Lead Plaintiffs Rene Miville, Sebastian Gaeta, Steven Cutler, Paul Gaeta, Anthony Gaeta, Rick Fowler, Ella Hall and Maria Jaeger (together, the “Miville Group” or “Plaintiffs”), as and for their Amended and Consolidated Class Action Complaint (the “Amended Complaint”) against Defendants, allege as follows:

**NATURE OF ACTION**

1. During the period November 13, 1998 through March 17, 2003 inclusive (the “Class Period”), defendants Aerosonic Corporation (“Aerosonic” or the “Company”), J. Mervyn Nabors, Eric J. McCracken, Michael T. Reed, Andrew J. Norstrud and PricewaterhouseCoopers LLP (“PricewaterhouseCoopers”) (collectively, the “Defendants”) engaged in a fraudulent scheme to artificially inflate the price of Aerosonic’s publicly-traded common stock, in violation of the federal securities laws, §§ 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder.

2. Specifically, Defendants made materially false and misleading statements and omissions throughout the Class Period regarding the financial results, operations and condition of the Company. As a result of those statements and omissions, the Company’s stock traded at artificially inflated levels during the Class Period. Indeed, Aerosonic’s stock price more than
doubled during the Class Period, reaching an all-time high of $29.50 on May 16, 2002. When the Defendants’ fraudulent misconduct began to be revealed in March 2003, Aerosonic’s stock plummeted to about $10 per share, and thereafter even lower.

3. In 1996, defendant Nabors took control of Aerosonic by purchasing nearly one-third of the Company’s outstanding stock and was elected as the Company’s President, Chief Executive Officer and Chairman of the Board of Directors. Nabors assembled his own management team that quickly began a course of misconduct, creating the false appearance that Aerosonic had been transformed from a sleepy, unprofitable manufacturing concern into a profitable, growing and sought-after merger target. In doing so, Nabors and his team orchestrated a scheme to issue glowing – albeit false – public reports of Aerosonic’s financial “turn-around”, using various machinations of accounting trickery, aspects of which have been admitted to by the Company and further substantiated by several, confidential cooperating witnesses.

4. According to one confidential source, Nabors was continually “playing with the inventory”. For example, “when inventory amounts did not reach the level that Nabors wanted, Nabors and McCracken would review spreadsheets of instrument inventory, select high-dollar items, and instruct [employees] to simply change the prices.” Nabors also “phoneyed the levels of obsolete [inventory] stock”. Indeed, this and other such sources provide an insider’s view of not only how the financial manipulations were accomplished but also the hostile and physically threatening environment at Aerosonic that allowed Defendants to engage in blatant manipulations of the Company’s inventory, bogus purchase transactions and other financial misconduct. That hostile environment was, in sum, the result of Nabors’
“management style” at Aerosonic, which was characterized by extreme verbal abuse and even physical threats of violence against Company employees in coercing them to carry out his directives unchallenged.

5. Instead of halting this wrongdoing, the Company’s supposedly independent accountant, defendant PricewaterhouseCoopers, turned a blind-eye to Aerosonic’s numerous and obvious accounting improprieties, ignoring countless “red flags” of risk that at the very least should have led it to conduct further investigation and testing, including but not limited to Aerosonic’s: history of switching outside auditors; materially increasing revenues and earnings after years of losses and stagnation; suspicious personnel turnover in the position of Controller; a CFO who lacked adequate training and experience commiserate with that position; insufficient financial and accounting controls; insufficient documentation related to purchases and inventory; falsified inventory records; abrupt senior management shake-ups; and even an Audit Committee member who resigned for the stated reason that the Company was subject to the provisions of recently enacted legislation addressing corporate fraud. PricewaterhouseCoopers not only failed to conduct proper audits of the Company and failed to adhere to generally accepted auditing standards, but was complicit in assuring that the fraud remained undetected by the market and investing public.

6. However, in the wake of Aerosonic’s abrupt announcement in December 2002 that it had transferred the office of President from its long-time CEO/Chairman Mervyn Nabors to the Company’s Vice-Chairman, David Baldini, as well as the enigmatic but foreboding disclosure that both CFO Eric McCracken and an outside Director of the Audit Committee had
resigned, the Company’s stock price began a downward spiral, dropping from $19.51 per share on December 16, 2002 to $13.77 per share on January 21, 2003, a loss of nearly 30%.

7. Aerosonic’s stock price was then stabilized, at least temporarily, when the Company publicly announced the hiring of its new CFO, Gary Colbert, on January 21, 2003, and began touting Colbert’s financial experience and credentials, convincing investors that Colbert’s addition would immediately strengthen Aerosonic’s management team.

8. For the next month and a half, the Company’s stock price steadied, continually trading at about $15 per share.

9. However, on March 17, 2003, Defendants’ fraudulent scheme quickly began to unravel, when the Company announced that it had overstated revenue and inventory by a total of at least $3 million during the fiscal years ended January 31, 2001 and 2002, and the fiscal quarters ended April 30, July 31, and October 31, 2002. As a result, Aerosonic’s stock price again plummeted, dropping from $15 to $10.10 per share, thereby losing nearly one-third of its value by the close of the next day’s trading.

10. Aerosonic dropped yet another revelation on its investors on May 22, 2003, when it not only confirmed that it had overstated revenues and inventory by some $3 million over the last three years, but then added that “the Company has thus far identified approximately $3.2 million of additional changes that should be made to its financial statements.” In characterizing its accounting errors, the Company admitted that its financial statements contained “misstatements and misrepresentation” due to “falsification of certain inventory records, adjustments for obsolete and slow moving inventory, improper revenue recognition, questionable fixed asset capitalization, and disbursement and compensation issues.” In addition, the Company
announced that Nabors had resigned as Chairman of Aerosonic, and admitted – contrary to its public statements in December 2002 – that Baldini had effectively been serving as Chairman since November of 2002.

11. On June 3, 2003, the Company disclosed that the U.S. Securities and Exchange Commission (the “SEC”) had launched a formal investigation into Aerosonic’s accounting improprieties.

12. Notwithstanding the Company’s claim in May 2003 that its own investigation into the accounting misstatements has been “substantially completed”, Aerosonic continually failed to file requisite financial reports with the SEC, including its Form 10-K for the fiscal year ended January 31, 2003 and Forms 10-Q for the fiscal quarters ended April 30, 2003 and July 31, 2003. Unsurprisingly, on September 25, 2003, the American Stock Exchange (“AMEX”) halted the public trading of the Company’s stock “due to the absence of available current financial information concerning the Company.”

13. Finally, on October 31, 2003, Aerosonic belatedly filed its Form 10-K for the fiscal year ended January 31, 2003. In that Form 10-K, the Company admitted that its previously-reported financial results for the fiscal years 1999 through 2003 were materially false and misstated, because the Company had violated Generally Accepted Accounting Principles (“GAAP”) and overstated its revenues, earnings, assets and shareholders’ equity by millions of dollars during that period. Moreover, the Company further admitted that, “as a result of the unavailability of certain accounting records for periods predating 2001, the Company is unable to determine the full extent of adjustments that would be necessary to a
fair presentation of the restated financial information included [in the Forms 10-K] for

1999 and 2000.” Specifically, Aerosonic explained that (emphasis added):

The Company has determined that its previously reported financial information overstated inventory, understated cost of sales, overstated revenue and incorrectly reported other items. Contributing to these misstatements, among other things, were misstatements of the Company’s financial statements, the falsification of inventory records, improper adjustments for obsolete and slow moving inventory, improper revenue recognition, improper fixed asset capitalization, and errors in the application of Staff Accounting Bulletin No. 101 (released by the United States Securities and Exchange Commission in December 1999) (“SAB 101”) and generally accepted accounting principles.

14. In sum, Aerosonic and several of its top officers engaged in a fraudulent and pervasive scheme to “cook the books” in order to create the false perception that Aerosonic was a profitable company that was experiencing impressive growth and was poised as an attractive merger candidate. Indeed, if they had been successful in selling off the Company, Nabors, McCracken and others would have stood to make millions of dollars in illicit profits. Defendant PricewaterhouseCoopers completed the ruse by approving of Defendants’ misconduct and providing its written imprimatur by issuing false audit certifications of the Company’s bogus financials. As a result, Aerosonic issued false financial results to the investing public, which, in turn, artificially inflated the Company’s stock price during the Class Period. However, following the 2002 passage of the federal Sarbanes-Oxley legislation, aimed at combating exactly this kind of corporate fraud, the stakes for committing and continuing such misconduct became too great. In the end, the Company admitted that all of its financials since at least 1998 were false when
issued, terminated most of Aerosonic’s Board of Directors and senior management, and fired its outside accountant, defendant PricewaterhouseCoopers.

15. As a result of Defendants’ fraud, Plaintiffs and the many investors who purchased Aerosonic’s inflated stock during the Class Period suffered tens of millions of dollars in losses. Had those investors known the truth about Aerosonic’s real financial results, operations and condition, they would not have purchased Aerosonic common stock at all or at artificially inflated prices.

**BASIS OF ALLEGATIONS**

16. Plaintiffs have made the foregoing allegations, other than those concerning themselves, based upon the investigation of Plaintiffs’ counsel. Said investigation included a review of various SEC filings of Aerosonic, press releases issued by the Company, media reports concerning the Company, publicly disseminated documents concerning the Company’s business practices, securities analysts’ reports and advisories about the Company and interviews with former employees of Aerosonic. Moreover, the Company has admitted to certain of the wrongful acts and practices alleged herein; those admissions also serve as a basis for Plaintiffs’ allegations. Plaintiffs believe that additional evidentiary support will exist for their allegations after they are afforded a reasonable opportunity for discovery.

**JURISDICTION AND VENUE**

17. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa, and 28 U.S.C. § 1331. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act, as amended, 15 U.S.C. § 78j(b) and § 78t(a), and Rule 10b-5, 17 C.F.R. § 240.10b-5 promulgated thereunder by the SEC.
18. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa, and 28 U.S.C. § 1391(b). Many of the acts and transactions giving rise to the violations of law complained of herein, including the preparation and dissemination to the investing public of materially false and misleading information, occurred in this District. In addition, Aerosonic maintains its principal executive offices within this District and the Tampa office of PricewaterhouseCoopers primarily responsible for auditing and opining on Aerosonic’s financial statements is also located in this District.

19. In connection with the acts, conduct and other wrongs alleged in this Amended Complaint, the Defendants, directly and indirectly, used the means and instrumentalities of interstate commerce including the mail, the Internet, telephone communications and the facilities of national securities exchanges.

THE PARTIES

The Lead Plaintiffs

20. Lead Plaintiff Rene Miville is and was, at all times relevant, a resident of Florida. During the Class Period, Plaintiff Miville purchased common stock shares of Aerosonic at artificially inflated prices and was damaged thereby.

21. Lead Plaintiff Sebastian Gaeta is and was, at all times relevant, a resident of Michigan. During the Class Period, Plaintiff Gaeta purchased common stock shares of Aerosonic at artificially inflated prices and was damaged thereby.

22. Lead Plaintiff Steven Cutler is and was, at all times relevant, a resident of Florida. During the Class Period, Plaintiff Cutler purchased common stock shares of Aerosonic at artificially inflated prices and was damaged thereby.
23. Lead Plaintiff Paul Gaeta is and was, at all times relevant, a resident of Florida. During the Class Period, Plaintiff Gaeta purchased common stock shares of Aerosonic at artificially inflated prices and was damaged thereby.

24. Lead Plaintiff Anthony Gaeta is and was, at all times relevant, a resident of Florida. During the Class Period, Plaintiff Gaeta purchased common stock shares of Aerosonic at artificially inflated prices and was damaged thereby.

25. Lead Plaintiff Rick Fowler is and was, at all times relevant, a resident of Florida. During the Class Period, Plaintiff Fowler purchased common stock shares of Aerosonic at artificially inflated prices and was damaged thereby.

26. Lead Plaintiff Ella Hall is and was, at all times relevant, a resident of Florida. During the Class Period, Plaintiff Hall purchased common stock shares of Aerosonic at artificially inflated prices and was damaged thereby.

27. Lead Plaintiff Maria Jaeger is and was, at all times relevant, a resident of Florida. During the Class Period, Plaintiff Jaeger purchased common stock shares of Aerosonic at artificially inflated prices and was damaged thereby.

The Corporate Defendant

28. Defendant Aerosonic is a corporation organized under the laws of Delaware and has principal offices in Clearwater, Florida. The Company is primarily engaged in the manufacture of aircraft instruments. The Company consists of three geographical locations and four operating divisions. The divisions are the Clearwater, Florida Instrument Division (“Clearwater Instruments”), the Aerosonic Wichita, Kansas Division (“Kansas Instruments”), Avionics Specialties, Inc. (“Avionics”), a Virginia corporation wholly owned by the Company,
and the Precision Components Division ("Precision Components"). Aerosonic’s products are sold to manufacturers of commercial and private aircraft, both domestic and foreign, and the U.S. military services. For the fiscal year ended January 31, 2002, approximately 60% of the Company’s total sales were to the private sector and 40% to the military. The Company’s stock has traded on the AMEX since 1993 under the symbol “AIM”. For financial reporting purposes, Aerosonic maintains a fiscal year end of January 31. According to the Company’s Form 10-Q filed with the SEC on December 16, 2002, Aerosonic had 3,923,000 shares of common stock issued and outstanding as of October 31, 2002.

The Individual Defendants

29. a. J. Mervyn Nabors ("Nabors"): Nabors was, at times relevant, Chairman of the Board, Chief Executive Officer ("CEO") and President of Aerosonic. During the Class Period, Nabors also served on Aerosonic’s Audit Committee. Nabors began working for the Company in 1962. He was first elected Chairman, CEO and President of Aerosonic in April of 1996. On December 4, 2002, the Company announced that it had replaced Nabors as its President. On May 22, 2003, the Company announced that Nabors had resigned as Chairman, but that he would be available as a consultant to the Company’s new President for a period of one year and remain as a Director through his current term.

b. As Aerosonic’s Chairman, CEO and President, Nabors was responsible for leading both the Company and the Board; formulating the Company’s business strategy; implementing management decisions and initiatives; leading and directing the Company’s overall organizational planning, policy development and policy implementation; representing management and the Board to and communicating with the general public and shareholders;
maintaining and ensuring corporate integrity; and overseeing the activities of the entire
Company, including but not limited its financial operations. Nabors was also responsible for
directing and supervising the Company's senior management and presiding over the meetings of
the Company's Board of Directors. Nabors signed the Company's Forms 10-K for the fiscal
10-Q for the fiscal quarter ended October 31, 2002. In addition, Nabors authorized the filing of
all of the Company's Forms 10-K and 10-Q that were filed during the Class Period. Nabors also
signed the Company's Definitive Proxy Statements that were filed with the SEC on May 28,
1999; May 26, 2000; June 1, 2001 and May 31, 2002. Nabors knew (or recklessly disregarded)
that the above SEC filings contained when filed materially false and misleading statements and
omissions regarding the Company's financial results, operations and condition. According to
Aerosonic's May 31, 2002 Definitive Proxy Statement, Nabors held 1,242,000 shares of
Aerosonic common stock, or 31.7% of the Company's stock issued and outstanding, as of May
22, 2002.

30. a. Eric J. McCracken ("McCracken"): McCracken was, at times relevant,
Chief Financial Officer ("CFO"), Executive Vice President and a Director of Aerosonic. During
the Class Period, McCracken also served on Aerosonic's Audit Committee. McCracken holds a
B.A. degree in business administration from St. Leo University. During the Class Period,
McCracken was not a certified public accountant. Prior to his employment at Aerosonic,
McCracken served in the United States Air Force from 1984 to 1990 as an aircraft weapons
systems instructor and technician. From 1991 to 1996, he was a Vice President of Corporate
Banking for Barnett Bank, N.A. McCracken was elected as a Director, Vice President and CFO of Aerosonic in November 1996.

b. As Aerosonic’s CFO, McCracken was responsible for advising President Nabors with respect to financial reporting, financial stability and liquidity, and financial growth. McCracken was also responsible for directing and supervising the work of the Company’s Controller. He was also responsible for communicating corporate and financial information to stockholders, financial institutions, and the investment community. As a member of the Board of Directors, McCracken also contributed to the overall organizational planning, policy development and policy implementation for the Company. As CFO, McCracken signed the Company’s Forms 10-K for the fiscal years ended January 31, 1999, 2000, 2001 and 2002. With the exception of the Form 10-Q for the fiscal quarter ended October 31, 2002, McCracken also signed and approved of all of the Company’s Forms 10-Q that were filed during the Class Period. In addition, McCracken personally certified the Form 10-Q for the fiscal quarter ended July 31, 2002. McCracken also authorized the Company’s Definitive Proxy Statements, filed with the SEC on June 1, 2001 and May 31, 2002. McCracken knew (or recklessly disregarded) that the above SEC filings contained when filed materially false and misleading statements and omissions regarding the Company’s financial results, operations and condition. According to the Company’s December 16, 2002 Form 10-Q, McCracken “resigned” his directorship – and apparently also his positions as the Company’s CFO and Executive Vice President – in order “to pursue a personal business opportunity.”

31. **Michael T. Reed (“Reed”):** Reed was, at times relevant during the Class Period, the Controller and Principal Financial Accountant of Aerosonic. As Controller, Reed functioned
as the Company’s chief accounting executive and was responsible for organizing, directing and controlling the work of the Company’s accounting personnel in collecting, summarizing and interpreting financial data for the use of Aerosonic’s management, creditors, investors, and taxing authorities. As a member of the top management team, Reed was responsible for developing financial forecasts, analyzing actual performance against operating plans, and interpreting the results of operations for all levels of management. As Controller, Reed prepared and approved of the false financial information contained in the Company’s Forms 10-K and 10-Q and the Definitive Proxy Statements that issued during his tenure. Moreover, Reed signed and personally certified the Company’s Form 10-Q for the quarter ended October 31, 2002, which was filed with the SEC on December 16, 2002. Reed knew (or recklessly disregarded) that the above SEC filings issued by Aerosonic during his tenure contained when filed materially false and misleading statements and omissions regarding the Company’s financial results, operations and condition.

32. a. Andrew J. Norstrud ("Norstrud"): Norstrud was, at times relevant during the Class Period, the Controller and Principal Financial Accountant of Aerosonic and was a Certified Public Accountant licensed in the State of Florida. Among other things, Norstrud holds a Master of Accounting degree with a system emphasis from the University of Florida and boasts that he has “experience with the redesigning and implementation of accounting processes and procedures to streamline reporting while also improving financial controls” and “experience in computer assurance services and computer system operations”. Prior to serving as Aerosonic’s Controller, Norstrud was an senior auditor for the Tampa office of Coopers & Lybrand, L.L.P. ("Coopers & Lybrand"), the predecessor firm to defendant
PricewaterhouseCoopers. After leaving employment with Aerosonic in or about October 2001, Norstrud worked as an audit manager for Grant Thornton LLP, a leading worldwide accounting, tax and business advisory firm that specializes in serving mid-size companies. However, Norstrud was terminated from that firm in May 2003, contemporaneous with Aerosonic’s disclosure of widespread accounting improprieties. Currently, Norstrud serves as the Controller for Segmentz Inc., a public company based in Tampa.

b. As Aerosonic’s Controller, Norstrud functioned as the Company’s chief accounting executive and was responsible for organizing, directing and controlling the work of the Company’s accounting personnel in collecting, summarizing and interpreting financial data for the use of Aerosonic’s management, creditors, investors, and taxing authorities. As a member of the top management team, Norstrud was responsible for developing financial forecasts, analyzing actual performance against operating plans, and interpreting the results of operations for all levels of management. As Controller, Norstrud prepared and approved of the false financial information contained in the Company’s Forms 10-K and 10-Q and the Definitive Proxy Statements that issued during his tenure. Norstrud knew (or recklessly disregarded) that the above SEC filings issued by Aerosonic during his tenure contained when filed materially false and misleading statements and omissions regarding the Company’s financial results, operations and condition.

33. Nabors, McCracken, Reed and Norstrud are collectively referred to herein as the “Individual Defendants”.

34. As a result of their positions with the Company, each of the Individual Defendants had access to the adverse non-public information about the Company’s true financial results,
operations and condition and each had access to internal, non-public corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or Board of Directors' meetings and committees thereof, and reports and other information provided to them in connection therewith. Because of their positions with the Company, all of the Individual Defendants controlled and/or possessed the power and authority to control the contents of the Company's SEC filings, press releases, and presentations to securities analysts, which information was conveyed through the analysts to the investing public. Each Individual Defendant was responsible and obligated to ensure the accuracy of the Company's SEC filings, reports, and press releases alleged herein to be misleading, and each had the ability and opportunity to prevent their issuance if they were inaccurate or to promptly correct same.

35. Because of their positions and access to material non-public information available to them, each of the Individual Defendants either knew or recklessly disregarded that the Company's SEC filings, press releases, and presentations to securities analysts contained material misstatements and omissions. Each of the Individual Defendants is therefore liable for making or participating in making such material misstatements and omissions regarding the true state of the Company's financial results, operations and condition.

**The Outside Accountant/Auditor Defendant**

36. Defendant PricewaterhouseCoopers was, at all times relevant, the outside accountant and auditor for Aerosonic. PricewaterhouseCoopers was formed as a result of the July 1, 1998 merger between Price Waterhouse LLP and Coopers & Lybrand. PricewaterhouseCoopers is a "Big 4" public accounting firm with offices throughout the United
States, including Tampa, Florida. PricewaterhouseCoopers audited Aerosonic’s financial statements for each of the fiscal years ended January 31, 1999, 2000, 2001 and 2002; issued unqualified audit reports on those financial statements; and consented to the inclusion of those unqualified audit reports in Aerosonic’s Forms 10-K for those periods. PricewaterhouseCoopers’ unqualified audit reports on those financial statements were dated, respectively, April 26, 1999; April 10, 2000; March 30, 2001 and March 29, 2002, and addressed to the Board of Directors and Shareholders of Aerosonic. In those unqualified audit reports, PricewaterhouseCoopers certified: (i) that it audited Aerosonic’s financial statements “in accordance with auditing standards generally accepted in the United States of America [a/k/a/ GAAS]”; (ii) that it planned and performed those audits “to obtain reasonable assurance about whether the financial statements are free of material misstatement”; (iii) that, in its opinion, Aerosonic’s financial statements “present fairly, in all material respects, the financial position” of Aerosonic “in conformity with accounting principles generally accepted in the United States of America [a/k/a GAAP]”; and (iv) that its audits provided “a reasonable basis for [its] opinions.” During the Class Period. PricewaterhouseCoopers also provided tax services and other non-audit services to Aerosonic. PricewaterhouseCoopers, or its predecessor firm Coopers & Lybrand, has been the outside accountant and auditor for Aerosonic since 1995.

OTHER RELEVANT PERSONS AND ENTITIES

37. Andrew J. (“Andy”) McAdams was, at all times relevant, a CPA and an audit partner with defendant PricewaterhouseCoopers’ Tampa office, and prior to that was an audit partner with Coopers & Lybrand’s Tampa office. McAdams has been an audit partner since about 1985. McAdams served as the Partner-In-Charge of the Aerosonic audit just prior to the
beginning of the Class Period and presumably remained as such through at least a portion of the
Class Period at issue. Moreover, given his active role in overseeing the audits of Aerosonic,
McAdams was intimately familiar with the Company’s accounting practices and risk factors
associated with Aerosonic as a client. In October 2001, McAdams became the office managing
partner for the Tampa/Orlando offices of PricewaterhouseCoopers, responsible for overseeing
those offices’ audit, tax consulting and other professional services. Prior to that, McAdams was
in charge of the audit practice for the Tampa and Orlando offices.

38. David A. Baldini was, at times relevant, President and a Vice-Chairman of
Aerosonic. Baldini was first elected to the Company’s Board in 1995. Prior to that time, Baldini
was the President of the Company’s Avionics operating division in Charlottesville, Virginia. On
December 4, 2002, the Company announced that Baldini had replaced Nabors as President of
Aerosonic. Prior to his employment with Aerosonic, Baldini was President of Teledyne Avionics
from 1990 until it was acquired by the Company in 1993 and became the Avionics division.

39. As of May 22, 2002, the Aerosonic Board of Directors consisted of J. Mervyn
Nabors, David A. Baldini, Eric J. McCracken, P. Mark Perkins, William C. Parker, Daniel J.
Garwacki and A. Todd Beard. With the exception of Garwacki and Beard, these are the same
individuals that composed the Company’s Board during the period 1999 through 2001. During
those years, the Board seats held by Garwacki and Beard were instead held by Carm Russo and
Melissa Clark Daley.

40. During the Class Period, Aerosonic did not operate with an independent Audit
Committee of the Company’s Board of Directors. Instead, the Company’s Audit Committee was
primarily comprised of current or former senior corporate management (often owning significant
holdings in Aerosonic stock) or non-Aerosonic employees who had various financial or business
interests with the Company. Moreover, most all of these persons had little or no background or
training in auditing or accounting.

41. As of May 22, 2002, the Audit Committee of the Company’s Board of Directors
consisted of Garwacki, Beard and Parker. As of June 1, 2001, the Audit Committee consisted of
Garwacki, Daley and Parker. As of May 31, 2000, the Audit Committee consisted of Daley,
Parker and Nabors. Prior to that, the Audit Committee consisted of McCracken and Nabors.
According to Aerosonic’s Definitive Proxy Statements filed with the SEC during the Class
Period, “[t]he functions of this committee include: review of the scope of audits and the results
of such audits; review of accounting policies and adequacy of internal controls; review of the
fees paid to, and the scope of services provided by the independent auditors; and recommending
selection of the independent auditors.”

42. Director Garwacki was first elected to the Aerosonic Board in 2001. Prior to that,
Garwacki was employed by the Internal Revenue Service, and during 1998, formed his own CPA
firm. In 1965, Garwacki received his B.S. in business administration from American
International College in Massachusetts. Garwacki has been a CPA since 1980 and is a member
of both the American Institute of CPA’s and the Florida Institute of CPA’s. In 1998, he formed
his own CPA firm and currently performs accounting, tax and consulting services for a variety of
businesses. According to the Company’s Form 10-Q for the fiscal quarter ended October 31,
2002, Garwacki resigned from his position on the Board “in response to Aersonics compl[y]ing
with the Sarbanes-Oxley Act of 2002.”

43. Director Beard was first elected to the Aerosonic Board in 2001. Beard is
currently an Executive Vice President for First Commercial Bank, where he has been employed
since 1989. First Commercial Bank is a mid-sized, full service financial institution in
Birmingham, Alabama that has provided Aerosonic with various financing arrangements,
including but not limited to a security agreement (involving accounts, inventory and general
intangibles) on September 17, 1997; a $1.3 million loan on September 5, 1999; a cross default
and cross collateralization agreement on July 27, 2000; a $2 million loan on September 8, 2003;
and a $1 million line of credit on September 8, 2003. Indeed, Todd Beard executed at least some
of the above agreements on behalf of First Commercial Bank. Beard received a B.S. degree in
Commerce and Business Administration in 1984 while concentrating in Banking with interests in
Corporate Finance and Investment Management. Beard resigned from the Company’s Board
without public explanation on or about March 28, 2003.

44. Director Parker was first elected to the Aerosonic Board in 1995. Parker was
employed by Aerosonic for over 34 years. Parker started his career at Aerosonic in or about 1963
as an instrument assembler, and later held a variety of other positions including Production
Manager for the Boeing project, Production Manager of Assembly, Production Manager of the
Machine Shop, Vice President of Production, Vice President of Purchasing, Vice President of
Marketing, and President of Aerosonic until his retirement in August of 1997. During the Class
Period, Parker held more than 31,000 shares, or some 0.8%, of the outstanding shares of
Aerosonic. In addition, the Company granted Parker supplemental, guaranteed pension payments
of $4,166.67 per month under agreements dated January 1, 2001 and 2004.

45. Director Daley was first elected to the Aerosonic Board in 1999. Daley was
employed by a division of Dresser Industries from 1979 to 1988 before joining a private law firm
in Baltimore, Maryland. In 1993, she joined the Florida law office of Zuckerman, Spae...
she concentrated in the areas of general corporate practice and commercial litigation. Ms. Daley formed her own firm in January of 1998. She has a B.A. degree in business administration and a minor in ceramic engineering from Rutgers University, and earned her Juris Doctor degree from the University of Baltimore School of Law. Ms. Daley is admitted to practice law in Florida, Maryland and the District of Columbia.

**CLASS ACTION ALLEGATIONS**

46. Plaintiffs bring this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure, on behalf of themselves and a class (the “Class”) consisting of all persons who purchased Aerosonic common stock during the Class Period and who suffered damages thereby. Excluded from the Class are Defendants, the officers and directors of the Company at all times relevant, members of their immediate families, any entity in which any Defendant has a controlling interest, and the legal affiliates, representatives, heirs, controlling persons, successors and predecessors in interest or assigns of any such excluded person or entity.

47. This action is properly maintainable as a class action because:

(a) During the Class Period, nearly 4 million shares of Aerosonic common stock were outstanding. Aerosonic was and continues to be listed and actively traded on the AMEX, a national securities exchange and an efficient market, and a liquid market for Aerosonic common stock. The members of the Class are dispersed throughout the United States and are so numerous that joinder of all Class members is impracticable. Hundreds of thousands of shares of Aerosonic common stock were publicly traded during the Class Period and, based upon Aerosonic’s SEC filings and other public disclosures, Plaintiffs believe that there are at least hundreds and perhaps as many as one thousand members of the Class;
(b) Plaintiffs’ claims are typical of the claims of the other members of the Class. Plaintiffs and all members of the Class purchased and/or acquired their Aerosonic common stock in reliance upon Defendants’ statements to the public and/or the integrity of the open market and sustained damages as a result of Defendants’ wrongful conduct alleged in this Amended Complaint;

(c) Plaintiffs are representative parties who will fairly and adequately protect the interests of the other members of the Class and have retained counsel competent and experienced in class action securities litigation;

(d) A class action is superior to other available methods for the fair and efficient adjudication of the claims asserted herein, because joinder of all members is impracticable. Furthermore, because the damages suffered by the individual Class members may be relatively small, the expense and burden of individual litigation make it virtually impossible for the Class members to individually redress the wrongs done to them. The likelihood of individual Class members prosecuting separate claims is remote;

(e) Plaintiffs anticipate no unusual difficulties in the management of this action as a class action; and

(f) Common questions of law and fact predominate over any questions affecting any individual members of the Class.

48. The questions of law and fact which are common to Plaintiffs and the Class include, among others:

(a) Whether the federal securities laws were violated by Defendants’ acts and omissions as alleged herein;
(b) Whether the documents, press releases, financial reports and statements disseminated to the investing public and to Aerosonic shareholders during the Class Period misrepresented or omitted material facts about the financial results, operations and condition of Aerosonic;

(c) Whether PricewaterhouseCoopers’s audit reports on Aerosonic’s Class Period financial statements were materially false and misleading as alleged herein;

(d) Whether Defendants acted with knowledge or with reckless disregard for the truth in misrepresenting and/or omitting to state material facts;

(e) Whether, during the Class Period, the market price of Aerosonic’s common stock was artificially inflated due to the omissions and/or material misrepresentations complained of herein;

(f) Whether Defendants participated in and pursued the common course of conduct complained of herein;

(g) Whether the Individual Defendants were “control persons” within the meaning of Section 20(a) of the Exchange Act; and

(h) Whether the members of the Class have sustained damages and, if so, what is the extent of such damages.

**ADDITIONAL SUBSTANTIVE ALLEGATIONS**

**Background to the Fraud**

49. Aerosonic was founded by Herb J. Frank in the 1950s.

50. In 1962, J. Mervyn Nabors began working for Aerosonic. During the next twenty years, Nabors held a variety of positions at the Company.
51. According to a September 11, 2000 article in the *Tampa Tribune*, Nabors started his own aircraft parts company (American Instruments Co. headquartered in Birmingham, Alabama) in 1982; although Nabors left his employment with Aerosonic, he continued to stay in touch with Herb Frank. In 1995, Frank arranged to have Nabors added to Aerosonic’s Board of Directors. In 1996, Frank died unexpectedly. On the night of Frank’s burial, his widow, Miriam Frank, and his brother, Seymour Frank, asked Nabors to come back and run the Company. Nabors agreed and purchased 1.09 million Aerosonic shares from the Frank family trust. In April 1996, the Company’s Board appointed Nabors to serve as the President, CEO and Chairman of Aerosonic. After taking control of Aerosonic, Nabors “restructured operations and production controls. He dismissed 20 percent of the company’s administrative team and recruited a new chief financial officer [Eric McCracken].” Thereafter, Nabors was credited by some observers with a supposed financial “turn-around” of Aerosonic, which up until March 2003 had positioned itself as an attractive merger candidate looking for a corporate suitor.

**Defendants’ False And Misleading Statements**

52. On June 15, 1998, Aerosonic issued a press release announcing its financial results for the fiscal quarter ended April 30, 1998, reporting among other things: revenues of $5,328,000, net income of $283,000 and EPS of $0.07.

53. That same day, Aerosonic filed with the SEC its Form 10-Q for the fiscal quarter ended April 30, 1998, which, among other things, repeated the financial results that were announced in the Company’s June 15, 1998 press release and stated that inventory as of April 30, 1998 was $7,764,000. The Form 10-Q also assured investors that Aerosonic’s financial statements were prepared in accordance with GAAP and that “all adjustments (consisting of
normal recurring accruals) considered necessary for a fair presentation have been included.”

However, as a result of the Aerosonic's admitted accounting violations, those financial statements did not comport with GAAP and did not fairly present the operations and condition of the Company.

54. On September 8, 1998, Aerosonic issued a press release announcing its financial results for the fiscal quarter ended July 31, 1998, reporting among other things: revenues of $4,888,000, net income of $55,000 and EPS of $0.01. The press release also reported that “[t]he company has been approached by third parties concerning the possible acquisition of the company. As a result, the board of directors of the company has decided to evaluate the company's strategic alternatives in a manner designed to maximize shareholder value.”

55. According to a September 9, 1998 article in the St. Petersburg Times, defendant McCracken confirmed the claim that the Aerosonic was considering offers from more than one party and stated that “[t]he board does view these as being legitimate issues” and that “[w]e certainly would entertain anything that could increase shareholder value.” The article further reported that:

The takeover talks stirred interest on Wall Street as more than 43,000 shares of Aerosonic stock traded Tuesday, about eight times the average daily volume.

* * *

Aerosonic has become especially attractive in the aerospace industry since it has developed new technology and reversed a poor financial situation. After losing nearly $2-million in fiscal 1996, the company posted a profit of $1.2-million in its most recent fiscal year, which ended Jan. 31. The company's stock has responded, hitting a trading high of $20.12 1/2 in May.
56. On September 21, 1998, Aerosonic filed with the SEC its Form 10-Q for the fiscal quarter ended July 31, 1998, which, among other things, repeated the financial results that were announced in the Company’s September 8, 1998 press release and stated that inventory as of July 31, 1998 was $8,075,000. The Form 10-Q also assured investors that Aerosonic’s financial statements were prepared in accordance with GAAP and that “all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.” However, as a result of the Aerosonic’s admitted accounting violations, those financial statements did not comport with GAAP and did not fairly present the operations and condition of the Company.


58. On December 15, 1998, Aerosonic issued a press release announcing its financial results for the fiscal quarter ended October 31, 1998, reporting among other things: revenues of $4,748,000, net income of $51,000 and EPS of $0.01.

59. That same day, Aerosonic filed with the SEC its Form 10-Q for the fiscal quarter ended October 31, 1998, which, among other things, repeated the financial results that were announced in the Company’s December 15, 1998 press release and stated that inventory as of October 31, 1998 was $8,365,000. The Form 10-Q also assured investors that Aerosonic’s financial statements were prepared in accordance with GAAP and that “all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.” However, as a result of the Aerosonic’s admitted accounting violations, those financial statements did not comport with GAAP and did not fairly present the operations and
condition of the Company. Similar false assurances were given for each of the subsequent Forms 10-Q filed with the SEC during the Class Period.

60. On December 23, 1998, Aerosonic issued a press release announcing that it had engaged Bowles, Hollowell, Conner & Co. ("Bowles Hollowell"), a subsidiary of First Union Corp., “to advise [the Company’s] board of directors in evaluating strategic alternatives to optimize shareholder value. Such alternatives may include investigation of potential merger or investment partners, which could bring operating synergies to the company and augment Aerosonic's relationships with key customers.” Bowles Hollowell specializes in mergers involving the aerospace and defense industry.

61. On May 3, 1999, Aerosonic issued a press release announcing its financial results for the fiscal quarter and year ended January 31, 1999, reporting that sales had jumped $344,000 from the prior year. Among other things, the Company reported: annual revenues of $19,670,000; net income of $353,000 and EPS of $0.09.

62. On May 17, 1999, Aerosonic filed with the SEC its Form 10-K for the fiscal year ended January 31, 1999, which, among other things, repeated the financial results that were announced in the Company’s May 3, 1999 press release and stated that inventory as of January 31, 1999 was $8,888,000. Footnote 1 accompanying Aerosonic’s financial statements stated, among other things, that (emphasis added): “Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Provisions are made for any inventory deemed excess or obsolete.”

63. Aerosonic’s 1999 Form 10-K also incorporated, with its consent, defendant PricewaterhouseCoopers’ April 26, 1999 audit report which falsely assured investors that
Aerosonic's year-end financial statements were audited in accordance with Generally Accepted Auditing Standards ("GAAS") and complied with GAAP. In fact, and as described more fully below, PricewaterhouseCoopers knew or recklessly disregarded that its audit opinion, *inter alia*: that Aerosonic had been engaging in accounting improprieties involving the inflation of its inventory due to its failure to writedown more than $1.5 million of obsolete inventory in order to artificially boost its reported results; that Aerosonic's quarterly and fiscal year end reported operating revenues and earnings were inflated artificially; that Aerosonic's financial statements did not conform to GAAP; and that PricewaterhouseCoopers failed to properly audit those financial statements in conformity with GAAS. PricewaterhouseCoopers nevertheless issued an unqualified audit opinion on those financial statements.

64. On May 28, 1999, Aerosonic filed with the SEC its Notice of Annual Meeting of Shareholders and Proxy Statement (the "Definitive Proxy Statement") for the annual meeting of its shareholders to be held on July 16, 1999. That Definitive Proxy Statement reported, among other things, a "FIVE-YEAR CUMULATIVE TOTAL RETURN" on Aerosonic common stock as compared to the return on a similar investment based on the "Amex Market Value Index" and the "SIC Code Index". Specifically, that Definitive Proxy Statement reported that a $100 investment in the Company's stock on January 31, 1994 would have yielded an $412.77 investment as of January 29, 1999.

65. Aerosonic's May 28, 1999 Definitive Proxy Statement was authorized by its Board of Directors and signed by Chairman Nabors on behalf of the Board.

66. On June 14, 1999, Aerosonic issued a press release announcing its financial results for the fiscal quarter ended April 30, 1999, boasting that "[g]ross profit as a percentage of
net sales for the first quarter of FY2000 increased to 40% compared to 38% during the prior year period." Among other things, the Company reported: revenues of $4,894,000, net income of $49,000 and EPS of $0.01.

67. That same day, Aerosonic filed with the SEC its Form 10-Q for the fiscal quarter ended April 30, 1999, which, among other things, repeated the financial results that were announced in the Company’s June 14, 1999 press release and stated that inventory as of April 30, 1999 was $9,593,000.

68. On September 16, 1999, Aerosonic filed with the SEC its Form 10-Q for the fiscal quarter ended July 31, 1999, reporting among other things: revenues of $5,861,000, net income of $144,000, EPS of $0.04 and inventory of $9,523,000 as of July 31, 1999.

69. On December 6, 1999, Aerosonic issued a press release announcing its financial results for the fiscal quarter ended October 31, 1999, which reported, among other things: revenues of $6,237,000, net income of $68,000 and EPS of $0.02.

70. On December 15, 1999, Aerosonic filed with the SEC its Form 10-Q for the fiscal quarter ended October 31, 1999, which, among other things, repeated the financial results that were announced in the Company’s December 6, 1999 press release and stated that inventory as of October 31, 1999 was $9,816,000.

71. On April 10, 2000, Aerosonic issued a press release announcing its financial results for the fiscal year ended January 31, 2000, reporting among other things: revenues of $23,271,000, net income of $260,000 and EPS of $0.07.

72. On May 17, 2000, Aerosonic filed with the SEC its Form 10-K for the fiscal year ended January 31, 2000, which, among other things, repeated the financial results that were
announced in the Company’s April 10, 2000 press release and stated that inventory as of January 31, 2000 was $10,606,000. Footnote 1 accompanying Aerosonic’s financial statements stated, among other things, that (emphasis added): “Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Provisions are made for any inventory deemed excess or obsolete.”

73. Aerosonic’s 2000 Form 10-K also incorporated, with its consent, defendant PricewaterhouseCoopers’ April 10, 2000 audit report which falsely assured investors that Aerosonic’s year-end financial statements were audited in accordance with GAAS and complied with GAAP. In fact, and as described more fully below, PricewaterhouseCoopers knew or recklessly disregarded that its audit opinion, inter alia: that Aerosonic’s quarterly and fiscal year end reported operating revenues and earnings were inflated artificially; that Aerosonic’s financial statements did not conform to GAAP; and that PricewaterhouseCoopers failed to properly audit those financial statements in conformity with GAAS. Among other things, Aerosonic’s financial results were inflated by accounting improprieties involving the inflation of the Company’s inventory by some $4.7 million due to its failure to writedown obsolete inventory and its manipulation of inventory overhead allocation and the valuation of work-in-process inventory in order to artificially boost its reported results. PricewaterhouseCoopers nevertheless issued an unqualified audit opinion on those financial statements.

74. On May 26, 2000, Aerosonic filed with the SEC its Notice of Annual Meeting of Shareholders and Proxy Statement (the “Definitive Proxy Statement”) for the annual meeting of its shareholders to be held on July 21, 2000. That Definitive Proxy Statement reported, among other things, a “FIVE-YEAR CUMULATIVE TOTAL RETURN” on Aerosonic common stock
as compared to the return on a similar investment based on the “Amex Market Value Index” and the “SIC Code Index”. Specifically, that Definitive Proxy Statement reported that a $100 investment in the Company’s stock on January 31, 1995 would have yielded an $500 investment as of January 31, 2000.

75. Aerosonic’s May 26, 2000 Definitive Proxy Statement was authorized by its Board of Directors and signed by Chairman Nabors on behalf of the Board.

76. On June 14, 2000, Aerosonic issued a press release announcing its financial results for the fiscal quarter ended April 30, 2000, reporting among other things:

Net sales increased by 32% to $6,484,000 from $4,894,000 in the prior year period. Gross profit increased by 6% to $2,090,000 from $1,965,000 in the prior year period. Earnings before income tax increased by 91% to $151,000 from $79,000 in the prior year period. Net income was $91,000 compared with net income of $49,000 in the prior year period, representing an increase of 86%.

* * *

In making the announcement, J. Mervyn Nabors, the company's chief executive officer, stated: “Very positive growth in sales for fiscal year 2000 has carried over into the first quarter of fiscal year 2001. Strong sales of both the core products and our advanced cockpit instrumentation have greatly contributed to the continued sales growth.”

77. That same day, Aerosonic filed with the SEC its Form 10-Q for the fiscal quarter ended April 30, 2000, which, among other things, repeated the financial results that were announced in the Company’s June 14, 2000 press release and stated that inventory as of April 30, 2000 was $10,600,000.

78. Aerosonic’s stock price closed at $10.50 per share on June 14, 2000, up by $0.125 from the day before.
On September 14, 2000, Aerosonic issued a press release announcing its financial results for the fiscal quarter ended July 31, 2000, reporting among other things:

Net sales increased by 13% to $12,116,000 from $10,755,000 in the prior year period. Gross profit remained consistent at $4,044,000 compared to $4,053,000 in the prior year period. Earnings before income tax increased by 13% to $352,000 from $310,000 in the prior year period. Net income was $211,000 compared with net income of $193,000 in the prior year period, representing an increase of 9%.

In making the announcement, J. Mervyn Nabors, the Company's Chief Executive Officer, stated, "The Company continues to strengthen with sales growth, which is currently on track to be higher than any of the previous five years and a greatly improved cash flow from operations."

That same day, Aerosonic filed with the SEC its Form 10-Q for the fiscal quarter ended July 31, 2000, which, among other things, repeated the financial results that were announced in the Company's September 14, 2000 press release and stated that inventory as of July 31, 2000 was $10,388,000.

Aerosonic’s stock price closed at $8.625 per share on September 14, 2000, up by $0.125 from the day before.

On December 16, 2000, Aerosonic issued a press release announcing its financial results for the fiscal quarter ended October 31, 2000, reporting among other things that:

Year-to-date sales for fiscal year 2001 continue to outpace the previous period with a 5% increase to $17,822,000 as compared to $16,992,000. Net sales for the third quarter, ended October 31, 2000, decreased by 9% to $5,706,000 as compared to $6,237,000 for the same period in the preceding year. Gross profit as a percentage of net sales equaled 36% in the third quarter of both fiscal year 2001 and fiscal year 2000. The decrease in sales is primarily due to delays in shipments of the multi-function probe into late fourth quarter of fiscal year 2001 and early first quarter of fiscal year 2002. The impact of the delays were offset by increased
sales of altimeters and airspeed indicators. The strong sales in the mechanical instruments along with increased efficiencies in the manufacturing process of these instruments have helped maintain the gross profit margin. Net loss was $193,000, or $0.05 per share compared with net income of $68,000 or $0.02 per share in the prior year period.

* * * *

In making the announcement, J. Mervyn Nabors, the Company's Chief Executive Officer, stated "The foundation of Aerosonic was strengthened through numerous long term contracts signed during the third quarter. Despite the delays in shipments on certain contracts combined with the absorption of certain one-time general and administrative expenses, primarily additional legal expenses, the Company continues to fundamentally improve. Year-to-date sales have outpaced our previous fiscal year and cash flow from operations through better balance sheet management has continued to strengthen the Company."

83. That same day, Aerosonic filed with the SEC its Form 10-Q for the fiscal quarter ended October 31, 2000, which, among other things, repeated the financial results that were announced in the Company’s December 16, 2000 press release and stated that inventory as of October 31, 2000 was $10,241,000.

84. Aerosonic’s stock price closed at $10.50 per share on December 18, 2000, maintaining the closing price from its last close on December 15, 2000.

85. On April 10, 2001, Aerosonic issued a press release announcing its financial results for the fiscal year ended January 31, 2001, reporting among other things:

Revenues for the full year ended January 31, 2001 were $24,672,000, an increase of $1,401,000, or 6%, over revenues of $23,271,000 for the year ended January 31, 2000.

* * * *

Net income for the full fiscal year ended January 31, 2001 was $456,000, or $0.12 per common share, an increase of $196,000, or
75% over net income of $260,000, or $0.07 per common share, for the fiscal year ended January 31, 2000.

* * *

"It is with great pride that I report our operating results for the fourth quarter and full year ended January 31, 2001," said J. Mervyn Nabors, the Company's Chief Executive Officer. "The significant efforts made by management and each of the employees of Aerosonic during the past few years can now begin to be seen in our operating results. Our commitment to building and delivering quality products and services has provided a foundation for new customer relationships and opportunities, as well as expanded relationships with existing customers. This is evident in the increase in our sales order backlog as of January 31, 2001, and an increased interest by our customers in expanding our business with them. I believe that Aerosonic is well-positioned to capitalize on the opportunities in our marketplace."

86. Aerosonic’s stock price closed at $16.70 per share on April 10, 2001, maintaining its closing price from the day before, as positive news had already been anticipated by the market.

87. On April 30, 2001, Aerosonic filed its Form 10-K for the fiscal year ended January 31, 2001, which among other things repeated the financial results announced in the Company’s press release issued April 10, 2001 and stated that inventory as of January 31, 2001 was $9,949,000. Footnote 1 accompanying Aerosonic’s financial statements stated, among other things, that (emphasis added): “Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Provisions are made for any inventory deemed excess or obsolete.” Footnote 1 also stated that:

Revenue Recognition

The Company generally recognizes revenue from sales of its products when the following have occurred: evidence of a sale arrangement exists; delivery has occurred or services have been
rendered; our price to the buyer is fixed or determinable; and collectibility is reasonable assured.

In addition, Footnote 12 reported, among other things, quarterly data for the fiscal year ended January 31, 2001:

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<tr>
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<th>April 30</th>
<th>July 31</th>
<th>October 31</th>
<th>January 31</th>
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<tbody>
<tr>
<td>Net Sales</td>
<td>$6,484,000</td>
<td>$5,632,000</td>
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<td>$6,850,000</td>
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<tr>
<td>Net income (loss)</td>
<td>91,000</td>
<td>120,000</td>
<td>(193,000)</td>
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<td>Earnings (loss) per share (EPS)-diluted</td>
<td>0.02</td>
<td>0.03</td>
<td>(0.05)</td>
<td>0</td>
</tr>
</tbody>
</table>

88. Aerosonic’s 2001 Form 10-K also incorporated, with its consent, defendant PricewaterhouseCoopers’ March 30, 2001 audit report which falsely assured investors that Aerosonic’s year-end financial statements were audited in accordance with GAAS and complied with GAAP. In fact, and as described more fully below, PricewaterhouseCoopers knew or recklessly disregarded that its audit opinion, inter alia: that Aerosonic’s quarterly and fiscal year end reported operating revenues and earnings were inflated artificially; that Aerosonic’s financial statements did not conform to GAAP; and that PricewaterhouseCoopers failed to properly audit those financial statements in conformity with GAAS. Among other things, Aerosonic’s financial results were inflated by accounting improprieties involving the outright “falsification” of the Company’s inventory by more than $1.4 million and the premature and otherwise improper recognition of more than $1.1 million. PricewaterhouseCoopers nevertheless issued an unqualified audit opinion on those financial statements, including the financial quarterly results for fiscal year 2001.

89. On May 31, 2001, Aerosonic issued a press release announcing its financial results for the fiscal quarter ended April 30, 2001, reporting among other things:
Net income was $179,966 or $0.05 per share, compared with net income of $91,000 or $0.02 per share, representing an increase of 98%. Revenues for the first quarter increased by 6% to 6,522,000, as compared with $6,484,000 in the first quarter of last year.

In making the announcement, J. Mervyn Nabors, the Company's Chief Executive Officer, stated, "We are now beginning to reap the benefits of programs that we've been working on over the last few years. Our continued focus on streamlining operations and targeting sales of our higher-margin products have translated into continued strong sales and improved earnings over the prior year period."

90. That same day, Aerosonic filed with the SEC its Form 10-Q for the fiscal quarter ended April 30, 2001, which, among other things, repeated the financial results that were announced in the Company's May 31, 2001 press release and stated that inventory as of April 30, 2001 was $9,890,000.

91. On June 1, 2001, Aerosonic filed with the SEC its Notice of Annual Meeting of Shareholders and Proxy Statement (the "Definitive Proxy Statement") for the annual meeting of its shareholders to be held on July 20, 2001. That Definitive Proxy Statement reported, among other things, a "FIVE-YEAR CUMULATIVE TOTAL RETURN" on Aerosonic common stock as compared to the return on a similar investment based on the "Amex Market Value Index" and the "SIC Code Index". Specifically, that Definitive Proxy Statement reported that a $100 investment in the Company's stock on January 31, 1996 would have yielded an $841.74 investment as of January 31, 2001.

92. Aerosonic's June 1, 2001 Definitive Proxy Statement was authorized by its Board of Directors and signed by Chairman Nabors on behalf of the Board.

93. On August 27, 2001, Aerosonic issued a press release announcing its financial results for the fiscal quarter ended July 31, 2001, reporting among other things:
Revenues for the second quarter and year-to-date increased by 32% to $7,431,000 and 15% to $13,953,000 as compared with $5,632,000 and $12,116,000 in the second quarter and year-to-date, respectively, of last year. Gross profit for the quarter increased to $2,863,000, or 39% of net sales, versus $1,954,000 or 35% of net sales during the prior year period. For the six months ended July 31, 2001, gross profit increased to $5,181,000, or 37% of net sales, versus $4,044,000, or 33% of net sales in the prior year period.

Net income was $376,000 or $0.10 per share, during the second quarter ended July 31, 2001, compared with net income of $120,000 or $0.03 per share, representing an increase of 233%. For the six months ended July 31, 2001, net income increased by 164% to $556,000, or $0.14 per share, from $211,000, or $0.05 per share during the prior year period.

*  *  *

Additionally, the Company announced today that it has been awarded several substantial contracts over the last 60 days worth $3.8 million including a multi-year contract from Boeing. This agreement is one of several major long-term agreements secured recently by Aerosonic. Raytheon, Piper, and the U.S. Military are among the list of customers that have awarded Aerosonic these latest contracts. "These long term commitments are the foundation of our plan to maintain stability in our standard products. Production stability is imperative to our goal of improving margins while funding research and development of new products," stated, Eric McCracken, Chief Financial Officer.

94. On September 14, 2001, Aerosonic filed with the SEC its Form 10-Q for the fiscal quarter ended July 31, 2001, which, among other things, repeated the financial results that were announced in the Company’s August 27, 2001 press release and stated that inventory as of July 31, 2001 was $9,959,000.

95. On December 3, 2001, Aerosonic issued a press release announcing its financial results for the fiscal quarter ended October 31, 2001, reporting among other things:

Revenues for the third quarter and year-to-date increased by 23% to $6,994,000 and 18% to $20,947,000 as compared with $5,706,000 and $17,822,000 in the third quarter and year-to-date,
respectively, of last year. Net income was $204,000 or $0.05 per share, during the third quarter ended October 31, 2001, compared with a net loss of $193,000, or ($0.05) per share. For the nine months ended October 31, 2001, net income increased to $761,000, or $0.19 per share, from $18,000, or $0.00 per share during the prior year period.

*            *            *

"We are pleased that the Company continues to report increased sales and earnings from a year ago in spite of the disaster of September 11, 2001," stated J. Mervyn Nabors, Chairman, CEO and President of Aerosonic Corporation. "The company has been able to remain on a steady growth path. During the third quarter, the operations at the Clearwater Instrument Division, Precision Components Division and Aerosonic, Wichita Division reflected these increases. Avionics Specialties, the Company's wholly owned subsidiary located in Charlottesville, VA, reported flat results as they continue the ramp up of several programs including the F-16 Block 60, engine monitoring and angle of attack systems. Additionally, the Company continues to work on obtaining several specific large programs, a number of which are classified," stated Nabors.

96. On December 17, 2001, Aerosonic filed with the SEC its Form 10-Q for the fiscal quarter ended October 31, 2001, which, among other things, repeated the financial results that were announced in the Company's December 3, 2001 press release and stated that inventory as of October 31, 2001 was $10,021,000.

97. On April 1, 2002, Aerosonic issued a press release announcing its financial results for the fiscal fourth quarter and fiscal year ended January 31, 2002, reporting among other things:

Revenues for the twelve months ended January 31, 2002 were $27,424,000, an increase of $2,752,000, or 11%, over revenues of $24,672,000 for the year ended January 31, 2001.

Net income for the twelve months ended January 31, 2002 was $1,040,000, or $0.27 per common share, an increase of $584,000, or 128% over net income of $456,000, or $0.12 per common share, for the fiscal year ended January 31, 2001.
Commenting on results for the year, J. Mervyn Nabors, the Company's chief executive officer, stated "Our consistent performance throughout the year resulted in a marked improvement from the prior year in both sales and earnings growth. I am proud to report that with the combined efforts of all of our employees we made great strides in increasing our core instrument production as well as repair business last year. Precision Components also substantially increased its volume over the prior year due to customer mandated increased deliveries."

On May 1, 2002, Aerosonic filed its Form 10-K for the fiscal year ended January 31, 2002, which among other things repeated the financial results announced in the Company's press release issued April 1, 2002 and stated that inventory as of January 31, 2002 was $10,948,000. Footnote 1 accompanying Aerosonic's financial statements stated, among other things, that (emphasis added): “Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Provisions are made for any inventory deemed excess or obsolete.” Footnote 1 also stated among other things that:

Revenue Recognition

The Company generally recognizes revenue from sales of its products when the following have occurred: evidence of a sale arrangement exists; delivery has occurred or services have been rendered; our price to the buyer is fixed or determinable; and collectibility is reasonable assured.

In addition, Footnote 11 reported, among other things, quarterly data for the fiscal years ended January 31, 2002 and January 31, 2001:

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2001

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<td>91,000</td>
<td>120,000</td>
<td>(193,000)</td>
<td>438,000</td>
</tr>
<tr>
<td>Earnings (loss) per share (EPS)-basic</td>
<td>0.02</td>
<td>0.03</td>
<td>(0.05)</td>
<td>0.12</td>
</tr>
<tr>
<td>Earnings (loss) per share (EPS)-diluted</td>
<td>0.02</td>
<td>0.03</td>
<td>(0.05)</td>
<td>0.12</td>
</tr>
</tbody>
</table>

99. Aerosonic’s 2001 Form 10-K also incorporated, with its consent, defendant PricewaterhouseCoopers’ March 29, 2002 audit report which falsely assured investors that Aerosonic’s year-end financial statements were audited in accordance with GAAS and complied with GAAP. In fact, and as described more fully below, PricewaterhouseCoopers knew or recklessly disregarded that its audit opinion, inter alia: that Aerosonic’s quarterly and fiscal year end reported operating revenues and earnings were inflated artificially; that Aerosonic’s financial statements did not conform to GAAP; and that PricewaterhouseCoopers failed to properly audit those financial statements in conformity with GAAS. Among other things, Aerosonic’s financial results were inflated by accounting improprieties involving the inflation of the Company’s inventory by more than $1 million due to the falsification of inventory and manipulation of the value of work-in-process inventory in order to artificially boost its reported results. PricewaterhouseCoopers nevertheless issued an unqualified audit opinion on those financial statements.

100. On May 16, 2002, Aerosonic common stock reached an all-time high when it traded at $29.50 per share, culminating a stock price climb fueled by the positive pronouncements and disclosures of the Company over the preceding year.

101. On May 31, 2002, Aerosonic filed with the SEC its Definitive Proxy Statement for the annual meeting of its shareholders to be held on July 19, 2002. That Definitive Proxy Statement reported, among other things, a “FIVE-YEAR CUMULATIVE TOTAL RETURN” on
Aerosonic common stock as compared to the return on a similar investment based on the “Amex Market Value Index” and the “SIC Code Index”. Specifically, that Definitive Proxy Statement reported that a $100 investment in the Company’s stock on January 31, 1997 would have yielded an $656.05 investment as of January 31, 2002.

102. Aerosonic’s May 31, 2002 Definitive Proxy Statement was authorized by its Board of Directors and signed by Chairman Nabors on behalf of the Board.

103. On June 14, 2002, Aerosonic filed its Form 10-Q for the fiscal quarter ended April 30, 2002, which among other things reported the following financial results:

<table>
<thead>
<tr>
<th></th>
<th>Quarter ended April 30, 2002</th>
<th>April 30, 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$6,187,000</td>
<td>$6,522,000</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>167,000</td>
<td>180,000</td>
</tr>
<tr>
<td>Earnings (loss) per share (EPS)-basic</td>
<td>0.04</td>
<td>0.05</td>
</tr>
<tr>
<td>Earnings (loss) per share (EPS)-diluted</td>
<td>0.04</td>
<td>0.05</td>
</tr>
</tbody>
</table>

That Form 10-Q also reported that inventory as of April 30, 2002 was $11,173,000.

104. Aerosonic’s stock price closed at $26.25 per share on June 14, 2002, maintaining its closing price from the day before.

105. On July 19, 2002, Aerosonic held its Annual Shareholders’ Meeting. During that meeting, as reported in a July 20, 2002 article in the *Tampa Tribune*, Nabors discussed the possibility of a buy-out of Aerosonic and boasted that “a deal might arise from a partnership the aircraft instrument company is forming with another defense company.” Nabors also claimed that Aerosonic had a $54 million backlog of orders and that 60 percent of which could be delivered in the next 12 months. Nabors further boasted that “[Aerosonic] is in the best condition it has ever been.”
106. Investors responded favorably to Nabors’ July 19, 2002 statements and Aerosonic’s stock closed up $0.50 at $24.25 per share, by the end of the next trading day.

107. On September 16, 2002, Aerosonic issued a press release reporting its financial results for the three and six month period ended July 31, 2002, reporting among other things:

Revenues for the second quarter and year-to-date equaled $5,948,000 and $12,135,000, respectively, as compared with $7,431,000 and $13,953,000 in the second quarter and year-to-date, respectively, of last year. Sales decrease was partly attributed to a large sale to a long-standing OEM customer in the second quarter ended July 31, 2001 and partly to a reduction of certain traditional product lines. Production capacity was reallocated to new upcoming contracts and programs during the quarter.

* * * *

Net income was $126,000, or $0.03 per share, during the second quarter ended July 31, 2002, compared with net income of $376,000, or $0.10 per share, during the prior year period. For the six months ended July 31, 2002, net income was $293,000, or $0.07 per share, compared to $556,000, or $0.14 per share, during the prior year period.

Management will continue to shift production capacity away from low margin instrument sales in order to allocate resources for new programs and contracts, such as the 32/A program, Joint Strike Fighter program, and others. Management expects this increased activity to continue in these lucrative programs for the foreseeable future.

108. On September 16, 2002, Aerosonic filed with the SEC its Form 10-Q for the fiscal quarter ended July 31, 2002, which, among other things, repeated the financial results that were announced in the Company’s September 16, 2002 press release and stated that inventory as of July 31, 2002 was $11,396,000.
109. Aerosonic’s September 16, 2002 Form 10-Q was signed by the Company’s CFO, McCracken. In addition, and as part of Aerosonic’s September 16, 2002 Form 10-Q, defendant McCracken made the following written statement:

I, Eric J. McCracken, Executive Vice President and Chief Financial Officer of Aerosonic Corporation certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aerosonic Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant’s disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the “Evaluation Date”); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls
and procedures based on our evaluation as of the Evaluation Date;

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant’s ability to record, process, summarize and report financial data and have identified for the registrant’s auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls; and

6. The registrant’s other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: September 16, 2002

By: /S/ ERIC J. MCCracken
Eric J. McCracken, Executive Vice President and Chief Financial Officer (Principal Financial Officer of registrant)

110. As part of Aerosonic’s September 16, 2002 Form 10-Q, defendant Nabors made the following written statement:

I, J. Mervyn Nabors, Chief Executive Officer of Aerosonic Corporation certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aerosonic Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant’s disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the “Evaluation Date”); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant’s ability to record, process, summarize and report financial data and have
identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: September 16, 2002

By: /S/ J. MERVYN NABORS
J. Mervyn Nabors
Chief Executive Officer

111. In Exhibit 99.2 of Aerosonic's September 16, 2002 Form 10-Q, McCracken made the following public statement:

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Aerosonic Corporation (the "Company") on Form 10-Q for the period ending July 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric J. McCracken, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C Section 1350 that:

(1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.
112. In Exhibit 99.1 of Aerosonic’s September 16, 2002 Form 10-Q, Nabors made the following public statement:

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Aerosonic Corporation (the “Company”) on Form 10-Q for the period ending July 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, J. Mervyn Nabors, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C Section 1350 that:

(1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 16, 2002

By: /S/ J. MERVYN NABORS
J. Mervyn Nabors
Chief Executive Officer

113. On December 4, 2002, the Company issued a press release announcing that Nabors had been replaced as Aerosonic’s President, and stating, in pertinent part, that (emphasis added):

Aerosonic Corporation announced today the promotion of David Baldini to the position of President. J. Mervyn Nabors will remain in an active role as Chairman of the Board. Mr. Baldini has served as President of the company's Charlottesville, Va. Division, Avionics Specialties Incorporated for the past nine years. "This change represents one of the first steps in distributing broader responsibilities throughout the management team. Today's
marketplace is more demanding and sophisticated than ever before. A diversified cohesive team will help us achieve our goals and maintain stability," stated Nabors.

114. On December 16, 2002, Aerosonic filed with the SEC a Form 8-K advising the SEC and the investing public, which repeated the announcement in its December 4, 2002 press release that Baldini was replacing Nabors as Aerosonic’s President. That Form 8-K was signed by Nabors under his title as the Company’s CEO.

115. On December 16, 2002, Aerosonic issued a press release announcing its financial results for the fiscal quarter ended October 31, 2002, reporting among other things:

Revenues for the third quarter and year-to-date equaled $7,005,000 and $19,140,000, respectively, as compared with $6,994,000 and $20,947,000 in the third quarter and year-to-date, respectively, of last year.

* * *

Net income was $608,000 or $0.16 per share, during the third quarter ended October 31, 2002, compared to net income of $204,000 or $0.05 per share during the prior year period. For the nine months ended October 31, 2002, net income was $901,000, or $0.23 per share, compared to $761,000, or $0.19 per share during the prior year period. The increase in net income was assisted by a R&D tax refund and a legal settlement in the David S. Goldman case.

Shipments for the first phase of the U.S. Army contract for AAU/32A altimeters will begin in the fourth quarter of fiscal year 2003. In addition the U.S. Army has already exercised the first option on this contract, which allows for continuous production throughout fiscal year 2004. Accelerated deliveries are acceptable under the terms of this contract unlike commercial deliveries that fluctuate with aircraft build schedules. Management intends to take advantage of this flexibility to implement mass production efficiencies to increase margins.
On December 16, 2002, Aerosonic filed its Form 10-Q for the fiscal quarter ended October 31, 2002, which among other things repeated the financial results that were announced in the Company’s December 16, 2002 press release and that inventory as of December 16, 2002 was $11,834,000. That Form 10-Q was signed by the Company’s Controller, Michael Reed.

As part of Aerosonic’s December 16, 2002 Form 10-Q, Reed made the following written statement:

I, Michael T. Reed, Principal Accountant and Controller of Aerosonic Corporation certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aerosonic Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant’s ability to record, process, summarize and report financial data and have identified for the registrant’s auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls; and

6. The registrant’s other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 16, 2002

By: /S/ MICHAEL T. REED
Michael T. Reed, Principal Accountant and Controller (Principal Financial Officer of registrant)

118. As part of Aerosonic’s December 16, 2002 Form 10-Q, Nabors made the following written statement:
I, J. Mervyn Nabors, Chief Executive Officer of Aerosonic Corporation certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aerosonic Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors
and the audit committee of registrant’s board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant’s ability to record, process, summarize and report financial data and have identified for the registrant’s auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls; and

6. The registrant’s other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: December 16, 2002

By: /S/ J. MERVYN NABORS
J. Mervyn Nabors
Chief Executive Officer

119. In Exhibit 99.2 of Aerosonic’s December 16, 2002 Form 10-Q, Reed made the following public statement:

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Aerosonic Corporation (the “Company”) on Form 10-Q for the period ending October 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael T. Reed, Principal Accountant and Controller of the Company, certify, pursuant to 18 U.S.C Section 1350 that:

(1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 16, 2002

By: /S/ MICHAEL T. REED
Michael T. Reed, Principal Accountant and Controller
(Principal Financial Officer of registrant)

120. In Exhibit 99.1 of Aerosonic’s December 16, 2002 Form 10-Q, Nabors made the following public statement:

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Aerosonic Corporation (the “Company”) on Form 10-Q for the period ending October 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, J. Mervyn Nabors, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C Section 1350 that:

(1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 16, 2002

By: /S/ J. MERVYN NABORS
J. Mervyn Nabors
Chief Executive Officer

121. In Item 6 (Exhibits and Reports on Form 8-K) of Aerosonic’s December 16, 2002 Form 10-Q, the Company reiterated the contents of its December 16, 2002 Form 8-K regarding the Company replacing Nabors with Baldini as President of Aerosonic, by stating that:

Aerosonic Corporation announced (December 4, 2002) today the promotion of David Baldini to the position of President. J. Mervyn Nabors will remain in an active role as Chairman of the Board.
122. However, Item 6 of Aerosonic’s December 16, 2002 Form 10-Q also made the following disclosure:

Aerosonic has announced the resignations of two board members. The Chief Financial Officer, Eric McCracken has decided to pursue a personal business opportunity. Dan Garwacki has also resigned from his position on the board. Dan’s resignation is in response to Aerosonic complying [sic] with the Sarbanes-Oxley Act of 2002.

Aerosonic is currently performing an executive search to replace Mr. McCracken.

123. The Sarbanes-Oxley Act of 2002, 107 P.L. 204, 116 Stat. 745, provides for, among other things, heightened responsibility and potential liability for audit committee members in regard to ensuring that the company’s SEC filings are accurate and truthful.

124. Notwithstanding the Company’s statement in Item 6 of its December 16, 2002 Form 10-Q that the information regarding Messrs. McCracken and Garwacki had already been disclosed, the Company had not previously issued a press release or publicly filed a Form 8-K with the SEC disclosing the fact that CFO McCracken and outside Director Garwacki had resigned from the Company’s Board, the circumstances surrounding their departures, or the fact that McCracken had been terminated as the Company’s CFO and Executive Vice President.

Moreover, contrary to the Company’s claim in its December 4, 2002 press release and December 16, 2002 Forms10-Q and 8-K, Nabors did not remain active as Chairman following the December 4, 2002 announcement that he had been removed as President; to the contrary, Baldini had been actually been acting as Aerosonic’s Chairman since at least November 2002.

125. Aerosonic’s stock price closed down at $19.51 per share on December 16, 2002.
126. On January 21, 2003, Aerosonic issued a press release announcing that Gary E. Colbert had been hired as the Company’s new CFO. That press release made no mention of the fate of Aerosonic’s prior CFO, Eric McCracken, but instead simply touted Colbert’s financial experience and that his addition would immediately strengthen Aerosonic’s management team:

Mr. Colbert brings extensive domestic and international corporate finance and operational experience to Aerosonic, having held financial positions of increasing responsibility throughout his 23-year career with PPG Industries, Inc., United Technologies Corporation, and Wellcraft Marine. His prior experiences have included roles as a divisional Chief Financial Officer as well as Vice President, Finance and Administration. Mr. Colbert received his MBA in Finance and Marketing from Washington University and his undergraduate degree in Finance and Accounting. He is also a Certified Management Accountant.

“Gary is a key addition to our management team. His experience in a manufacturing environment and public company finance will allow him to be immediately effective and further strengthens the management group as we position the company for future growth,” stated David Baldini, President.


128. On January 23, 2003, Aerosonic filed with the SEC a Form 8-K advising the SEC and the investing public of the Company’s January 21, 2003 press release that announced the hiring of Gary E. Colbert as the Company’s new CFO.

129. On February 12, 2003, Aerosonic issued a press release announcing that it had hired an investor relations firm, Lagano & Associates to be “its strategic communications advisor to deliver superior performance in capital attraction, company positioning and investor awareness.”

130. On March 13, 2003, Aerosonic’s stock closed at $15.01 per share.
Revelations of the Truth Begin

131. On March 17, 2003, Aerosonic surprised the investment community. In a press release that day, the Company announced that it had overstated revenue and inventory by at least $3 million over the past three years and that its investigation into those misstatements could uncover additional improprieties. Specifically, the Company reported, in pertinent part, that:

Aerosonic Corporation (Amex: AIM) (the "Company") has discovered what appear to be certain discrepancies which pertain to previously reported financial information concerning inventory accounting and revenue recognition. These discrepancies have resulted in a possible overstatement of revenue for the fiscal year ended January 31, 2001 in the approximate amount of $800,000, an apparent overstatement of inventory for the fiscal year ended January 31, 2002 in the approximate amount of not less than $1,900,000 and an apparent overstatement of inventory of the first two quarters of fiscal year ended January 31, 2003 in the approximate amount of $300,000.

These findings are preliminary and are subject to further refinement and audit, as the Company is continuing to review these and other matters. Management of the Company discovered these matters, has disclosed them to the Company's outside auditors, PricewaterhouseCoopers, and has requested that PricewaterhouseCoopers review these matters with the Company to determine what actions may be appropriate. During such review, there may be other matters which come to the Company's attention and may require adjustment, both for the time periods identified above, as well as other periods.

132. Upon these startling and disturbing disclosures, the Company's stock price plummeted that same day to close at $12.40 per share, or a 17.4% one-day drop from the last close. As the news reached more Aerosonic investors, the following day, March 18, 2003, Aerosonic's stock dropped again to close at $10.10 per share, thus representing a staggering two-day loss of 32.7% in the stock's value.
133. According to a March 18, 2003 article in the *Tampa Tribune*, in referencing Eric McCracken’s resignation as Aerosonic's CFO in or about December 2002, Nabors was reported as claiming that “he didn't know whether McCracken's departure was related to the accounting mistakes.”

134. As a follow-up to the Company’s March 17, 2003 announcements, the *St. Petersburg Tribune* reported in a March 18, 2003 article, in pertinent part, as follows:

[Aeronsic] gave no explanation for the discrepancies. It emphasized that the findings are preliminary and subject to review by its auditors, PricewaterhouseCoopers.

J. Mervyn Nabors, Aerosonic's chairman, said the company's accounting department discovered the irregularities and immediately reported them, as required under laws passed in the wake of multi-billion-dollar financial scandals at Enron and WorldCom.

"We contacted our CPAs and our attorneys, and we're going through it now to see what it means," Nabors said. "But the company is doing just fine, it's rolling along, and I don't see this putting our contracts in jeopardy or anything."

135. On March 28, 2003, Aerosonic issued a press release announcing the addition of David M. Vosen to the Company’s Board of Directors, replacing outside Director and Audit Committee member Todd Beard, who had recently resigned. That press release reported that “[t]he company anticipates that there will be additional independent board members announced in the near future.... A strengthened Board of Directors will be a key element of our future plans.”

In addition, the press release described Vosen’s professional credentials as follows:

Mr. Vosen is President of Southtrust Bank, Tampa, Florida. Vosen brings over 30 years of financial experience to the company's board and will also serve on the audit committee. He is a graduate of the University of Wisconsin where he studied Finance and Economics. He has held positions of increasing responsibility since 1969 with

136. On April 14, 2003, Aerosonic issued a press release announcing the addition of Charles M. Foster, Jr. to the Company’s Board of Directors and the Company’s Audit Committee, stating, in pertinent part, that:

"The addition of Mr. Foster to our Board of Directors is further evidence of our commitment to building a strong independent Board that will play an increasing role in our progress in the months and years to come. His long career with Teledyne, an aerospace company, and his extensive accounting background, should make him a valuable addition to the board," stated David Baldini, President and CEO.

Foster brings a wealth of experience in accounting to the board. After 34 years, he retired in 2002 from Teledyne Technologies in Lewisburg, Tennessee. Mr. Foster held positions of increasing responsibility including Director of Finance; Vice President, Finance; and Senior Director.

137. On May 2, 2003, Aerosonic filed with the SEC a Form 12b-25 (a/k/a Form NT 10-K) to advise the SEC and the investing public that it would not be able to timely file its Form 10-K for the fiscal year ended January 31, 2003. That document recounted the accounting improprieties that were first disclosed in the Company’s March 17, 2003 press release and stated that Aerosonic “was continuing to review those and other matters which may require adjustment, both for the time periods identified above, as well as other periods.” Aerosonic further stated that it was “working with its independent auditors, outside counsel and others to examine these matters.”

138. In conducting the investigation of Aerosonic’s accounting improprieties, the Company’s Audit Committee “retained Kapila and Company as consultants to investigate certain transactions, management conduct and alleged misstatements in previously issued financial
statements.” Kapila and Company is a Florida based firm of certified public accountants, certified fraud examiners and other professionals that specialize in, among other things, investigating securities fraud and other financial misconduct.


Aerosonic Corporation (AMEX: AIM) today announced that it has substantially completed its review of the discrepancies in its previously reported financial information concerning inventory accounting and revenue recognition and the resulting overstatements of its inventory and revenue for its fiscal years ended January 31, 2001 and 2002 and the first three quarters of its fiscal year ended January 31, 2003. The extensive research, review and analysis required to quantify and correct the overstatements have delayed the Company’s preparation of its annual report on Form 10-K for its fiscal year ended January 31, 2003, that was required to be filed with the Securities and Exchange Commission by May 1, 2003.

The Company is continuing to work toward resolving the issues in its previously reported financial statements. Although the Company cannot determine how soon it will be able to complete and file its Form 10-K for the year ended January 31, 2003, it hopes to do so as soon as practicable.

On March 17, 2003, Aerosonic announced its preliminary findings and its continuing review of these matters, explaining that they were subject to further refinement and audit. The Company then undertook to examine, evaluate and quantify the nature and extent of the accounting issues disclosed in the March 17 press release.

In confirming the previously announced overstatement of revenue of approximately $0.8 million and overstatement of inventory of approximately $2.2 million, the Company also has thus far identified approximately $3.2 million of additional changes that should be made to its financial statements. The largest of the additional changes is the establishment of a $2.5 million reserve for specifically identified obsolete and slow moving inventory.
These adjustments are the result of misstatements and misrepresentation in the Company’s financial statements, falsification of certain inventory records, adjustments for obsolete and slow moving inventory, improper revenue recognition, questionable fixed asset capitalization, and disbursement and compensation issues.

Last week, the Audit Committee of the Company’s Board of Directors, comprised of independent directors, completed its independent review of these matters and reported its conclusions and recommendations to the Board. The Company has been and continues to be in communication with its independent auditor, the SEC and the American Stock Exchange.

The Company’s President and Chief Executive Officer, David A. Baldini, stated that “the Board and other members of current management have a strong and unwavering commitment to producing accurate and reliable financial information and have established new policies and procedures to enhance internal controls and financial reporting.”

140. The Company’s May 22, 2003 press release announced that Chairman Nabors had resigned from the Aerosonic Board. Moreover, the Company admitted that, contrary to its December 4, 2002 press release and December 16, 2002 Forms 10-Q and 8-K that “Nabors will remain in an active role as Chairman of the Board”, Baldini had essentially been serving as Chairman since November 2002 (emphasis added):

While the Board was considering the recommendations of its Audit Committee, J. Mervyn Nabors, the Company’s Chairman of the Board, announced to the Board that he was resigning as Chairman. Although Mr. Nabors will have no further involvement in day-to-day activities of the Company, he will be available as a consultant to respond to requests by the Company’s President, for a one-year period, and it is expected that he will remain as a director through his current term. Notwithstanding Mr. Nabors’ title as Chairman of the Board, Mr. Baldini, who became President of the Company in November 2002, has presided over all meetings of the Board since that time.
141. On May 22, 2003, Aerosonic filed with the SEC a Form 8-K advising the SEC and the investing public of its May 22, 2003 press release “disclosing (a) certain information regarding its review of discrepancies in previously reported financial information, (b) anticipated revenue for the fiscal quarter ended April 30, 2003, and (c) certain other matters.”

142. On May 23, 2003, the Tampa Tribune reported, in pertinent part, the circumstances surrounding Nabors resignation as the Company’s Chairman:

J. Mervyn Nabors, chairman of aircraft instrument manufacturer Aerosonic Corp., resigned last week amid a probe of company accounting practices, the company said Thursday. The company announced it has discovered misstatements and falsifications of records during the past three years. Aerosonic spokeswoman Pam Lagano said it is a coincidence that Nabors resigned while the company corrects errors in its past financial statements. Nabors was not asked to resign by the company's board of directors, Lagano said, and he remains a member of the company's board.

* * *

Aerosonic did not immediately name a new chairman; company President and Chief Executive Officer David Baldini, who succeeded Nabors as CEO in November, is in charge of day-to-day operations.

143. The May 23, 2003 Tampa Tribune article elicited an immediate response from the Company, when on that same day, Aerosonic issued a press release in an attempt to quickly distance itself from the reported statements of its own spokesperson. That press release stated, in pertinent part, that Aerosonic was “correct[ing] the statements attributed to the Company in an article in the May 23, 2003 edition of The Tampa Tribune concerning the circumstances surrounding the resignation of J. Mervyn Nabors as Chairman of the Board. The Company confirmed that the circumstances surrounding Mr. Nabor's resignation were as stated in the Company's May 22, 2003 press release.”
144. On June 3, 2003, Aerosonic issued a press release, reporting that "it has received from the Securities and Exchange Commission notice of a formal order of a non-public investigation in connection with the accounting issues that the Company reported in its press releases of March 17 and May 22, 2003." The release claimed that the Company "is cooperating with the SEC as well as the American Stock Exchange regarding these matters and is continuing to work with its independent auditors" to complete its 2003 Form 10-K.


146. On June 16, 2003, Aerosonic filed with the SEC a Form 12b-25 (a/k/a Form NT 10-Q) to advise the SEC and the investing public that it would not timely file its Form 10-Q for the fiscal ended April 30, 2003. That document recounted the accounting improprieties that were first disclosed in the Company’s March 17, 2003 and May 22, 2003 press releases and reiterated that Aerosonic had "substantially completed its review of the discrepancies". Aerosonic further stated that it was "is continuing to work toward resolving the issues in its previously reported financial statements."

147. On September 16, 2003, Aerosonic filed with the SEC a Form 12b-25 (a/k/a Form NT 10-Q) to advise the SEC and the investing public that it would not timely file its Form 10-Q for the fiscal ended July 31, 2003. That document recounted the accounting improprieties that were first disclosed in the Company’s March 17, 2003 and May 22, 2003 press releases and reiterated that Aerosonic had "substantially completed its review of the discrepancies".
Aerosonic further stated that it was “is continuing to work toward resolving the issues in its previously reported financial statements.”

148. On September 25, 2003, Aerosonic announced that the AMEX has, as of that day, halted the public trading of the Company’s stock “due to the absence of available current financial information concerning the Company.” Indeed, as of that date, the Company had failed to file any financial results with the SEC since December 2002, having filed late notifications in lieu of filing its 2003 Form 10-K and its Forms 10-Q for the first and second quarters of fiscal year 2004.

149. On October 15, 2003, Aerosonic issued a press release to announce that it had agreed to accept a compliance plan with the AMEX. Under that agreement, the Company was to file with the SEC its past due Form 10-K for the year ended January 31, 2003, by October 31, 2003, and its past due Forms 10-Q for the quarters ending April 30 and July 31, 2003 by November 15, 2003. The Company further disclosed that “[t]he AMEX said that failure to regain compliance within the time frame specified in the compliance plan could result in the AMEX initiating delisting proceedings.”

150. On October 31, 2003, Aerosonic issued a press release to announce that it had filed with the SEC that day its long overdue Form 10-K for the fiscal year ended January 31, 2003. That Form 10-K reported, among other things, that (emphasis added):


*       *       *

62
As a result of the restatements set forth herein and in the attached financial statements and the underlying contributing factors discussed herein, the financial information previously reported by the Company and included in reports on Form 10-K and Form 10-Q previously filed by the Company for the fiscal years ended January 31, 1999, 2000, 2001, and 2002, the quarters in such fiscal years, and the first three quarters of the fiscal year ended January 31, 2003 should not be relied upon and are superseded by the information in this Annual Report on Form 10-K.

The Form 10-K further reported that (emphasis added):

The Company has determined that its previously reported financial information overstated inventory, understated cost of sales, overstated revenue and incorrectly reported other items. Contributing to these misstatements, among other things, were misstatements of the Company's financial statements, the falsification of inventory records, improper adjustments for obsolete and slow moving inventory, improper revenue recognition, improper fixed asset capitalization, and errors in the application of Staff Accounting Bulletin No. 101 (released by the United States Securities and Exchange Commission in December 1999) ("SAB 101") and generally accepted accounting principles.

The following summarizes the Company's financial restatements:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended 1/31/2002</th>
<th>Year Ended 1/31/2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Previously Reported</td>
<td>As Restated</td>
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<tr>
<td>Total Revenues</td>
<td>$27,424,000</td>
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<tr>
<td>Cost of Sales</td>
<td>($17,162,000)</td>
<td>($17,441,000)</td>
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<tr>
<td>Net Income (Loss)</td>
<td>$1,040,000</td>
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<td>EPS</td>
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<tr>
<td></td>
<td>Year Ended 1/31/2000</td>
<td>Year Ended 1/31/1999</td>
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<tr>
<td>--------------------------</td>
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<td>----------------------</td>
</tr>
<tr>
<td></td>
<td>Previously Reported</td>
<td>As Restated</td>
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<tr>
<td>Total Revenues</td>
<td>$23,271,000</td>
<td>$23,271,000</td>
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<tr>
<td>Cost of Sales</td>
<td>($14,920,000)</td>
<td>($18,812,000)</td>
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<tr>
<td>Net Income (Loss)</td>
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<tr>
<td>EPS</td>
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<tr>
<td>Inventories</td>
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<td>Previously Reported</td>
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<tr>
<td>Total Revenues</td>
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<td>Net Income (Loss)</td>
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<td>EPS</td>
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<table>
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<tr>
<th></th>
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<td></td>
<td>Previously Reported</td>
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<tr>
<td>Total Revenues</td>
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<tr>
<td>EPS</td>
<td>$0.16</td>
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</table>

151. Aerosonic’s 2003 Form 10-K also reported that the Company was now in breach of certain covenants and other provisions in certain of its debt financings, including a $1,000,000 revolving credit facility and a long-term Industrial Development Revenue Bond.
152. Aerosonic’s 2003 Form 10-K and its March 17, May 22 and October 31 press releases stand as admissions that the Company’s publicly reported assets, revenues and earnings were materially overstated for the fiscal years ended January 31, 1999, 2000, 2001 and 2002 and the first three quarters of its fiscal year ended January 31, 2003. The Company has admitted that Aerosonic’s publicly filed Forms 10-K and 10-Q for those periods are false and should not be relied upon. Also, the Company has admitted that the misstatements and misrepresentations in the Company’s financial statements violated GAAP and were the result of, at least in part, knowing and intentional misconduct on the part of Aerosonic and its employees and agents.

153. By contrast, the Company’s “Code of Conduct” that is published on Aerosonic’s home website (see http://aerosonic.com/conduct.htm) provided knowingly false assurances to investors that the Company and its employees had adhered to truthful and ethical conduct in conducting Aerosonic’s business. That Code of Conduct provides, in pertinent part, as follows (emphasis added):

Aerosonic is a company based on shared values and common goals. That’s why our Code of Conduct is so important. It provides us with a clear understanding of our core values: it’s what we stand for, the rules we live by. The Code applies to every employee, every business transaction and to any business acting on our behalf.

Our Policy does not list every do and don’t. We expect our directors and employees to use common sense, individual conscience and a commitment to 100% compliance with the law in applying the Policy to particular situations. Here are some examples:

* * * *
ETHICAL BUSINESS CONDUCT

We expect our directors and employees to act in an ethical manner. We do not attempt to control the private lives of our directors and employees. But we do expect our directors and employees to avoid acting in a way that could damage Aerosonic's reputation.

*       *       *

We expect our employees and directors to be honest and truthful. During the course of their employment or service as a director of the Company, employees and directors may not steal, lie, falsify documents or prepare or issue any false or misleading reports. As an example, a false expense report would violate this policy.

*       *       *

All Aerosonic accounts, invoices, memoranda and other documents and records must be prepared and maintained with strict accuracy and completeness. All assets, liabilities, revenues and expenses must be recorded in the regular books of Aerosonic.

154. Notwithstanding its public announcements in March and May 2003 of accounting improprieties, its SEC-filed restatement of five years' worth of financial results and the above so-called Code of Conduct, Aerosonic continued to blatantly tout and mislead investors as to the Company's financial results and condition. At least as late of December 8, 2003, Aerosonic continued to post its false financial statements for fiscal years 1999 through 2002 on Aerosonic's corporate website at <<http://aerosonic.com/AtaGlance.htm>>. This continuing misconduct is further indicative of Aerosonic's arrogance, or callousness, in falsely touting itself without regard to the investing public and the reliance that the market places on public companies to tell the truth.
155. On December 17, 2003, following the completion of restatement of nearly five years worth of financial results, Aerosonic’s Board fired the Company’s independent auditor PricewaterhouseCoopers, replacing it with the accounting firm of Tedder, James, Worden & Associates, P.A.

DEFENDANTS’ FALSE FINANCIAL REPORTING

156. At all times relevant during the Class Period, Defendants represented that Aerosonic’s publicly-filed financial statements when issued were prepared in conformity with GAAP and fairly presented the Company’s financial results and condition. Contrary to those representations, Defendants engaged in numerous accounting violations that resulted in Aerosonic reporting million of dollars in false revenues, earnings, assets and stockholders’ equity during the fiscal years 1999 through 2003. As a result, Aerosonic’s publicly-reported financial results for those years did not comport with GAAP, were grossly misleading and were simply false.

157. GAAP are those principles recognized by the accounting profession as the conventions, rules and procedures necessary to define accepted accounting practice at a particular time.¹ SEC Regulation S-X (17 C.F.R. § 210.4-01(a)(1)) states that financial statements filed with the SEC which are not prepared in compliance with GAAP are presumed to be misleading and inaccurate, despite footnote or other disclosure. Regulation S-X requires that interim financial statements must also comply with GAAP, with certain exceptions including that interim

financial statements need not include disclosure which would be duplicative of disclosures accompanying annual financial statements. 17 C.F.R. § 210.10-01(a).

158. In its press release dated October 31, 2003 and its Form 10-K filed that same day, Aerosonic affirmatively admitted that it violated GAAP and that its accounting improprieties had overstated its publicly-reported revenues, earnings, assets and shareholders’ equity by millions of dollars over the preceding five years.

159. Moreover, Aerosonic’ 2003 Form 10-K restated the Company’s financial results for fiscal years 1999, 2000, 2001 and 2002 and for the first three quarters of fiscal year 2003, reversing out millions of dollars in previously reported revenue and earnings and reducing the reported value of assets and stockholders’ equity. As a result, Aerosonic now told investors for the first time that its original publicly-filed financial statements, including all of its Forms 10-K and 10-Q, for the periods covered by February 1, 1998 to October 31, 2002 “should not be relied upon”.

160. The fact that Aerosonic has restated its financial statements is an admission that the financial statements originally issued were false, and that its overstatements of revenues, income and other accounts were material. Pursuant to GAAP, as set forth in APB 20, the type of restatement announced by Aerosonic was to correct for material errors in its previously issued financial statements. The restatement of past financial statements is a specifically disfavored action under GAAP because it dilutes confidence by investors in the financial statements and makes it difficult to compare financial statements. Thus, GAAP provides that financial statements should only be restated in limited circumstances, i.e., when there is a change in the reporting entity, when there is a change in accounting principles used, or
to correct a material error in previously issued financial statements. By admission, Aerosonic’s financial restatement, was not due to a change in the reporting entity or a change in accounting principles, but was instead necessitated by material errors in its previously issued financial statements. As such, the restatement is an admission by the Company that its previously issued financial results and its public statements regarding those results, were materially false and misleading.

Moreover, even though the Company’s 2003 Form 10-K reversed out millions of dollars in false revenues and earnings for fiscal years 1999 through 2003, Aerosonic “is unable to determine the full extent of adjustments that would be necessary to a fair presentation of the restated financial information included [in the Form 10-K] for 1999 and 2000” due to “the unavailability of certain accounting records for periods predating 2001”.

As Aerosonic itself admitted in its 2003 Form 10-K, the Company engaged in improper accounting practices during the fiscal years 1999 through 2003 that violated GAAP in at least the following ways:

- Overstating inventory and understating cost of sales through falsified records and failing to record adequate reserves for inventory obsolescence;
- Improperly recognizing revenue; and
- Understating reported expenses.

As a result of these accounting improprieties, Aerosonic’s publicly reported financial results were not fairly presented but amounted to a gross misrepresentation of the Company’s true financial operations and condition.
A. Overstated Inventory and Understated Cost of Sales

163. Aerosonic overstated inventory and understated cost of sales by a more than $6.7 million during the Class Period. Specifically, Aerosonic’s reported amounts were misstated, in violation of GAAP and its own stated policies, due to the following:

- Falsified physical inventory count records;
- Errors in unit costs of certain inventory;
- Failure to record write-downs for obsolete and slow-moving inventory;
- Failure to record write-down of consigned inventory;
- Estimates of percentage of completion were unreliable; and
- Incorrect computation and application of manufacturing overhead.

164. ARB 43 (Restatement and Revision of Accounting Research Bulletins) describes the objectives and procedures for the recording of inventory. ARB 43(a) provides that “a major objective of accounting for inventories is the proper determination of income through the process of matching appropriate costs against revenues”. Moreover, ARB 43 explains, “[i]n accounting for the goods in the inventory at any point of time, the major objective is the matching of appropriate costs against revenues in order that there may be a proper determination of the realized income.” Therefore, in order to comply with GAAP, Aerosonic was required to properly “match” the cost of sales against the reported revenue.

165. ARB 43 also provides the guidance for recording the cost of inventory, as follows:

The primary basis of accounting for inventories is cost, which has been defined generally as the price paid or consideration given to acquire an asset....
As such, Aerosonic’s originally reported inventory was overstated, in violation of GAAP because it was not recorded at cost due to at least the falsification of physical inventory records, errors in unit costs, and/or the incorrect computation and application of manufacturing overhead costs.

166. ARB 43 provides for exception to the aforementioned general rule of “cost” with regard to obsolete and slow-moving inventory. The standard states, that in such circumstances, the recorded cost of inventory should be reduced. ARB 43 states as follow:

A departure from the cost basis of pricing the inventory is required when the utility of the goods is no longer as great as its cost. Where there is evidence that the utility of goods, in their disposal in the ordinary course of business, will be less than cost, whether due to physical deterioration, obsolescence, changes in price levels, or other causes, the difference should be recognized as a loss of the current period. This is generally accomplished by stating such goods at a lower level commonly designated as market.

The standard explains the exception in relevant part, as follows:

Although the cost basis ordinarily achieves the objective of a proper matching of costs and revenues, under certain circumstances cost may not be the amount properly chargeable against the revenues of future periods. A departure from cost is required in these circumstances because cost is satisfactory only if the utility of the goods has not diminished since their acquisition; a loss of utility is to be reflected as a charge against the revenues of the period in which it occurs. Thus, in accounting for inventories, a loss should be recognized whenever the utility of goods is impaired by damage, deterioration, obsolescence, change in price levels, or other causes. The measurement of such losses is accomplished by applying the rule of pricing inventories at cost or market, whichever is lower. This provides a practical means of measuring utility and thereby determining the amount of the loss to be recognized and accounted for in the current period.

Aerosonic disclosed in its SEC filings that its inventories were stated at the lower of cost or market and that provisions had been made for any inventory deemed excess or obsolete, in spite
of the fact that Defendants knowingly, did not appropriately provide for obsolete and slow-
moving inventory.

167. Aerosonic's quarterly interim financial statements during the class period were also false and misleading because inventory was overstated and cost of sales was understated. GAAP, as set forth in APB 28 (Interim Financial Reporting), requires that the treatment of costs and expenses in interim financial statements be similar to the treatment in the annual financial statements. APB 28 states, in relevant part, as follows:

Those costs and expenses that are associated directly with or allocated to the products sold or to the services rendered for annual reporting purposes (including, for example, material costs, wages and salaries and related fringe benefits, manufacturing overhead, and warranties) should be similarly treated for interim reporting purposes.

B. Improper Revenue Recognition

168. Aerosonic overstated its revenue in violation of GAAP, by some $1,144,000 (4.8%) and $738,000 (2.7%) in fiscal 2001 and 2002, respectively. Aerosonic's financial statements were materially false and misleading due to the premature/improper reporting of revenue from (1) product repurchased, (2) product that had not been shipped or delivered, and (3) transactions when collectibility was not probable. Therefore, the reported revenue from these transactions was not yet earned or realizable, when recognized.

GAAP, as set forth in CON 5, ¶ 83 (Recognition and Measurement in Financial Statements of Business Enterprises), states that revenue "recognition involves consideration of two factors (a) being realized or realizable and (b) being earned ...." In addition, CON 5, ¶ 84 describes the concept of "earned" in relevant part as follows:
Revenues are not recognized until earned. An entity’s revenue-earning activities involve delivering or producing goods, rendering services, or other activities that constitute its ongoing major or central operations, and revenues are considered to have been earned when the entity has substantially accomplished what it must do to be entitled to the benefits represented by the revenues ....

Further, CON 5 states:

The two conditions (being realized or realizable and being earned) are usually met by the time product or merchandise is delivered or services are rendered to customers, and revenues from manufacturing and selling activities and gains and losses from sales of other assets are commonly recognized at time of sale (usually meaning delivery).

Moreover, “[i]f collectibility ... is doubtful, revenues and gains may be recognized on the basis of cash received.” CON 5, ¶ 84g.

169. The SEC provided guidance in applying GAAP to revenue recognition issues through the issuance of Staff Accounting Bulletin (“SAB”) No. 101 (Revenue Recognition in Financial Statements), which was issued in December 1999. SAB 101 provides that the revenue should be recognized when it is earned and realized as indicated by the following criteria:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or services have been rendered;
- The seller’s price to the buyer is fixed or determinable; and
- Collectibility is reasonably assured.

170. As disclosed in its 2003 Form 10-K, Aerosonic improperly recognized revenue from transactions in which such revenue had not yet been earned. Aerosonic described such transactions as follows:
In some instances, the Company recognized revenue from the sale of products under FOB Origin contracts in a fiscal year even though such products were not shipped until shortly after the close of such fiscal year. In other instances, the Company recognized revenue from the sale of products under FOB Destination contracts at the time of shipment or when written customer acceptance was obtained but no physical delivery had occurred.

After reviewing the sales and return history ... the Company determined that it should not recognize revenue until payment was received from this customer, thus recognizing revenue on a cash basis. Accordingly, all sales to this customer that were originally recorded were reversed and new sales transactions were recorded in the periods when cash payments were received from the customer.

The Company repurchased the same goods from an affiliate of such purchaser ... [T]he Company has determined that such transactions did not have a bona fide business purpose and, as a result, were not accounted for properly, and resulted in an overstatement of revenue ....

C. Other Understatements of Expenses

171. Aerosonic repeatedly inflated pre-tax income and violated GAAP, by failing to properly record various expenses in its financial statements. For example, Aerosonic misclassified numerous expenditures as assets instead of recognizing them as expenses. Aerosonic capitalized expenditures as (1) property, plant and equipment which should have been cost of sales, (2) prepaid insurance which should have been expensed and (3) incorrectly recorded the pension plan of the former President.

172. GAAP, as set forth in CON 6 (Elements of Financial Statements), provides the definition of assets and expenses. CON 6 defines an asset, in relevant part, as follows:
Assets are probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events.

In contrast, CON 6 defines an expense, in relevant part, as follows:

Expenses are outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity's ongoing major or central operations.

Aerosonic improperly recorded expenditures as assets that did not meet the definition since such expenditures did not have future benefit and were in substance and form the “using up of assets [cash] from delivering or producing goods ....”

173. Due to Aerosonic’s accounting improprieties, the Company presented its financial results and statements in a manner which violated GAAP, including but not limited to the following fundamental accounting principles:

(a) that interim financial reporting should be based upon the same accounting principles and practices used to prepare annual financial statements (APB 28, ¶ 10);

(b) that financial reporting should provide information that is useful to present and potential investors, creditors, and other users in making rational investment, credit, and similar decisions (CON 1, ¶ 34);

(c) that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and the effects of transactions, events, and circumstances that change resources and claims to those resources (CON 1, ¶ 40);

(d) that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use
of enterprise resources entrusted to it. To the extent that management offers securities of the enterprise to the public, it voluntarily accepts wider responsibilities for accountability to prospective investors and to the public in general (CON 1, ¶ 50);

(e) that financial reporting should provide information about an enterprise's financial performance during a period. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors' and creditors' expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance (CON 1, ¶ 42);

(f) that financial reporting should be reliable in that it represents what it purports to represent. That financial information should be reliable as well as relevant is a notion that is central to accounting (CON 2, ¶¶ 58-59);

(g) that financial reporting be complete, which means that nothing is left out of the information that may be necessary to insure that it validly represents underlying events and conditions (CON 2, ¶ 79); and

(h) that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered. The best way to avoid injury to investors is to try to ensure that what is reported represents what it purports to represent (CON 2, ¶¶ 95, 97).

174. The Company also failed to disclose that it lacked adequate human resources and internal accounting controls to prevent the misstatements and omissions alleged herein.
175. Further, all of the above undisclosed, albeit critically important and adverse, information regarding the Company's accounting practices and GAAP violations, about which Plaintiffs were not properly or timely advised, is precisely the type of information which, because of SEC Regulations, regulations of the national stock exchange, and customary business practice, is expected by investors and securities analysts to be accurately and timely disclosed, and corporate officials and their legal and financial advisors are or should be aware of and adhere to such proper business practices.

176. Aerosonic overstated millions of dollars in revenues, earnings, inventory and other items in its financial statements, as the Company has already acknowledged. To the substantial damage of Plaintiffs and the Class, these results, and defendants' representations concerning them, were materially false. Absent its admitted accounting improprieties, the Company would have reported materially lower revenues and earnings, for the fiscal years ended January 31, 1999, 2000, 2001 and 2002, and the fiscal quarters ended April 30, July 31, and October 31, 2002.

177. The Company's misstatements and omissions caused its stock to trade at artificially inflated prices during the Class Period. Aerosonic falsely portrayed itself as a growing, increasingly more profitable company through the Class Period despite knowledge of, or reckless disregard for its true financial results and condition.

178. Had the Company disclosed its accounting improprieties to Plaintiffs and the Class prior to the time they purchased shares of Aerosonic stock, Plaintiffs and the Class would not have made those purchases at all or would have purchased those shares at materially lower prices.
ADDITIONAL ALLEGATIONS OF SCIENTER AS TO AEROSONIC AND THE INDIVIDUAL DEFENDANTS

179. The corporate environment at Aerosonic that led to this fraud was one couched in physical threats and intimidation, in which defendant Nabors demanded that employees carry out his orders without regard to the propriety of doing so. While this incredibly hostile environment was created by defendant Nabors, it was also sanctioned by the Company’s Board of Directors in allowing for it to exist. In sum, Nabors was widely-known within the Company as being extremely hot-tempered and would become enraged when anyone dared to question his actions or practices. According to one confidential source who was an Aerosonic employee during the Class Period and during the decade prior, Nabors “was feared by most Aerosonic employees.” For anyone who questioned his practices or failed to comply with his directives, Nabors responded by “screaming at the employee, throwing objects at them, and ultimately firing them.”

180. According to at least two confidential sources, who were Aerosonic employees just prior to and/or during the Class Period, Nabors often told employees that he kept a loaded handgun strapped to the bottom of his office desk at Aerosonic. According to a confidential source, on one occasion Nabors become enraged at the Company and threatened this person by saying “I have a gun under my desk” and then simulating the sound of a gunshot by slamming a book on his desk. Another confidential source stated that Nabors “routinely threatened Aerosonic employees” and that he would actually pull out the gun from under his desk and wave it around in order to intimidate them.

181. Nabors’ threatening behavior was successful in intimidating Company employees into simply following his directives. According to one confidential source, who was an
Aerosonic employee during the Class Period and during the decade prior and who was familiar with the Company’s purchasing and inventory, **Nabors directed on numerous occasions that purchase orders be issued for items “bought” from American Instruments at values in the range of $30,000 to $50,000; however, according to the source, “there was never any documentation to support [that] merchandise ever being shipped, received or warehoused” yet those items were nevertheless “added to the Aerosonic inventory numbers and valuation.”** Moreover, inventory that had been purchased but subsequently returned without payment was also improperly kept on Aerosonic’s inventory counts and valuations. According to the source, **“in many cases the supplier was never paid for the merchandise, ... [instead] Nabors directed ... the Aerosonic warehouse, to pack up the merchandise and return it to the supplier. However, there was never a reduction of the inventory carried on the Aerosonic books and records which would correspond to the reduction of the physical inventory.”**

182. According to one confidential source, just prior to the beginning of the Class Period, the Company’s then newly-hired Controller, Melody Buell, began questioning the valuation of and accounting practices for Aerosonic’s inventory – one of the very items that led to the Company making its five-year financial restatement in 2003. After the Controller persisted in raising her concerns as to Aerosonic’s inventory, Nabors’ screamed at her and threatened, “If you open your mouth one more time, I’m going to break your jaw and have your mouth wired shut.” This violent outburst occurred in the presence of other Aerosonic employees.

183. The Company had actually been manipulating its inventory and financial results even prior to fiscal year 1999. As evidenced by Aerosonic’s five-year restatement, these
manipulations continued virtually unabated until the fraud began to publicly unravel in March 2003. For example, according to one confidential source, who was an Aerosonic employee during the Class Period and during the decade prior and who was familiar with the Company’s purchasing and inventory, the Company’s financials were “constantly being doctored” and that for defendant Nabors “it was a game”. This source explained that **when inventory amounts did not reach the level that Nabors wanted, Nabors and McCracken would review spreadsheets of instrument inventory, select high-dollar items, and instruct this employee and others to simply change the prices. In addition to “playing with the inventory”, Nabors also “phoneyed the levels of obsolete [inventory] stock.”** The confidential source estimated that **obsolete inventory represented about 25% to 30% of the Company’s total inventory.** In addition, this confidential source also recounted Aerosonic’s complete inability to track the cost of direct labor in valuing the Company’s inventory: **“Aerosonic had no computer ability to track the labor and assign a cost to the individual product. As a result, this was done manually, and was a guess at best.”** Moreover, during the year-end audits of the Company, the Coopers & Lybrand or PricewaterhouseCoopers auditors would occasional request purchase orders as support for recorded inventory that pertained to components that were supposedly purchased from American Instruments, the Alabama-based company in which Nabors was the controlling shareholder. The confidential source said that those purchase orders were personally maintained by defendant Nabors and that to the best of this source’s knowledge, **“no merchandise relating to these purchase orders was ever received by Aerosonic from American Instruments.”**
Another confidential source also revealed similar problems with Aerosonic’s inventory and questionable relations with American Instruments. That confidential source was a long-time employee of Aerosonic who worked at the Company up until or just after the beginning of the Class Period and was familiar with purchasing and inventory. This source stated that “there were wide fluctuations of inventory levels at Aerosonic” which were due to two factors. The first involved inventory which had been purchased from American Instruments; this inventory was described as “non-purchases” because **Aerosonic never received any product from American Instruments, yet the inventory itemized on the corresponding purchase orders was added to Aerosonic’s inventory.** The second cause of inventory fluctuations was said to have resulted from aircraft instrument components which **Nabors directed the source to purchase from Aerosonic’s regular suppliers. These items were typically received by Aerosonic, added to the Aerosonic inventory list, and then shipped back to the suppliers. The items, however, remained on the Aerosonic inventory, thus creating an overstated inventory level.**

Moreover, this confidential source stated that Aerosonic’s practice of adding “phantom inventory” to the Company’s books and records was personally troubling; the source stated that these concerns were brought to the attention of William Parker, who was a senior Company executive and later served on Aerosonic’s Audit Committee, though nothing apparently was ever done in response to those concerns. This confidential source also recalled that during the Company audits, the auditors from Coopers & Lybrand (n/k/a PricewaterhouseCoopers) would review Aerosonic’s inventory pricing with Nabors, including in particular audit partner Andy McAdams who personally “worked closely with Nabors on the audits.”
The above allegations of Nabors using his own non-public company, American Instruments, as a conduit in facilitating wrongdoing is not surprising, given Nabors’ pattern of misconduct related to that company. For example, during the Class Period, Nabors used the corporate monies of American Instruments in order to pay alimony to his ex-wife. According to a decision issued by Florida’s Second District Court of Appeal regarding Nabor’s marital settlement agreement, Nabors had arranged for American Instruments to pay his ex-wife, Hollie Ann Nabors, $1,000 per week prior to April 1999; those payments were then to be increased to $2,000 per week after that date. The court document further revealed that those payments were ultimately reduced, as that company’s “vice president of finance testified that there were potential adverse tax consequences to American Instruments for paying an excessive salary to the Former Wife, who had no actual job responsibilities with the corporation.” See Nabors v. Nabors, Case No. 2D01-5493 (Dec. 20, 2002) (available at <<www.2dca.org/opinion/December%202002,%202002/2D01-5493.pdf>>).

Another confidential source identified and explained further problems and issues regarding Aerosonic’s inventory. That source is a former Aerosonic accounting executive who worked for the Company just prior to the beginning of the Class Period. In addition, this source was also a former auditor for Coopers & Lybrand and had been involved in two independent audits of Aerosonic’s books and records. According to this source, the accounting for Aerosonic’s inventory was a problem issue even during the Company’s 1996 audit because the inventory was “convoluted and hard for the auditors to get their hands around it.” For example, the Coopers auditors would identify inventory components which appeared to “not have been used [and were] covered with dust”. While these inventory items “appeared as if they should
be classified as obsolete, and thus their value written down on the Aerosonic books,” the
auditors failed to do so because they were simply told by Aerosonic employees that the
components were going to be used in a new contract which had recently been negotiated.

187. Also, according to that same source, the Aerosonic inventory was sprawling, in
that the computerized printout of the inventory “consisted of thousands of pages” and the
inventory itself “was maintained in a number of locations and warehouses”. In addition,
according to this source, the inventory printout did not include cost or pricing for the
thousands of inventory items. As a result, the auditors were tasked with attempting to
value inventory items — thus, the Coopers & Lybrand auditors “would interview Aerosonic
employees and ask if a particular inventory item was valuable, and would be told ‘yes it
was a valuable item,’ and it should be ‘given a high valuation.’” The auditors then simply
accepted valuations that they were given by the Company employees. This confidential
source said that Aerosonic’s inventory was, in sum, a “pile of garbage” that was “grossly
overvalued” and “had been for years.” This confidential source voiced concerns as to the
valuation of Aerosonic’s inventory to the Company’s top officials, including defendant Nabors,
defendant McCracken and William Parker; however, none wanted to hear these concerns — while
Parker simply tried to assure this source that “the inventory was worth a lot”, Nabors responded
with hostility, verbal abuse and even physical threats.

188. One of the major motivations behind defendants’ financial fraud was the goal of
making Aerosonic an attractive merger candidate that would then hopefully be bought out by a
large defense contractor. For example, during the fall of 1998, Aerosonic issued a press release
that specifically boasted that the Company had received offers to be acquired from more than one
suitor and that the Company was considering those offers. By December of 1998, Aerosonic even hired an investment banker to advise the Company on a potential merger. Although for whatever reason, a merger was not consummated at that time, defendants continued throughout the Class Period to falsely inflate Aerosonic’s financial results and issue gross misrepresentations about the Company’s financial condition in an effort to continue its prospects of being acquired. Indeed, in July 2002, toward the end of the Class Period, then-Chairman Nabors boasted at the 2002 Annual Shareholders’ Meeting that some kind of buy-out or partnership might be in the works with another “defense company”.

189. At least defendants Nabors and McCracken owned shares of Aerosonic stock during the Class Period. Indeed, during the Class Period, Nabors personally owned over 1.2 million Aerosonic shares, or nearly one-third of the Company. Also, McCracken’s own holdings would have been worth nearly $250,000 when Aerosonic’s stock was trading at almost $30 per share. If defendants had been successful in finding a corporate suitor to buy-out Aerosonic’s inflated stock, defendants Nabors and McCracken would be expected to have received a lucrative but illicit windfall in the sale of their Aerosonic shares.

190. Defendants Nabors and McCracken were, at least in part, motivated to participate in the fraudulent scheme alleged herein because their employment agreements with the Company were tied to either the financial performance of the Company or their own performance.

According to Aerosonic’s Definitive Proxy Statement filed with SEC on May 31, 2002:

Aerosonic Corporation’s board of directors has approved employment agreements between the Company and five of its executive officers, J. Mervyn Nabors, David Baldini, Mark Perkins, Eric McCracken and Carm Russo. The work agreements became effective at various times from August 31, 1996 to
February 5, 1998, each for a three-year period of time which is automatically renewed after the three-year period. The agreements require certain minimum performance standards in exchange for a minimum base annual salary of $175,000 for Mr. Nabors, $110,000 for Mr. Baldini, $110,000 for Mr. Perkins and $85,000 each for Mr. McCracken and Mr. Russo.

191. Defendants Nabors and McCracken were, at least in part, motivated to participate in the fraudulent scheme alleged herein because they received compensation in addition to their base salary.

192. During the Class Period, defendants Nabors and McCracken received substantial financial compensation and incremental raises as a result of their participation in the fraudulent scheme alleged herein, as follows:

<table>
<thead>
<tr>
<th>Name and Principal Position</th>
<th>Year</th>
<th>Annual Compensation</th>
<th>Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. Mervyn Nabors</td>
<td>2002</td>
<td>$319,261</td>
<td>45.1%</td>
</tr>
<tr>
<td>(President/CEO)</td>
<td>2001</td>
<td>$220,028</td>
<td>13.5%</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>$193,785</td>
<td></td>
</tr>
<tr>
<td>Eric J. McCracken</td>
<td>2002</td>
<td>$160,414</td>
<td>29.3%</td>
</tr>
<tr>
<td>(CFO/Exec. Vice President)</td>
<td>2001</td>
<td>$124,079</td>
<td>13.0%</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>$109,790</td>
<td></td>
</tr>
</tbody>
</table>

193. In addition to his authorized salary and bonus, Nabors was also receiving unauthorized increases to his base compensation. According the Company's Definitive Proxy Statement filed with the SEC on November 14, 2003:

The base compensation for the terminated Chief Executive Officer, J. Mervyn Nabors, for the year ended January 31, 2003 was initially $250,000. However, Mr. Nabors' base compensation was increased to $300,000 during the course of the year. The basis for this increase and the extent of the Board of Directors' authorization, if any, is not apparent. In November 2002, the Board of Directors discovered that Mr. Nabors had received an
Unauthorized increase in compensation from $300,000 to $500,000.

194. As Controllers of the Company, defendants Reed and Norstrud were integral in carrying out the fraud because during their individual tenures, each was the Company's principal financial accountant. As such, these defendants managed and oversaw the operations of Aerosonic's accounting department, including the many bogus accounting entries related to the Company's inventory, revenues, costs and other misstated accounts.

195. Defendants Reed and Norstrud also had inside knowledge of the fraud alleged by virtue of their position as senior accounting officers.

196. Moreover, defendant Norstrud admittedly has a strong, technical and credentialed background and understanding of accounting systems, processes, procedures and controls. Indeed, prior to becoming the Controller at Aerosonic, Norstrud worked as a senior auditor for defendant PricewaterhouseCoopers.

197. Defendants Reed and Norstrud were also personally motivated to participate in the fraud by virtue of their desire to maintain their corporate position, salary and other compensation they received from the Company.

198. The Company's May 22, 2003 press release specifically attributed its accounting misstatements and omissions to intentional and/or reckless misconduct by defendant Aerosonic and unspecified employees and agents, by stating that (emphasis added):

These adjustments are the result of misstatements and misrepresentation in the Company's financial statements, falsification of certain inventory records, adjustments for obsolete and slow moving inventory, improper revenue recognition, questionable fixed asset capitalization, and disbursement and compensation issues.
199. The Company and its Board of Directors, including but not limited to defendant Nabors, knowingly or recklessly hired and then recklessly retained defendant McCracken as Aerosonic’s CFO, notwithstanding that he lacked adequate training and experience to hold that position.

200. The Company and its Board of Directors, including but not limited to defendant Nabors and McCracken, knowingly or recklessly failed to provide for proper and adequate internal accounting controls to prevent or timely uncover the accounting misstatements that the Company admitted to in its 2003 Form 10-K.

201. The knowing or reckless acts of the Company and its Board of Directors in hiring and retaining CFO McCracken and in failing to provide for proper and adequate internal accounting controls created the opportunity for the defendants to engage in their fraudulent scheme alleged herein.

202. Defendants further facilitated the fraud by paying off others, including Audit Committee Director Garwacki, to “look the other way” and then keep quiet about Defendants’ wrongdoing. For example, according to the Company’s Definitive Proxy Statement filed with the SEC on November 14, 2003:

Until his resignation from the Board of Directors in October 2002, Mr. Garwacki was a party to an oral consulting arrangement with the Company. Pursuant to that oral consulting arrangement, Mr. Garwacki performed consulting services specifically assigned by Mr. Nabors, the President at that time, and was compensated on a periodic basis at rates agreed upon on a matter by matter basis between Mr. Garwacki and the Company. Mr. Garwacki received total compensation of $199,235 for his consulting services during fiscal year 2003. This amount included $178,250 of consulting fees that were paid directly to Mr. Garwacki plus $20,985 of consulting fees paid to Dynamic Business Consultants, an entity related to Mr.
Garwacki. Subsequent to his resignation, the Company and Mr. Garwacki entered into a written Consulting Agreement, pursuant to which Mr. Garwacki was to be paid on an hourly basis for consulting services specifically assigned by the Company. No such services were assigned, and the Company has since terminated this Consulting Agreement.

203. The timing and reasons given for Aerosonic’s management shake-up in the fall of 2002 further demonstrate a degree of actual knowledge within the Company and its management during the Class Period of Defendants’ misrepresentations and omissions. Specifically, and according to the Company’s 2003 Form 10-K, David Baldini replaced defendant Nabors as President on November 14, 2002 and defendant McCracken was terminated as CFO in October 2002. Moreover, Audit Committee member and Director Garwacki resigned in October 2002 due to the stated reason of Aerosonic complying with the Sarbanes-Oxley Act of 2002 -- and the potential criminal and civil liability that flowed from the provisions under that statute. However, Nabors’ loss of the corporate Presidency was not publicly announced until December 4, 2002 and the “resignations” of McCracken and Garwacki were not publicly disclosed until December 16, 2002. Compounding these delays of disclosure is the false assertion in the Company’s December 16, 2002 Form 10-Q that “[t]he company filed a report on form 8-K during the three months ended October 31, 2002”, related to the McCracken and Garwacki resignations. According to the SEC’s EDGAR (Electronic Data Gathering, Analysis, and Retrieval system) and the Bloomberg News wire service, Aerosonic did not make any filings on Form 8-K during calendar year 2002 regarding those resignations. Aerosonic’s efforts to delay and conceal the terminations of key accounting and management personnel amounted to material misrepresentations and omissions regarding the condition and operations of the Company.
204. In addition, in February 2003, just one month before Aerosonic came forward to begin its admissions of accounting improprieties, the Company hired an investor relations firm, Lagano & Associates, that would be tasked with attempting to put a professional spin upon the Company’s imminent admissions of accounting improprieties.

ADDITIONAL ALLEGATIONS OF SCIENTER AS TO PRICEWATERHOUSECOOPERS

205. Aerosonic engaged PricewaterhouseCoopers to provide independent auditing and accounting services for the Company at all times relevant to this action. PricewaterhouseCoopers audited and certified Aerosonic’s financial statements for the fiscal years ended January 31, 1999, 2000, 2001 and 2002. For fiscal years 2002 and 2001, the audited financial information included quarterly financial results that were set forth in Footnotes 11 and 12 to the financial statements, respectively. PricewaterhouseCoopers also issued unqualified audit reports on those financials. The audit reports were dated April 26, 1999, April 10, 2000, March 30, 2001 and March 29, 2002, respectively, and were included in the Forms 10-K that Aerosonic filed with the SEC for those years. Among other things, the audit reports certified to investors and others that Aerosonic’s financial statements fairly presented the Company’s financial condition and results of operations in conformity with GAAP and that the audits conducted by PricewaterhouseCoopers were performed in accordance with Generally Accepted Auditing Standards, or GAAS.2

2 GAAS, as approved and adopted by the AICPA, defines the standards of conduct for auditors in performing and reporting on audit engagements. Statements on Auditing Standards (“AU”) are recognized by the AICPA as the authoritative interpretation of GAAS.
206. PricewaterhouseCoopers’ unqualified audit reports for fiscal years 1999 through 2002 were false and misleading because Aerosonic’s financial statements were not presented in accordance with GAAP, as alleged above, and PricewaterhouseCoopers failed to comply with GAAS in conducting its audits, as alleged below.

207. PricewaterhouseCoopers also performed timely accounting “reviews” of Aerosonic’s publicly-reported quarterly financial results, including but not limited to the quarterly results for fiscal years 2001 and 2002 and the first three fiscal quarters of 2003.

208. In addition, according to publicly-filed certifications in the Company’s Forms 10-Q for the fiscal quarters ended July 31 and October 31, 2002, Aerosonic’s Chief Executive Officer and Chief/Principal Financial Officers personally certified they had specifically disclosed to PricewaterhouseCoopers:

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant’s ability to record, process, summarize and report financial data and have identified for the registrant’s auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls.

209. Based on information and belief, and as is typical practice for public companies and their auditors, PricewaterhouseCoopers reviewed and approved of Aerosonic’s press releases announcing the Company’s annual financial results, for the fiscal years ending January 31, 1999, 2000, 2001 and 2002.

210. Based on, among other things, its purported GAAS audits of Aerosonic since 1995, PricewaterhouseCoopers either knew or in the absence of its own recklessness should have
known, of Defendants’ misrepresentations and omissions alleged herein, including without limitation the accounting improprieties admitted to in the Company’s 2003 Form 10-K. At the very least, PricewaterhouseCoopers recklessly ignored “red flags” of risk that at the very least should have led it to conduct further investigation and testing, including but not limited to Aerosonic’s: history of switching outside auditors; materially increasing revenues and earnings after years of losses and stagnation; suspicious personnel turnover in the position of Controller; a CFO who lacked adequate training and experience commiserate with that position; insufficient financial and accounting controls; insufficient documentation related to purchases and inventory; falsified inventory records; abrupt senior management shake-ups, and Audit Committee member who resigned for the stated reason that the Company was subject to the provisions of recently enacted legislation addressing corporate fraud.

211. PricewaterhouseCoopers knew, or in the absence of its own recklessness, should have known that Aerosonic’s accounting improprieties were material. This fact was further amplified by the SEC’s issuance of SAB 99, which defines “qualitative materiality”. According to that pronouncement, materiality is evidenced by the following circumstances, most if not all of which are directly relevant to Aerosonic:

- whether the misstatement arises from an item capable of precise measurement or whether it arises from an estimate and, if so, the degree of imprecision inherent in the estimate;
- whether the misstatement masks a change in earnings or other trends;
- whether the misstatement changes a loss into income or vice versa;
whether the misstatement concerns a segment or
erother portion of the registrant's business that has
been identified as playing a significant role in the
registrant's operations or profitability;

whether the misstatement affects the registrant's
compliance with regulatory requirements;

whether the misstatement affects the registrant's
compliance with loan covenants or other contractual
requirements;

whether the misstatement has the effect of
increasing management's compensation – for
example, by satisfying requirements for the award
of bonuses or other forms of incentive
compensation; and

whether the misstatement involves concealment of
an unlawful transaction.

SAB 99 further explains that:

Even though a misstatement of an individual
amount may not cause the financial statements
taken as a whole to be materially misstated, it may
nonetheless, when aggregated with other
misstatements, render the financial statements taken
as a whole to be materially misleading. Registrants
and the auditors of their financial statements
accordingly should consider the effect of the
misstatement on subtotals or totals. The auditor
should aggregate all misstatements that affect each
subtotal or total and consider whether the
misstatements in the aggregate affect the subtotal or
total in a way that causes the registrant's financial
statements taken as a whole to be materially
misleading.

212. PricewaterhouseCoopers knew when it accepted Aerosonic as an audit client in
1995 that the Company had a suspicious history of switching auditors. In September 1994, the
Company dropped, or was dropped by, its outside auditor KPMG Peat Marwick, which was then replaced by Aidman, Piser & Company, P.A. ("Aidman Piser"). According to the Company's Definitive Proxy Statement filed with the SEC on May 19, 1995, the Aidman Piser firm was to conduct the Company's audit for the fiscal year ended January 31, 1996. However, in August 1995, the Company abruptly fired the Aidman Piser firm without public explanation and replaced it with Coopers & Lybrand, the predecessor of PricewaterhouseCoopers.

213. Aerosonic's core businesses are not esoteric or complicated, nor do they involve complex accounting issues. It is, by and large, a garden-variety manufacturer involved in aviation parts and services, and military contracts. PricewaterhouseCoopers is one of the most sophisticated accounting firms in the world, with specialized expertise in virtually every mundane and arcane GAAP accounting issue. It is inconceivable that PricewaterhouseCoopers could have conducted its audits of Aerosonic in compliance with GAAS and certified the 1999, 2000, 2001 and 2002 financials as compliant with GAAP in the absence of at least severe recklessness towards, if not actual knowledge of, the Company's material misrepresentations and material omissions, including, but not limited to, a significant misvaluation of obsolete inventory and improper revenue recognitions.

214. Based on its many years of serving as the outside auditor for Aerosonic, PricewaterhouseCoopers knew that the Company woefully lacked both a technically trained accounting department, as well as an independent and technically trained audit committee.

215. Within a year or so after Nabors took control of the Company in 1996, Aerosonic's then-Controller, Douglas Saporta was terminated and was not immediately replaced. Indeed, at the time of PricewaterhouseCoopers' audit for the fiscal year 1997, the Company was
operating without a corporate Controller. In or about June 1997, following the completion of the 1997 audit, Melody Buell was hired as Aerosonic's Controller. Prior to that time, Buell was an audit manager for Coopers & Lybrand and had worked on or led that firm's audits of Aerosonic for the years ended January 31, 1996 and 1997. Buell spent about nine months as the Company's Controller before she abruptly quit in March 1998. Thereafter, another Coopers & Lybrand auditor, defendant Andrew Norstrud, was hired as Aerosonic's Controller. Indeed, during the eight year period from the time that Coopers & Lybrand began auditing Aerosonic in 1995 until the end of the Class Period in 2003, the Company had at least five, if not more, different persons in the key accounting position of corporate Controller. As a result, PricewaterhouseCoopers knew that the Company had a highly suspicious and unusual turnover pattern for personnel in that job. Moreover, at least two of those Controllers were former PricewaterhouseCoopers auditors. Although it did not, PricewaterhouseCoopers should have attempted to properly investigate this and other glaring red flags that would have, at the very least, led it to an early discovery of Aerosonic's accounting improprieties.

216. PricewaterhouseCoopers knew as a result of its own auditing experiences that it was essentially being relied upon by corporate shareholders and the market as the sole watchdog for judging the fairness of the presentation of Aerosonic's financial statements. Indeed, PricewaterhouseCoopers admittedly did not even value the ability of corporate audit committees to provide appropriate oversight of management. This would have been especially true for Aerosonic's Audit Committee that lacked the independence, motivation and technical training to do so in any event. According to a July 26, 2002 interview with the St. Petersburg Times, PricewaterhouseCoopers' managing partner Andy McAdams publicly mocked the complete
ineffectiveness of corporate audit committees generally. In that article, McAdams explained: “The audit committee would meet at 8:15 before the 8:30 board meeting with time for a break in between”.

217. Significantly, the 2002 passage of Sarbanes-Oxley did more than put corporate officials and board members on notice of the heightened consequences for engaging in improper accounting; it also sent a message to outside auditors, like PricewaterhouseCoopers, that complicity in such improprieties, or even just “looking the other way”, would not longer be tolerated.

218. Nevertheless, PricewaterhouseCoopers is no stranger to liability and improprieties in regard to the quality and integrity of its auditing practices:

a. For example, in May 2003, PricewaterhouseCoopers agreed to pay $1 million to settle SEC charges that it engaged in improper professional conduct in its audit work in connection with a 1997 audit of SmarTalk TeleServices Inc. According to a May 22, 2003 SEC press release, the SEC formally censured PricewaterhouseCoopers for engaging in “improper professional conduct” based on admissions that it had “revised, created and discarded” portions of its workpapers following the commencement of a shareholder securities fraud class action against SmarTalk and others. PricewaterhouseCoopers also agreed to “significant remedial undertakings”.

b. In July 2002, PricewaterhouseCoopers agreed to pay $5 million to settle SEC charges that it violated auditor independence rules during the period 1996 to 2001. According to a July 17, 2002 SEC press release, the SEC formally censured PricewaterhouseCoopers for engaging in “improper professional conduct” based on the firm’s
use of prohibited fee arrangements with 14 of its audits clients and its participation in and
approval of improper accounting for two of its audit clients. Again, PricewaterhouseCoopers
also agreed to “significant remedial undertakings”.

c. In January 1999, PricewaterhouseCoopers agreed to pay $2.5 million to
settle SEC charges that it violated auditor independence rules. Significantly, those ethics charges
resulted from violations that were specifically centered on PricewaterhouseCoopers’ Tampa
office – the same office that carried out the Aerosonic “audits” and where during 1996 through
1998 at least nine firm employees violated securities laws by holding stock in about 30
companies audited by that office. According to a January 14, 1999 SEC press release, the SEC
formally censured PricewaterhouseCoopers for engaging in “improper professional conduct”
based on more than 70 instances of the firm, its partners, its managers and its pension fund
violating SEC independence rules by among other things, purchasing and owning securities of
the firm’s audit clients. Again, PricewaterhouseCoopers agreed to a series of remedial measures
and was force to resign from several Tampa/Clearwater clients, including Sykes Enterprises Inc.,
IMC Mortgage Co. and IMRglobal Corp.

219. Following the passage of Sarbanes-Oxley, PricewaterhouseCoopers began a
public relations campaign in late 2002 to proclaim that it would now get tough with problem
clients who engage in questionable accounting. According to a January 1, 2003 article in the
New York Times, PricewaterhouseCoopers purchased full-page newspaper advertisements in
which the firm stated its new willingness “to ask the tough questions and tackle the tough
issues.” PricewaterhouseCoopers further pledged, "In any case where we cannot resolve
corns about the quality of the information we are receiving or about the integrity of the
management teams with whom we are working, we will resign.” The article further noted some
of the impetus for this new “ethics pledge”:

PricewaterhouseCoopers faces a significant challenge from continuing public scrutiny of its past work. For instance, it approved financial disclosures at Tyco International despite the company's use of "aggressive accounting that, even when not erroneous, was undertaken with the purpose and effect of increasing reported results above what they would have been if more conservative accounting were used," according to a report filed by Tyco on Monday with the S.E.C. Tyco also said it was reducing previously reported earnings by $382 million.

The approval of technically permissible -- but perhaps misleading -- "aggressive accounting" shows the difficulty the firm faces in bridging what John J. O'Connor, a vice chairman at PricewaterhouseCoopers, called the "expectations gap" between what investors want from audits and what auditors do. Mr. O'Connor said the firm planned to close that gap.

* * *

The firm has also put together ethical guidelines that, while not new, have not been codified before. The code of conduct tells employees confronted with difficult judgment calls to consider, among other things, "Does it feel right?", "How would it look in the newspapers?" and "Can you sleep at night?"

220. PricewaterhouseCoopers knew prior to the disclosure of Aerosonic’s accounting improprieties, that there was, at the very least, an “expectation gap” between what the public assumes auditors provide and what current accounting standards might actually require.

According to a March 18, 2003 speech, PricewaterhouseCoopers Chairman Dennis M. Nally stated that in detecting corporate fraud “[t]rained auditors are able to look at incentives and pressure to commit fraud, the opportunities to commit fraud through weak internal controls and the overall tone of the business regarding ethics and codes of conduct.” Chairman Nally pledged
that PricewaterhouseCoopers was now “working to close the ‘expectation gap’ so that investors may better evaluate a company’s true condition”, explaining that “[t]his is nothing less than what the investing public expects from us.”

221. Although the exposure of defendants’ fraud led to PricewaterhouseCoopers being fired by Aerosonic as its independent auditor, even this was lucrative. According to the Company’s Definitive Proxy Statement filed with the SEC on November 14, 2003, PricewaterhouseCoopers was paid $85,000 in audit fees for its services for fiscal year 2002. In conducting the extensive restatement audit for fiscal year 2003, Aerosonic expended more than $1.1 million dollars for auditing services, ten times the normal auditing fee, or in other words what PricewaterhouseCoopers would charge for about 10 years worth of auditing services for a client like Aerosonic.

222. In the conduct of its audits, PricewaterhouseCoopers violated the general standard that due professional care be exercised in the performance of an audit. An example of such violation is PricewaterhouseCoopers’ willingness to issue unqualified audit opinions, notwithstanding its knowledge, or reckless disregard, that the information from which these financial statements were derived was false. Furthermore, PricewaterhouseCoopers did not exercise due care in its attempt to obtain competent evidential matter and therefore did not obtain sufficient evidence to form the basis of the audit opinions rendered. Finally, PricewaterhouseCoopers did not exercise appropriate professional skepticism when it was aware of, among other things, the following issues:

• The company was somehow reporting a profit after years of losses and stagnant results;
• Management control was in the hands of one individual, who personally owned nearly one-third of the Company;

• Management was attempting to sell the company; and

• The CFO and Chairman of the Audit Committee unexpectedly resigned in the fall of 2002.

223. PricewaterhouseCoopers also failed to comply with the first standard of fieldwork that requires an auditor to properly plan the engagement by obtaining an understanding of the client’s business and the industry in which it operates. AU § 311 (Planning and Supervision), provides the guidance for the planning of an audit and states, in relevant part, as follows:

The auditor should obtain a level of knowledge of the entity’s business that will enable him to plan and perform his audit in accordance with generally accepted auditing standards. That level of knowledge should enable him to obtain an understanding of the events, transactions, and practices that, in his judgment, may have a significant effect on the financial statements. The level of knowledge customarily possessed by management relating to managing the entity’s business is substantially greater than that which is obtained by the auditor in performing his audit.

Knowledge of the entity’s business helps the auditor in:

a. Identifying areas that may need special consideration.

b. Assessing conditions under which accounting data are produced, processed, reviewed, and accumulated within the organization.

c. Evaluating the reasonableness of estimates, such as valuation of inventories, depreciation, allowances for doubtful accounts, and percentage of completion of long-term contracts.

d. Evaluating the reasonableness of management representations.

e. Making judgments about the appropriateness of the accounting principles applied and the adequacy of disclosures.
PricewaterhouseCoopers' failure to detect material misstatements of Aerosonic's inventory, cost of sales and revenue indicates that it apparently did not have an appropriate understanding of matters that had a significant impact on Aerosonic's financial statements.

224. PricewaterhouseCoopers also violated professional standards by using inexperienced staff to audit and "test" the Company's inventory. Aerosonic's inventory was complex and convoluted and the audit of such required persons with significant audit experience. GAAS, as set forth in AU § 319, provides the following regarding staffing and supervision:

Assistant's should be informed of their responsibilities and the objectives of the procedures that they are to perform. They should be informed of matters that may affect the nature, extent, and timing of procedures they are to perform, such as the nature of the entity's business as it relates to their assignments and possible accounting and auditing problems.

The standard also provides that, "[t]he extent of supervision appropriate in a given instance depends on many factors, including the complexity of the subject matter and the qualifications of persons performing the work." Nevertheless, the Aerosonic audit engagements were often inappropriately staffed with inexperienced personnel straight out of college.

225. Furthermore, PricewaterhouseCoopers failed to appropriately consider the risk of fraud during its audits. See AU 316.16. Specifically, PricewaterhouseCoopers was required to consider certain risk factors that may be indicative of fraudulent financial reporting. Such risk factors include:

- Management's characteristic and influence over the control environment. These pertain to management's abilities, pressures, style, and attitude relating to internal control and the financial reporting process.
b. **Industry conditions.** These involve the economic and regulatory environment in which the entity operates.

c. **Operating characteristics and financial stability.** These pertain to the nature and complexity of the entity and its transactions, the entity’s financial condition, and its profitability.

226. Aerosonic presented many risk factors that PricewaterhouseCoopers apparently ignored. See AU § 316.17. For example, PricewaterhouseCoopers knew of, should have known of or disregarded the “red flags” of risk, including such circumstances as:

- A significant portion of management’s compensation represented by bonuses, stock options, or other incentives, the value of which is contingent upon the entity achieving unduly aggressive targets for operating results, financial position, or cash flow.

- An excessive interest by management in maintaining or increasing the entity’s stock price or earnings trend through the use of unusually aggressive accounting practices.

- A failure by management to display and communicate an appropriate attitude regarding internal control and the financial reporting process. Specific indicators might include:
  - An ineffective means of communicating and supporting the entity’s values or ethics, or communication of inappropriate values or ethics.
  - Domination of management by a single person or small group without compensating controls such as effective oversight by the board of directors or audit committee.
  - Management setting unduly aggressive financial targets and expectations for operating personnel.

- High turnover of senior management, counsel or board members.
• Strained relationship between management and the current or predecessor auditor. Specific indicators might include—

--Formal or informal restrictions on the auditor that inappropriately limit his or her access to people or information or his or her ability to communicate effectively with the board or directors or the audit committee.

--Domineering management behavior in dealing with the auditor, especially involving attempts to influence the scope of the auditor’s work.

• Assets, liabilities, revenues, or expenses based on significant estimates that involve unusually subjective judgments or uncertainties, or that are subject to potential significant change in the near term in a manner that may have a financially disruptive effect on the entity -- such as ultimate collectibility of receivables, timing of revenue recognition, realizability of financial instruments based on the highly subjective valuation of collateral or difficult-to-assess repayment sources, or significant deferral of costs.

• Significant, unusual, or highly complex transactions, especially those close to year end, that pose difficult “substance over form” questions.

• Unusually rapid growth or profitability, especially compared with that of other companies in the same industry.

• Adverse consequences on significant pending transactions, such as a business combination of contract award, if poor financial results are reported.

227. PricewaterhouseCoopers also violated the third standard of fieldwork that requires the auditor to obtain sufficient, competent evidential matter through inspection, observation, inquiries and confirmations to afford a reasonable basis for an opinion regarding the financial
statements under audit. AU § 326 (Evidential Matter) provides the guidance interpretation of the standard and states in part, as follows:

The independent auditor should be thorough in his or her search for evidential matter and unbiased in its evaluation. In designing audit procedures to obtain competent evidential matter, he or she should recognize the possibility that the financial statements may not be fairly presented in conformity with generally accepted accounting principles.... In developing his or her opinion, the auditor should consider relevant evidential matter regardless of whether it appears to corroborate or to contradict the assertions in the financial statements.

PricewaterhouseCoopers failed to obtain sufficient competent evidential matter regarding amounts recorded in Aerosonic’s financial statements. For example, PricewaterhouseCoopers apparently failed to properly audit:

a. The propriety/validation of amounts recorded as inventory;

b. The propriety of cost of sales; and

c. The propriety/validation of amounts recorded as revenue, i.e., whether such transactions represented “real” sales where the earnings process was complete.

This failure was further compounded by the fact that PricewaterhouseCoopers was routinely denied interaction with Aerosonic personnel. As a general practice, Nabors forbid employees from speaking to the auditors or providing them with anything except what was specifically requested.

228. Furthermore, PricewaterhouseCoopers violated the standards set forth in AU § 342 (Auditing Accounting Estimates) by failing to audit Aerosonic’s estimate of inventory obsolescence. The standard explains that an “auditor is responsible for evaluating the reasonableness of accounting estimates made by management in the context of the financial
statements taken as a whole. As estimates are based on subjective as well as objective factors, it may be difficult for management to establish controls over them. Even when management’s estimation process involves competent personnel using relevant and reliable data, there is potential for bias in the subjective factors. Accordingly, when planning and performing procedures to evaluate accounting estimates, the auditor should consider, with an attitude of professional skepticism, both the subjective and objective factors.” Further, AU § 342 states:

The auditor’s objective when evaluating accounting estimates is to obtain sufficient competent evidential matter to provide reasonable assurance that --

a. All accounting estimates that could be material to the financial statements have been developed.

b. Those accounting estimates are reasonable in the circumstances.

c. The accounting estimates are presented in conformity with applicable accounting principles and are properly disclosed.

PricewaterhouseCoopers failed to appropriately audit Aerosonic’s estimate of obsolete and slow-moving inventory by failing to obtain sufficient evidence regarding the reasonableness and adequacy of management’s estimate.

229. PricewaterhouseCoopers apparently over-relied on Aerosonic’s representations instead of obtaining sufficient competent evidential matter in support of its unqualified audit opinions. GAAS, as set forth in AU § 333 (Management Representations), provides that:

During an audit, management makes many representations to the auditor, both oral and written, in response to specific inquiries or through the financial statements. Such representations from management are part of the evidential matter the independent auditor obtains, but they are not a substitute for the application of those auditing procedures necessary to afford a reasonable basis for an opinion regarding the financial statements under audit.
If a representation made by management is contradicted by other audit evidence, the auditor should investigate the circumstances and consider whether his or her reliance on management’s representations relating to other aspects of the financial statements is appropriate and justified.

PricewaterhouseCoopers violated AU § 333 by failing to corroborate representations from Company personnel regarding inventory valuations and transactions, which were the basis for among other things the inventory obsolescence reserve and the direct labor valuations.

230. As alleged above, PricewaterhouseCoopers was aware, or at the very least was reckless in refusing to see, that Aerosonic’s financial statements were materially false and misleading because they were not prepared in accordance with GAAP. Therefore, PricewaterhouseCoopers violated the fourth standard of reporting which provides that “[t]he report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons therefore should be stated. In all cases where an auditor’s name is associated with financial statements, the report should contain a clear-cut indication of the character of the auditor’s work, if any, and the degree of responsibility the auditor is taking.” PricewaterhouseCoopers should have stated that no opinion could be issued by it on Aerosonic’s financial statements or issued an adverse opinion stating that those financial statements were not fairly presented.

INAPPLICABILITY OF SAFE HARBOR

231. The statutory safe harbor provided for forward-looking statements (“FLS”) does not apply to any false FLS that may be pleaded herein. The statutory safe harbor for FLS does
not apply because the safe harbor exempts from coverage the Company's false financial statements. Moreover, any such FLS pleaded herein were not specifically identified as "forward-looking statements" when made and/or were not accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the FLS.

**FIRST CLAIM FOR RELIEF**
(For Violation of Section 10(b) of the Exchange Act
and Rule 10b-5 Thereunder Against Aerosonic
and the Individual Defendants)

232. Plaintiffs reallege each of the foregoing allegations as if fully set forth herein.

233. This Claim is brought against Aerosonic, J. Mervyn Nabors, Eric J. McCracken, Michael T. Reed and Andrew J. Norstrud.

234. Throughout the Class Period, defendant Aerosonic and the Individual Defendants, singly and in concert with defendant PricewaterhouseCoopers, directly or indirectly, engaged in a common plan, scheme and course of conduct described in this Amended Complaint, pursuant to which they knowingly or recklessly: engaged in acts, transactions and practices which operated as a fraud upon Plaintiffs and the other members of the Class; made various false statements of material facts and omitted to state material facts necessary to make the statements made not misleading to Plaintiffs and the other members of the Class; and employed manipulative or deceptive devices and contrivances in connection with the purchases and sales of Aerosonic common stock by Plaintiffs and other members of the Class.

235. The purpose and effect of Defendants' plan, scheme and course of conduct was to artificially inflate and maintain the market price of Aerosonic common stock.
236. Defendants, who include the top officers and directors of the Company during the Class Period, had actual knowledge of the material omissions and/or the falsity of the material statements set forth above, and intended to deceive Plaintiffs and the other members of the Class, or, in the alternative, acted with reckless disregard for the truth when they failed to ascertain and disclose the true facts in the statements made by them or other Aerosonic personnel to the SEC, media, securities analysts and members of the investing public, including Plaintiffs and the Class.

237. As a result of all of the foregoing, the market price of Aerosonic common stock was artificially inflated during the Class Period. In ignorance of the falsity of the reports and statements and, in particular, of the material misstatements and omissions as to Aerosonic’s financial results during the Class Period and the deceptive and manipulative devices and contrivances employed by the Defendants, Plaintiffs and the other members of the Class relied, to their damage, on the reports and statements described above and/or the integrity of the market price of Aerosonic common stock during the Class Period in purchasing Aerosonic common stock, which was artificially inflated during the Class Period as a result of Defendants’ false and misleading statements.

238. In addition, had Plaintiffs and the other members of the Class known of the material adverse information which Defendants did not disclose, they would not have purchased Aerosonic common stock at all or at the artificially inflated prices that they did.

239. Defendants’ concealment of material adverse information served to harm Plaintiffs and the other members of the Class who purchased Aerosonic common stock in ignorance of the financial risk to them as a result of such nondisclosures.
240. In addition to the duties of full disclosure imposed on Defendants as a result of their making affirmative statements and reports to the investing public or their participation therein, the Individual Defendants had a duty to promptly disseminate truthful information that would be material to investors in compliance with the integrated disclosure provisions of the SEC as embodied in SEC Regulation S-X (17 C.F.R. Sections 210.01 et seq.) and S-K (17 C.F.R. Sections 229.10 et seq.) and other SEC regulations, including accurate and truthful information with respect to the Company's financial results, operations and condition, so that the market price of the Company's common stock would be based on truthful, complete and accurate information.

241. As a result of the wrongful conduct alleged in this Amended Complaint, Plaintiffs and other members of the Class have suffered damages in an amount to be established at trial.

242. By reason of the foregoing, defendants have violated Section 10(b) of the Exchange Act and SEC Rule 10b-5 promulgated thereunder and are liable to the Plaintiffs and the other members of the Class for the substantial damages which they suffered in connection with their purchases of Aerosonic common stock during the Class Period.

SECOND CLAIM FOR RELIEF
(For Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder Against PricewaterhouseCoopers)

243. Plaintiffs repeat and reallege each and every allegation above as if set forth in full in this Amended Complaint.

244. This Claim is asserted against defendant PricewaterhouseCoopers, based on its unqualified audit opinions, for violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, on behalf of all purchasers of Aerosonic common stock during the Class Period who were damaged thereby.
245. Throughout the Class Period, PricewaterhouseCoopers, individually and in concert with other Defendants, directly or indirectly, engaged and participated in a common plan, scheme and course of conduct to conceal adverse material information about Aerosonic, including its true financial results, operations and condition, as specified herein. PricewaterhouseCoopers knowingly or recklessly: (a) engaged in acts, transactions, practices and a course of business which operated as a fraud upon Plaintiffs and the other members of the Class; (b) made various false statements of material facts and omitted to require Aerosonic to state material facts necessary to make the statements made not misleading to Plaintiffs and the other members of the Class; and (c) employed manipulative or deceptive devices and contrivances in connection with the purchase and sale of Aerosonic common stock by Plaintiffs and other members of the Class. Specifically, PricewaterhouseCoopers knew or recklessly disregarded that Aerosonic's reported financial results during the Class Period, as filed with the SEC by Aerosonic and disseminated to the investing public, were materially misstated and were not presented in accordance with GAAP, that PricewaterhouseCoopers' audits were not performed in accordance with GAAS, and, therefore, that PricewaterhouseCoopers' unqualified audit opinions, as included or incorporated by reference in Aerosonic's annual or quarterly reports and other SEC filings during the Class Period, were materially false and misleading.

246. Aerosonic’s Forms 10-K for the fiscal years ended January 31, 1999, 2000, 2001 and 2002 were materially false and misleading, contained untrue statements of material facts, omitted to state material facts necessary to make the statements made in those SEC filings, under the circumstances in which they were made, not misleading, and failed to adequately disclose material facts. As detailed herein, the misrepresentations contained in, or the material facts
omitted from, those Forms 10-K included, among other things, the overstatement of revenue, earnings and inventory for the fiscal years ended January 31, 1999, 2000, 2001 and 2002, as well as the representations in PricewaterhouseCoopers' accompanying unqualified audit opinions on Aerosonic's financial statements for those years, in which PricewaterhouseCoopers certified that: (i) it had audited Aerosonic's financial statements in accordance with GAAS; (ii) it had planned and performed those audits "to obtain reasonable assurance about whether the financial statements are free of material misstatement"; (iii) in its opinion, those financial statements "present fairly, in all material respects, the financial position" of Aerosonic "in conformity with accounting principles generally accepted in the United States of America"; and (iv) PricewaterhouseCoopers' audits provided a "reasonable basis" for its opinions. As detailed herein, PricewaterhouseCoopers' audit opinions were materially false and misleading. PricewaterhouseCoopers did not make a reasonable investigation or possess reasonable grounds for the belief that the statements described above were true, were without omissions of any material facts, and were not misleading.

247. PricewaterhouseCoopers, with knowledge or reckless disregard of the falsity and misleading nature of the statements contained in its unqualified audit opinions, caused the public statements quoted herein to contain misstatements and omissions of material facts. As described herein, PricewaterhouseCoopers' audit of Aerosonic's financial statements for 1999, 2000, 2001 and 2002 were not performed in accordance with GAAS, and, in fact, PricewaterhouseCoopers had no basis for its unqualified opinions. PricewaterhouseCoopers' unqualified audit opinions dated April 26, 1999, April 10, 2000, March 30, 2001 and March 29, 2002, issued in connection with those audits, as included or incorporated by reference in the Company's SEC-filed Forms
10-K for the fiscal years ended January 31, 1999, 2000, 2001 and 2002, in which PricewaterhouseCoopers certified, among other things, that its audits were performed in accordance with GAAS, were materially false and misleading.

248. PricewaterhouseCoopers acted with scienter throughout the Class Period because it either had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that it failed to ascertain and to disclose the true facts, even though such facts were available to it. PricewaterhouseCoopers was Aerosonic’s auditor and had unfettered access to the Company’s books and records throughout the Class Period, and was directly responsible for the false and misleading statements and omissions disseminated to the public through its unqualified opinions. The investing public reposes a much higher level of confidence in a major accounting firm such as PricewaterhouseCoopers than it does in smaller issues of public securities, such as Aerosonic, and PricewaterhouseCoopers knows this to be a fact.

249. As a result of PricewaterhouseCoopers’ deceptive practices and false and misleading statements and omissions, the market price of Aerosonic common stock was artificially inflated throughout the Class Period. In ignorance of the false and misleading nature of the representations and omissions described herein, in particular the material misstatements of Aerosonic’s revenues, earnings and inventory during the Class Period, and the deceptive and manipulative devices and contrivances employed by PricewaterhouseCoopers, Plaintiffs and the other members of the Class, in reliance on the integrity of the market and/or directly on the statements and reports of PricewaterhouseCoopers, purchased Aerosonic publicly traded common stock at artificially inflated prices and were damaged thereby.
250. If Plaintiffs and the other members of the Class had known of the material adverse information not disclosed by PricewaterhouseCoopers, or had been aware of the truth behind PricewaterhouseCoopers' material misstatements, they would not have purchased Aerosonic common stock at all or at artificially inflated prices.

251. As a result of the wrongful conduct alleged in this Amended Complaint, Plaintiffs and other members of the Class have suffered damages in an amount to be established at trial.

252. By reason of the foregoing, PricewaterhouseCoopers has violated Section 10(b) of the Exchange Act and SEC Rule 10b-5 promulgated thereunder and is liable to the Plaintiffs and the other members of the Class for the substantial damages which they suffered in connection with their purchase of Aerosonic common stock during the Class Period.

**THIRD CLAIM FOR RELIEF**
(For Violation of Section 20(a) of the Exchange ActAgainst the Individual Defendants)

253. Plaintiffs repeat and reallege each and every allegation above as if set forth in full in this Amended Complaint.

254. This Claim is brought against J. Mervyn Nabors, Eric J. McCracken, Michael T. Reed and Andrew J. Norstrud.

255. During the Class Period, each of the Individual Defendants, by virtue of his office and/or directorship at Aerosonic and his specific acts, and for at least defendant Nabors by virtue of his significant holdings of Aerosonic common stock, was a controlling person of Aerosonic within the meaning of Section 20(a) of the Exchange Act.

256. Each of the Individual Defendants' positions made him privy to, and provided him with actual knowledge of, the adverse material facts regarding the Company's true financial
results, operations and condition, which defendants concealed from Plaintiffs and the other members of the Class during the Class Period.

257. Each of the Individual Defendants had the power and influence, and exercised the same, to cause Aerosonic to engage in the unlawful conduct and practices complained of herein by causing Aerosonic to disseminate the false and misleading information referred to above.

258. As set forth above, Aerosonic and the Individual Defendants each violated Section 10(b) of the Exchange Act and SEC Rule 10b-5 promulgated thereunder by their acts and omissions as alleged in this Amended Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, Plaintiffs and the other members of the Class suffered substantial damages in connection with their purchases of Aerosonic common stock during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs, on behalf of themselves and the Class, pray for the following relief:

1. declaring this action to be a class action properly maintained pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure;

2. finding that Defendants violated Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder, by their actions and omissions as alleged in this Amended Complaint;

3. awarding Plaintiffs and the members of the Class damages, together with interest thereon;
4. awarding Plaintiffs and other members of the Class their costs and expenses of this litigation, including reasonable attorneys' fees and experts' fees and other costs and disbursements; and

5. awarding Plaintiffs and other members of the Class such other and further relief as may be just and proper under the circumstances.

JURY DEMAND

Plaintiffs demand a trial by jury of all claims and issues so triable in this action.

Dated: April 27, 2004

JOHNSON, POPE, BOKOR, RUPPEL & BURNS, LLP

Guy M. Burns, Esq. (Fla. Bar No. 0160901)
Jonathan S. Coleman, Esq. (Fla. Bar No. 797480)
100 North Tampa Street, Suite 1800
Tampa, Florida 33602
Telephone: (813) 225-2500
Fax: (813) 223-7118

Local Counsel for Lead Plaintiffs the Miville Group

BERGER & MONTAGUE, P.C.
Merrill G. Davidoff, Esq.
Lane L. Vines, Esq.
1622 Locust Street
Philadelphia, Pennsylvania 19103
Telephone: (215) 875-3000
Fax: (215) 875-4604

Attorneys and Trial Counsel for Lead Plaintiffs the Miville Group
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I caused a true copy of the foregoing to be served via overnight delivery to the persons listed below, on April 7, 2004.

Jonathan S. Coleman, Esq.
FBN: 797480

Charles F. Ketchey, Jr., Esq.
Akerman Senterfitt
100 S. Ashley Dr., Suite 1500
Tampa, FL 33602-5311

Counsel for Defendant Aerosonic Corporation

Stanley H. Wakshlag, Esq.
Brian Miller, Esq.
Akerman Senterfitt
One SE Third Avenue, 28th Floor
Miami, FL 33131-1714

Counsel for Defendant Aerosonic Corporation

Sean R. Santini, Esq.
Glenn A. Harris, Esq.
Peter A. Forand, Esq.
Greenberg Traurig, P.A.
1211 Brickell Avenue
Miami, FL 33131

Counsel for Defendant Eric J. McCracken

Morris Weinberg, Jr., Esq.
Robert R. Hearn, Esq.
Zuckerman Spaeder LLP
101 East Kennedy Blvd., Suite 1200
Tampa, FL 33602

Counsel for Defendant J. Mervyn Nabors

Stanley H. Wakshlag, Esq.
Brian Miller, Esq.
Akerman Senterfitt
One SE Third Avenue, 28th Floor
Miami, FL 33131-1714

Counsel for Defendant Aerosonic Corporation

John C. Massaro, Esq.
Justin Antonipillai, Esq.
Arnold & Porter
555 Twelfth Street, N.W.
Washington, DC 20004

Counsel for Defendant PricewaterhouseCoopers LLP

Sean R. Santini, Esq.
Glenn A. Harris, Esq.
Peter A. Forand, Esq.
Greenberg Traurig, P.A.
1211 Brickell Avenue
Miami, FL 33131

Counsel for Defendant Eric J. McCracken

Geoffrey F. Aronow, Esq.
Heller Ehrman White & McAuliffe LLP
1666 K Street, NW, Suite 300
Washington, DC 20006-1228

Counsel for Defendant PricewaterhouseCoopers LLP
Thomas J. Roehn, Esq.
David J. Walz, Esq.
Ellen Koehler Lyons, Esq.
Gary L. Sasso, Esq.
Carlton Fields
One Harbour Place
777 S. Harbour Island Boulevard
Tampa, FL 33602-5730

Counsel for Defendant PricewaterhouseCoopers LLP

Patrick A. Davis, Esq.
Patrick A. Davis, P.A.
Ameri-Life Towers
2536 Countryside Blvd.
First Floor East
Clearwater, FL 33763

Merrill G. Davidoff, Esq.
Lane L. Vines, Esq.
Berger & Montague, P.C.
1622 Locust Street
Philadelphia, Pennsylvania 19103

Attorneys and Trial Counsel for
Lead Plaintiffs the Miville Group

Counsel for Defendant Michael T. Reed

Tracy A. Nichols, Esq.
Holland & Knight LLP
701 Brickell Ave., Suite 3000
Miami, FL 33131

Counsel for Defendant Andrew J. Norstrud