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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009
Commission File Number 1-8250
WELLS-GARDNER ELECTRONICS CORPORATION
(Exact name of registrant as specified in its charter)

ILLINOIS

(State or other jurisdiction of incorporation or organization)

36-1944630

(IRS Employer Identification Number)

9500 West 55th Street, Suite A
McCook, Illinois 60525-3605

(Address of principal executive offices)

Registrant's telephone number, including area code: **708/290-2100**

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$1.00 par value

Title of each class

NYSE Amex

Name of each exchange on which registered

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

(Do not check if a

Smaller Reporting Company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant (assuming for the purposes hereof, that directors, executive officers and 10% or greater stockholders of the registrant are affiliates of the registrant), based upon the closing sale price of the registrant's Common Stock on February 26, 2010 was approximately \$25,933,000.

The number of shares of the registrant's Common Stock outstanding as of February 26, 2010, was approximately 10,457,000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Annual Report to Shareholders for the year ended December 31, 2009 are incorporated into Part II of this Report on Form 10-K and filed as Exhibit 13.0 hereto. Portions of the Registrant's definitive Proxy Statement relating to the Registrant's 2010 Annual Meeting of Stockholders to be filed hereafter are incorporated into Part III of this Report on Form 10-K.

As used in this Annual Report on Form 10-K, the terms "we," "us," "our" and "the Company" mean Wells-Gardner Electronics Corporation, an Illinois corporation, and its subsidiaries, unless the context indicates a different meaning, and the term "common stock" means our common stock, \$1.00 par value per share.

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PART I

Item 1. BUSINESS

OVERVIEW

Founded in 1925, Wells-Gardner Electronics Corporation®, an Illinois corporation (wellsgardner.com), is a global distributor and manufacturer of liquid crystal displays (LCDs), color video monitors and other related distribution products for a variety of markets including, but not limited to, gaming machine manufacturers, casinos, coin-operated video game manufacturers and other display integrators. The Company has a subcontractor relationship with two different Taiwanese electronics companies to manufacture LCD video displays in China. In addition, the Company owns American Gaming & Electronics, Inc. (“AGE”), a leading parts distributor, service center and a seller of refurbished gaming machines to the gaming markets. The Company has offices in Las Vegas, Nevada; Hammonton, New Jersey; Hialeah, Florida and McCook, Illinois. With the acquisition of AG&E and the subcontract production relationships, the Company has transitioned from a coin-operated amusement supplier to a key supplier to the gaming industry. Wells-Gardner’s common stock is publicly traded on the NYSE Amex exchange under the symbol WGA.

PRODUCTS

The Company’s primary business is the distribution, design, manufacture, assembly, service and marketing of electronic components which consist of LCD video color monitors, gaming supplies and components, and the integration of touch sensors to video monitors. These video products, gaming parts and services accounted for 100 percent of revenue in 2009, 2008, and 2007.

The Company offers a full line of video monitors, with LCD sizes ranging from 6.4” to 42” and CRT 13” and 27” sizes with horizontal scan frequencies from 15k Hz to 80kHz. In addition to providing standardized products, the Company also customizes electrical and mechanical applications to meet specific customer requirements and integrates touch screen sensors to video displays to allow interaction with a computer program by touching a video screen. The Company also designs and sells LCD replacement kits to replace CRT monitors in existing games (primarily IGT) directly to casinos and sells used games to foreign casinos.

The Company sells into the following markets:

Market	2009	2008	2007
Gaming	93 %	90 %	83 %
Amusement	7 %	10 %	17 %
Totals	100 %	100 %	100 %

MANUFACTURING AND ASSEMBLY

The Company’s production activities consist primarily of circuit designs, assembling finished units (and to a limited extent subassemblies), aligning, testing and integrating touch sensors at its outsourced operations in China and in its McCook, Illinois plant. The Company manufactures a limited range of subassemblies and relies on outside sources for the majority of its required components. A limited number of sources are available for such electronic components and the other raw materials. In 2009, the Company had two sources supplying the Company with almost all of the LCD chassis subassemblies. Chassis subassemblies are contracted offshore, based on custom designs and setup specifications developed by the Company. The Company has three major sources of LCD panels, two major sources of its touch sensors and controllers, and one major source for its inverters. As the Company believes is characteristic of other manufacturers in its industry, it has been confronted with long lead times and cost pressures. Due to some of these extended lead times, the Company carries additional inventory of certain critical supply components.

The Company closed and liquidated its Malaysian joint venture partner (Wells East Asia Displays -WEA) in 2007. The entire investment in WEA has been repatriated as of December 31, 2009. In 2007, the Company recorded liquidation expense of \$194,000 which was more than offset by a currency gain on the equity in the joint venture of \$153,000 and current earnings of the joint venture of \$64,000 for net income of \$24,000 from the joint venture. In 2009 and 2008, the Company recorded a currency gain of \$1,200 and \$2,500 from the joint venture liquidation assets. In 2009, 2008 and 2007, respectively, the Company also received dividends of \$9,000, \$123,000 and \$1,277,000 from WEA. The Company produced its last CRT product at a subcontractor in China in November, 2009.

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MARKETING AND SALES

The Company sells products throughout the world. A portion of the Company's products is sold through James Industries, Inc. under a Letter Agreement. An earlier James Industries Sales Representation Agreement was terminated on November 29, 2007 and the Company ceased paying commissions on sales represented by the earlier Agreement on August 24, 2008. The Company maintains its own internal sales staff primarily for sales of products not covered under the Letter Agreement and for repair and service of its products.

The Company's business is generally not seasonal, although the Company closes its McCook production facility for two weeks in July and one week in December. The Company's subcontractors in China close for about 10 days at Chinese New Year and several days each for May Day and Golden Week each year.

The Company believes it has no unique or unusual practices or policies relating to working capital items and believes its practices are consistent with other comparable companies in its served markets. The Company currently believes that its financial requirements during the foreseeable future can be met with funds generated from operating activities and from its credit facility. The Company's current credit facility expires August 21, 2013.

The Company has several major competitors based in Asia (Korea and Taiwan) and the United States. Competition is based upon price, product performance, service and warranty. In 2009 the Company experienced significant competition based upon price, but it was able to reduce costs more than it reduced average selling prices, which resulted in higher margins compared to 2008. The Company believes that it is one of the two largest companies in the gaming and amusement video display market and there are approximately ten total competitors.

The Company's largest customer, Aristocrat, accounted for 35%, 40%, and 35% of total revenues in 2009, 2008, and 2007, respectively, and 45%, 36%, and 37% of total accounts receivable in 2009, 2008, and 2007, respectively. The second largest customer accounted for 15% of total revenue in 2009 and 21% of total accounts receivable in 2009. The next largest customer accounted for 10% of total revenues in 2009 and 7% of total accounts receivable in 2009. No other customers accounted for more than 10% of sales in 2009, 2008, and 2007, respectively.

The Company does not formally track backlog, but historically the Company has open orders, which represent two to three months' sales. It is the Company's experience that well over 90 percent of its open orders result in revenue recognition and management is not presently aware of any information indicating that this historical pattern will not be repeated.

No material portion of the Company's business is subject to re-negotiation of profits or termination of contracts or subcontracts at the election of any governmental entity.

The Company's market for its products and services is highly competitive with low barriers to entry.

During 2009, the Company spent approximately \$1,344,000 for product engineering, research and development costs, compared to \$1,425,000 in 2008 and \$1,487,000 in 2007. The Company does not license any patents and it has eight US patent applications and nine foreign patent applications submitted with seventeen patents pending with two issued, nine software copyrights submitted with nine software copyrights issued, and three trademarks submitted with three trademarks granted.

Compliance with federal, state and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has had no material effect upon the capital expenditures, earnings and competitive position of the Company.

As of December 31, 2009, the Company employed a total of approximately 62 full time and 5 part-time employees at all its locations. The Company believes its relationship with its employees is satisfactory. Certain employees at the Company's McCook, Illinois facility are covered under a collective bargaining agreement expiring on June 29, 2010.

The Company's export sales accounted for total revenues of 27%, 24% and 26%, in 2009, 2008, and 2007, respectively, with the majority of these sales being shipped to Australia.

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RISK FACTORS RELATED TO OUR BUSINESS AND INDUSTRY

Technology changes as required by our customers could limit and impair our ability to produce products.

We are currently predominantly dependent on LCD based technology. We are continuing to develop our expertise and broaden our product line in LCD based technology. As we continue to participate in developing solutions for future technological applications for our customers such as 3D, organic light emitting diode (“OLED”), transmissive, flexible, and round LCDs, the need for us to be able to provide a value-added component to the technology remains a critical issue.

Technology changes may also negatively affect margins.

The Company may have to ramp up production in new technologies more rapidly than it is prepared to accomplish due to customer demand and experience very low margins as a result. Although this has not been a major problem for the Company during the last three years, 2009, 2008 and 2007, it could again become an issue in the future.

The loss or interruption of supply from our key suppliers could limit our ability to manufacture our products.

We purchase certain materials and components for our products from various suppliers, some of which are located outside of the U.S. We are obtaining all our LCD chassis subassembly supply primarily from two sources. Any loss or interruption of supply from our key suppliers may require us to find new suppliers. The number of suppliers for certain electronic components and raw materials is limited. We could experience production or development delays while we seek new suppliers and could have difficulty finding new suppliers, which would substantially impair our operating results and business.

Our growth could be impaired if we are not able to continue to develop and maintain the success of our Asian subcontract relationships.

Our Asian subcontract relationships for LCD video displays and chassis are an important part of our revenue and earnings plan. If we are unable to continue to successfully execute this strategy with our current LCD subcontractors, we may not be able to maintain our revenues and earnings as expected.

The loss of our significant customer Aristocrat would reduce our revenues and our profitability.

Our largest customer, Aristocrat Technologies Pty. Ltd., with whom we have an exclusive supply agreement for 19” LCDs through June, 2012, accounted for 35%, 40% and 35% of total revenues in 2009, 2008, and 2007, respectively, and 45%, 36%, and 37% of total accounts receivable in 2009, 2008, and 2007, respectively. A loss of this contract or customer would significantly reduce our revenues and profitability.

The goodwill of our American Gaming & Electronics acquisition in 2000 could become impaired.

The Company is required to measure the potential impairment of the goodwill related to our 2000 acquisition of American Gaming & Electronics per FASB ASC 350-20, *Goodwill Subsequent Measurement*, at least annually. The goodwill amount on our balance sheet at December 31, 2009 and 2008 is \$1,329,000. The measurement of the American Gaming & Electronics reporting unit Fair Value requires certain management assumptions regarding future sales, gross margins, operating expense, effective tax rates, and net working capital requirements. The 2009 year end analysis assumed that AGE was going to become a distributor in the Illinois Video Lottery terminal market in addition to its usual replacement kit, parts, service and used game distribution activities. The analysis also requires the Company to determine appropriate discount rates for the next five years, the perpetuity growth and discount rate, and the perpetuity tax rate. To the extent that the indicated Fair Value of a reporting unit is greater than its carrying value, then there is no indicated impairment. Conversely, in the event that the carrying value of reporting unit exceeds its indicated Fair Value then some level of goodwill impairment has potentially occurred and additional analysis is necessary to quantify the level of impairment (i.e. Step II), if any. The Company passed the step I test at December 31, 2009 and 2008; therefore there was no impairment. However, there is no certainty in future periods that the Fair Value of the American Gaming & Electronics reporting unit will exceed its carrying value, particularly due to the recent volatility in the used game market and current general economic conditions.

Intense competition in our industry could impair our ability to grow and achieve profitability.

We may not be able to compete effectively with current or future competitors. The market for our products and services is intensely competitive and constantly attracts new competitors even as others leave the industry due to low barriers to entry to

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our business. We expect this competition to further intensify in the future. Some of our competitors are large companies with greater financial, marketing and product development resources. In addition, new competitors may enter our key markets. This may place us at a disadvantage in responding to our competitors' pricing strategies, technological advances and other initiatives.

The gaming business is heavily regulated and we depend on our ability to obtain/maintain regulatory approvals.

The manufacture and distribution of parts for gaming machines are subject to extensive federal, state, local and foreign regulations, and the governments of the various gaming jurisdictions amend these regulations from time to time. Virtually all of these jurisdictions require licenses, permits, documentation of qualification, including evidence of financial stability, and other forms of approval for manufacturers and distributors of gaming machines and for their key personnel. The revocation or denial of a license in a particular jurisdiction could adversely affect our ability to obtain or maintain licenses in other jurisdictions. Also, there is always the potential that laws and regulations could be changed or repealed, even after their adoption. These changes could affect our business and results of operations.

The loss of our bank line would severely limit our ability to fund operations.

Our current bank line expires August 21, 2013 and requires the Company to maintain certain financial covenants. The Company fully intends to maintain compliance with the covenants under its bank line and expects it will be able to do so. If unsuccessful, the Company would be severely limited in its ability to fund operations.

The market price for our shares is susceptible to significant changes in market price.

Historically, the volume of trading of our shares has been small. As a result, larger than average buy or sell orders on a given day, or news about us or the gaming industry, has had and may in the future have a significant impact on the trading price for our shares.

The current economic conditions might cause sales to decline without warning making it difficult to reduce costs fast enough to maintain profitability.

The Company is concerned that our customers and their customers business might decline more than they currently are forecasting making it difficult for us to reduce our expenses as fast as our sales decline. Although the Company will make every effort to keep our expenses in line with current sales, we could experience periods where the sales decline occurs so rapidly that we are unprofitable for a period of time.

Available Information

The Company files reports with the Securities and Exchange Commission and files all required reports under the Exchange Act of 1934, as amended. The public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Because we want to provide you with more meaningful and useful information, this Annual Report includes forward-looking statements that reflect our current expectations and projections about our future results, performance, prospects and opportunities. You can find many of these statements by looking for words such as "may," "will," "expect," "anticipate," "believe," "intend," "estimate" and similar expressions. These forward-looking statements are based on information currently available to us and are subject to a number of risks, uncertainties and other factors that could cause our actual results, performance, prospects or opportunities in 2010 and beyond to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and other factors include but are not limited to the factors described under the heading "Risk Factors" above. We caution you not to place undue reliance on any forward-looking statements. Except as otherwise required by federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Annual Report.

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Item 2. PROPERTIES

The Company's current manufacturing and corporate headquarters is located at 9500 West 55th Street, Suite A, McCook, Illinois 60525. The Company's leased McCook facility has approximately 104,000 square feet of floor space. Approximately 40,000 of the 104,000 square feet of the plant are dedicated to production and service and approximately 43,000 of the 104,000 square feet are devoted to warehousing. Offices for engineering, sales and administration are also located at that facility. The plant is in good condition, is well maintained, and currently has over 80% excess production capacity as the Company currently runs at 15% capacity on one shift and could run multiple shifts. The Company plans to reduce its production area to approximately 20,000 square feet and increase its warehousing space to 63,000 square feet in support of the new Illinois Video Lottery Terminal business for the second half of 2010. The Company also has other smaller leased facilities to support the operations of AGE in Nevada, New Jersey and Florida.

Item 3. LEGAL PROCEEDINGS

As the Company sells its products and services to a broad customer base, from time to time it may be named in legal proceedings. The Company aggressively reviews all claims on a timely basis and in the opinion of management, any currently pending legal claims against the Company have no basis and no loss contingency reserves have been established. The Company terminated its then foreign sales representative in December, 2008. A wrongful termination suit was filed by the sales representative. The Company settled this lawsuit in October, 2009 and paid the settlement amount in November, 2009.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's shareholders during the fourth quarter of 2009.

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PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDERS MATTERS

- (a) Not applicable.
- (b) Not applicable
- (c) Not applicable

Item 6. SELECTED FINANCIAL DATA

The information required by this Item is set forth in Exhibit 13.0 hereto, the Company's Annual Report to Shareholders for the year ended December 31, 2009, under the caption "Selected Financial Data," which information is incorporated herein by reference.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this Item is set forth in Exhibit 13.0 hereto, the Company's Annual Report to Shareholders for the year ended December 31, 2009, under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operation" section, which information is incorporated herein by reference.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this Item is set forth in Exhibit 13.0 hereto, the Company's Annual Report to Shareholders for the year ended December 31, 2009, under the caption "Market and Credit Risks" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" section, which information is incorporated herein by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements together with the notes thereto are set forth in Exhibit 13.0 hereto, the Company's Annual Report to Shareholders for the year ended December 31, 2009, which information is incorporated herein by reference:

- Consolidated Balance Sheets as of December 31, 2009 and 2008
- Consolidated Statements of Operations for years ended December 31, 2009, 2008, and 2007
- Consolidated Statements of Shareholders' Equity for years ended December 31, 2009, 2008, and 2007
- Consolidated Statements of Cash Flows for years ended December 31, 2009, 2008, and 2007
- Notes to the Consolidated Financial Statements
- Independent Auditors' Reports

Quarterly financial data for the four quarters ended December 31, 2009 and 2008 are set forth in Exhibit 13.0 hereto in Note 13 of "Notes to the Consolidated Financial Statements" as part of the Company's Annual Report to Shareholders for the year ended December 31, 2009, which information is incorporated herein by reference.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

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Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

The Company maintains internal controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act) designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. These include controls and procedures designed to ensure that this information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

The Disclosure Committee, which is made up of the Company's Chief Executive Officer, Chief Financial Officer and other management staff meets on a quarterly basis and has overview responsibility for this process. The Committee reviews a checklist of items during its meetings to document the review of any unusual items or issues raised. The Disclosure Committee conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal year ending December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

Management, with the participation of the Chief Executive and Chief Financial Officers, evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria set forth by the committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Based on this evaluation, management, with the participation of the Chief Executive and Chief Financial Officers, concluded that, as of December 31, 2009, the Company's internal control over financial reporting was effective.

Item 9B. OTHER INFORMATION

None

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PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated by reference under the captions “Election of Directors”, “Executive Officers”, “Section 16(a) Beneficial Ownership Reporting Compliance”, “Committees of the Board of Directors”, “Audit Committee” and “Notice of Business to be Conducted at a Special or Annual Meeting” in the Company’s definitive proxy statement related to its 2010 Annual Meeting of Shareholders.

The Company maintains a Code of Business Conduct & Ethics governing the behavior of the Company’s employees, including its Executive and Corporate Officers, which is available for review on the Company’s website (www.wellsgardner.com) under its Investor Relations Corporate Governance section.

Item 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference under the captions “2009 Summary Compensation Table”, “2009 Outstanding Equity Awards at Fiscal Year-End Table”, and “2009 Director Compensation Table” in the Company’s definitive proxy statement related to its 2010 Annual Meeting.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference under the caption “Securities Beneficially Owned by Principal Shareholders and Management” in the Company’s definitive proxy statement related to its 2010 Annual Meeting and in Exhibit 13.0 hereto, Company’s 2009 Annual Report, in Note 5 of “Notes to the Consolidated Financial Statements.”

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The Information required by this Item is incorporated by reference under the captions “Certain Transactions with Management” and “Committees of the Board of Directors” in the Company’s definitive proxy statement related to its 2010 Annual Meeting.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated by reference under the caption “Proposal for Ratification of Appointment of Independent Certified Public Accountants” in the Company’s definitive proxy statement related to its 2010 Annual Meeting.

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PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) The following financial statements required by Part II, Item 8 of this annual report and are included in Exhibit 13.0 hereto:

- Consolidated Balance Sheets as of December 31, 2009 and 2008
- Consolidated Statements of Operations for years ended December 31, 2009, 2008, and 2007
- Consolidated Statements of Shareholders' Equity for years ended December 31, 2009, 2008, and 2007
- Consolidated Statements of Cash Flows for years ended December 31, 2009, 2008, and 2007
- Notes to the Consolidated Financial Statements
- Independent Auditors' Reports

(3) (c) The following exhibits are incorporated by reference or filed herewith:

- 3.1 Articles of Incorporation of the Company, as amended, filed as Exhibit 3.1 of the Company's Annual Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference.
- 3.2 By-Laws of the Company, as amended and restated and in force February 18, 2010, filed as Exhibit 3.2 of the Company's Current Report on Form 8-K dated February 23, 2010 and incorporated herein by reference.
- 4.1 Form of Warrant filed as Exhibit 4.1 of the Company's Current Report on Form 8-K dated September 23, 2004 and incorporated herein by reference.
- 4.2 Form of Warrant filed as Exhibit 4.2 of the Company's Current Report on Form 8-K dated September 23, 2004 and incorporated herein by reference.
- 10.1 Employment Agreement dated February 29, 1996 between the Company and Anthony Spier, as amended, filed as Exhibit 10.1 of the Company's Annual Report on Form 10-K for the year ended December 31, 1995 and incorporated herein by reference.
- 10.2 First, Second, Third and Fourth Amendment to the Employment Agreement between the Company and Anthony Spier filed as Exhibit 10.15 of the Company's Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference.
- 10.3 Fifth Amendment to the Employment Agreement between the Company and Anthony Spier filed as Exhibit 10.3 of the Company's Annual Report on Form 10-K for the year ended December 31, 2007 and incorporated herein by reference.
- 10.4 Wells-Gardner Electronics Corporation Employee 401K Plan dated January 1, 1990, as amended, filed as Exhibit 10.10 of the Company's Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference.
- 10.5 Wells-Gardner Electronics Corporation 1996 Nonemployee Director Plan filed as Annex A to the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on April 23, 1996 and incorporated herein by reference.
- 10.6 Wells-Gardner Electronics Corporation Amended and Restated Incentive Stock Plan, as amended and filed as Exhibit 4.1 of the Company's Form S-8, dated August 21, 1998 and incorporated herein by reference.
- 10.7 Acquisition of Certain Assets of American Gaming and Electronics dated January 12, 2000, filed as Exhibits 2.1, 2.2 and 2.3 to the Company's Current Report on Form 8-K, dated January 27, 2000 and incorporated herein by reference.

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- 10.8 Executive Stock Award Plan, filed as Exhibits 4.1 and 4.2 of the Company's Form S-8, dated May 12, 2000 and incorporated herein by reference.
- 10.9 Agreement dated July 3, 2006, between the Company and Local 1031, I.B.E.W., AFL-CIO filed as Exhibit 10.9 of the Company's Annual Report on Form 10-K for the year ended December 31, 2006 and incorporated herein by reference.
- 10.10 Agreement dated July 2, 2009 between the Company and Local 1031, I.B.E.W., AFL-CIO filed as Exhibit 10.13 of the Company's 10-Q for the quarter ended June 30, 2009 and incorporated herein by reference.
- 10.11 Securities Purchase Agreement dated as of September 20, 2004 by and among the Company and the purchasers identified on the signature page thereto filed as Exhibit 10.1 of the Company's Current Report on Form 8-K dated September 23, 2004 and incorporated herein by reference.
- 10.12 Credit and Security Agreement with Wells-Fargo Bank, National Association, dated August 21, 2006 filed as Exhibit 10.1 to the Company's Form 8K/A dated August 25, 2006 and incorporated herein by reference.
- 10.13 Third Amendment to Credit and Security Agreement with Wells-Fargo Bank, National Association, dated September 15, 2009 filed as Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 and incorporated herein by reference.
- 10.14 Audited financial statements of the Company's joint venture, Wells-Eastern Asia Displays (m) Sdn. Bhd. for the year ended October 5, 2007 filed as Exhibit 10.12 of the Company's Annual Report on Form 10-K for the year ended December 31, 2007 and incorporated herein by reference.
- 10.15 Employment Agreement dated as of May 13, 2008 between the Company and James F. Brace, filed as Exhibit 10.13 of the Company's Current Report on Form 8-K dated May 14, 2009 and incorporated herein by reference.
- 13.0 Company's Annual Report to Shareholders for the year ended December 31, 2009.
- 14.0 Wells-Gardner Code of Business Conduct and Ethics filed as Exhibit 14.0 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference.
- 23.0 Consent of Blackman Kallick LLP.
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Statement of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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PRESS RELEASES

The following press releases have been issued during the Company's fiscal year ended December 31, 2009, which are available for review on the Company's website (www.wellsgardner.com) under its Investor Information section:

DATE	TITLE
01/27/09	Wells-Gardner Announces The Granting of Its First LCD Patent
02/09/09	Wells-Gardner Announces Delay of its Fourth Quarter Conference Call
02/18/09	Wells-Gardner Reports Improved Fourth Quarter and Fiscal 2008 Earnings
03/31/09	Wells-Gardner Ships First Order of Flip Video Products
04/30/09	Wells-Gardner Electronics to Report First Quarter 2009 Results and Host Conference Call and Webcast
05/06/09	Wells-Gardner Reports First Quarter 2009 Earnings
07/14/09	Wells-Gardner Updates Expectations on 2nd Quarter 2009
08/04/09	Wells-Gardner Reports Second Quarter Earnings Increased by 185 Per Cent to \$484,000 or \$0.05 Per Share
08/11/09	Wells-Gardner Announces It Has Been Selected as One of Two Approved Suppliers of 22 Inch LCDs by Aristocrat
09/09/09	Wells-Gardner Announces It Has Developed the Only 3D Product With True 2D Capabilities
09/16/09	Wells-Gardner Announces Credit Agreement Extension With Wells Fargo to August 2013
10/23/09	Wells-Gardner Announces Investor Presentation at the Deutsche Bank 2009 Gaming Investment Forum at G2E
11/10/09	Wells-Gardner Reports Third Quarter Earnings Increased by \$450,000
11/17/09	Wells-Gardner Reports Its Subsidiary American Gaming & Electronics Has Signed a Letter of Intent to Distribute SPIELO Terminals Into Illinois VLT Market

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WELLS-GARDNER ELECTRONICS CORPORATION

By: /s/ ANTHONY SPIER <hr/> Anthony Spier	Chairman of the Board, President & Chief Executive Officer	March 10, 2010
/s/ JAMES F. BRACE <hr/> James F. Brace	Executive Vice President, Secretary, Treasurer & Chief Financial Officer (Principal Accounting Officer)	March 10, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on the dates indicated.

/s/ ANTHONY SPIER <hr/> Anthony Spier	Chairman of the Board, President & Chief Executive Officer	March 10, 2010
/s/ MERLE BANTA <hr/> Merle Banta	Director	March 10, 2010
/s/ MARSHALL L. BURMAN <hr/> Marshall L. Burman	Director	March 10, 2010
/s/ FRANK R. MARTIN <hr/> Frank R. Martin	Director	March 10, 2010

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FINANCIAL SCHEDULE

Schedules not included with this additional financial data have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

SCHEDULE II

UNAUDITED VALUATION AND QUALIFYING ACCOUNTS (in \$000's)

<i>ALLOWANCE FOR DOUBTFUL ACCOUNTS</i>	Year Ended December 31,		
	2009	2008	2007
Beginning balance	\$ 160	\$ 154	\$ 253
Additions charged to expense	\$ 101	\$ 31	\$ 79
Deductions	\$ (13)	\$ (25)	\$ (178)
Balance at end of year	\$ 248	\$ 160	\$ 154
<i>INVENTORY OBSOLESCENCE RESERVE:</i>			
Beginning balance	\$ 2,734	\$ 2,145	\$ 1,935
Additions charged to expense	\$ 970	\$ 1,671	\$ 549
Deductions	\$ (1,155)	\$ (1,082)	\$ (339)
Balance at end of year	\$ 2,549	\$ 2,734	\$ 2,145
<i>DEFERRED TAX ASSET VALUATION ALLOWANCE:</i>			
Beginning balance	\$ 3,166	\$ 3,361	\$ 3,711
Additions charged (crediteded to) to expense	\$ (153)	\$ (195)	\$ (350)
Balance at end of year	\$ 3,013	\$ 3,166	\$ 3,361
<i>WARRANTY RESERVE:</i>			
Beginning balance	\$ 183	\$ 200	\$ 206
Additions	\$ 160	\$ 334	\$ 336
Payments	\$ (253)	\$ (351)	\$ (342)
Balance at end of year	\$ 90	\$ 183	\$ 200



Blackman Kallick

Blackman Kallick, LLP
10 South Riverside Plaza, 9th Floor
Chicago, IL 60606

Phone 312-207-1040

REPORT AND CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Wells-Gardner Electronics Corporation:

The audits referred to in our report dated March 10, 2010, included the related financial statement schedule for the years ended December 31, 2009, 2008 and 2007, included in Form 10-K. This financial statement schedule is the responsibility of the company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the incorporation by reference in the registration statements (Nos. 2-72090, 2-09137, 33-63920, 3361535, 33,02981, and 333-72629) on Form S-8 of Wells-Gardner Electronics Corporation of our report dated March 10, 2010, with respect to the consolidated balance sheets of Wells-Gardner Electronics Corporation as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended December 31, 2009, 2008, and 2007 and our report in the preceding paragraph regarding the related financial statement schedule, which reports appear in or are incorporated by reference in this annual report on Form 10-K of Wells-Gardner Electronics Corporation.

Blackman Kallick, LLP

Blackman Kallick, LLP
Chicago, Illinois
March 10, 2010

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Exhibit 31.1 CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Anthony Spier, certify that:

- (1) I have reviewed this Annual Report on Form 10-K of Wells-Gardner Electronics Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement 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 report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this 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 report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Omitted;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2010

By: /s/ ANTHONY SPIER

Anthony Spier
Chairman, President &
Chief Executive Officer

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Exhibit 31.2
CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James F. Brace, certify that:

- (1) I have reviewed this Annual Report on Form 10-K of Wells-Gardner Electronics Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement 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 report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this 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 report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Omitted;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2010

By: /s/ JAMES F. BRACE

James F. Brace
Executive Vice President
& Chief Financial Officer,
Secretary & Treasurer

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**Exhibit 32.1
STATEMENT OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Anthony Spier, and I, James F Brace certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Wells-Gardner Electronics Corporation (the "Company") on Form 10-K for the fiscal year ended December 31, 2009:

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

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to such Form 10-K. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: March 10, 2010

By: /s/ ANTHONY SPIER

Anthony Spier
Chairman, President &
Chief Executive Officer

Date: March 10, 2010

By: /s/ JAMES F. BRACE

James F. Brace
Executive Vice President
& Chief Financial Officer,
Secretary & Treasurer