

**UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA**

Case No. 8:04-CV-2288-T-23MAP

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

JOHN MERVYN NABORS,
and ERIC J. McCRACKEN,

Defendants.

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Securities and Exchange Commission (“Commission”), for its Complaint, alleges as follows:

I. SUMMARY

1. This case involves corporate malfeasance at the highest levels of a Clearwater-based public company, Aerosonic Corporation (“Aerosonic” or the “Company”), spanning over the course of five years. From January 1999 through December 2002 (“the relevant time period”), Aerosonic’s former Chief Executive Officer (“CEO”), John Mervyn Nabors (“Nabors”), and its former Chief Financial Officer (“CFO”), Eric J. McCracken (“McCracken”) (collectively “Defendants”), implemented various accounting schemes designed to artificially inflate Aerosonic’s reported pre-tax earnings. As a result of these accounting tricks, Aerosonic reported earnings in its periodic filings with the Commission that were overstated by at least 35% to as much as 825%. During the same time period, Nabors and McCracken caused Aerosonic to issue a series of false press releases touting the Company’s strong financial performance when, in fact, the Company had actually suffered losses totaling over \$3.9 million.

Defendants financially benefited from their fraudulent activities by reaping lucrative bonuses and, in the case of McCracken, selling his Aerosonic stock while its price was artificially inflated as a result of Aerosonic's false filings and press releases.

2. Based on this misconduct, the Commission brings this action to enjoin and restrain Defendants from further violations of the antifraud, books and records, internal accounting controls, and reporting provisions of the federal securities laws. The Commission requests, among other things, that Defendants be: (1) enjoined from further violations of the federal securities laws as alleged herein, (2) ordered to disgorge all ill-gotten gains they received as a result of their illegal conduct, with prejudgment interest, and (3) ordered to pay civil monetary penalties pursuant to Section 20(d) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §77t(d)] and Section 21(d)(3) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §78u(d)(3)]. The Commission further requests that the Court issue an Order under Section 21(d)(2) of the Exchange Act [15 U.S.C. §78u(d)(2)] prohibiting Defendants from acting as officers or directors of any public company as provided in that section.

II. JURISDICTION AND VENUE

3. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d) and 77v(a)] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa]. Defendants have, directly or indirectly, made use of the means or instrumentalities of interstate commerce or the means or instrumentalities of transportation or of the mails, or the facilities of a national securities exchange, in connection with the acts, practices, and courses of conduct alleged herein.

4. Venue is proper in the Middle District of Florida pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa]

because Defendants' acts and practices alleged herein, which constitute violations of the Securities Act and Exchange Act, occurred within the Middle District of Florida. Venue is also proper because the Defendants resided within this district during the relevant time period.

III. DEFENDANTS

5. Defendant John Mervyn Nabors, age 61, was the CEO, President and Chairman of Aerosonic's Board of Directors from April 1996 to December 2002. Nabors continued to serve as a member of Aerosonic's Board of Directors until December 2003. Nabors currently resides in Clearwater Beach, Florida.

6. Defendant Eric J. McCracken, age 38, was CFO and Executive Vice President of Aerosonic from November 1996 to December 2002. From November 1996 to December 2002 McCracken resided in Clearwater, Florida. McCracken currently resides in New York.

IV. NON-PARTY ENTITY INVOLVED

7. Aerosonic is a Delaware corporation headquartered in Clearwater, Florida, primarily engaged in the business of airplane instrument manufacturing. Aerosonic's common stock trades on the American Stock Exchange, and is registered with the Commission pursuant to Section 12(g) of the Exchange Act [15 U.S.C. §78l(g)]. Aerosonic files quarterly and annual reports with the Commission, and its fiscal year ends January 31st.

V. FACTUAL ALLEGATIONS

A. Overview of Defendants' Financial Fraud Scheme

8. In 1996, Nabors became Aerosonic's President and CEO, and quickly hired McCracken as his CFO to assist him with turning around Aerosonic, then a flagging company, and transforming it into a desirable acquisition target. Beginning in 1999, with the Company in danger of posting a loss for the year, Nabors and McCracken began managing Aerosonic's earnings by causing the Company to record fictitious revenue through a number of inventory and revenue recognition schemes. Defendants accounting gimmicks included: (a) overstating inventory by falsifying inventory records; (b) failing to value inventory based on actual cost; (c) improperly capitalizing labor and overhead costs into inventory; (d) failing to provide adequate reserves for obsolete and slow moving inventory; and (e) the inflation of earnings by recording fictitious and premature revenue.

9. In an attempt to avoid detection of their schemes, Nabors and McCracken tightly controlled Aerosonic's financial information and exercised virtually unfettered control over Aerosonic's financial records. Defendants avoided serious scrutiny within the Company through their calculated selection of mostly unqualified personnel which they controlled and directed.

10. Defendants' fraud had a material impact on Aerosonic's financial statements for the relevant time period, significantly inflating Aerosonic's pre-tax earnings reported in the Company's Form 10-Q and Form 10-K filings with the Commission from 1999 through 2003. Both Nabors and McCracken signed the Commissions filings. Nabors and McCracken resigned from Aerosonic in December 2002.

11. On March 17, 2003, Aerosonic's new management disclosed that Aerosonic had materially misstated financial results from fiscal year 1999 through 2003. In November 2003,

the Company restated over \$8.6 million in revenue and inventory-related items for its fiscal years ended 1999 through 2002, and for its first three fiscal quarters of 2003, as follows:

Period Ended 1/31	Pre-Tax Earnings			% Overstated
	Previously Reported	As Restated	Amount Overstated	
1999	\$ 581,000	\$ (1,484,000)	\$ (2,065,000)	(355.42%)
2000	\$ 482,000	\$ (3,497,000)	\$ (3,979,000)	(825.52%)
2001	\$ 753,000	\$ (332,000)	\$ (1,085,000)	(144.09%)
2002	\$ 1,710,000	\$ 732,000	\$ (978,000)	(57.19%)
2003 Q1-Q3	\$ 952,000	\$ 619,000	\$ (333,000)	(34.98%)

12. As a result of Defendants' fraudulent accounting scheme and misleading press releases issued during the relevant time period, Aerosonic's stock price was artificially inflated. For example, from January 2000 through May 2002, Aerosonic's stock price rose from an average of \$11 to a high of \$30 per share. For the two months prior to the March 2003 announcement, the stock traded at an average price of \$14.81. Immediately following the Company's March 2003 disclosure, the stock price spiraled downward, losing almost 20% of its value by the close of trading the following day. Aerosonic's stock currently trades in the \$4 to \$6 price range.

13. During the relevant time period, and based upon results that showed strong financial performance, Aerosonic paid Defendants bonuses totaling \$210,200 for Nabors and

\$127,250 for McCracken. Additionally, McCracken sold 7,500 shares of Aerosonic stock at inflated prices during the relevant time period, reaping illegal proceeds totaling \$160,705.

B. Defendants' Inventory Valuation Schemes Impacting Pre-Tax Earnings

(i) Falsification of Inventory Records

14. Defendants used multiple accounting schemes relating to Aerosonic's valuation of inventory that, in turn, directly impacted the Company's reported revenues and asset values. Defendants' primary inventory scheme was their outright falsification of inventory records which caused the Company to record inflated inventory values into Aerosonic's general ledger and, ultimately, in its public filings and press releases.

15. Specifically, the inventory balances reported in Aerosonic's general ledger had to be reconciled to the inventory values generated from a physical count of inventory. As part of this physical inventory process, Aerosonic's inventory was counted, and inventory tags with corresponding quantities were created. At the end of the physical count, these inventory cards were stored in a locked safe to, among other things, avoid alteration. However, Nabors and McCracken, among others, had full access to Aerosonic's general ledger and to the safe where the physical inventory cards were stored.

16. During the relevant time period, the Company's general ledger inventory values were falsely adjusted *after* the inventory values had been finalized through the year-end physical inventory process. To support the artificially increased general ledger balances, Nabors and McCracken, among others, altered, or direct others to alter, the amounts manually recorded on the physical inventory cards used for the year-end physical inventory counts.

(ii) Slow-Moving and Obsolete Inventory

17. Another scheme used by Nabors and McCracken to inflate Aerosonic's inventory values in fiscal years ended 1999 through 2002 was their failure to record appropriate write-offs and reserves for obsolete and slow moving inventory, resulting in higher inventory values and the understatement of expenses in Aerosonic's periodic filings with the Commission and public releases.

18. Under Generally Accepted Accounting Principles ("GAAP"), management is required to establish reasonable estimates for the value of slow moving and obsolete inventory, and to mark inventory down to the lower of cost or market value in the period in which a decline occurs. Accounting Research Bulletin No. 43, Chapter 4 Statement 5; Accounting Principles Bulletin Opinion No. 28 ¶ 14c.

19. During the relevant time period, Nabors and McCracken, among others, were responsible for making reasonable estimates for the Company's obsolete and slow moving inventory, and for recording appropriate write-offs and reserves based on those estimates in accordance with GAAP. Aerosonic's independent auditors, in fact, recommended to Defendants that they undertake a review of Aerosonic's inventory systems and put in place certain operational controls over inventory.

20. Despite these recommendations, Aerosonic, at the direction of Nabors and McCracken, among others, never undertook a meaningful review of the Company's inventory systems, nor did it put internal controls in place to determine whether the Company had reasonable inventory reserves or obsolescence policies and whether those policies were being followed.

21. To the contrary, beginning in or about 1997, Nabors and McCracken, among others, took the position that Aerosonic's inventory never became obsolete, and that additional reserves were unnecessary because all slow moving inventory would eventually be sold. As a result, between fiscal years 1999 and 2003, Aerosonic had several hundred years' worth of certain inventory items in its books and, in several instances, over a thousand years of inventory on hand for some parts.

22. Based on historical sales information, Nabors and McCracken, among others, knew at least as early as 2001, that an inventory reserve in the range of \$3 to \$4 million would be required if Aerosonic's slow moving items remained unsold within the next year. Yet, they continued to ignore their obligation under GAAP to determine proper reserves for slow moving inventory. Nabors and McCracken authorized only a \$500,000 increase in Aerosonic's general reserve from fiscal years 2000 through 2003, despite knowing that Aerosonic's inventory values had increased by almost \$1 million per year during the same time period and that certain slow-moving parts remained unsold. This conduct resulted in an overstatement of inventory, and corresponding understatement of expenses, totaling almost \$2.62 million at the time of Aerosonic's restatement.

(iii) Failure to Value Inventory Based on Actual Cost

23. Aerosonic, at the direction of Nabors and McCracken, among others, additionally inflated its reported inventory for its fiscal years ended 2000 through 2002 by recording \$717,000 in bogus cost figures for certain inventory parts in Aerosonic's book and records. Specifically, inventory previously written off by Aerosonic to a zero cost in 1999 was brought back into inventory at an inflated cost value.

(iv) Manipulation of Inventory Overhead

24. For Aerosonic's fiscal years ended 2000 through 2002, Nabors and McCracken, among others, also manipulated inventory overhead costs to inflate Aerosonic's reported inventory and reduce expenses. While Defendants, among others, were responsible for periodically adjusting Aerosonic's overhead rate and ensuring that the labor percentages included in inventory each quarter were correct, they failed to do so at any time between 2000 through 2002. As a result, Aerosonic, at the direction of Nabors and McCracken, improperly capitalized almost \$900,000 in internal labor and other overhead into inventory that should have been expensed.

C. Defendants' Fraudulent Revenue Recognition Schemes

25. In addition to the various accounting tricks described above relating to Aerosonic's valuation of inventory, Defendants also engaged in schemes to inflate Aerosonic's revenue and reported earnings by recognizing fictitious or premature revenue.

(i) Sham Circular Transaction

26. Defendants' most significant revenue recognition scheme involved a sham "circular" sale and repurchase involving altitude counters. Specifically, immediately prior to Aerosonic's fiscal year-end 2001, Nabors arranged for Aerosonic to sell 908 of its obsolete altitude counters to a Czechoslovakian company with which he had long-standing ties, Meopta-Optika A.S. ("Meopta"). Aerosonic recognized \$812,000 in revenue (approximately 88% of Aerosonic's 2001 net income) from the sale to Meopta in order to take the Company from a loss to a profit that fiscal year.

27. At or about the same time, Nabors arranged for Aerosonic to repurchase the exact same counters at a higher price in fiscal year 2002 from Meopta's parent company, TCI Group. At the time of the repurchase, Aerosonic did not have a bona fide business purpose for repurchasing the

counters, which were now were disassembled and missing critical parts. In fact, in fiscal year 2002, Aerosonic had no outstanding contracts or contract bids in place that permitted use of the disassembled repurchased counters. This resulted in the counters' placement back into Aerosonic's inventory and their valuation at the inflated repurchase price.

28. As CFO, McCracken knew, or was reckless in not knowing, that Aerosonic's "sale" to Meopta and repurchase from TCI Group was nothing more than a sham transaction designed to inflate Aerosonic's revenues and inventory values.

29. In fiscal year 2003, the Company reversed the financial statement effect of both the sale and repurchase in its restated financial statements for its fiscal years ended 2001 and 2002, after making the determination that the transactions constituted a sham "circular sale."

(ii) Fictitious Revenue Transaction

30. The other primary scheme used by Nabors and McCracken, among others, to inflate revenue and earnings was the improper recording of a fiscal year 1999 transaction for which Aerosonic served as a third-party inspection and payment agent. Specifically, during 1999, Aerosonic entered into an agreement with Netherlands-based Schreiner Company ("Schreiner") to serve as an inspection and payment agent in connection with Schreiner's purchase of airplane parts from a Texas manufacturer. In exchange for its services, Aerosonic was to receive a five-percent commission based on the value of the transaction.

31. Before its 1999 fiscal year end, Schreiner sent Aerosonic the payment for the Texas manufacturer, plus the five-percent commission. Under GAAP, in particular, FASB Statement of Financial Accounting Concepts No. 6 ¶ 78, Aerosonic was required to record the five-percent commission as "commission income" and record a corresponding liability for the portion of the payment it was required to forward to the Texas manufacturer. Instead of properly

recording this transaction, Aerosonic, at the direction of Nabors and McCracken, recognized the entire remittance from Schreiner as revenue in its 1999 fiscal year financial statements. This resulted in the Company's understatement of its current liabilities that year by almost eleven percent (11%), and its materially misleading classification of commission income as revenue.

32. During Aerosonic's fiscal year 2000 audit, Aerosonic's independent auditors discovered the improperly recorded Schreiner transaction. Instead of restating the fiscal year 1999 financials, however, Aerosonic, at the direction of Nabors and McCracken, among others, compounded the error by issuing a "correcting" entry in Aerosonic's fiscal year 2000 financial statements that caused expenses on Aerosonic's fiscal year 2000 financial statements to be materially misstated.

(iii) Premature Recognition of Revenue

33. During Aerosonic's fiscal years ended 2001 and 2002, Aerosonic, at the direction of Nabors and McCracken, among others, improperly inflated revenue by prematurely recognizing revenue on products sold under "FOB Destination" contracts. Under GAAP, specifically, FASB Statement of Financial Accounting Concepts No. 5 ¶ 83, revenue cannot be recognized for sales under FOB Destination contracts unless there is delivery of the goods, or title to the goods has passed to the buyer.

34. During both 2001 and 2002, Aerosonic improperly recognized \$900,000 in revenue on products sold under certain FOB Destination contracts was improper where either delivery or passing of title for the goods had not occurred. Nabors and McCracken knew, or were reckless in not knowing, that recording revenue under these circumstances was improper and in contravention of GAAP.

35. In November 2003, Aerosonic reversed the improper FOB Destination contract revenue in its restated financial results, which totaled \$332,000 for its fiscal year ended 2001 and \$560,000 for its fiscal year ended 2002.

(iv) Improper Recording of Offset

36. Nabors and McCracken, among others, also inflated Aerosonic's revenue for fiscal year 2002 by improperly recording a negotiated \$430,000 offset with a vendor as revenue. GAAP defines revenue as "inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations." FASB Statement of Financial Accounting Concepts No. 6, ¶ 78 (emphasis added). Nabors and McCracken, among others, knew, or were reckless in not knowing, that a negotiated offset did not meet GAAP revenue recognition criteria, and should not have been included in Aerosonic's fiscal year 2002 revenue.

(v) Improper Recording of Sales

37. Further, Nabors and McCracken, among others, inflated fiscal year 2002 revenue by improperly recording revenue in connection with sales to a certain customer, despite that customer's high percentage of sales returns. Under GAAP, specifically, FASB Statement of Financial Accounting Concepts No. 5, ¶ 84 and FASB Statement of Financial Accounting Standards No. 48 ¶ 6f, revenue cannot be recognized unless the probability of payment and collection is reasonably certain, and the amount of future returns can be reasonably estimated. Nabors and McCracken, among others, knew, or were reckless in not knowing, that the high percentage of sales returns for this customer prevented recognition of any revenue before the customer's payments were received.

VI. CLAIMS FOR RELIEF

FIRST CLAIM

Fraud in Violation of Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5 thereunder

(As Against Defendants Nabors and McCracken)

38. Paragraphs 1 through 37 are re-alleged and incorporated by reference herein.

39. From January 1999 through December 2002, Nabors and McCracken, directly or indirectly, by the use of the means or instrumentalities of interstate commerce or the means or instrumentalities of transportation or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of securities, as described herein, knowingly or recklessly:

(a) employed devices, schemes or artifices to defraud;

(b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or

(c) engaged in acts, practices or courses of business, which operated or would operate as a fraud or deceit upon purchasers of securities and upon other persons.

40. By reason of the foregoing, Nabors and McCracken violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

SECOND CLAIM

Fraud in Violation of Section 17(a) of the Securities Act

(As Against Defendant McCracken)

Paragraphs 1 through 37 are re-alleged and incorporated by reference herein.

41. From January 1999 through December 2002, McCracken, directly or indirectly, by the use of the means or instrumentalities of interstate commerce or the means or instrumentalities of transportation or of the mails, in the offer or sale of securities, as described herein, has: (a) knowingly or recklessly employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or (c) engaged in transactions, practices and courses of business which are now operating and will operate as a fraud or deceit upon purchasers and prospective purchasers of such securities.

42. By reason of the foregoing, McCracken violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

THIRD CLAIM

Violations of Section 13(b)(5) of the Exchange Act and Exchange Act Rules 13b2-1 and 13b2-2 thereunder [Books and Records and Internal Controls Violations]

(As Against Defendants Nabors and McCracken)

43. Paragraphs 1 through 37 are re-alleged and incorporated by reference herein.

44. Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] prohibits any person from, among other things, circumventing a system of internal accounting controls or failing to implement a system of internal accounting controls.

45. Rule 13b2-1 [17 C.F.R. 240.13b2-1] under the Exchange Act prohibits any person from, directly or indirectly, falsifying or causing to be falsified any book, record or account subject to Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

46. Rule 13b2-2 [17 C.F.R. 240.13b2-2] under the Exchange Act prohibits any director or officer of an issuer from, directly or indirectly, making or causing to be made a materially false or misleading statement or from omitting, or causing another person to omit to state, any material fact necessary in order to make statements made, in light of the circumstances under which such statements were made, not misleading to an accountant in connection with any audit or examination of financial statements or the preparation or filing of any document or report with the Commission.

47. By engaging in the conduct described above, Nabors and McCracken circumvented and/or failed to implement a system of internal financial controls in violation of Section 13(b)(5), and caused falsification of Aerosonic's books, records and accounts subject to Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)], in violation of Rules 13b2-1 and 13b2-2 thereunder.

48. By reason of the foregoing, Nabors and McCracken violated Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Rules 13b2-1 and 13b2-2 [17 C.F.R. 240.13b2-1 and 240.13b2-2] thereunder.

FOURTH CLAIM

Aiding and Abetting Violations of Section 13(a) of the Exchange Act and Exchange Act Rules 12b-20, 13a-1 and 13a-13 thereunder [Reporting Violations]

(As Against Defendants Nabors and McCracken)

49. Paragraphs 1 through 37 are re-alleged and incorporated by reference herein.

50. Section 13(a) of the Exchange Act, and Rules 13a-1 and 13a-13 thereunder, require issuers of registered securities to file with the Commission factually accurate annual and quarterly reports.

51. Exchange Act Rule 12b-20 provides that in addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they were made, not misleading.

52. During the relevant time period, Aerosonic was an issuer subject to these reporting requirements.

53. During the relevant time period, Nabors and McCracken by developing or directing the above-described improper accounting practices, knowingly provided substantial assistance in Aerosonic's filing of false financial statements in the Company's following Forms 10-K and Forms 10-Q filed with the Commission: (a) Aerosonic's Forms 10-K for the fiscal years ended January 31, 1999, January 31, 2000, January 31, 2001, and January 31, 2002; and (b) Aerosonic's Forms 10-Q for the fiscal quarters ended April 30, 1999, July 31, 1999, October 31, 1999, April 30, 2000, July 31, 2000, October 31, 2000, April 30, 2001, July 31, 2001, October 31, 2001, April 30, 2002, July 31, 2002, and October 31, 2002.

54. By reason of the foregoing, Nabors and McCracken aided and abetted Aerosonic's violation of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1 and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-1 and 240.13a-13] thereunder.

FIFTH CLAIM

Aiding and Abetting Violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [Books and Records and Internal Control Violations]

(As Against Defendants Nabors and McCracken)

55. Paragraphs 1 through 37 are re-alleged and incorporated by reference herein.

56. Section 13(b)(2)(A) of the Exchange Act requires every issuer of a registered security to make and keep books, records, and/or accounts, which, in reasonable detail,

accurately and fairly reflect its transactions and the dispositions of its assets. Section 13(b)(2)(B) of the Exchange Act requires issuers to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were recorded as necessary to permit preparation of financial statements in conformity with applicable accounting principles.

57. During the relevant time period, Aerosonic was an issuer subject to these reporting and internal control requirements. Nabors and McCracken, by devising, directing, supervising or approving the above-described improper accounting practices, knowingly provided substantial assistance in the Company's failure to make and keep books, records and/or accounts which, in reasonable detail, accurately and fairly reflected its transactions and the disposition of its assets, and its failure to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were recorded as necessary to permit preparation of financial statements in conformity with applicable accounting principles.

58. By reason of the foregoing, Nabors and McCracken aided and abetted Aerosonic's violation of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)].

SIXTH CLAIM

Violations of Exchange Act Rule 13a-14 [Books and Records and Internal Control Violations]

(As Against Defendants Nabors and McCracken)

59. Paragraphs 1 through 37 are re-alleged and incorporated by reference herein.

60. Rule 13a-14 under the Exchange Act requires an issuer's principal executive and financial officers to certify, among other things, that the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the issuer.

61. Nabors and McCracken signed false certifications pursuant to Rule 13a of the Exchange Act that were included in Aerosonic's quarterly report on Form 10-Q for the quarter ended July 31, 2002. Nabors again violated Rule 13a-14 of the Exchange Act by signing a false certification pursuant to Rule 13a-14 included in Aerosonic's quarterly report on Form 10-Q for the quarter ended October 31, 2002.

62. At the time that Nabors and McCracken signed these certifications, they knew that the financial statements contained in the accompanying Aerosonic filings reported materially misstated financial results.

63. By reason of the foregoing, Nabors and McCracken violated Rule 13a-14 of the Exchange Act [17 C.F.R. §240.13a-14].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

Permanent Injunctive Relief

Issue a Permanent Injunction, restraining and enjoining:

(1) McCracken, his agents, servants, employees, attorneys, and all persons in active concert or participation with it, and each of them from, directly or indirectly: (a) violating Sections 17(a) of the Securities Act [15 U.S.C. § 77q(a)], and Sections 10(b) and 13(b)(5) of the Exchange Act [15 U.S.C. §§ 78j(b), 78m(a), 78m(b)(2) and § 78m(b)(5)] and Exchange Act Rules 10b-5, 13b2-1, 13b2-2, and 13a-14 [17 C.F.R. §§ 240.10b-5 and 240.13b2-1] thereunder, and (b) aiding and abetting any person who violates Sections 13(a), 13(b)(2)(A), 13(b)(2)(B) of

the Exchange Act [15 U.S.C. §§ 78m(a) and 78m(b)] and Exchange Act Rules 12b-20, 13a-1 and 13a-13 [17 C.F.R. §§ 240.12b-20 and 240.13a-1] thereunder.

(2) Nabors, his agents, servants, employees, attorneys, and all persons in active concert or participation with him, and each of them from, directly or indirectly: (a) violating Sections 10(b) and 13(b)(5) of the Exchange Act [15 U.S.C. §§ 78j(b) and § 78m(b)(5)] and Exchange Act Rules 10b-5, 13b2-1, 13b2-2, and 13a-14 [17 C.F.R. §§ 240.10b-5 and 240.13b2-1] thereunder, and (b) aiding and abetting any person who violates Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(a) and 78m(b)] and Exchange Act Rules 12b-20, 13a-1 and 13a-13 [17 C.F.R. §§ 240.12b-20 and 240.13a-1] thereunder.

Disgorgement

Issue an Order requiring Nabors and McCracken to disgorge all ill-gotten profits or proceeds that they received, directly or indirectly, as a result of the acts and/or courses of conduct complained of herein.

Penalties

Issue an Order directing Nabors to pay a civil money penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

Officer and Director Bars

Pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. §78u(d)(2)], enter an Order barring Nabors and McCracken from acting as an officer or director of an issuer that has a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act [15 U.S.C. 78l], or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

Further Relief

Grant such other and further relief as may be necessary and appropriate.

Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this

action in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

October 18, 2004

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