WHITE JOHN C
Form 4
September 19, 2012

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
WHITE JOHN C

(Last) (First) (Middle)

16220 N. SCOTTSDALE ROAD, SUITE 100

(Street)

SCOTTSDALE, AZ 85254

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
UNIVERSAL TECHNICAL INSTITUTE INC [UTI]

3. Date of Earliest Transaction (Month/Day/Year)
09/18/2012

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director __X__ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chairman of the Board

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, $0.0001 par value	09/18/2012		F		1,324 (1)	D	$ 13.22	84,589	D	
Common Stock, $0.0001 par value	09/18/2012		F		1,215 (2)	D	$ 13.22	83,374	D	
Common Stock, $0.0001								2,464,675	I	Whites' Family Company

par value			LLC
Common Stock, $0.0001 par value	1,000	I	White 1989 Family Trust

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
WHITE JOHN C 16220 N. SCOTTSDALE ROAD SUITE 100 SCOTTSDALE, AZ 85254	X	X	Chairman of the Board	

Signatures

/s/ Brian K. Udall attorney-in-fact for John C White	09/19/2012
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Vesting of Restricted Stock granted on 09/14/2010, shares withheld to satisfy tax liability.

(2) Vesting of Restricted Stock granted on 09/15/2009, shares withheld to satisfy tax liability.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. p;Building and improvements 2,510,000 2,502,000 Machinery and equipment 6,724,000 5,038,000 Patterns, dies and tools 611,000 578,000 Furniture and fixtures 1,635,000 1,576,000 Construction in progress 776,000 1,495,000 12,429,000 11,362,000 Less: accumulated depreciation (8,223,000) (7,844,000)Property, plant and equipment, net $4,206,000 $3,518,000

Depreciation expense was $380,000 and $307,000 for the years ended January 31, 2012 and 2011, respectively. Certain components of property, plant and equipment are pledged as collateral for debt obligations. See Note 9 for further discussion of collateralized property, plant and equipment.

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AEROSONIC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

6. Intangible Assets

Intangible assets as of January 31, 2012 and 2011 consisted of the following:

	Useful Lives	2012	2011
Intangible assets subject to amortization:			
Acquired product prototype	5	$730,000	$730,000
Non-compete agreeements	3	175,000	175,000
Acquired customer base	5	75,000	75,000
Total intangible assets subject to amortization		980,000	980,000
Accumulated amortization		(886,000)	(725,000)
Net		$94,000	$255,000
Intangible assets with indefinite lives:			
Goodwill		$366,000	$366,000

Amortization expense related to intangible assets for the years ended January 31, 2012 and 2011 was $161,000 and $195,000, respectively. Amortization expense for the remaining useful lives of the intangible assets is $94,000 for the year ending January 31, 2013.

Amortization expense related to capitalized debt issuance costs for both years ended January 31, 2012 and 2011 was $36,000 and $34,000, respectively.

Amortization expense related to intangible assets and capitalized debt issuance costs is included in selling, general and administrative expenses. Capitalized debt issuance costs are included in other assets.

7. Notes Payable

On May 14, 2009, the Company entered into three separate unsecured notes payable, herein referred to collectively as the “Notes Payable”, with three separate private lenders, Bruce J. Stone, Redmond Family Investments, LLLP and Martin L. Schaffel, herein referred to collectively as “the Investors”, each containing a drawdown provision allowing the

Company to borrow up to an aggregate of $2,000,000. The loan agreements, entered into in connection with the Notes Payable (the “Loan Agreements”), initially provided for the issuance of warrants with an exercise price of $0.64 per warrant issued at the rate of one warrant for every four dollars loaned to the Company and common shares at the rate of one share for every ten dollars loaned to the Company. Additionally, any amounts borrowed are subject to 14% interest per annum, payable monthly.

On May 21, 2009, the Company borrowed an aggregate principal amount of $800,000 based upon the cash drawdown provision of each of the three unsecured loan agreements. The 200,000 warrants issued to the Investors pursuant to the $800,000 drawdown are exercisable at any time during the period after May 21, 2010 and before the warrant expiration date of April 10, 2015. The Company also issued 80,000 common shares in connection with the $800,000 cash. The aggregate amount borrowed of $800,000 was initially payable in full under each of the three Notes Payable on or before April 10, 2010.

On February 19, 2010, the Company borrowed an additional $600,000 from the Investors under the Loan Agreements entered into on May 14, 2009 and also entered into amendments to each of the Loan Agreements with the Investors. The note modifications (a) extended the maturity date of the subordinated notes for a period of one year from April 10, 2010 to April 10, 2011, (b) removed Aerosonic’s obligation to issue shares of its common stock upon each cash drawdown made on or after February 19, 2010, (c) revised the ratio of common shares underlying warrants issuable per each $1.00 of principal amount borrowed from “.25 shares per $1.00 of principal amount” to “.20 shares per $1.00 of principal amount” with respect to cash draw downs made on or after February 19, 2010 and (d) deleted certain negative covenants relating to the issuance of securities. The warrant modifications (a) extended the expiration date of any warrants issued prior to February 19, 2010 for a period of five years from April 10, 2015 to April 10, 2020, (b) extended the expiration date of any warrants issued on or after February 19, 2010 from April 10, 2015 to the sixth anniversary date of the issuance of the warrant certificate and (c) revised the purchase price for any warrants issued on or after February 19, 2010 from $0.64 per share to a price equal to 50% of the volume weighted average of the selling price of the Company’s common stock on February 12, 2010 and for the 19 trading days prior to February 12, 2010, or $1.98 per share. The 120,000 warrants issued to the Investors pursuant to the additional $600,000 loan are exercisable at any time before the expiration date of February 19, 2016.

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AEROSONIC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

On October 13, 2010, the Company repaid $700,000 of the outstanding balance of the Notes Payable, with each Investor receiving a pro-rata portion of the aggregate repayment amount based on the Investors' balance on that date.

On December 31, 2010, the Company repaid an additional $100,000 of the outstanding balances of the Notes Payable, with each Investor receiving a pro-rata portion of the aggregate repayment amount based on the Investors' balance on that date.

During the first quarter of fiscal year 2012, the Company repaid the remaining outstanding balance of the Notes Payable, with each Investor receiving a pro-rata portion of the aggregate repayment amount based on the Investors' balance on that date.

The warrants and common shares issued under the Loan Agreements described above are recorded as a separate component of interest and are being accreted into the loan balances over the term of the loans. For the years ended January 31 2012 and 2011, the Company recognized accretion of $26,000 and $263,000, respectively, presented as additional interest expense. In addition, as a result of early repayments to the Investors, the Company recognized accelerated interest accretion expense in the amount of $25,000 and $78,000 for the years ended January 31, 2012 and January 31, 2011, respectively, which is reported as loss on extinguishment of debt.

8. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities at January 31, 2012 and 2011 consisted of the following:

	2012	2011
Environmental liability (see Note 13)	$788,000	$808,000
Contract loss provision	1,086,000	1,500,000
Warranty liability	226,000	144,000
Product development programs	-	-
Other	398,000	456,000
Accrued expenses and other liabilities	$2,498,000	$2,908,000

Contract Loss Provision

As of January 31, 2012 and January 31, 2011, the Company recognized contract loss provisions of $1,086,000 and $1,500,000, respectively, associated with several customer funded fixed price development contracts. As of January 31, 2012, remaining revenues associated to one uncompleted project is fixed at $308,000. As of January 31, 2012, the Company estimates total costs of the uncompleted project to approximate $1,394,000.

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AEROSONIC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Warranty Liability

The Company has established a liability for warranty claims based on historical experience, which has not been significant. The Company's warranty activity for the years ended January 31, 2012 and 2011 was as follows:

	2012	2011
Beginning balance	$144,000	$167,000
Cost incurred	(162,000)	(46,000)
Provision for warranty cost	244,000	23,000
Ending balance	$226,000	$144,000

9. Long-term Debt and Revolving Credit Facility

On April 30, 2010, the Company entered into a Loan Agreement (the "Loan Agreement") with BMO Harris Bank with a maximum amount of credit facilities (the "Credit Facility") available to the Company of $10,100,000. The Loan Agreement provides for (a) a $4,000,000 revolving line of credit (the "Revolving Credit Line Note"), (b) a $3,500,000 first real estate mortgage loan (the "Real Estate Mortgage Note"), (c) a $1,900,000 term loan (the "Equipment Term Note" and together with the Real Estate Mortgage Note, the "Bank Notes"), and (d) a $700,000 equipment line of credit (the "Equipment Credit Line Note" and together with the Revolving Credit Line Note, the "Credit Line Notes"). The proceeds from the Credit Facility were used, in part, to fully satisfy the outstanding debt and fees with Wachovia of $7,521,830. The available funds received and financing available under the Loan Agreement will be used for new product development, working capital and capital expenditure needs.

The Credit Facility is secured by substantially all assets of the Company. Details of the Credit Facility (as of April 30, 2010 and before the amendments described after the following summary) are as follows:

- The Revolving Credit Line Note, which supports a $4,000,000 revolving line of credit, had an original term of 364 days and provides a line of credit in an amount equal to the lesser of (a) the Revolving Credit Limit of $4,000,000; or (b) a Borrowing Base determined based on eligible accounts receivable and inventory. Interest is paid monthly. The interest rate on the Revolving Credit Line Note originally was one-month LIBOR (which was 0.2953% at January 31, 2012) plus 300 basis points with a 4% floor. Available borrowings on the Revolving Credit Line Note at January 31, 2012 were $888,000.

- The Real Estate Mortgage Note, which supports a $3,500,000 first real estate mortgage loan, has a three-year term, a 15-year amortization period, and the interest rate is one-month LIBOR plus 340 basis points with a 4% floor. Interest and principal are paid monthly. The proceeds of the Real Estate Mortgage Note were used for refinancing an existing loan relating to the Clearwater, Florida property and for working capital and capital expenditure needs.

- The Equipment Term Note, which supports a $1,900,000 term loan, has a three-year term, a five-year amortization period, and the interest rate is one-month LIBOR plus 340 basis points with a 4% floor. Interest and principal are paid monthly. The proceeds of the Equipment Term Note were used for refinancing an existing loan relating to the Earlysville, Virginia property and for working capital and capital expenditure needs. The Company must pay any proceeds from the sale of the Earlysville, Virginia property to BMO Harris Bank to be applied as a principal payment under the Equipment Term Note.

- The Equipment Credit Line Note, which supports a $700,000 equipment line of credit, has a three-year term, a five-year amortization period, and the interest rate is one-month LIBOR plus 325 basis points with a 4% floor. Interest is paid monthly. Principal payments began October 2011. Proceeds are used to purchase equipment for use in the Company’s business.

The Credit Facility contains certain financial and other restrictive covenants, including the requirement to maintain: (i) on a consolidated basis, Total Stockholders’ Equity, defined as the value of total assets less total liabilities, equal to at least $7,419,000, which amount shall increase on a quarterly basis in an amount equal to ninety percent (90%) of the Company’s net income (calculated on a consolidated basis) for such quarter; (ii) on a consolidated basis, a ratio of Funded Debt, defined as all outstanding liabilities for borrowed money and other interest-bearing liabilities, including current and long term debt, less the non-current portion of Subordinated Liabilities, defined as liabilities subordinated to the Company’s obligations to the lender in a manner acceptable to the lender in its sole discretion, to EBITDA not exceeding 3.0:1.0; and (iii) on a consolidated basis, a Fixed Charge Coverage Ratio, defined as the ratio of (a) the sum of EBITDA plus lease expense and rent expense, minus income tax, minus dividends, withdrawals, and other distributions, to (b) the sum of cash interest expense, lease expense, rent expense, scheduled principal amortization actually paid to the lender during the measuring period (excluding any principal payments under the Revolving Credit Line Note and the Investors’ Notes Payable), and scheduled payments on capitalized lease obligations during the measuring period, of at least 1.20:1.0. These covenant amounts are calculated at the end of each quarterly reporting period for which the lender requires financial statements.

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AEROSONIC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

On October 12, 2010, the Company borrowed an additional $700,000 against the Equipment Credit Line Note, which replenished cash used by the Company to purchase and construct equipment over the 12 months before that date. The borrowed amount was used to accelerate repayment of the Investors' Notes Payable.

For the period measured as of January 31, 2011, the Company did not comply with the Funded Debt to EBITDA covenant in the Credit Facility.

On April 28, 2011, BMO Harris Bank waived the Company's January 31, 2011 non-compliance with the Funded Debt to EDITDA covenant in the Credit Facility. On April 29, 2011, pursuant to a Joint Amendment to Loan Agreement and Revolving Line of Credit Note, the Company and BMO Harris Bank amended the Credit Facility's Funded Debt to EBITDA covenant to 4.0:1.0 for the balance of fiscal year 2012 and extended the maturity date of the Revolving Credit Line Note to June 28, 2011.

On June 27, 2011, the Company and BMO Harris Bank amended the Revolving Credit Line Note by extending the maturity date to June 27, 2012 and amended the interest rate applicable to the Revolving Credit Line Note to accrue at an annual rate equal to one-month LIBOR plus 300 basis points, which eliminated the prior requirement of a 4.00% floor. Also, on that date, the Company and BMO Harris Bank amended the interest rate calculation method within the Loan Agreement which requires the use of a 365/360 day calculation method. This method applies the ratio of the applicable interest rate over a year of 360 days, multiplied by the outstanding principal balance of the Revolving Credit Line Note and then multiplied by the actual number of days the principal balance is outstanding. This calculation method results in a higher effective interest rate than the numeric interest rate stated in the Revolving Credit Line Note.

For the period measured as of July 29, 2011, the Company did not comply with the Fixed Charge Coverage Ratio covenant in the Credit Facility. On September 7, 2011, BMO Harris Bank waived the Company's July 29, 2011 non-compliance with the Fixed Charge Coverage Ratio covenant in the Credit Facility. For the period measured as of October 28, 2011, the Company did not comply with the Fixed Charge Coverage Ratio covenant in the Credit Facility. On December 5, 2011, BMO Harris Bank waived the Company's October 28, 2011 non-compliance with the Fixed Charge Coverage Ratio covenant in the Credit Facility.

On September 26, 2011, the Company entered into an amendment (the "Amendment") to the Loan Agreement. The Amendment temporarily increased the limit under the Revolving Credit Line Note from $4,000,000 to $4,500,000 for a ninety-day period commencing on September 26, 2011 and ending on December 25, 2011. To evidence this credit increase, the Company simultaneously replaced the Revolving Credit Line Note through issuance of a new revolving line of credit note in the initial principal amount of $4,500,000 (the “Amended and Restated Revolving Credit Line Note”). Except as amended to reflect the increased original principal amount and temporarily increased credit limit, the Amended and Restated Revolving Credit Line Note contains the same terms and conditions as the Revolving Credit Line Note, which are described in more detail below.

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AEROSONIC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Amended and Restated Revolving Credit Line Note matures on June 27, 2012 and provides a line of credit in an amount equal to the lesser of (a) the Revolving Credit Limit of (i) $4,500,000 until December 25, 2011 and (ii) $4,000,000 from December 26, 2011 until the maturity date; or (b) a borrowing base determined based on eligible accounts receivable and inventory. Interest is payable monthly. The interest rate applicable to the Amended and Restated Revolving Credit Line Note is one-month LIBOR plus 300 basis points. The interest rate calculation method requires the use of a 365/360 day calculation method which applies the ratio of the applicable interest rate over a year of 360 days, multiplied by the outstanding principal balance of the Amended and Restated Revolving Credit Line Note and then multiplied by the actual number of days the principal balance is outstanding. This calculation method results in a higher effective interest rate than the numeric interest rate stated in the Amended and Restated Revolving Credit Line Note.

The Company was in compliance with all covenants within the Credit Facility as of January 31, 2012.

Long-term debt at January 31, 2012 and January 31, 2011 consisted of the following:

	2012	2011
Real Estate Mortgage Note	3,111,000	3,344,000
Equipment Term Note	1,267,000	1,647,000
Equipment Credit Line Note	653,000	700,000
Notes Payable	-	549,000
	5,031,000	6,240,000
Less: current maturities	(753,000)	(1,255,000)
Long-term debt, less current maturities	$4,278,000	$4,985,000

At January 31, 2012, principle repayment of Long-term debt consisted of the following:

	2013	2014	2015	2016	2017
Real Estate Mortgage Note	233,000	2,878,000	-	-	-
Equipment Term Note	380,000	887,000	-	-	-
Equipment Credit Line Note	140,000	153,000	360,000	-	-

753,000	3,918,000	360,000	-	-

Interest and accretion expense on long-term debt and the Amended and Restated Revolving Credit Line Note for the fiscal year ended January 31, 2012 and January 31, 2011 amounted to $371,000 and $745,000, respectively.

10. Stockholders' Equity

Income Per Share

Basic income per share is based upon the Company's weighted average number of common shares outstanding during each period. Diluted income per share is based upon the weighted average number of common shares outstanding during each period, assuming the issuance of common shares for all dilutive potential common shares outstanding during the period, using the treasury stock method. Potential common stock of 122,000 and 118,000 shares were not included in the computation of diluted income per share for the years ended January 31, 2012 and 2011, respectively, as the inclusion of the potential common stock would be anti-dilutive.

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AEROSONIC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Years Ended January 31,	
	2012	2011
Weighted average shares outstanding-basic	3,760,483	3,739,211
Dilutive effect of stock options and warrants	286,533	314,088
Weighted average shares outstanding-diluted	4,047,016	4,053,299

Options to Purchase Stock

In July 2004, the Company adopted the Aerosonic Corporation 2004 Stock Incentive Plan ("2004 SIP"), which authorized the awarding of options to purchase up to a total of 400,000 shares of the Company's common stock. For option awards, the 2004 SIP provides that the strike price shall not be less than the fair market value of the common stock on the date of grant and that no portion of any option award may be exercised beyond ten years from that date. In addition, no incentive stock option can be granted and exercised beyond five years to a stockholder owning 10% or more of the Company's outstanding common stock. On July 13, 2009, stockholders approved an amendment to the Aerosonic Corporation 2004 Stock Incentive Plan (the Plan) that extended the duration of the Plan for five years to July 14, 2014 and increased the total number of shares of Aerosonic common stock issuable pursuant to the Plan from 400,000 shares of common stock to 550,000 shares.

During the first quarter of fiscal year 2012, the Company issued to its President and Chief Executive Officer, options to purchase 6,000 shares of the Company's common stock at the common stock's market price on that day of $2.70. Additionally, the Company issued to its Executive Vice President and Chief Financial Officer, its Executive Vice President of Sales and Marketing and its Executive Vice President of Operations, options to purchase 4,000 shares each of the Company's common stock at the common stock's market price on that day of $2.87. In the second quarter of fiscal year 2012, the Company issued to its Vice President of Technology and Product Development, options to purchase 4,000 shares of the Company's common stock at the common stock's market price on that day of $3.06, These options vest from one to three years from the date of grant.

A summary of the activity related to the Company's stock options during fiscal year 2012 and 2011 is presented in the table below:

Years Ended January 31,

	2012			2011		
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In years)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In years)
Beginning options outstanding	320,200	$ 2.82		324,600	$ 2.80	
Options granted	22,000	$ 2.86		-	$ -	
Options exercised	(1,000)	$ 1.01		(1,000)	$ 1.01	
Options expired, cancelled or forfeited	(2,000)	$ 1.87		(3,400)	$ 2.25	
Ending options outstanding	339,200	$ 2.83	6.81	320,200	$ 2.82	7.67
Options exercisable at January 31,	250,000	$ 3.09	6.54	156,000	$ 3.39	7.38

Stock options vest over a period of two to four years and have 10-year terms. Exercise prices of stock options awarded for all periods were equal to the market price of the stock on the date of grant. The weighted average grant date fair value per share of options granted during the years ended January 31, 2012 and 2011, vested and unvested, was $2.83 and $0, respectively.

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AEROSONIC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of January 31, 2012, there was approximately $57,000 of unrecognized compensation cost related to unvested options. This cost is expected to be recognized over a weighted average period of approximately 1.5 years.

The Company recorded equity-based compensation expense on its options in accordance with U.S. GAAP of approximately $127,000 and $180,000 for the years ended January 31, 2012 and 2011, respectively, which is included in selling, general and administrative expenses.

During the fiscal year ended January 31, 2012 and January 31, 2011, 1,000 options were exercised, respectively.

11. Income Taxes

Income tax (benefit) expense for the years ended January 31, 2012 and 2011 consisted of:

	2012	2011
Current:		
Federal	$-	$(91,000)
State	-	(9,000)
	-	(100,000)
Deferred:		
Federal	397,000	506,000
State	39,000	49,000
	436,000	555,000
Income tax expense	$436,000	$455,000

The following table illustrates the difference between the statutory income tax rates applicable to the Company versus the effective tax expense (benefit) rate for the years ended January 31, 2012 and 2011:

	2012	2011
Federal tax rate	34.0%	34.0%

Increase (decrease) in taxes resulting from:		
State income taxes, net of federal tax benefit	4.1	4.9
Valuation allowance	-	-
Change in unrecognized tax benefit and related interest	-	(3.7)
Intrinsic costs warrants	2.1	9.7
Stock based compensation	5.2	5.6
Adjustment of NOL and other deferred tax accounts (primarily fixed assets)	5.9	(3.5)
Domestic manufacturing deduction	-	-
Other - primarily non-deductible expenses	1.4	(4.9)
Effective tax rate	52.7%	42.1%

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AEROSONIC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at January 31, 2012 and 2011 were as follows:

	2012	2011
Current deferred tax assets:		
Accounts receivable	$133,000	$227,000
Inventories	1,130,000	1,243,000
Compensation expense	187,000	75,000
Contract loss	15,000	13,000
Other	84,000	59,000
Total current deferred tax assets	1,549,000	1,617,000
Non-current deferred tax assets:		
Property, plant and equipment, principally due to differences in depreciation and capitalized interest	(133,000)	142,000
Building held for sale	70,000	77,000
Research and experimentation and alternative minimum tax credits	325,000	325,000
Stock-based compensation	-	-
Net operating loss carryforward	508,000	654,000
Total non-current deferred tax assets	770,000	1,198,000
Total deferred tax asset	2,319,000	2,815,000
Non-current deferred tax liabilities:		
Identifiable intangibles	35,000	95,000
Net deferred tax asset	$2,284,000	$2,720,000

At January 31, 2012, the Company has a total net operating loss carryforward for U.S. Federal tax purposes of approximately $1,363,000 and research and development tax credits of $234,000 which expire in various years through 2029.

Realization of the Company's net deferred tax asset is dependent upon the Company generating sufficient taxable income in future years to obtain a benefit from the reversal of deductible temporary differences and from tax loss carryforwards. The Company has concluded, based on expected future results and the future reversals of existing taxable temporary differences, a reserve is not needed at January 31, 2012.

The Company records provisions dealing with uncertain tax positions as required in ASC740. As a result, the Company has recorded a liability of $0 at January 31, 2012 and 2011, of unrecognized tax benefits, inclusive of estimated accrued interest and penalties. At January 31, 2012, there was no accrued interest or accrued penalties related to uncertain tax positions.

The Company is generally no longer subject to examinations with respect to returns that have been filed for years prior to 2009.

The Company is not currently under examination by any taxing authority. We do not anticipate that the amount of the unrecognized benefit will significantly increase or decrease within the next twelve months.

12. Major Customer Information

Direct and indirect sales to U.S. Government agencies, when combined, represented 44% of net sales and amounted to approximately $13,112,000 and $10,104,000 for the years ended January 31, 2012 and 2011, respectively. Of these amounts, approximately $6,365,000 and $4,976,000 were sales directly to U.S. Government agencies for the years ended January 31, 2012 and 2011, respectively. The remaining amount of $6,747,000 represents sales to commercial customers for government applications.

Foreign sales for the years ended January 31, 2012 and 2011 were approximately $5,903,000 and $7,630,000, respectively. Substantially all foreign sales contracts are payable in U.S. dollars.

AEROSONIC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Sales to the U.S. Government, Boeing Corporation and Carp Industries represented approximately 21%, 15% and 11% of total sales for the year ended January 31, 2012, respectively. Accounts receivable at January 31, 2012 included approximately $1,118,000 due from Alenia Aermacchi, $882,000 due from the U.S. Government and $654,000 due from Carp Industries. Accounts receivable at January 31, 2011 included approximately $825,000 due from Korea Aerospace Industries. No other customer represented greater than 10% of accounts receivable at January 31, 2012 or 2011.

13. Commitments and Contingencies

Commitments

Purchase commitments

At January 31, 2012, the Company was committed to future purchases of approximately $3,443,000 for materials and services as well as a development contract. These purchase commitments are supported by firm underlying contracts with customers and contain provisions permitting the Company to terminate such purchase commitments in the event the underlying contracts should be terminated or discontinued.

Purchase commitments as of January 31, 2012 are as follows:

	Payments Due By Period				
	Less Than One Year	One Year to 3 Years	Greater Than 3 Years to 5 Years	After 5 Years	Total
Purchase commitments	$3,390,000	$53,000	$ -	$ -	$3,443,000

Leases

On September 20, 2007, the Company entered into a five year operating lease at a location near Charlottesville, Virginia, which represents the new facility for the support and repair/overhaul employees of Avionics who were retained subsequent to the consolidation of the Earlysville operations into the Clearwater facility. Total rental expense was approximately $167,000 and $154,000 for the years ended January 31, 2012 and 2011, respectively, which is included in cost of sales.

The future minimum rental payments under leases that have initial or remaining non-cancelable lease terms in excess of one year at January 31, 2012 are as follows:

For the years ending January 31,	Operating Leases
2013	159,000
	$159,000

Contingencies

Litigation

From time to time, the Company may be involved in certain claims and legal actions arising in the ordinary course of business. As of January 31, 2012, there were no claims or legal actions that will have a material adverse effect on the Company’s financial position, results of operations, or liquidity.

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Environmental

In preparation for the sale of the Earlysville, Virginia facility, the Company engaged an environmental consulting firm to survey the property for possible soil or groundwater contamination. This survey revealed impacts to both shallow soils and groundwater that may have resulted from the accidental loss of solvents. As a result of the initial and subsequent surveys, contamination treatment was determined to be necessary at an estimated total cost of $788,000 as of January 31, 2012, as determined by an environmental compliance specialist, and which is included in the environmental liability. Thus, in accordance with U.S. GAAP, the Company capitalized these contamination treatment costs in its financial statements as an increase to property held for sale, net, since such costs will be incurred in preparation for the sale of the Earlysville, Virginia facility.

The Company has had discussions with the former owner of the property concerning responsibility for contamination treatment. The former owner of the property and the Company solicited proposals in 2009 from environmental consulting firms and received a proposal from which management estimates the cost of contamination treatment to be approximately $615,000. Depending on the findings of additional studies, the scope and cost of the contamination treatment may change. Current estimates of future monitoring, oversight and other related costs are estimated between approximately $175,000 and $225,000. As of January 31, 2012, the Company and the former owner of the property were negotiating the terms of administrative consent orders with the U.S. Environmental Protection Agency for completion of the contamination characterization and treatment plans. The Company continues to be in communication with the former owner of the property concerning its responsibility to cover the costs of the contamination characterization and treatment. The Company will reassess the accrued liability and record any appropriate adjustments in our financial statements following completion of the characterization process as required by these orders. Costs incurred during the fiscal year ended January 31, 2012 and January 31, 2011 to pay an environmental consulting firm to characterize contamination that may be present in the ground between the Company's property and nearby homes amounted to $20,000 and $124,000, respectively.

14. Employee Retirement Plan

The Company's employees are eligible, after completing three months of service, to participate in a 401(k) plan (the "Plan") sponsored by Aerosonic Corporation. Under the terms of the Plan, employees may contribute up to 15% of their gross earnings subject to IRS limitations. The Company may match up to 100% of the first 3% of employees' contributions. The Company's matching contributions to the Plan were $222,000 and $86,000 for the years ended January 31, 2012 and 2011, respectively and are included in selling, general and administrative expenses. The Company, having elected to discontinue voluntary matching contributions during the year ended January 31, 2010, reinstated the voluntary matching contribution during the year ended January 31, 2011.

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AEROSONIC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

15. Quarterly Data (Unaudited)

Set forth below are the Company's quarterly data (unaudited) for the years ended January 31, 2012 and 2011.

	Quarters Ended			
	April 29	July 29	October 28	January 31
2012				
Sales, net	$6,709,000	$6,421,000	$7,320,000	$9,157,000
Gross profit	$1,706,000	$1,417,000	$2,011,000	$3,361,000
Operating (loss) income	$(382,000)	$(221,000)	$336,000	$1,608,000
Net (loss) income	$(317,000)	$(167,000)	$146,000	$730,000
Basic (loss) income per share	$(0.08)	$(0.04)	$0.04	$0.19
Diluted (loss) income per share	$(0.08)	$(0.04)	$0.04	$0.18

	April 30	July 30	October 29	January 31
2011				
Sales, net	$6,931,000	$6,813,000	$7,049,000	$8,825,000
Gross profit	$2,154,000	$2,099,000	$2,069,000	$2,810,000
Operating income	$399,000	$280,000	$345,000	$693,000
Net income	$259,000	$18,000	$93,000	$255,000
Basic income per share	$0.07	$-	$0.02	$0.07
Diluted income per share	$0.06	$-	$0.02	$0.06

16. Subsequent Events

On April 20, 2012, the Company filed with the Securities and Exchange Commission, a Registration Statement on Form S-8 for the purpose of registering an additional 200,000 shares of the Company's common stock, with a par value of $0.40 per share, to be issued under the Aerosonic Corporation 2004 Stock Incentive Plan. Immediately after the filing of the registration statement, the number of securities available for future issuance under the stock incentive plan amounted to 410,800 shares.

Explanation of Responses: