fees for that kind of service.

Communications to the Board from Shareholders

The Board welcomes communications from the Company's shareholders, and requests that all such communications be sent to the Secretary of the Company at Aerosonic Corporation, 1212 North Hercules Avenue, Clearwater, Florida 33765. Such communications also may be addressed to one or more directors, or to the entire Board. If a shareholder requests that any such communication be treated as confidential and delivered only to one or more of the directors, the communications can be submitted in a sealed envelope with a request that the communication be treated as a confidential matter for immediate delivery to the intended recipient(s).

Attendance by Directors at Annual Meetings

The Company encourages all directors to attend every annual meeting of shareholders, in person, as well as the subsequent annual meetings of the Board. Last year's December 18, 2003 annual meeting of shareholders was attended by four of the six current directors. Mr. Foster was not able to attend the annual meeting of shareholders because of health reasons, but he participated in the annual meeting of directors that was held that day following the shareholder meeting, by conference telephone. Mr. McGill also was unable to attend last year's annual meeting of shareholders due to a critical meeting relating to his service as president of a subsidiary of L-3 Communications Corporation. Nevertheless, he also was able to attend the annual Board meeting later that day, by conference telephone.

The Nominating Committee/Corporate Governance Committee Charter, as adopted by the Company's Board of Directors, is attached as Appendix C hereto.

Compensation of Directors

Non-officer members of the Board are paid \$3,000 for attending each Board meeting, and members of committees of the Board are paid an additional \$1,500 for attending each committee meeting.

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During fiscal year 2004, the Company was a party to a Supplemental Pension Plan agreement with William C. Parker pursuant to which Mr. Parker received monthly pension payments from the Company of \$4,166.67. This plan has been in existence since January 1, 1999. In May 2003, the Company and Mr. Parker executed a new Supplemental Pension Plan agreement, which became effective as of January 1, 2004, which extends the existing Supplemental Pension Plan, and pursuant to which Mr. Parker will continue to receive monthly payments of \$4,166.67.

In November 2002, J. Mervyn Nabors resigned as President of the Company. Upon his resignation as President, Mr. Nabors continued to be a member of the Board of Directors. During fiscal 2003 and 2004, including the period following his resignation as President, Mr. Nabors was employed by the Company pursuant to an employment arrangement which provided for a minimum base salary of at least \$250,000, plus an automobile allowance, health insurance and other benefits, although Mr. Nabors' base salary for fiscal 2003 was \$300,000. Mr. Nabors' employment was terminated by a Consulting Agreement between the Company and Mr. Nabors dated May 20, 2003 (see discussion under Compensation Committee Interlocks and Insider Participation below).

Compensation Committee Interlocks and Insider Participation

Mr. Baldini has been employed as an officer of the Company since 1993. In November 2002, Mr. Baldini was elevated to the position of President and Chief Executive Officer. Mr. Perkins has been the Company's Executive Vice President Sales and Marketing since 1998. In May 2003, the Company entered into Employment Agreements with Mr. Baldini and Mr. Perkins. These Employment Agreements are each for a three-year period of time, which is automatically renewed at the end of such period for another term of three years unless either party gives 180 days notice of termination.

The Employment Agreements of Mr. Baldini and Mr. Perkins require certain minimum performance standards and include confidentiality and non-compete provisions, among others, in exchange for a minimum base annual salary of \$183,000 for Mr. Baldini and \$148,175 for Mr. Perkins. The agreements may be terminated by the Company for, among other reasons, a material breach by the employee or a determination by the Company's Board of Directors to terminate the agreement, with or without cause. Each of the agreements provides that in the event the agreement is terminated by the Company's Board of Directors, the employee shall continue to be bound by the non-compete provisions for a period of three years and (unless such termination is for specified breaches or certain other events) shall continue to receive his annual salary during such time.

As stated above, during the fiscal year ended January 31, 2004, the Company's Compensation Committee was comprised of Mr. Parker and Mr. Vosen. Mr. Parker was employed by the Company for 34 years, most recently as its President, until his retirement in 1997. During fiscal 2004, the Company was and continues to be a party to a Supplemental Pension Plan agreement with Mr. Parker pursuant to which he receives monthly pension payments from the Company of \$4,166.67.

In May 2003, the Company and Mr. Parker executed a new Supplemental Pension Plan agreement, which became effective as of January 1, 2004. The new agreement extends the existing Supplemental Pension Plan and provides that Mr. Parker will continue to receive monthly payments of \$4,166.67 through December 2006. The new agreement is subject to renewal upon agreement by both parties.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the fiscal year ended January 31, 2004, A. Todd Beard served on the Company's Board of Directors. Mr. Beard resigned from the Board in March 2003. At the time that he served on the Board and the Compensation Committee thereof, Mr. Beard was Senior Vice President of First Commercial Bank, an entity from which the Company has borrowed an amount in excess of 5% of its total consolidated assets as of January 31, 2003.

See Compensation of Directors and Compensation Committee Interlocks and Insider Participation above for additional information regarding agreements and arrangements between the Company and current and former officers and directors.

Proposal No. 3. To approve the Aerosonic Corporation 2004 Stock Incentive Plan.

We are asking the Company's shareholders to approve the Aerosonic Corporation 2004 Stock Incentive Plan (the **Plan**). The Company has established the Plan in order to encourage and enable officers, other employees and non-employee directors of the Company and its subsidiaries to acquire a proprietary interest in the Company. The Board has determined that providing such persons with a direct stake in the Company's welfare will promote and serve to assure a closer identification and alignment of their interests with those of the Company and its shareholders, thereby stimulating their efforts on the Company's behalf and strengthening their desire to remain with the Company, and to assist in the recruitment of new employees.

Under the Plan, eligible persons may receive awards of (i) incentive stock options, as qualified under the Internal Revenue Code of 1986, as amended and any successor code, and the related rules, regulations and interpretations (the **Code**); (ii) other stock options; (iii) restricted stock; and (iv) unrestricted stock.

The Plan was adopted by the Board to be subject to approval by the shareholders, and to have duration of five (5) years from such approval date, unless earlier terminated or extended by an amendment to the Plan. At the 2004 Meeting, shareholders will be asked to approve the Plan. At this time, the Company has no other employee benefits plan in effect that enables the participants to receive shares of the Company, except for the matching contributions in the Aerosonic Corporation 401(k) Plan for which the Company may elect to make such matching contributions in the Company stock rather than in cash.

Summary of Plan

The principal features of the Plan are summarized below. Appendix D to this Proxy Statement contains a copy of the Plan as adopted by the Board subject to shareholder approval. The following summary of the principal features of the Plan is qualified in its entirety by reference to Appendix D to this Proxy Statement.

Administration. The Plan will be administered by a committee of the Board (**Committee**) that will consist of not less than three persons who qualify as independent directors under requirements of the American Stock Exchange (**Amex**) or the comparable requirements of any other national securities exchange or automated quotation system on which the Company's shares may be listed or quoted.

Eligibility. Awards may be granted under the Plan to employees of the Company and its subsidiaries and non-employee directors of the Company and its subsidiaries. Incentive stock options may be granted only to employees of the Company and its subsidiaries. The Committee will serve as the **Administrator** of the Plan. The Administrator, in its discretion, will select the employees to whom awards may be granted, the time or times at which such awards are granted, and the terms of such awards.

Share Limitations. The Plan provides that a maximum of 200,000 shares of the Common Stock may be issued under the Plan and that in no event may any participant be granted an award involving more than 50,000 shares in any calendar year.

Section 162(m) Limitations. Section 162(m) of the Internal Revenue generally disallows a tax deduction to public companies for applicable employee remuneration in excess of \$1,000,000 paid to chief executive officers and to any of the other four most highly compensated officers (i.e. other than the chief executive officer). Certain performance-based compensation is specifically exempt from being included in applicable

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employee remuneration if it otherwise meets the requirements of Section 162(m). The Board expects that benefits under Plan will be exempt from such limit, and it does not intend to exceed such limit in applicable employee remuneration during the five-year period of the Plan.

Terms and Conditions of Options. Each option will be evidenced by a stock option agreement between the Company and the recipient of the option (the Optionee) and will be subject to the following additional terms and conditions:

(a) Exercise Price. The Administrator will determine the exercise price of options at the time the options will be granted. The exercise price of an incentive stock option as determined by the Code may not be less than 100% of the fair market value of the Company's stock on the date the option is granted. If an employee owns or is deemed to own (under the attribution rules of Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company or any subsidiary or parent corporation and an incentive stock option is granted to such employee, the option price may not be less than 110% of the fair market value on the date of the grant. The Plan does not provide any price restrictions on non-statutory stock options (which are stock options that do not qualify under the Code as incentive stock options). The fair market value of the shares will be determined by the closing price per share on any particular date as reported by the Amex or such other registered national securities exchange on which the shares may be listed, or, if not listed on an exchange, as quoted on Nasdaq. If there is no trading on such date, the fair market value shall be determined by the closing price per share on the last preceding date on which the stock was traded. If the stock is not listed on any registered national securities exchange or quoted on Nasdaq, the fair market value of the stock will be determined in good faith by the Administrator.

(b) Exercise of Option; Form of Consideration; and Tax Withholding. The Administrator will determine when options become exercisable and in its discretion may accelerate the vesting of any outstanding option. The means of payment for shares issued upon exercise of an option will be specified in each option agreement. The Plan permits payment to be made by cash, check, wire transfer, other shares of common stock of the Company that are not subject to restriction under any Company plan (Mature Shares), broker assisted same-day sales, a reduction in the number of shares that may be issued under the option equal in value to the aggregate exercise price of the shares to which such exercise applies (provided that the Optionee holds an equal number of Mature Shares), any other form of consideration permitted by applicable law, or any combination thereof. All required federal, state and local payroll taxes applicable to the value of any award under the Plan must be paid by the recipient at the time such value first becomes includable in the gross income of the recipient for federal income tax purposes.

(c) Term of Option. The term of an incentive stock option may be no more than 10 years after the date the option is granted, except that if an employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company (or any subsidiary or parent corporation) shall be no more than five years from the date of the grant.

(d) Termination of Employment. If an Optionee's employment terminates for any reason (other than as described below), then all options held by the Optionee under the Plan generally will terminate immediately upon the Optionee's termination.

(e) Death, Disability or Retirement Due to Age. Generally if an Optionee's employment terminates as a result of the Optionee's death, then all vested incentive stock options may be exercised for 180 days following the Optionee's death. Generally if an Optionee's employment terminates as a result of the Optionee's disability or retirement due to age, then the Optionee may exercise all vested incentive stock options within 90 days after the date of such disability or retirement, provided that no option may be exercised after the expiration of its term.

(f) Restricted Stock Awards. The Administrator, in its discretion, may grant restrictive stock awards to eligible persons under the Plan, entitling the recipient to acquire for a specified purchase price or as a direct award without a purchase price, or as determined by the Administrator, shares subject to such restrictions and conditions as the Administrator may determine at the time of the grant, including continued employment and/or achievement of pre-established performance goals and objectives.

Amendments to the Plan. Any material amendment to this Plan shall be subject to approval by the Company's shareholders. For these purposes, a material amendment would include, but not be limited to, the following: (a) any material increase in the number of shares to be issued under the Plan (other than to reflect a reorganization, stock split, merger, spin-off or similar transaction); (b) any material increase in benefits to participants not specifically provided in the Plan; (c) any material expansion of the class of eligible persons; and (d) any expansion in the types of options or awards provided under this Plan.

Immediate Vesting Due To Change of Control. Each holder of an outstanding stock option or restricted stock award shall be entitled, upon exercise of such Award, to receive, in lieu of shares of the Company's stock, shares of such stock or other securities, cash or property (or consideration based upon shares of such stock or other securities, cash or property) as the holders of shares of stock received in connection with a Change of Control, which is defined by the Plan to include (i) the acquisition by a person of control of 50% or more of the combined voting securities of the Company, (ii) the merger or consolidation of the Company and any other entity where the voting securities of the Company prior to thereto do not represent more than 50% of the combined voting power of the voting securities of the Company or such surviving entity immediately after such merger or consolidation, or (iii) the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

The foregoing is only a summary of various principal provisions of the Plan and the effect of U.S. federal income taxation upon recipients of awards and upon the Company with respect to the grant and exercise of awards under the Plan. It does not purport to be complete and does not discuss the tax consequences arising in the context of the employee's death or the income tax laws of any municipality, state or foreign country in which the employee's income or gain may be taxable.

Vote Required and Recommendation of Board of Directors.

The affirmative vote of a majority of the votes cast at the 2004 Meeting is required to approve the Plan, provided that a quorum exists.

THE BOARD RECOMMENDS A VOTE FOR APPROVAL OF THE AEROSONIC CORPORATION STOCK INCENTIVE PLAN.

OWNERSHIP OF SECURITIES

The following table sets forth information as of April 15, 2004 regarding owners of 5% or more of the Company's Common Stock:

Name And Address Of Beneficial Owner	Amount Of Beneficial Ownership	Percent Of Class
J. Mervyn Nabors 271 Bayside Drive Clearwater Beach, Florida 33767	1,242,000	31.7%
Miriam Frank 1771 Oak Creek Drive Dunedin, Florida 34698	282,763	7.2%

The following table sets forth information as of April 15, 2004 regarding ownership of the Company's Common Stock by executive officers and directors of the Company:

Name of Beneficial Owner	Amount of Shares	
	Beneficially Owned	Percent of Class
David A. Baldini	19,515 ⁽¹⁾	*
Gary E. Colbert	0	*
P. Mark Perkins	10,000	*
Carmelo Russo	3,168	*
Charles M. Foster, Jr	0	*
Robert J. McGill	0	*
J. Mervyn Nabors	1,242,000	31.7%
William C. Parker	31,139 ⁽²⁾	*
David M. Vosen	0	*

(1) Of this amount, 2,000 shares are held jointly by Mr. Baldini and his spouse.

(2) Of this amount, 9,500 shares are held jointly by Mr. Parker and his former spouse.

J. Mervyn Nabors resigned as Chairman in May 2003 and ceased to serve as a director when he was not nominated or elected at the December 18, 2003 annual meeting of shareholders. All executive officers and directors as a group, including Mr. Nabors (9 individuals), own 1,305,822 shares of the Company's Common Stock, representing 33.3% of all Common Stock outstanding. All executive officers and directors as a group, excluding Mr. Nabors (8 individuals), own 63,822 shares of the Company's Common Stock, representing 1.6% of all Common Stock outstanding.

An asterisk (*) in the table above indicates that the shares of Common Stock beneficially owned by such executive officer or director, if any, represent less than 1% of all Common Stock outstanding.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than ten percent of the Company's Common Stock, to file with the Securities and Exchange Commission and the American Stock Exchange reports of ownership of Company securities and changes in reported ownership. Officers, directors and greater than ten percent shareholders are required by SEC rules to furnish the Company with copies of all Section 16(a) reports they file.

Based solely on a review of the reports furnished to the Company, or written representations from reporting persons that all reportable transaction were reported, the Company believes that during the fiscal year ended January 31, 2004 the Company's officers, directors and greater than ten percent owners timely filed all reports they were required to file under Section 16(a).

EXECUTIVE OFFICER COMPENSATION(11)(11)

Name and Principal Position (a)	Year Ended January 31 (b)	Salary (c)	Bonus (d)	Other Annual Compensation (e)	All Other Compensation (i)	Total
David A. Baldini	2004	\$ 179,458		\$ 4,385 ⁽¹⁾	\$ 15,373 ⁽²⁾⁽¹²⁾	\$ 199,216
	2003	\$ 168,683		\$ 15,900 ⁽¹⁾	\$ 16,442 ⁽²⁾⁽¹²⁾	\$ 201,025
President as of November 2002 and Executive Vice President until that time	2002	\$ 149,561	\$ 40,000	\$ 14,250 ⁽¹⁾	\$ 16,765 ⁽²⁾⁽¹²⁾	\$ 220,576
Gary E. Colbert	2004	\$ 135,193		\$ 7,652	\$ 149	\$ 142,994
	2003	\$ 3,846				\$ 3,846
Chief Financial Officer, Treasurer and Secretary since January 2003	2002					
P. Mark Perkins	2004	\$ 142,893		\$ 7,796 ⁽³⁾	\$ 12,455 ⁽⁴⁾⁽¹²⁾	\$ 163,144
	2003	\$ 133,770		\$ 17,173 ⁽³⁾	\$ 12,679 ⁽⁴⁾⁽¹²⁾	\$ 163,622
Executive Vice President Sales and Marketing	2002	\$ 110,000	\$ 25,000	\$ 17,173 ⁽³⁾	\$ 11,811 ⁽⁴⁾⁽¹²⁾	\$ 163,984
Carmelo Russo	2004	\$ 163,424		\$ 5,458 ⁽⁵⁾	\$ 19,001 ⁽⁶⁾⁽¹²⁾	\$ 187,883
	2003	\$ 133,885		\$ 9,250 ⁽⁵⁾	\$ 19,324 ⁽⁶⁾⁽¹²⁾	\$ 162,459
Executive Vice President Operations	2002	\$ 110,000	\$ 26,000	\$ 10,560 ⁽⁵⁾	\$ 17,536 ⁽⁶⁾⁽¹²⁾	\$ 164,096
J. Mervyn Nabors	2004	\$ 104,458		\$ 6,280 ⁽⁸⁾	\$ 93,377 ⁽⁹⁾⁽¹⁰⁾⁽¹¹⁾	\$ 204,115
	2003	\$ 300,000 ⁽⁷⁾	\$ 50,000	\$ 18,840 ⁽⁸⁾	\$ 774 ⁽¹¹⁾	\$ 369,614
Chairman until May 2003 and President and Chief Executive Officer until November 2002	2002	\$ 200,000	\$ 50,000	\$ 18,517 ⁽⁸⁾	\$ 774 ⁽¹¹⁾	\$ 269,291

(1) These amounts include the payment by the Company of automobile expense reimbursements to Mr. Baldini of \$4,385, \$14,250 and \$10,687 in fiscal years 2004, 2003 and 2002, respectively.

(2) These amounts represent the payment of the annual whole life insurance premiums described in footnote (12) below, the payment of \$4,669, \$4,436 and \$4,500 in matching contributions to Mr. Baldini's 401(k) plan in fiscal years 2004, 2003 and 2002, respectively, and the payment of \$347, \$317 and \$576 in term life insurance premiums on behalf of Mr. Baldini in fiscal years 2004, 2003 and 2002, respectively.

(3) In fiscal years 2004, 2003 and 2002, P. Mark Perkins received automobile expense reimbursement of \$7,796, \$17,173 and \$17,173, respectively.

(4) These amounts represent the payment of the annual whole life insurance premiums and the interest free benefit of a draw from a variable whole life insurance policy, each as described in footnote (12) below, and the payment of \$3,813, \$3,300 and \$3,300 in matching contributions to Mr. Perkins' 401(k) plan in fiscal years 2004, 2003 and 2002, respectively.

and the payment of \$181, \$108 and \$72 in term life insurance premiums on behalf of Mr. Perkins in fiscal years 2004, 2003 and 2002, respectively.

- (5) In fiscal years 2004, 2003 and 2002, Carmelo Russo received automobile expense reimbursement of \$5,258, \$9,250 and \$10,560, respectively.
- (6) These amounts represent the payment of the annual whole life insurance premiums and the interest free benefit of a draw from a variable whole life insurance policy, each as described in footnote (12) below, and the payment of \$3,405, \$3,300 and \$3,099 in matching contributions to Mr. Russo's 401(k) plan in fiscal years 2004, 2003 and 2002, respectively, and the payment of \$619, \$310 and \$165 in term life insurance premiums on behalf of Mr. Russo in fiscal years 2004, 2003 and 2002, respectively.
- (7) This amount does not include the payment of approximately \$15,385 in respect of an unauthorized increase in Mr. Nabors' base compensation, which was subsequently denied by the Board of Directors. As of the date hereof, the Company has not sought the return of this amount.
- (8) In fiscal years 2004, 2003 and 2002, J. Mervyn Nabors received automobile expense reimbursement of \$6,280, \$18,840 and \$18,517, respectively.
- (9) After his resignation as Chairman, the Company paid director's fees of \$12,000 during fiscal year 2004.
- (10) After his resignation as Chairman, the Company paid Mr. Nabors \$80,990 in accordance with an employment arrangement that became effective in May 2003.