

American Electric Technologies Inc
Form 10-K
March 30, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

**þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the fiscal year ended December 31, 2010

OR

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from _____ to _____

Commission File No. 000-24575

AMERICAN ELECTRIC TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of incorporation)

59-3410234
(I.R.S. Employer Identification No.)

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6410 Long Drive, Houston, TX 77087

(Address of principal executive offices)

(713) 644-8182

(Registrant's telephone number, including area code)

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

| Title of each class | Name of each exchange on which registered |
|--|---|
| Common Stock, \$.001 par value per share | The NASDAQ Stock Market |

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) 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 pursuant 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. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (S. 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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. Rule 12b-2 of the Exchange Act. (Check one):

| | |
|--|---|
| Large accelerated filer <input type="checkbox"/> | Accelerated filer <input type="checkbox"/> |
| Non-accelerated filer <input type="checkbox"/> | Smaller reporting company <input checked="" type="checkbox"/> |

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

As of June 30, 2010, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$7,327,201 based on the closing sale price on June 30, 2010 as reported by the NASDAQ Stock Market

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class | Outstanding at March 8, 2011 |
|--|------------------------------|
| Common Stock, \$.001 par value per share | 7,756,645 shares |

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DOCUMENTS INCORPORATED BY REFERENCE

| Document | Parts Into Which Incorporated |
|--|--------------------------------------|
| Proxy Statement for the Annual Meeting of Stockholders to be held May 11, 2011 (Proxy Statement) | Part III |

The Description of Business section and other parts of this Annual Report on Form 10-K (Form 10-K) contain forward-looking statements that involve risks and uncertainties. Many of the forward-looking statements are located in Management's Discussion and Analysis of Financial Condition and Results of Operations. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any current or historical fact. Forward-looking statements can also be identified by words such as anticipates, believes, estimates, expects, intends, plans, predicts, and similar. Forward-looking statements are not guarantees of future performance and the Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the subsection entitled Risk Factors under Part I, Item 1A of this Form 10-K. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Company Background and Corporate Structure

American Electric Technologies, Inc. (the Company , AETI , our , us or we) was incorporated on October 21, 1996 as a Florida corporation under the name American Access Technologies, Inc. On May 15, 2007, we completed a business combination (the M&I Merger) with M&I Electric Industries, Inc. and changed our name to American Electric Technologies, Inc. Our principal executive offices are located at 6410 Long Drive, Houston, Texas 77087 and our telephone number is 713-644-8182. Prior to the M&I Merger our business consisted of the operations of the American Access segment described below.

Our corporate structure currently consists of American Electric Technologies, Inc., which owns 100% of both M&I Electric Industries, Inc. (M&I) and American Access Technologies, Inc. (AAT). We report financial data for three operating segments: the Technical Products and Services (TP&S) segment and the Electrical and Instrumentation Construction (E&I) segment which together encompass the operations of M&I, including its South Coast Electric Systems, LLC subsidiary and the American Access (AAT) segment which encompasses the operations of American Access including its Omega Metals division.

The principal markets and representative customers that we serve include:

Oil and gas

Offshore Drilling Transocean, Diamond Offshore, Aban, Ensco, Trinidad, Pride, Noble

Land Drilling Century Drilling, Nabors Drilling, Trailblazer Drilling, X-treme Drilling, Saxon Drilling, Trinidad Drilling

Pipelines Chevron, Williams, Enbridge

Marine and Shipyards Tidewater, Hornbeck, L-3, Marinette Marine, Orange Shipyard, Bollinger

Land and Offshore Production Exxon Mobil, Pogo, Semedan Oil

Refining and Petrochemical Valero, Goodyear, Motiva

Critical power users

Water and Wastewater City of Houston, City of Beaumont

Heavy Industrial Honeywell, Inland Orange

Data Centers Hewlett Packard

Power Generation

Renewable Energy EWT International, Chevron Geothermal

We have adopted a strategy of international expansion and have developed the expertise to provide products which comply with international electrical standards. Our products are offered in a number of foreign countries through a network of overseas sales agents and distributors that we have appointed. We have also expanded internationally through a 40% interest in a joint venture which commenced manufacturing operations in China in 2007, a 49% interest in a joint venture in Singapore and a 49% interest in a joint venture in Brazil.

Our business strategy is to grow our business and operations in our various market sectors, seek out new markets for our products and services, while at the same time increasing earnings and cash flow per share to enhance overall stockholder value.

The company is uniquely positioned to be the turn-key supplier for power delivery projects for our customers, where we are able to offer custom-designed power distribution and power conversion systems, power services, and electrical and instrumentation construction, all from one company.

Technical Products and Services

Our M&I Electric business has provided sophisticated custom-designed power distribution, control and drive systems for the traditional energy industry since 1946. Our products are used to safely distribute and control the flow of electricity from the source of the power being generated to the user of the power (machinery, equipment, etc.) at low and medium voltages.

Our power distribution products include low and medium voltage switchgear that provide power distribution and protect electrical systems from electrical faults on both U.S. (ANSI) and International (IEC) power grids. Other power distribution products offered by this segment include motor control centers, powerhouses, bus duct, program logic control (PLC) based automation systems, human machine interface (HMI) and specialty panels.

Our Analog, Digital SCR and AC Variable Frequency Drive (AC VFD) systems are electronic power conversion systems that are used to adjust the speed and torque of an electric motor to match an end application.

Our products are built for application voltages from 480 volts to 40,000 volts and are used in a wide variety of industries.

We have the technical expertise to provide these products in compliance with a number of applicable industry standards such as NEMA (National Electrical Manufacturers Association) and ANSI (American National Standards Institute) or IEC (International Electrotechnical Commission) equipment to meet ABS (American Bureau of Shipping), USCG (United States Coast Guard), Lloyd 's Register, a provider of marine certification services, and Det Norske Veritas (a leading certification body/registrar for management systems certification services) standards. These services are generally provided to customers within the vicinity of Houston, Texas and increasingly on a worldwide basis.

Our customers for these products are typically large and sophisticated generators and users of electrical power.

Our TP&S group serves three primary markets:

Oil and gas including land and offshore drilling, land and offshore production (including pipelines and vessels), petrochemical and refining. We also service the marine market including drill ships.

Industrial including water/wastewater, data centers and heavy industrial segments such as ports, airports, etc.

Power generation/renewable energy including traditional power generation, co-generation, and renewable energy applications such as wind, solar, biomass, geothermal and more.

Our power distribution and control products are generally custom-designed to our customers' specific requirements, and we do not maintain an inventory of such products.

Our Technical services group provides low, medium and high voltages services to commission and maintain our customer's electrical infrastructures. We provide medium and high voltage start-up/commissioning, preventative maintenance, emergency call out services, and breaker and switchgear refurbishment shop services to the Gulf Coast industrial market. We have expanded our services business to provide start-up and maintenance services for renewable projects including wind and solar. We also provide power services to support our power distribution and power conversion products globally.

Technical Products and Services

| Year | Amount (in thousands) | Percent of Total Revenue |
|-------------|----------------------------------|-------------------------------------|
| 2010 | \$ 20,583 | 53% |
| 2009 | 31,058 | 60% |
| 2008 | 34,068 | 53% |

Electrical and Instrumentation Construction

The Electrical and Instrumentation Construction (E&I) segment provides a full range of electrical and instrumentation construction and installation services to both land and marine based markets including the oil and gas industry, the water and wastewater facilities industry and other commercial and industrial markets (including data centers). This segment's services include new construction as well as electrical and instrumentation turnarounds, maintenance and renovation projects. Applications include installation of switchgear, AC and DC motors, drives, motor controls, lighting systems and high voltage cable and data centers. Marine based oil and gas services include complete electrical system rig-ups, modifications, start-ups and testing for vessels, drilling rigs, and production modules.

The Company has also expanded into renewable energy and provides electrical construction for solar power generation projects.

Electrical and Instrumentation Construction

| Year | Amount (in thousands) | Percent of Total Revenue |
|-------------|----------------------------------|-------------------------------------|
| 2010 | \$ 11,503 | 29% |
| 2009 | 14,570 | 28% |
| 2008 | 23,163 | 35% |

American Access

The American Access (AAT) segment consists of our historic business prior to the M&I Merger. This segment manufactures and markets zone cabling enclosures and manufactures custom formed metal products. The zone cabling product line provides state-of-the-art flexible cabling and wireless solutions for the high-speed communication networks found throughout office buildings, hospitals, schools, industrial complexes and government buildings. Our patented enclosures mount in ceilings, walls, raised floors, and certain modular furniture to facilitate the routing of telecommunication network cabling, fiber optics and wireless solutions in a streamlined, flexible, and cost effective fashion. Omega Metals operates a precision sheet metal fabrication and assembly operation and provides services such as precision CNC (Computer Numerical Controlled) punching, laser cutting, bending, assembling, painting, powder coating and silk screening to a diverse client base including, engineering, technology and electronics companies, primarily in the Southeast.

Representative customers of AAT include Chatsworth Products, Inc., Tyco Electronics and Panduit.

American Access

| Year | Amount (in thousands) | Percent of Total Revenue |
|------|--------------------------|-----------------------------|
| 2010 | \$ 6,878 | 18% |
| 2009 | 6,535 | 12% |
| 2008 | 8,156 | 12% |

Segment Financial Data

For financial information about our business segments, please see the table in Note 14 of the notes to consolidated financial statements in this report, which presents revenue, gross profit (loss) and income (loss) before income taxes by business segment for 2010 and 2009.

International Sales

In general, approximately 15% of the Company's sales are sold into international markets, principally from the TP&S segment. These sales are made in US dollars and are generally settled prior to shipment or are secured by irrevocable letters of credit. Substantially all of E&I and AAT sales are made in the United States.

Marketing

We market our Technical Products and Services in the United States through direct contact with potential customers by our internal sales organization consisting of eight full-time sales and support employees who report to M&I's President. We also exhibit at a variety of industry trade shows each year. We have appointed several sales agents and distributors in the U.S. and in a number of foreign countries.

Our E&I business is generally obtained through a sealed bid process where the lowest bid from pre-qualified contractors wins the job. We also act as a subcontractor and provide bids to general contractors for specialized parts of larger projects.

Our American Access segment markets its zone cabling products through an exclusive marketing agreement with Chatsworth Products, Inc. (CPI) which began under an original agreement in May 2003 that ran through May 2008. The agreement was extended to April, 2013. Under this agreement CPI markets and American Access manufactures our zone cabling products and select products are co-branded with both CPI and American Access trademarks. We also have primary responsibility for sales of zone cabling products to original equipment manufacturers. Our Omega Metals division utilizes geographically based independent manufacturers' representatives to generate sheet metal fabrication sales. Omega Metals' vice president of sales also calls on accounts and coordinates the sales efforts.

Manufacturing

Manufacturing processes at our various facilities include machining, fabrication, subassembly, system assembly and final testing. We have invested in various automated and semi-automated machines for the fabrication and machining of various parts and assemblies that we incorporate into our products. Our quality assurance program includes various quality control measures from inspection of raw material, purchased parts and assemblies through on-line inspection. We perform system design, assembly and testing in-house. Our manufacturing operations in Beaumont, Texas and Keystone Heights, Florida are ISO 9001:2008 certified.

Raw Materials and Suppliers

The principal raw materials for our products are copper, steel, aluminum and various manufactured electrical components. We obtain these products from a number of domestic and foreign suppliers. The market

for most of the raw materials and parts we use is comprised of numerous participants and we believe that we can obtain each of the raw materials we require from more than one supplier. We do not have any long-term contractual arrangements with the suppliers of our raw materials.

Joint Ventures

We have utilized joint ventures to drive growth in key international markets. We believe our joint ventures provide a prudent way to diversify and reduce the risk of international expansion, capitalize on the strengths and the relationships of our joint venture partners with potential customers, and achieve competitive efficiencies. Our interests in joint ventures are accounted for under the equity method of accounting. Sales made to joint ventures are made with terms and conditions similar to those of our other customers.

China. In March 2006, M&I entered into a joint venture with Baoji Oilfield Machinery Co., Ltd., (BOMCO), a wholly-owned subsidiary of the China National Petroleum Corporation, and AA Energies, Inc. of Houston, Texas, which markets oilfield equipment, to form BOMAY Electric Industries Co., Ltd. (BOMAY), as an equity joint venture limited liability company organized in China. M&I is a 40% interest owner in BOMAY with 51% being owned by BOMCO and the remaining 9% owned by AA Energies. BOMAY manufactures power systems for drilling rigs. M&I has invested 16 million Yuan (approximately \$2 million) in this joint venture in which M&I provides technology and services to BOMAY. Each of the BOMAY investors may be required to guarantee the bank loans of BOMAY in proportion to their investment. No guarantees have been provided by AETI. BOMAY was obligated to pay M&I an amount equal to 0.7% of the joint venture's initial three years sales as a technology transfer fee. Fees collected in 2010 and 2009 were \$240,000 and \$391,000, respectively. The technology transfer fee ended by its terms at the end of 2010.

Singapore. In 1997, the Company formed a joint venture in Singapore to provide sales and technical support for our products in Southeast Asia called M & I Electric Far East PTE Ltd. (MIEFE). The Company owns 49% of the joint venture with our joint venture partner, Oakwell Engineering, Ltd., owning the remaining 51%.

Brazil. During 2010, the Company entered into a joint venture agreement with Five Star Services, a Brazilian corporation and formed AETI Alliance Group do Brazil Sistemas E Servicos Em Energia LTDA (AAG), a Brazilian Limited Liability Company, in which the Company holds a 49% interest. AAG began operations mid-year 2010, and provides electrical products and services to the Brazilian energy industries. The Company has committed to invest up to \$200,000 in AAG. During the year ended December 31, 2010, the Company advanced \$157,551 to the joint venture in accordance with the agreement.

| | Year Ended December 31, 2010 | | | Year Ended December 31, 2009 | |
|--|------------------------------|--------------|-----------|------------------------------|--------------|
| | BOMAY | MIEFE | AAG | BOMAY | MIEFE |
| Investment as of end of year | \$ 7,021,333 | \$ 1,289,035 | \$ 64,426 | \$ 5,174,451 | \$ 1,273,107 |
| Equity income (loss) | 2,341,525 | 55,976 | (93,125) | 1,734,481 | 395,445 |
| Sales recorded to joint venture | 70,550 | 20,764 | | 50,041 | 358,132 |
| Accounts receivable due from joint venture | 8,202 | 53 | | 44,245 | 59,885 |
| Distributions received from joint venture | 1,039,214 | 174,985 | | 1,542,299 | 169,024 |
| Change in foreign currency translation | 544,571 | 134,937 | | 10,364 | 34,455 |

The Company employs certain individuals to maintain strong working relationships with local management, monitor activities of the joint ventures, and report to Company management. During 2010 and 2009, the Company recognized \$436,101 and \$406,816, respectively, for costs associated with these employees, including compensation, benefits and other payroll related expenses, and travel.

Competition

Our products and services are sold in highly competitive markets. We compete in all areas of our operations with a number of companies, some of which have financial and other resources comparable to or greater than us. Due to the demanding operating conditions in the energy sector and the high costs associated with construction delays and equipment failure, we believe customers in this industry prefer suppliers with a track record of reliable performance. We seek to build strong long-term relationships with our customers by maintaining our reputation as a provider of high-quality, efficient and reliable products and services, by developing new products and services and by responding promptly to our customers' needs.

The principal competitive factors in our markets are product and service quality and reliability, lead time, price, technical expertise and reputation. We believe our principal competitive strengths include the following:

Our ability to provide technical products and services and electrical and instrumentation construction services are complementary, permitting us to offer customers total system responsibility for their electrical power control and distribution needs. Our ability to provide turn-key solutions and eliminate the need for our customers to deal with multiple suppliers and contractors on complex projects is an important competitive advantage.

Our power delivery, control and drive systems are custom-designed and are built to meet our traditional customers' specific requirements. We specialize in projects that are complex, require industry certification, short lead time or other non-standard elements, such as systems that must be fit into the confined space of a work boat or drilling rig. We also provide application specific solutions including our Integrated Solar Inversion Station (ISIS) for the solar power generation market.

We have a history of innovation in developing and commercializing new technologies into our products. Examples include digitally controlled drives, liquid-cooled high horsepower AC variable frequency drives which are optimized for space-constrained marine applications and American Access zone cabling solutions. We have also expanded the market for our products both internationally and to additional end-user markets.

Our commitment to providing quality products and services, fair pricing, innovation and customer service is the foundation to the long-standing customer relationships that we enjoy with an attractive customer base. Since 1946, we have provided over 10,000 power delivery systems to many of the leading companies involved in oil and gas exploration, drilling, production, pipelines, shipbuilding, oil refineries, petrochemicals, power generation, and steel industries in the U.S. Gulf Coast area.

We are led by an experienced management team with a proven track record. We believe the experience of our management team provides us with an in-depth understanding of our customers' needs and enhances our ability to deliver customer-driven solutions. We believe our management has fostered a culture of loyalty, resulting in high employee retention rates for our professional and technical employees.

We have identified our largest competitors, by product line as follows:

Power Distribution/Switchgear Systems Point 8 Power, Siemens, Eaton, GE, ABB, Volta, Meyers Electric/Controlled Power, AZZ and Powell Industries.

Drive Systems ABB, Siemens, LeTourneau Technologies, Ingeteam and National Oilwell Varco. We also compete against solar inverter manufactures including Satcon, Xantrex/Schneider Electric, and others.

Power Services Quanta/Dashiel, Tidal Power, Coastal Power, Eaton, and Group Schneider.

Backlog

Backlog represents the dollar amount of revenue we expect to realize in the future as a result of performing work under multi-month contracts. Backlog is not a measure defined by generally accepted accounting principles, and our methodology for determining backlog may not be comparable to the methodology used by

other companies in determining their backlog. Backlog may not be indicative of future operating results. Not all of our potential revenue is recorded in backlog for a variety of reasons, including the fact that some contracts begin and end within a short-term period. Many contracts are subject to modification or termination by the customer. The termination or modification of any one or more sizeable contracts or the addition of other contracts may have a substantial and immediate effect on backlog. This backlog number does not include any backlog in place at our joint ventures.

We generally include total expected revenue in backlog when a contract for a definitive amount of work is entered into. We generally expect our backlog to become revenue within a year from the signing of a contract. Backlog as of December 31, 2010 and 2009 totaled \$13.9 million and \$13.8 million, respectively.

Intellectual Property

We have a number of patents related to the technology of our zone cabling enclosures as well as trademarks and trade names utilized with our products and services. While proprietary intellectual property is important to the Company, management believes the loss or expiration of any intellectual property right would not materially impact the Company or any of its segments.

Environmental Laws

We are subject to various federal, state, and local laws enacted for the protection of the environment. We believe we are in compliance with such laws. Our compliance has, to date, had no material effect on our capital expenditures, earnings, or competitive position.

Employees

As of December 31, 2010, we had 332 employees. No employees are covered by a collective bargaining agreement, and we consider our relations with our employees to be satisfactory.

ITEM 1A. RISK FACTORS

You should carefully consider each of the following risks associated with an investment in our common stock and all of the other information in this 2010 Annual Report on Form 10-K. Our business may also be adversely affected by risks and uncertainties not presently known to us or that we currently believe to be immaterial. If any of the events contemplated by the following discussion of risks should occur, our business, prospects, financial condition and results of operations may suffer.

Customers in the oil and gas industry account for a significant portion of our sales. Reduced expenditures by customers in this industry are likely to reduce our revenue, profitability and cash flows.

Customers related to the oil and gas industry accounted for approximately 40% of our sales in 2010 and 2009. The oil and gas industry is a cyclical commodity business, with product demand and prices based on numerous factors such as general economic conditions and local, regional and global events and conditions that affect supply, demand and profits. Demand for our products and services benefits from high demand and prices experienced by our customers in this industry, a decline in demand or prices for oil and gas will likely cause a decrease in demand for our products and services and result in a decline in our revenue, profit margins and cash flows.

Our products include complex systems for energy and industrial markets which are subject to operational and liability risks.

We are engaged in the manufacture and installation of complex power distribution and control systems for the energy and industrial markets. These systems are frequently complex and susceptible to unique engineering elements that are not tested in the actual operating environment until commissioned. As a result, we may incur

unanticipated additional operating and warranty expenses that were not anticipated when the fixed-price contracts were estimated and executed resulting in reduced profit margins on such projects.

The industries in which we operate are highly competitive, which may result in a loss of market share or decrease in revenue or profit margin.

Our products and services are provided in a highly competitive environment and we are subject to competition from a number of similarly sized or larger businesses which may have greater financial and other resources than are available to us. Factors that affect competition include timely delivery of products and services, reputation, manufacturing capabilities, price, performance and dependability. Any failure to adapt to a changing competitive environment may result in a loss of market share and a decrease in revenue and profit margins.

We often utilize fixed-price contracts which could adversely affect our financial results.

We currently generate, and expect to continue to generate, a significant portion of our revenue under fixed price contracts. We must estimate the costs of completing a particular project to bid for such fixed price contracts. The cost of labor and materials, however, may vary from the costs we originally estimated. These variations, along with other risks inherent in performing fixed-price contracts, may result in actual revenue and gross profits for a project differing from those we originally estimated and could result in reduced profitability and losses on projects. Depending upon the size of fixed-price contracts, variations from estimated contract costs can have a significant impact on our operating results for any fiscal quarter or year.

We rely on a few key employees whose absence or loss could disrupt our operations or be adverse to our business.

Our continued success is dependent on the continuity of several key management, operating and technical personnel. The loss of these key employees would have a negative impact on our future growth and profitability. We have entered into written employment agreements with our Chief Executive Officer, Chief Financial Officer and Executive Chairman.

Our results of operations and financial condition may be adversely impacted by global recession.

The consequences of a prolonged recession could include a lower level of economic activity and uncertainty regarding commodity and capital markets. During 2010 and 2009, we experienced a reduction in the demand for our products as a result of a reduction in economic activity. A delay in the recovery could continue to have an adverse effect on our results of operation, cash flows or financial position.

Our failure to attract and retain qualified personnel could lead to a loss of revenue or profitability.

Our ability to provide high-quality products and services on a timely basis requires that we employ an adequate number of skilled personnel. Accordingly, our ability to increase our productivity and profitability will be limited by our ability to employ, train and retain skilled personnel necessary to meet our requirements. We cannot be certain that we will be able to maintain an adequate skilled labor force necessary to operate efficiently and to support our growth strategy or that our labor expenses will not increase as a result of a shortage in the supply of skilled personnel.

Natural disasters, terrorism, acts of war, international conflicts or other disruptions could harm our business and operations.

Natural disasters, acts or threats of war or terrorism, international conflicts, and the actions taken by the United States and other governments in response to such events could cause damage to or disrupt our business operations or those of our customers, any of which could have an adverse effect on our business.

We manufacture products and operate plants in Mississippi, Texas and Florida. Operations were disrupted in 2008 due to Hurricanes Gustav and Ike and in 2005 due to Hurricanes Katrina and Rita. Although we did not suffer a material loss as a result of these disruptions due to our insurance coverage and advance preparations, it is not possible to predict future similar events or their consequences, any of which could decrease demand for our products, make it difficult or impossible for us to deliver products, or disrupt our supply chain.

We generate a significant portion of our revenue from international operations and are subject to the risks of doing business outside of the United States.

Approximately 15% of our revenue in 2010 was generated from projects and business operations outside of the United States, primarily provided to the oil and gas, drilling and marine industries in the following countries: Mexico, Canada, United Arab Emirates and India. This percentage was approximately 14% in 2009. The oil and gas industry operates in both remote and potentially politically unstable locations, and numerous risks and uncertainties affect our non-United States operations. These risks and uncertainties include changes in political, economic and social environments, local labor conditions, changes in laws, regulations and policies of foreign governments, as well as United States laws affecting activities of United States companies abroad, including tax laws and enforcement of contract and intellectual property rights. In addition, the costs of providing our services can be adversely and/or unexpectedly impacted by the remoteness of the locations and other logistical factors.

We maintain an investment in a joint venture with a Chinese energy company. We may encounter unforeseen or unexpected operating, financial, political or cultural factors that could impact its business plans and the expected profitability from such investment. We will face risks if China loses normal trade relations with the United States and it may be adversely affected by the diplomatic and political relationships between the United States and China. As a result of the relatively weak Chinese legal system in general and the intellectual property regime in particular, we may face additional risk with respect to the protection of our intellectual property in China. Changes in China's political and economic policies could adversely affect our investment and business opportunities in China.

Foreign Currency Transaction Risk

AETI has investments in its Singapore joint venture, MIEFE, its Chinese joint venture, BOMAY, and its Brazilian joint venture, AAG. The functional currencies of these joint ventures are the Singapore dollar, Yuan and Real, respectively. The investments are translated into United States dollars at the exchange rate in effect at the end of each quarterly reporting period. The resulting translation adjustments are recorded as accumulated other comprehensive income in AETI's consolidated balance sheet.

Other than the aforementioned items, we are not materially exposed to foreign currency exchange risks because all of our sales and purchases are denominated in United States dollars.

Commodity Price Risk

We are subject to market risk from fluctuating market prices of certain raw materials. While such materials are typically available from numerous suppliers, commodity raw materials are subject to price fluctuations. We endeavor to recoup these price increases from our customers on an individual contract basis to avoid operating margin erosion. Although historically we have not entered into any contracts to hedge commodity risk, we may do so in the future.

Commodity price changes can have a material impact on our prospective earnings and cash flows. Copper, steel and aluminum represent a significant element of our material cost. Significant increases in the prices of these materials could reduce our estimated operating margins if we are unable to recover such increases from customer revenues.

Interest Rates

Our market risk sensitive items do not subject us to material risk exposures. Our revolving credit facility remains available through July 1, 2012, subject to optional prepayment in accordance with its terms. At December 31, 2010, the Company had \$4,000,000 of variable-rate debt outstanding under the facility. At this borrowing level, a hypothetical 10 percent increase in interest rates would have had an insignificant unfavorable impact on the Company's pretax earnings and cash flows. The primary interest rate exposure on floating-rate debt is based on LIBOR (0.26% at December 31, 2010) plus 2.75% per year. The agreement is collateralized by trade accounts receivable, inventory, work-in-process, equipment and real property located in Beaumont and Houston.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

The following table describes the material facilities owned by AETI and its subsidiaries as of December 31, 2010.

| Location | General Description | Acres | Approximate Square Feet of Building |
|----------------------------|---|-------|-------------------------------------|
| Houston, Texas | Company and M&I headquarters, TP&S and E&I service center and storage | 3 | 26,000 |
| Beaumont, Texas | TP&S manufacturing and storage | 9 | 85,000 |
| Bay St. Louis, Mississippi | M&I manufacturing | 3 | 11,000 |
| Keystone Heights, Florida | AAT offices and manufacturing | 8.5 | 67,500 |

ITEM 3. LEGAL PROCEEDINGS.

The Company becomes involved in various legal proceedings and claims in the normal course of business. In management's opinion, the ultimate resolution of these matters will not have a material effect on our financial position or results of operations.

ITEM 4. RESERVED.

PART II**ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The Company's common stock trades on The NASDAQ Stock Market under the symbol "AETI".

The following table sets forth quotations for the high and low sales prices for the Company's common stock, as reported by NASDAQ, for the periods indicated below:

| | Year Ended December 31, 2010 | | Year Ended December 31, 2009 | |
|----------------|------------------------------|---------|------------------------------|---------|
| | High | Low | High | Low |
| First Quarter | \$ 2.79 | \$ 2.15 | \$ 2.49 | \$ 1.50 |
| Second Quarter | 3.08 | 2.00 | 2.50 | 1.62 |
| Third Quarter | 2.32 | 2.00 | 2.38 | 1.93 |
| Fourth Quarter | 2.49 | 2.20 | 2.87 | 2.10 |

As of March 8, 2011, there were 71 shareholders of record.

The Company did not declare or pay cash dividends in either fiscal year 2010 or 2009. The Company anticipates that, for the foreseeable future, it will retain any earnings for use in the operation of its business. Our bank loan agreement restricts the payment of cash dividends to stockholders.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 6. SELECTED FINANCIAL DATA

The following table summarizes our consolidated financial data for the periods presented. You should read the following selected financial data in conjunction with our financial statements and the related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations section of this annual report. The information set forth below is not necessarily indicative of results of future operations. Since the M&I Merger has been accounted for as a reverse acquisition under the purchase method of accounting, our financial statements include the historical results of M&I prior to the M&I Merger and that of the combined company following the M&I Merger and do not include the historical results of AAT prior to the M&I Merger. All share and per share disclosures have been retroactively adjusted to include the exchange of shares in the M&I Merger and the 1-for-5 reverse split of our common stock on May 15, 2007. Amounts are in thousands of dollars except share and per share data.

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|-----------|-----------|-----------|-----------|-----------|
| Net sales | \$ 38,964 | \$ 52,163 | \$ 65,387 | \$ 55,665 | \$ 45,419 |
| Net income (loss) | (1,694) | 678 | 1,657 | 590 | 2,438 |
| Earnings (loss) per common share: | | | | | |
| Basic | \$ (0.22) | \$ 0.09 | \$ 0.22 | \$ 0.08 | \$ 0.40 |
| Diluted | (0.22) | 0.09 | 0.21 | 0.08 | 0.40 |
| Cash dividends declared per common share | | | | | |
| Shares used in computing earnings (loss) per share | | | | | |
| Basic | 7,741,594 | 7,689,915 | 7,662,811 | 7,058,529 | 6,079,692 |
| Diluted | 7,741,594 | 7,827,531 | 7,707,091 | 7,059,447 | 6,079,692 |
| Cash and equivalents | \$ 1,364 | \$ 1,497 | \$ 149 | \$ 594 | \$ 2,031 |
| Total assets | 34,026 | 33,522 | 38,698 | 37,282 | 23,156 |
| Long-term debt (including current maturities) | 4,365 | 3,511 | 4,648 | 5,500 | 500 |
| Total liabilities | 11,101 | 9,608 | 15,769 | 16,136 | 9,456 |
| Total stockholders' equity | 22,925 | 23,914 | 22,929 | 21,146 | 13,701 |

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

The following discussion and analysis should be read in conjunction with the financial statements and accompanying notes appearing elsewhere in this Form 10-K. This discussion contains forward-looking statements, based on current expectations related to future events and AETI's future financial performance that involves risks and uncertainties. AETI's actual results may differ materially from those anticipated in these forward-looking statements as a result of many important factors, including those set forth in the section entitled "Risk Factors" in this Form 10-K.

Overview

In May 2007, M&I was a party to a reverse merger transaction in which it was legally acquired by American Access Technologies, ("AAT"). The shareholders of M&I were issued stock of AAT in amounts that in aggregate constituted approximately 80% of the total shares outstanding. As a result, the M&I Merger has been accounted for as an acquisition of AAT by M&I. Immediately following the M&I Merger, AAT's name was changed to American Electric Technologies, Inc. Results of operations of AAT have been consolidated commencing with the merger date. References to operating results prior to the May 2007 merger date include solely M&I and its subsidiaries and affiliates.

Our corporate structure currently consists of American Electric Technologies, Inc., which owns 100% of both M&I and AAT. We report financial data for three operating segments: the TP&S segment and the E&I segment which together encompass the operations of M&I including its South Coast Electric Systems, LLC subsidiary and the AAT segment which encompasses the operations of AAT including its Omega Metals division. M&I holds a 40%, 49%, and 49% interest in Chinese, Singapore, and Brazil joint ventures, respectively. These ventures are stand-alone operating companies and enhance our ability to provide products to these markets. Results from these ventures is reported using the equity method of accounting and is included in the TP&S segment's results.

Results of Operations

The table below summarizes our revenue and profitability for the years ended December 31, 2010, 2009 and 2008 (Dollars in Thousands):

| | Year Ended December 31, | | |
|---|-------------------------|-----------|-----------|
| | 2010 | 2009 | 2008 |
| Net sales | \$ 38,964 | \$ 52,163 | \$ 65,387 |
| Gross profit | 3,656 | 6,631 | 8,387 |
| Gross profit % | 9.4% | 12.7% | 12.8% |
| Selling general and administrative expenses | 7,990 | 7,143 | 8,152 |
| Income (loss) from operations | (4,334) | (512) | 235 |
| Other income, net | 1,550 | 1,480 | 2,320 |
| Income (loss) before income tax expense | (2,784) | 967 | 2,555 |
| Benefit (provision) for income taxes | 1,090 | (289) | (898) |
| Net income (loss) | \$ (1,694) | \$ 678 | \$ 1,657 |

Year ended December 31, 2010 compared to year ended December 31, 2009

Consolidated Comparison

Revenue and Gross Profit. Total consolidated revenue decreased 25% for the year ended December 31, 2010 from the prior year. The decrease occurred across the TP&S and E&I segments and is attributable to the overall decline in the energy industry market segments in which the Company participates. The decrease in consolidated gross profit is attributable to the reduced sales levels and margins for these business segments.

Selling, General and Administrative Expenses. Total consolidated selling, general and administrative expenses were \$8.0 million during the year ended December 31, 2010, up \$0.8 million or 12% from the prior year. The increase in selling, general and administrative expenses is primarily attributed to research and development costs of approximately \$0.6 million associated with continued development of the Company's solar inverter product, the Integrated Solar Inversion Station (ISIS).

Other Income and Expense. Consolidated other income and expense increased by \$0.1 million for the year ended December 31, 2010, consisting primarily of equity in income from joint ventures.

Equity in income from joint ventures was up \$0.2 million, primarily due to the 40% owned China joint venture which was up \$0.6 million compared to 2009. The improvement in the China venture's earnings came from the reversal of a loss accrual originally recorded in 2007 when the venture was formed (see Note 6 to the consolidated financial statements for more details). This \$0.6 million favorable variance from the China venture was substantially offset by a \$0.3 million decrease in earnings from the Company's 49% owned Singapore venture and a loss of \$0.1 million on the start up of the 49% owned Brazilian joint venture.

Net Income (Loss). Net loss for the year ended December 31, 2010 was \$1.7 million, as compared to net income of \$0.7 million for the prior year. The decrease in net income is a result of a \$3.8 million decrease in pre-tax income, principally attributable to an increased loss from operations, partially offset by a 9 point increase in the effective tax (benefit) rate. The increase in the effective tax (benefit) rate is the result of the composition of 2010 pretax income. In 2010, pretax income (loss) is composed of losses from domestic operations partially offset by positive equity in income from our foreign joint ventures (see Note 7 in the accompanying notes to consolidated financial statements). The loss from operations, which increased to \$4.3 million from the \$0.5 million loss reported in 2009, is primarily attributable to reduced performance of the TP&S segment (see comments below).

Segment Comparisons

Technical Products & Services. The TP&S segment accounts for the majority of the decrease in Company performance in 2010, with sales declining by \$10.5 million year over year. This is reflective of the continued weakness in the Company's traditional marine, drilling and industrial businesses that began in 2009, although the company did see solid business improvement in the second half of the year.

The TP&S segment reported a decrease in gross profit of \$4.9 million for the year ended December 31, 2010, primarily as a result of a 34% decline in sales and a 4% drop in direct margins. Almost 88%, or \$4.3 million, of this decline resulted from poor performance during the first half of 2010. Significant performance improvement began in the 3rd quarter and continued in the 4th quarter.

Included in gross profit for this segment is approximately \$5.1 million of indirect operating costs, primarily supervisory and administrative payroll related costs that the Company views as mostly fixed in nature. Also included is a more variable component of labor cost resulting from the reduced manufacturing activity levels. A net increase in these costs accounted for approximately \$0.5 million of the \$4.9 million year over year decrease in gross profit. Half of this increase is attributable to the services business units where a rebuilding/upgrade effort has been underway since mid 2010 with the hiring of a new Vice President.

The benefits of cost reduction measures undertaken in 2010 resulted in reduced indirect costs in the products business units. However, these reductions have been partially offset by an increase in research and development expenditures of approximately \$0.6 million associated with continued development of the Company's solar inverter product, ISIS.

Although the Company will continue to enact cost reduction measures, we believe that we must maintain our management, technical and operational capabilities in order to maintain a competitive advantage as our traditional markets begin to recover.

Electrical & Instrumentation Construction. This segment reported a \$1.3 million profit improvement in spite of a 21% decrease in revenue. Direct margins improved to 22% from 10% for the years ended December 31, 2010 and 2009, respectively, and indirect costs were reduced by 15% during the same period. Performance in 2009 was particularly low, as previously noted, because of the impact of the new school construction business which the Company completed its exit from in 2009.

Gross profit for the E&I segment was \$0.8 million, or 7% during the year ended December 31, 2010, as compared to a loss of \$0.5 million, or negative 3%, for the year ended 2009. Approximately \$2.3 million of the \$3.1 million decrease in sales came from reduced sales in the data center market. The segment benefited from \$0.7 million increase in sales from its traditional construction markets, primarily water and waste water facility construction and the exit from the new school construction business projects which were very unprofitable in the 2009 period.

American Access Technologies. Sales for the AAT segment were \$6.9 million for the year ended December 31, 2010, up 5% as compared to the year ended 2009 and gross profit increased \$0.6 million. Direct margins increased 3%, indirect manufacturing cost decreased 17% and selling and general and administrative costs decreased more than 5%.

Year ended December 31, 2009 compared to year ended December 31, 2008

Consolidated Comparison

Revenue and Gross Profit. Total consolidated revenue decreased 20% for the year ended December 31, 2009 over the prior year. The decrease occurred across all segments and is attributable to the overall decline in the global economy. The decrease in consolidated gross profit is primarily a result of reduced sales. The deterioration in gross profit percent shows the lower margin new school construction projects completed in the first quarter of 2009, partially offset by increased percentage of higher margin technical services sales.

Selling, General and Administrative Expenses. Total consolidated selling, general and administrative expenses were \$6.9 million during the year ended December 31, 2009, a decrease of \$1.0 million over the prior year. The improvement is primarily attributable to cost reduction measures that resulted in reduced compensation of \$0.8 million, partially offset by research and development costs of \$0.3 million incurred to position the company for alternative revenue sources during economic changes. Additionally, repair and maintenance expense declined by \$0.2 million, attributable to hurricane damage repairs made in 2008 that were non-recurring. Consulting expenses declined by \$0.2 million, primarily related to Sarbanes Oxley compliance and ERP system implementation costs incurred during 2008.

Other Income and Expense. Consolidated other income and expense in 2009 declined by \$0.8 million due to reduced earnings from the Chinese and Singapore joint ventures aggregating \$0.5 million, reduced interest expense of \$0.01 million, partially offset by an increase in other miscellaneous expenses of \$0.01 million.

Provision for Income Taxes. Income tax expense decreased by \$0.6 million consistent with the decrease in earnings before income tax. The effective tax rate of 30% was less than the prior year and is a result of deemed foreign tax credits in the current year.

Net Income. Net income for the year ended December 31, 2009 was \$0.7 million as compared to \$1.7 million for the prior year. The decrease in net income is a reflection of decreased sales, gross profit and other income, partially offset by lower selling, general and administrative expenses.

Segment Comparisons

Technical Products & Services. The TP&S segment revenue declined \$3.0 million from \$34.1 million for 2008 to \$31.1 million for 2009. The 8.8% decrease in revenue for this segment shows a reduced demand for the company's products and services, due to weakness in the domestic traditional energy markets.

TP&S gross profit for 2009 was \$6.1 million, a \$0.9 million increase over the prior year. Its gross profit percentage increased by 4.5% as a result of a favorable product mix. TP&S income before taxes for 2009 was \$4.7 million compared to \$4.4 million for 2008. This increase in income is a result of improved gross profits and reduced selling and general expenses, partially offset by reduced equity income from joint ventures (\$0.5 million).

Electrical & Instrumentation Construction. The E&I segment reported sales of \$14.6 million in 2009, a decrease of \$8.6 million over the prior year. The decrease was the result of our departure from the new school construction business. E&I backlog was \$7.9 million as of December 31, 2009, an increase of \$0.8 million from 2008.

E&I gross profit for 2009 was a negative \$0.5 million, a decrease of \$1.8 million from the prior year. E&I loss before taxes for 2009 was \$1.8 million compared to a loss of \$0.6 million for the previous year period. The segment lost approximately \$1.8 million and \$1.0 million in 2009 and 2008, respectively, due to contracts in the new school construction market.

American Access Technologies. This segment's sales declined by \$1.7 million, from \$8.2 million of sales in 2008 to \$6.5 million in 2009. The segment contributed gross profits of approximately \$1.0 million to the consolidated results, a decrease of \$0.9 million from the prior year which is consistent with the decrease in sales. Gross profit percentages declined by 7.1% due to higher fixed costs in proportion to lower revenue level.

Liquidity and Capital Resources

As of December 31, 2010, AETI's cash and cash equivalents were \$1.4 million as compared to \$1.5 million as of December 31, 2009. Working capital was \$12.0 million and \$14.5 million as of year ended 2010 and 2009, respectively. As of December 31, 2010, AETI's current ratio is 2.9 and its debt to total capitalization ratio is 15.6%. The comparable ratios for December 31, 2009 were 3.5 and 12.3%. Tangible Net Worth, as defined by the Company's credit facility was \$11.2 million and \$16.9 million at December 31, 2010 and 2009, respectively.

AETI's long-term debt increased \$0.8 million during 2010 from \$3.4 million in 2009 reflecting a \$1.0 million increase in the outstanding balance on the revolving credit facility, partially offset by capital lease payments. Interest payments are current on all funded debt. The Company has a \$10.0 million revolving credit facility which expires in July, 2012. For further information regarding the terms of AETI's indebtedness, see Note 8 to the consolidated financial statements contained elsewhere in this report.

The Company derives the majority of operating cash inflow from receipts on the sale of goods and services and cash outflow for the procurement of materials and labor. Accordingly, cash flow is subject to market fluctuations and conditions. A substantial portion of the business, primarily construction and products, is characterized by long-term contracts lasting three to six months, generally. Most of the long-term contracts allow for several progress billings that provide the company with cash receipts as costs are incurred throughout the project rather than upon contract completion, thereby reducing working capital requirements.

Operating Activities. During 2010, AETI used cash from operations in the amount of \$1.7 million, as compared to the \$1.3 million generated in 2009. The primary use of cash in 2010 is attributable to the \$3.8 million increase in loss from operations, which was partially offset by a draw down in working capital principally reflected in a reduction in accounts receivable of \$1.6 million. In 2009, the increase in cash from operations resulted from a drawdown of working capital principally reflected in a reduction in accounts receivable of \$5.8 million and inventory of \$0.8 million. Cash was used for decreases in accounts payable of \$3.1 million and an increase in cost and estimated earnings net of billings in excess of cost on uncompleted contracts of \$2.2 million.

Investing Activities. During 2010, AETI generated \$0.8 million in cash flow from investing activities as compared to \$1.1 million in 2009. Principal elements of these investing activities included \$1.2 million in

dividends from joint ventures offset by capital expenditures of \$0.4 million in 2010. In 2009, \$1.7 million in dividends from joint ventures offset by capital expenditures of \$0.6 million.

Financing Activities. During 2010, AETI generated cash from financing activities totaling \$0.8 million compared to the cash used of \$1.1 million in 2009. In late 2010, AETI drew down \$1.0 million on the revolving credit facility. In addition, AETI made payments on a long-term capital lease of \$0.1 million, received proceeds on common stock issuances of \$0.03 million, and made payments on a short-term note payable of \$0.05 million. In 2009, payments on long-term debt and capital lease obligations were \$1.0 million and \$0.1 million, respectively. Proceeds from the sale of common stock were \$0.08 million during 2009.

Contractual Obligations

Payments due under contractual obligations at December 31, 2010, are as follows (Dollars in thousands):

| | Within 1 Year | 2-3 years | 3-5 years | More than 5 Years | Total |
|----------------------------|------------------|-----------------|-----------|----------------------|-----------------|
| Capital lease | \$ 144 | \$ 221 | \$ | \$ | \$ 365 |
| Short-term note payable | 50 | | | | 50 |
| Long-term debt obligations | | 4,000 | | | 4,000 |
| Interest on long-term debt | 120 | 60 | | | 180 |
| Total | \$ 314 | \$ 4,281 | \$ | \$ | \$ 4,595 |

Interest is estimated based on the current rate of approximately 3.00%

Outlook for Fiscal 2011

AETI enters 2011 with a backlog of \$13.9 million which is up modestly from the prior year. The near term demand for our products and services are uncertain due to global energy market conditions and the disruptions in financial markets. We took action in the second half of 2010 to improve our cost structure and reduce our breakeven levels. Our outlook is that short-term revenue should be flat, but we do see some growth opportunities in our TP&S, E&I Construction and AAT segments that we are aggressively pursuing.

We closely monitor our backlog and order activity and continue to adjust our cost structure and expenditures accordingly as conditions require. We expect to begin to benefit from some of our recent product and business development activities in 2011, including our ISIS solar inverter and corresponding turn-key solar project. We expect to continue our initiatives in these markets. We are also upbeat for the coming year for our Chinese and Brazilian joint ventures based on global energy demand growth and opportunities we see in the sales pipeline.

We expect to be able to finance 2011's capital expenditures and working capital needs primarily through operating cash flows. AETI believes its existing cash, working capital and unused, recently expanded capacity under its credit facility combined with operating earnings will be sufficient to meet its working capital needs in the immediate future.

Effects of Inflation

Price increases in crucial raw materials, particularly copper and steel, and electrical components occurred in 2010. The Company has been generally successful in recovering these increases from its customers in the form of increased prices. As a result, AETI has not experienced margin erosion due to inflationary pressures. Future inflationary pressures will likely be largely dependent on the worldwide demand for these basic materials which cannot be predicted at this time.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States inherently involves judgments and estimates that directly impact the reported values of assets, liabilities, income and expenses. In addition, these assumptions affect the disclosures of AETI's commitments and contingencies. The company estimates rely upon historical experience and other assumptions that management believes to be reasonable under the existing circumstances. Actual results may differ from these estimates with the benefit of hindsight. The following crucial accounting policies and estimates are important in the preparation of the company's financial statements.

Revenue Recognition. AETI reports earnings from fixed-price and modified fixed-price long-term contracts on the percentage-of-completion method. Earnings are accrued based on the ratio of costs incurred to total estimated costs. Costs include direct material, direct labor, and job related overhead. Losses expected to be incurred on contracts are charged to operations in the period such losses are determined. A contract is considered complete when all costs except insignificant items have been incurred and the facility has been accepted by the customer. Revenue from non-time and material jobs of a short-term nature (typically less than one month) is recognized on the completed-contract method after considering the attributes of such contract. This method is used because these contracts are typically completed in a short period of time and the financial position and results of operations do not vary materially from those which would result from use of the percentage-of-completion method. The asset, Work-in-process, which is included in inventories, represents the cost of labor, material, and overhead on jobs accounted for under the completed-contract method. For contracts accounted for under the percentage-of-completion method, the asset, Costs and estimated earnings in excess of billings on uncompleted contracts, represents revenue recognized in excess of amounts billed and the liability, Billings in excess of costs and estimated earnings on uncompleted contracts, represents billings in excess of revenue recognized.

Concentration of Market Risk and Geographic Operations. Financial instruments which potentially subject AETI to concentrations of credit risk consist primarily of trade accounts receivable. Our market risk is dependent primarily on the strength of the oil and gas and energy related industries. We grant credit to customers and generally do not require collateral. Procedures are in effect to monitor the credit worthiness of customers. During 2010 one customer accounted for approximately 11% of net revenue; however, during 2009, no single customer represented 10% or more of Company revenue.

As previously described, AETI has investments in China, Singapore, and Brazil that aggregated \$7.0 million, \$1.3 million and \$0.1 million, respectively, as of December 31, 2010.

Foreign Currency Gains and Losses. Foreign currency translations are included as a separate component of comprehensive income. We have determined the local currency of foreign joint ventures to be the functional currency. In accordance with ASC 830, the assets and liabilities of the foreign equity investees, denominated in foreign currency, are translated into United States dollars at exchange rates in effect at the consolidated balance sheet date; revenue and expenses are translated at the average exchange rate for the period. Related translation adjustments are reported as comprehensive income which is a separate component of stockholders' equity, whereas gains and losses resulting from foreign currency transactions are included in results of operations.

Federal Income Taxes. The liability method is used in accounting for federal income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The realizability of deferred tax assets are evaluated annually and a valuation allowance is provided if it is more likely than not that the deferred tax assets will not give rise to future benefits in the company's tax returns. AETI's federal income tax returns through December 31, 2004 have been audited by the Internal Revenue Service. As a result of the reverse merger referred to above, the company recognized a deferred tax asset of \$2.9 million based on an estimate of the extent to which net operating loss carry forwards will be realizable.

The tax year ending December 31, 2008 is under audit by the Internal Revenue Service. The Company is not aware of any adverse effects to tax expense due to the IRS exam.

Allowance for Doubtful Accounts. Earnings are charged with a provision for doubtful accounts based on a current review of the collectability of the accounts. This provision is reviewed by management on a regular basis and adjustments are made as appropriate.

Recently Issued Accounting Pronouncements

Subsequent Events

In May 2009, the Financial Accounting Standards Board (FASB) issued accounting guidance on subsequent events that establishes standards of accounting for and disclosure of subsequent events. In addition, it requires disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. This new guidance was adopted for our financial statements for the quarterly period ending June 30, 2009. The adoption of this guidance did not have a material impact on our results of operations, financial position, or liquidity. In February 2010, the FASB issued amended guidance to eliminate the requirement for an SEC filer to disclose the date through which it has evaluated subsequent events. The adoption of the amended guidance did not have a material impact on the Company's results of operations, financial position, or liquidity.

Variable Interest Entities

In December 2009, the FASB issued accounting guidance on variable interest entities which amends previous GAAP and requires a company to perform an analysis to determine whether its interest in a variable interest entity gives it a controlling financial interest. This analysis requires a company to assess whether it has the power to direct the activities of the variable interest entity and if it has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the variable interest entity. The new guidance eliminates the quantitative approach previously required for determining the primary beneficiary of a variable interest entity, requires an ongoing reassessment of whether a company is the primary beneficiary of a variable interest entity, and significantly enhances disclosures. This update became effective for us in the quarter ended March 31, 2010. The adoption of this guidance did not have a material impact on our results of operations, financial position, or liquidity.

Disclosures about Fair Value Measurements

In January 2010, the FASB issued accounting guidance to improve disclosures of fair value measurements. This guidance requires an entity to: (i) disclose separately the amounts of significant transfers in and out of Level 1 (quoted prices in active markets for identical assets or liabilities) and Level 2 (other significant observable inputs) fair value measurements and describe the reasons for the transfers and (ii) present separate information for Level 3 (unobservable inputs that are supported by little or no market activity and that are significant) activity pertaining to gross purchases, sales, issuances, and settlements. This update became effective for us in the quarter ended March 31, 2010, except that the disclosure on the roll forward activities for Level 3 fair value measurements will become effective for us with the reporting period beginning January 1, 2011. The adoption of this guidance did not have a material impact on our results of operations, financial position, or liquidity.

Financing Receivables

In July 2010, the FASB issued new accounting guidance to provide greater transparency and address disclosures about the credit quality of financing receivables and the allowance for credit losses. In addition, this guidance assists in the assessment of credit risk exposures and evaluation of the adequacy of allowances for credit losses. Additional disclosures must be provided on a disaggregated basis. The guidance defines two levels of disaggregation - portfolio segment and class of financing receivable. Additionally, the update requires disclosure of credit quality indicators, past due information and modifications of financing receivables. The

update is not applicable to mortgage banking activities (loans originated or purchased for resale to investors); derivative instruments such as repurchase agreements; debt securities; a transferor's interest in securitization transactions accounted for as sales under ASC Topic 860; and purchased beneficial interests in securitized financial assets. This guidance is effective for the Company for interim or annual periods ending on or after December 15, 2010. This guidance has no material impact on the Company's results of operations, financial position, or liquidity.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Transaction Risk

AETI maintains equity investments in its Singapore, Chinese and Brazilian joint ventures, MIEFE, BOMAY, and AAG, respectively. The functional currencies of the joint ventures are the Singapore dollar, Chinese Yuan and Brazilian Real, respectively. Investments are translated into United States dollars at the exchange rate in effect at the end of each quarterly reporting period. The resulting translation adjustment is recorded as accumulated other comprehensive income in AETI's consolidated balance sheet. Under the terms of the BOMAY Equity Joint Venture Contract, we were obligated to make a total investment of 16.0 million Yuan (approximately \$2.0 million) during the initial two years of the joint venture. This obligation has been fulfilled. Each of the BOMAY investors may be required to guarantee the bank loans of BOMAY in proportion to their investment, and at this time, no guarantees have been provided by AETI.

Other than the aforementioned items, we do not believe we are exposed to foreign currency exchange risk because all of our sales and purchases are denominated in United States dollars.

Commodity Price Risk

We are subject to market risk from fluctuating market prices of certain raw materials. While such materials are typically available from numerous suppliers, commodity raw materials are subject to price fluctuations. We endeavor to recoup these price increases from our customers on an individual contract basis to avoid operating margin erosion. Although historically we have not entered into any contracts to hedge commodity risk, we may do so in the future. Commodity price changes can have a material impact on our prospective earnings and cash flows.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the Index on page F-1 of our Consolidated Financial Statements and Notes thereto contained herein.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure controls and procedures

Under the direction of our Principal Executive Officer and Principal Financial Officer, we evaluated our disclosure controls and procedures as of December 31, 2010. Our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2010.

Management's annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2010 based on these criteria. This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to section 404(c) of the Sarbanes-Oxley Act of 2002, as amended that permits the company, as a smaller reporting company, to provide only management's report in this annual report.

Changes in internal control over financial reporting

There were no changes in our internal controls over financial reporting that occurred during the quarter ended December 31, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS OF THE REGISTRANT AND CORPORATE GOVERNANCE
Directors

Information required by this item is incorporated by reference to the information contained in the Proxy Statement for the 2011 Annual Meeting of Stockholders to be filed within 120 days after our December 31, 2010 fiscal year end.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to our Proxy Statement for the 2011 Annual Meeting of Stockholders.

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

The information required by this Item is incorporated by reference to our Proxy Statement for the 2011 Annual Meeting of Stockholders.

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

This information is incorporated by reference to the Director Independence and Certain Relationships and Related Transactions sections of our Proxy Statement for the 2011 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated by reference to our Proxy Statement for the 2011 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a) The following documents are filed as part of this report:

1. Consolidated Financial Statements and Report of Independent Registered Public Accounting Firm

See Index on page F-1.

2. Financial Statement Schedules

All financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements and Notes thereto.

3. Exhibits

A list of exhibits filed or furnished with this report on Form 10-K (or incorporated by reference to exhibits previously filed or furnished by us) is provided in the Exhibit Index immediately following the signature pages of this report. We will furnish copies of exhibits for a reasonable fee (covering the expense of furnishing copies) upon request. Stockholders may request exhibits copies by contacting: Frank Pierce, Corporate Secretary, American Electric Technologies, Inc., 6410 Long Drive, Houston, Texas 77087.

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.

Dated: March 30, 2011

AMERICAN ELECTRIC TECHNOLOGIES, INC.

By: /s/ CHARLES DAUBER
Charles Dauber
President and Chief Executive Officer
(Principal Executive Officer)

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 and on the dates indicated.

| Signature | Title(s) | Date |
|---|---|----------------|
| /s/ CHARLES DAUBER Charles Dauber | President, Chief Executive Officer, Director (Principal Executive Officer) | March 30, 2011 |
| /s/ ARTHUR G. DAUBER Arthur G. Dauber | Executive Chairman and Director | March 30, 2011 |
| /s/ FRANK R. PIERCE Frank R. Pierce | Senior Vice President, Chief Financial Officer and Secretary (Principal Financial Officer) | March 30, 2011 |
| /s/ HOWARD W. KELLEY Howard W. Kelley | Director | March 30, 2011 |
| /s/ PETER MENIKOFF Peter Menikoff | Director | March 30, 2011 |
| /s/ THOMAS P. CALLAHAN Thomas P. Callahan | Director | March 30, 2011 |
| /s/ J. HOKE PEACOCK II J. Hoke Peacock II | Director | March 30, 2011 |

AMERICAN ELECTRIC TECHNOLOGIES, INC.

AND SUBSIDIARIES

Consolidated Financial Statements

With Report of Independent Registered Public Accounting Firm

December 31, 2010 and 2009

American Electric Technologies, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2010 and 2009

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

American Electric Technologies, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of American Electric Technologies, Inc. and Subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to examine management's assertion about the effectiveness of the Company's internal control over financial reporting as of December 31, 2010 and, accordingly, we do not express an opinion thereon.

/s/ Ham, Langston & Brezina, L.L.P.

Houston, Texas

March 30, 2011

American Electric Technologies, Inc. and Subsidiaries

Consolidated Balance Sheets

December 31, 2010 and 2009

| | 2010 | 2009 |
|--|---------------|---------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,364,114 | \$ 1,497,305 |
| Accounts receivable-trade, net of allowance of \$648,933 and \$438,900 at December 31, 2010 and 2009, respectively | 8,771,960 | 10,331,685 |
| Accounts receivable-other | 74,136 | 349,094 |
| Income taxes receivable | | 15,866 |
| Inventories, net | 3,820,086 | 3,563,481 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 3,486,887 | 3,750,367 |
| Prepaid expenses and other current assets | 238,450 | 327,428 |
| Due from employees | 46,197 | 36,282 |
| Deferred income taxes | 655,631 | 547,118 |
| Total current assets | 18,457,461 | 20,418,626 |
| Property, plant and equipment, net | 4,705,275 | 5,193,897 |
| Non-current contract retentions | 51,057 | 36,666 |
| Other assets, net | 110,186 | 132,764 |
| Advances to and investments in joint ventures | 8,374,794 | 6,447,558 |
| Deferred tax asset | 2,327,953 | 1,292,052 |
| Total assets | \$ 34,026,726 | \$ 33,521,563 |
| Liabilities and Stockholders Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,926,042 | \$ 3,573,477 |
| Accrued payroll and benefits | 916,344 | 995,309 |
| Other accrued expenses | 368,409 | 244,213 |
| Income taxes payable | 20,000 | |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 1,056,306 | 953,474 |
| Short-term notes payable | 193,954 | 134,992 |
| Total current liabilities | 6,481,055 | 5,901,465 |
| Notes payable | 4,221,358 | 3,375,911 |
| Deferred compensation | 399,039 | 330,215 |
| Total liabilities | 11,101,452 | 9,607,591 |
| Commitments and contingencies (See note 11) | | |
| Stockholders equity: | | |
| Common stock; \$0.001 par value, 50,000,000 shares authorized, 7,752,965 and 7,700,875 shares issued and outstanding at December 31, 2010 and 2009, respectively | 7,753 | 7,701 |
| Additional paid-in capital | 7,844,578 | 7,594,491 |
| Accumulated other comprehensive income | 692,382 | 237,270 |
| Retained earnings; including appropriated earnings in equity method investments of \$944,529 and \$602,690 at December 31, 2010 and 2009, respectively | 14,380,561 | 16,074,510 |

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| | | |
|--|---------------|---------------|
| Total stockholders' equity | 22,925,274 | 23,913,972 |
| Total liabilities and stockholders' equity | \$ 34,026,726 | \$ 33,521,563 |

The accompanying notes are an integral part of the consolidated financial statements.

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American Electric Technologies, Inc. and Subsidiaries

Consolidated Statements of Operations

For the Years Ended December 31, 2010 and 2009

| | 2010 | 2009 |
|---|----------------|---------------|
| Net sales | \$ 38,963,744 | \$ 52,162,909 |
| Cost of sales | 35,307,724 | 45,532,388 |
| Gross profit | 3,656,020 | 6,630,521 |
| Operating expenses: | | |
| General and administrative | 4,833,242 | 4,742,553 |
| Selling | 2,274,898 | 2,137,753 |
| Research and development | 881,855 | 262,462 |
| Total operating expenses | 7,989,995 | 7,142,768 |
| Loss from operations | (4,333,975) | (512,247) |
| Other income (expense): | | |
| Equity in income of joint ventures | 2,304,376 | 2,129,926 |
| Joint venture management related expenses | (436,101) | (406,816) |
| Interest expense | (131,016) | (133,633) |
| Other, net | (187,588) | (109,921) |
| Total other income (expense) | 1,549,671 | 1,479,556 |
| Income (loss) before (provision) benefit for income taxes | (2,784,304) | 967,309 |
| Provision (benefit) for income taxes | (1,090,355) | 289,019 |
| Net income (loss) | \$ (1,693,949) | \$ 678,290 |
| Net income (loss) per common share: | | |
| Basic | \$ (0.22) | \$ 0.09 |
| Diluted | \$ (0.22) | \$ 0.09 |
| Weighted-average number of common shares outstanding: | | |
| Basic | 7,741,594 | 7,689,915 |
| Diluted | 7,741,594 | 7,827,531 |

The accompanying notes are an integral part of the consolidated financial statements

American Electric Technologies, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
For the Years Ended December 31, 2010 and 2009

| | Common Stock | | Additional Paid-In Capital | Accumulated Other Comprehensive Income | Retained Earnings | Total Stockholders' Equity |
|---|--------------|----------|----------------------------------|---|----------------------|----------------------------------|
| | Shares | Amount | | | | |
| Balance at December 31, 2008 | 7,665,635 | \$ 7,665 | \$ 7,316,593 | \$ 207,991 | \$ 15,396,220 | \$ 22,928,469 |
| Common stock issued to ESPP (Note 10) | 21,168 | 22 | 38,057 | | | 38,079 |
| Restricted stock units | 14,072 | 14 | 81,681 | | | 81,695 |
| Stock based compensation | | | 42,394 | | | 42,394 |
| Reclassification of deferred compensation liability | | | 115,766 | | | 115,766 |
| Comprehensive income: | | | | | | |
| Net income | | | | | 678,290 | 678,290 |
| Translation gain | | | | 29,279 | | 29,279 |
| Total comprehensive income | | | | | | 707,569 |
| Balance at December 31, 2009 | 7,700,875 | 7,701 | 7,594,491 | 237,270 | 16,074,510 | 23,913,972 |
| Common stock issued to ESPP (Note 10) | 15,372 | 15 | 34,535 | | | 34,550 |
| Restricted stock units | 36,718 | 37 | 176,025 | | | 176,062 |
| Stock based compensation | | | 39,527 | | | 39,527 |
| Comprehensive income: | | | | | | |
| Net loss | | | | | (1,693,949) | (1,693,949) |
| Translation gain | | | | 455,112 | | 455,112 |
| Total comprehensive loss | | | | | | (1,238,837) |
| Balance at December 31, 2010 | 7,752,965 | \$ 7,753 | \$ 7,844,578 | \$ 692,382 | \$ 14,380,561 | \$ 22,925,274 |

The accompanying notes are an integral part of the consolidated financial statements.

American Electric Technologies, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

| | 2010 | 2009 |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Net income (loss) | \$ (1,693,949) | \$ 678,290 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Provision for bad debt | 257,253 | 150,858 |
| Allowance for obsolete inventory | (110,778) | (15,032) |
| Depreciation and amortization | 879,552 | 1,033,896 |
| Gain on sale of property and equipment | (69,669) | (14,040) |
| Equity income from joint venture | (2,304,376) | (2,129,926) |
| Stock based compensation | 215,589 | 116,460 |
| Deferred compensation costs | 68,824 | 101,582 |
| Deferred income tax (benefit) expense | (1,151,105) | 251,194 |
| Customer settlement | 100,000 | |
| Change in operating assets and liabilities: | | |
| Accounts receivable (including other and non-current contract retentions) | 1,553,123 | 5,778,902 |
| Income taxes receivable (payable) | (181,838) | (158,042) |
| Inventories | (145,827) | 839,223 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 263,480 | (269,097) |
| Prepaid expenses and other current assets | 88,978 | (38,355) |
| Accounts payable and accrued liabilities | 397,796 | (3,109,136) |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 102,832 | (1,934,087) |
| Net cash (used in) provided by operating activities | (1,730,115) | 1,282,690 |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (369,107) | (609,720) |
| Proceeds from disposal of property, plant and equipment | 70,424 | 22,651 |
| Investment in joint venture | (157,551) | |
| Proceeds from joint venture dividends | 1,214,199 | 1,711,423 |
| Net cash provided by investing activities | 757,965 | 1,124,354 |
| Cash flows from financing activities: | | |
| Proceeds from sale of common stock | 34,550 | 78,850 |
| Advances from (repayments to) revolving credit facility | 1,000,000 | (1,000,000) |
| Capital lease obligation payment | (145,591) | (137,187) |
| Principal payments on short-term notes payable | (50,000) | |
| Net cash provided by (used in) financing activities | 838,959 | (1,058,337) |
| Net increase (decrease) in cash and cash equivalents | (133,191) | 1,348,707 |
| Cash and cash equivalents, beginning of year | 1,497,305 | 148,598 |
| Cash and cash equivalents, end of year | \$ 1,364,114 | \$ 1,497,305 |
| Supplemental disclosures of cash flow information: | | |
| Interest paid | \$ 131,016 | \$ 133,633 |

| | | |
|-------------------|------------|------------|
| Income taxes paid | \$ 144,921 | \$ 202,194 |
|-------------------|------------|------------|

The accompanying notes are an integral part of the consolidated financial statements

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American Electric Technologies, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(1) Organization and Nature of Business

American Electric Technologies, Inc. (AETI or the Company) is the surviving financial reporting entity from a reverse acquisition of an 80% interest in American Access Technologies, Inc. by the shareholders of M&I Electric Industries, Inc.(M&I) on May 17, 2007. Immediately upon the completion of the reverse acquisition, American Access Technologies, Inc. changed its name to American Electric Technologies, Inc. AETI is a Florida corporation and M&I, AETI 's wholly owned subsidiary, a Texas corporation. M&I has a wholly owned subsidiary, South Coast Electric Systems, LLC (SC), a Mississippi based company, and joint venture interests in China, Singapore and Brazil. On January 1, 2008, AETI established a wholly- owned subsidiary through which it conducts its American Access Technology segment 's business.

The Company has facilities and sales offices in Texas, Mississippi and Florida and minority interests in joint ventures that have facilities in Singapore, Xian, China and Macae, Brazil. The Company owns the Texas facilities, comprised of 12 acres and 111,000 square feet, the Mississippi facility, comprised of 3 acres and 11,000 square feet and the Florida facility, comprised of a 67,500 square foot manufacturing facility situated on 8 1/2 acres of land.

American Electric Technologies, Inc. is comprised of three segments: Technical Products and Services (TP&S), Electrical and Instrumentation Construction (E&I) and American Access Technologies (AAT). The TP&S segment designs, manufactures, markets and provides products designed to distribute the flow of electricity and protect electrical equipment such as motors, transformers and cables, and also provides variable speed drives to both AC (alternating current) and DC (direct current) motors. Products offered by this segment include low and medium voltage switchgear, generator control and distribution switchgear, motor control centers, powerhouses, bus duct, variable frequency AC drives, variable speed DC drives, program logic control (PLC) based automation systems, human machine interface (HMI) and specialty panels. The products are built for application voltages from 480 volts to 38,000 volts and are used in a wide variety of industries, including renewable energy. Services provided by TP&S include electrical equipment retrofits, upgrades, startups, testing and troubleshooting of substations, switchgear, drives and control systems.

The E&I segment provides a full range of electrical and instrumentation construction and installation services to both land and marine based markets of the oil and gas industry, the water and wastewater facilities industry and other commercial and industrial markets. The E&I segment provides services on both a fixed-price and a time-and-materials basis. The segment 's services include electrical and instrumentation turnarounds, maintenance, renovation and new construction. Applications include installation of switchgear, AC and DC motors, drives, motor controls, lighting systems, high voltage cable, and data centers. Marine based oil and gas services include complete electrical system rig-ups, modifications, start-ups and testing for vessels, drilling rigs, and production modules. These services can be manufactured and installed utilizing NEMA (National Electrical Manufacturers Association) and ANSI (American National Standards Institute) or IEC (International Electrotechnical Commission) equipment to meet ABS (American Bureau of Shipping), USCG (United States Coast Guard), Lloyd 's Register, a provider of marine certification services, and DNV (a leading certification body/registrar for management systems certification services) standards.

The AAT segment manufactures and markets zone cabling enclosures and manufactures formed metals products. The zone cabling product line develops and manufactures patented zone cabling and wireless telecommunication enclosures. These enclosures mount in ceilings, walls, raised floors, and certain modular furniture to facilitate the routing of telecommunications network cabling, fiber optics and wireless solutions to the workspace environment. AAT also operates a precision sheet metal fabrication and assembly operation and provides services such as precision CNC (Computer Numerical Controlled) stamping,

bending, assembling, painting, powder coating and silk screening to a diverse client base including, but not limited to, engineering, technology and electronics companies, primarily in the Southeast.

M&I's wholly-owned subsidiary, South Coast Electric Systems, LLC, is a Delaware Limited Liability Company organized on February 20, 2003. With the exception of electrical contracting, it is engaged in the same lines of business as M&I, but it participates in different market segments.

M&I has minority interests in M&I Electric Far East PTE Ltd. (MIEFE), BOMAY Electrical Industries Company, Ltd. (BOMAY) and AETI Alliance Group do Brazil Sistemas E Servicos Em Energia LTDA (AAG). MIEFE is a Singapore company that provides sales, manufacturing and technical support internationally. BOMAY provides electrical systems primarily for land and marine based drilling rigs in China. AAG provides electrical products and services to the Brazilian energy industries. These ventures are accounted for using the equity method of accounting.

(2) Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of AETI and its wholly-owned subsidiaries, M&I and AAT, and M&I's wholly-owned subsidiary South Coast Electric Systems, LLC. Significant intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates made by management include:

Percentage of completion estimates on long-term contracts

Estimates of the provision for doubtful accounts

Estimated useful lives of property and equipment

Valuation allowances related to deferred tax assets

Financial Instruments

The Company includes fair value information in the notes to the consolidated financial statements when the fair value of its financial instruments is different from the book value. When the book value approximates fair value, no additional disclosure is made, which is the case for financial instruments outstanding as of December 31, 2010 and 2009. The Company assumes the book value of those financial instruments that are classified as current approximates fair value because of the short maturity of these instruments. For non-current financial instruments, the Company uses quoted market prices or, to the extent that there are no available quoted market prices, market prices for similar instruments.

Cash and Cash Equivalents

Cash equivalents consist of liquid investments with original maturities of three months or less. Cash equivalents are stated at cost, which approximates market value.

Accounts Receivable and Provision for Bad Debts

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The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The estimate is based on management's assessment of the

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collectability of specific customer accounts and includes consideration for credit worthiness and financial condition of those specific customers. We also will review historical experience with the customer, the general economic environment and the aging of our receivables. We record an allowance to reduce receivables to the amount that we reasonably believe to be collectible. Based on our historical collection experience, we currently believe our allowance for doubtful accounts is adequate.

Inventories

Inventories are stated at the lower of cost or market, with material value determined using an average cost method. Inventory costs for finished goods and work-in-process include direct material, direct labor, production overhead and outside services. TP&S and E&I indirect overhead is apportioned to work in process based on direct labor incurred. AAT production overhead, including indirect labor, is allocated to finished goods and work-in-process based on material consumption, which is an estimate that could be subject to change in the near term as additional information is obtained and as our operating environment changes.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Expenditures for repairs and maintenance are expensed as incurred while renewals and betterments are capitalized. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets after giving effect to salvage values.

If events or circumstances indicate the carrying amount of an asset may not be recoverable, management tests property and equipment for impairment. If the estimated future cash flows are projected to be less than the carrying amount, an impairment write-down (representing the carrying amount of the long-lived asset which exceeds the present value of estimated expected future cash flows) would be recorded as a period expense. Events that would trigger an impairment test include the following:

A significant decrease in the market price of a long-lived asset.

A significant change in the use of long-lived assets or in its physical condition.

A significant change in the business climate that could affect an assets value.

An accumulation of cost significantly greater than the amount originally expected to acquire or construct a long-lived asset.

A current period operating or cash flow loss combined with a history of such losses or a forecast demonstrating continued losses associated with the use of a long-lived asset.

An expectation to sell or otherwise dispose of a long-lived asset significantly before the end of its estimated useful life.

Based on our reviews during the two years ended December 31, 2010, there were no events or circumstances that caused management to believe that impairment tests were necessary.

Other Assets

| Intangible Assets | Estimated Useful Lives (Years) | Cost | Accumulated Amortization | Net Value |
|---------------------|--------------------------------------|-----------|-----------------------------|-----------|
| Patents | 18 | \$ 94,986 | \$ 61,200 | \$ 33,786 |
| Customer Agreements | 10 | 173,000 | 96,600 | 76,400 |

\$ 267,986

\$ 157,800

\$ 110,186

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Amortization expense related to intangible assets held by the Company for the years ended December 31, 2010 and 2009 was approximately \$22,600 in each year. Estimated amortization expense for the next five years is as follows:

| For the Year Ending December 31, | Amount |
|----------------------------------|-----------|
| 2011 | \$ 23,000 |
| 2012 | 23,000 |
| 2013 | 23,000 |
| 2014 | 23,000 |
| 2015 | 7,400 |

Federal Income Taxes

Income taxes are accounted for by applying the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to be reported to the taxing authorities. Deferred tax assets are evaluated annually and a valuation allowance is provided if it is more likely than not that, the deferred tax assets will not give rise to future benefits in the Company's tax returns.

The Company follows the guidance promulgated by Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification or ASC) 740-10, which prescribes a single model to address uncertainty in income tax positions and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740-10 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Foreign Currency Gains and Losses

Foreign currency translations are included as a separate component of comprehensive income. We have determined the local currency of our foreign joint ventures to be the functional currency. In accordance with ASC 830, the assets and liabilities of our foreign equity investees, denominated in foreign currency, are translated into U.S. dollars at exchange rates in effect at the consolidated balance sheet date; revenue and expenses are translated at the average exchange rate for the period. Related translation adjustments are reported as comprehensive income, which is a separate component of stockholders' equity, whereas gains and losses resulting from foreign currency transactions are included in results of operations.

Revenue Recognition

The Company reports earnings from firm-price and modified firm price long-term contracts on the percentage-of-completion method. Earnings are recorded based on the ratio of costs incurred to total estimated costs. However for TP&S, the Company determined that labor incurred provides an improved measure of percentage of completion. Costs include direct material, direct labor, and job related overhead. Contract revenue reflects the original contract price adjusted for approved change orders and claims to the extent that related costs have been incurred, recovery is probable and the value can be reliably estimated. For 2010 and 2009, we had no material unapproved change orders or claims recognized in revenue. Losses expected to be incurred on contracts are charged to operations in the period such losses are determined. A contract is considered complete when all costs except insignificant items have been incurred and the customer has accepted the product or project. Revenues from non-time and material jobs that will be completed within approximately one month are recognized on the completed-contract method. This method is used because these contracts are typically completed in a short period and the financial position and results of operations do not vary materially from those that would result from use of the percentage-of-completion method.

The Company records revenue from its field and technical service and repair operations on a completed service basis after customer acknowledgement that the service has been completed and accepted. Approximately 14% of the Company's consolidated revenue is recorded on this basis. In addition, the Company sells certain purchased parts and products. These revenues are recorded when the product is shipped and title passes to the customer. Approximately 1% of the Company's consolidated revenue is recorded on this basis. AAT generally recognizes revenue when manufactured products are shipped and right of ownership passes.

The asset, Work-in-process, which is included in inventories, represents the cost of labor, material, and overhead in excess of amounts billed on jobs accounted for under the completed-contract method. For contracts accounted for under the percentage-of-completion method, the asset,

Costs and estimated earnings in excess of billing on uncompleted contracts, represents revenue recognized in excess of amounts billed and the liability, Billings in excess of costs and estimated earnings on uncompleted contracts, represents billings in excess of revenue recognized. Any billed revenue that has not been collected is reported as accounts receivable. The timing of when we bill our customers is generally dependent upon advance billing terms or completion of certain phases of the work. At December 31, 2010 and 2009, accounts receivable included contract retentions expected to be collected within one year totaling \$437,474 and \$548,224, respectively. Contract retentions collectible beyond one year are included in non-current contract retentions and totaled \$51,057 and \$36,666 at December 31, 2010 and 2009, respectively.

On occasion, the Company enters into long-term contracts that include services performed by more than one operating segment particularly TP&S contracts which include electrical and instrumentation construction services performed by our E&I segment. The Company segments revenue, costs and gross profit related to these contracts if they meet the contract segmenting criteria in ASC 605-35, including that the terms and scope of the project clearly call for separate elements, the separate elements are often bid or negotiated by the Company separately and the total economic returns and risks of the separate elements are similar to the economic returns and risks of the overall contract. For segmented contracts, the Company recognizes revenue as if they were separate contracts over the performance periods of the individual elements.

Contract revenue recognition inherently involves estimation, including the contemplated level of effort to accomplish the tasks under the contract, the cost of the effort, and an ongoing assessment of progress toward completing the contract. From time to time, as part of the normal management processes, facts develop that require revisions to estimated total cost or revenue expected. The cumulative impact of any revisions to estimates and the full impact of anticipated losses on contracts are recognized in the period in which they become known. Projected losses on all other contracts are recognized as the services and materials are provided.

Shipping and handling Fees and Costs

Shipping and handling fees, if billed to customers, are included in net sales. Shipping and handling costs associated with inbound freight are expensed as incurred. Shipping and handling costs associated with outbound freight are classified as cost of sales.

Concentration of Market Risk and Geographic Operations

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable. The Company's market risk is dependent primarily on the strength of the oil and gas and energy related industries. The Company grants credit to customers and generally does not require security except in the case of certain international contracts. Procedures are in effect to monitor the credit worthiness of its customers. During 2010 one customer accounted for approximately 11% of net revenue and 8% of net accounts receivable trade; however, during 2009, no single customer represented 10% or more of Company revenue.

The Company sells its products and services in domestic and international markets; however, significant portions of the Company's sales are concentrated with customers located in the Gulf Coast. The Gulf Coast region accounts for approximately 60% to 65% of the Company's revenue during the two years ended December 31, 2010.

Recently Issued Accounting Pronouncements

Subsequent Events

In May 2009, the Financial Accounting Standards Board (FASB) issued accounting guidance on subsequent events that establishes standards of accounting for and disclosure of subsequent events. In addition, it requires disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. This new guidance was adopted for our financial statements for the quarterly period ending June 30, 2009. The adoption of this guidance did not have a material impact on our results of operations, financial position, or liquidity. In February 2010, the FASB issued amended guidance to eliminate the requirement for an SEC filer to disclose the date through which it has evaluated subsequent events. The adoption of the amended guidance did not have a material impact on the Company's results of operations, financial position, or liquidity.

Variable Interest Entities

In December 2009, the FASB issued accounting guidance on variable interest entities which amends previous GAAP and requires a company to perform an analysis to determine whether its interest in a variable interest entity gives it a controlling financial interest. This analysis requires a company to assess whether it has the power to direct the activities of the variable interest entity and if it has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the variable interest entity. The new guidance eliminates the quantitative approach previously required for determining the primary beneficiary of a variable interest entity, requires an ongoing reassessment of whether a company is the primary beneficiary of a variable interest entity, and significantly enhances disclosures. This update became effective for us in the quarter ended March 31, 2010. The adoption of this guidance did not have a material impact on our results of operations, financial position, or liquidity.

Disclosures about Fair Value Measurements

In January 2010, the FASB issued accounting guidance to improve disclosures of fair value measurements. This guidance requires an entity to: (i) disclose separately the amounts of significant transfers in and out of Level 1 (quoted prices in active markets for identical assets or liabilities) and Level 2 (other significant observable inputs) fair value measurements and describe the reasons for the transfers and (ii) present separate information for Level 3 (unobservable inputs that are supported by little or no market activity and that are significant) activity pertaining to gross purchases, sales, issuances, and settlements. This update became effective for us in the quarter ended March 31, 2010, except that the disclosure on the roll forward activities for Level 3 fair value measurements will become effective for us with the reporting period beginning January 1, 2011. The adoption of this guidance did not have a material impact on our results of operations, financial position, or liquidity.

Financing Receivables

In July 2010, the FASB issued new accounting guidance to provide greater transparency and address disclosures about the credit quality of financing receivables and the allowance for credit losses. In addition, this guidance assists in the assessment of credit risk exposures and evaluation of the adequacy of allowances for credit losses. Additional disclosures must be provided on a disaggregated basis. The guidance defines two levels of disaggregation - portfolio segment and class of financing receivable. Additionally, the update requires disclosure of credit quality indicators, past due information and modifications of financing

receivables. This guidance is effective for the Company for interim or annual periods ending on or after December 15, 2010. This guidance has no material impact on the Company's results of operations, financial position, or liquidity.

Reclassification

Certain items are reclassified in the 2009 consolidated financial statements to conform to the 2010 presentation.

(3) Inventories

Inventories consisted of the following at December 31, 2010 and 2009:

| | 2010 | 2009 |
|-------------------|--------------|--------------|
| Raw materials | \$ 1,201,815 | \$ 1,378,765 |
| Work-in-process | 2,127,966 | 1,581,008 |
| Finished goods | 565,307 | 745,100 |
| | 3,895,088 | 3,704,873 |
| Less: Allowance | (75,002) | (141,392) |
| Total inventories | \$ 3,820,086 | \$ 3,563,481 |

(4) Costs, Estimated Earnings, and Related Billings on Uncompleted Contracts

Contracts in progress at December 31, 2010, and 2009 consisted of the following:

| | 2010 | 2009 |
|--|--------------|---------------|
| Cost incurred on uncompleted contracts | \$ 8,423,136 | \$ 15,492,359 |
| Estimated earnings | 499,807 | 1,452,143 |
| | 8,922,943 | 16,944,502 |
| Billings on uncompleted contracts | (6,492,362) | (14,147,609) |
| | \$ 2,430,581 | \$ 2,796,893 |

Costs, estimated earnings, and related billing on uncompleted contracts consisted of the following at December 31, 2010, and 2009:

| | 2010 | 2009 |
|--|--------------|--------------|
| Cost and estimated earnings in excess of billings on uncompleted contracts | \$ 3,486,887 | \$ 3,750,367 |
| Billings in excess of cost and estimated earnings on uncompleted contracts | (1,056,306) | (953,474) |
| | \$ 2,430,581 | \$ 2,796,893 |

(5) Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31, 2010, and 2009:

| Category | Estimated Useful Lives (years) | 2010 | 2009 |
|---|--------------------------------------|--------------|--------------|
| Buildings and improvements | 15 25 | \$ 4,413,375 | \$ 4,321,499 |
| Office equipment and furniture | 2 7 | 1,701,115 | 1,444,280 |
| Automobiles and trucks | 2 5 | 576,737 | 662,110 |
| Machinery and shop equipment | 2 10 | 4,873,345 | 5,148,106 |
| | | 11,564,572 | 11,575,995 |
| Less: accumulated depreciation and amortization | | 7,244,541 | 6,916,582 |
| | | 4,320,031 | 4,659,413 |
| Land | | 348,881 | 348,881 |
| Construction in progress | | 36,363 | 185,603 |
| | | \$ 4,705,275 | \$ 5,193,897 |

During the years ended December 31, 2010 and 2009, depreciation charged to operations amounted to \$856,974 and \$1,011,320, respectively. Of these amounts, \$571,759 and \$634,900 was charged to cost of sales while \$281,285 and \$376,420 was charged to selling, general and administrative expenses for the years ended December 31, 2010 and 2009, respectively.

(6) Advances to and Investment in Joint Ventures

The Company owns 49% of MIEFE which provides additional sales and technical support in Asia. The Company's equity in the income of the joint venture was \$55,976 and \$395,445 for the years ended December 31, 2010 and 2009, respectively. Sales made to the joint venture were \$20,764 and \$358,132 for the years ended December 31, 2010 and 2009, respectively. Accounts receivable from MIEFE was \$53 and \$59,885 at December 31, 2010 and 2009, respectively.

The Company has a joint venture agreement and holds a 40% interest in a Chinese company, BOMAY, which builds electrical systems for sale in China. The majority partner in this joint venture is a subsidiary of a major Chinese oil company. M&I made an investment of \$1 million in 2006 and made an additional \$1 million investment in 2007. The Company's equity in income of the joint venture was \$2,341,525 and \$1,734,481 for the years ended December 31, 2010 and 2009, respectively. Sales made to the joint venture were \$70,550 and \$50,041 for the years ended December 31, 2010 and 2009, respectively. Accounts receivable from BOMAY was \$8,202 and \$44,245 at December 31, 2010 and 2009, respectively.

The company owns 49% of AETI Alliance Group do Brasil Sistemas E Servicos Em Energia LTDA, a Brazilian Limited Liability Company, (AAG), formed in 2010. The Company's equity in loss of the joint venture was (\$93,125) for the year ended December 31, 2010.

The Company employs certain individuals to maintain strong working relationships with local management, monitor activities of the joint ventures, and report to Company management. During 2010 and 2009, the Company recognized \$436,101 and \$406,816, respectively, for costs associated with these employees, including compensation, benefits and other payroll related expenses, and travel, which is included in other income (expense) joint venture management related expenses in the accompanying consolidated statements of operations.

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Sales to joint ventures are made on an arms length basis and intercompany profits, if any, are eliminated in consolidation. Summary financial information of MIEFE and BOMAY in U.S. dollars was as follows at December 31, 2010 and 2009 (in thousands):

| | BOMAY | | MIEFE | | AAG |
|-------------------------------------|------------------|------------------|-----------------|-----------------|---------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 |
| Assets: | | | | | |
| Total current assets | \$ 47,401 | \$ 31,604 | \$ 3,842 | \$ 4,135 | \$ 131 |
| Total non-current assets | 5,155 | 4,498 | 230 | 158 | |
| Total assets | \$ 52,556 | \$ 36,102 | \$ 4,072 | \$ 4,293 | \$ 131 |
| Liabilities and equity: | | | | | |
| Total current liabilities | \$ 35,303 | \$ 21,520 | \$ 1,441 | \$ 1,682 | \$ |
| Total partnership equity | 17,253 | 14,582 | 2,631 | 2,611 | 131 |
| Total liabilities and equity | \$ 52,556 | \$ 36,102 | \$ 4,072 | \$ 4,293 | \$ 131 |
| Gross sales | \$ 38,726 | \$ 34,297 | \$ 3,171 | \$ 7,117 | \$ |
| Net income | 4,164 | 4,336 | 151 | 824 | (125) |

The Company made certain adjustments to the reported results that it believes are necessary to comply with accounting principles generally accepted in the U.S.

The Company's investment in and advances to its joint ventures were as follows as of December 31, 2010 and 2009:

| | 2010 | | | | 2009 | | |
|--------------------------------------|---------------------|---------------------|------------------|---------------------|---------------------|---------------------|---------------------|
| | BOMAY | MIEFE | AAG | TOTAL | BOMAY | MIEFE | TOTAL |
| Investment in joint ventures: | | | | | | | |
| Balance, beginning of year | \$ 2,033,000 | \$ 17,469 | \$ | \$ 2,050,469 | \$ 2,033,000 | \$ 17,469 | \$ 2,050,469 |
| Additional amounts invested | | | 157,551 | 157,551 | | | |
| Balance, end of year | 2,033,000 | 17,469 | 157,551 | 2,208,020 | 2,033,000 | 17,469 | 2,050,469 |
| Undistributed earnings: | | | | | | | |
| Balance, beginning of year | 2,918,593 | 1,108,937 | | 4,027,530 | 2,726,511 | 882,516 | 3,609,027 |
| Equity in earnings (loss) | 2,341,525 | 55,976 | (93,125) | 2,304,376 | 1,734,481 | 395,445 | 2,129,926 |
| Dividend distributions | (1,039,214) | (174,985) | | (1,214,199) | (1,542,399) | (169,024) | (1,711,423) |
| Balance, end of year | 4,220,904 | 989,928 | (93,125) | 5,117,707 | 2,918,593 | 1,108,937 | 4,027,530 |
| Foreign currency translation: | | | | | | | |
| Balance, beginning of year | 222,858 | 146,701 | | 369,559 | 212,494 | 112,246 | 324,740 |
| Change during the year | 544,571 | 134,937 | | 679,508 | 10,364 | 34,455 | 44,819 |
| Balance, end of year | 767,429 | 281,638 | | 1,049,067 | 222,858 | 146,701 | 369,559 |
| Investments, end of year | \$ 7,021,333 | \$ 1,289,035 | \$ 64,426 | \$ 8,374,794 | \$ 5,174,451 | \$ 1,273,107 | \$ 6,447,558 |

Under the equity method, the Company's share of the joint ventures' earnings or loss is recognized in the statement of operations as other income (expense) equity in income (loss) of joint ventures. Joint venture income increases the carrying value of the joint ventures and joint venture losses reduce the carrying value. Dividends received from the joint ventures reduce the carrying value.

In accordance with the People's Republic of China, (PRC), Regulation on Enterprises with Foreign Investment, an enterprise established in the PRC with foreign investment is required to provide for certain statutory reserves, namely (i) General Reserve Fund, (ii) Enterprise Expansion Fund and (iii) Staff Welfare and Bonus Fund, which are appropriated from net profit as reported in the enterprise's PRC statutory accounts. A Wholly-Owned Foreign Enterprise, (WOFE), is required to allocate at least 10% of its annual after-tax profit to the General Reserve Fund until the balance of such fund has reached 50% of its respective registered capital. A non-wholly-owned foreign invested enterprise is permitted to provide for the above allocation at the discretion of its board of directors. Appropriations to the Enterprise Expansion Fund and Staff Welfare and Bonus Fund are at the discretion of the board of directors for all foreign invested enterprises. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. As a result, \$944,529 and \$602,690 have been appropriated to the accumulated statutory reserves (included in the retained earnings) by the Company as of December 31, 2010 and 2009.

Each reporting period, the Company evaluates the carrying value of these equity method investments as to whether an impairment adjustment may be necessary. In making this evaluation, a variety of quantitative and qualitative factors are considered including national and local economic, political and market conditions, industry trends and prospects, liquidity and capital resources and other pertinent factors. Based on this evaluation for this reporting period, the Company does not believe an impairment adjustment is necessary.

During 2007, the Company's equity income in the reported results of BOMAY was net of certain expense adjustments totaling approximately \$660,000 that were recorded to include management's estimate of warranty costs and management's estimate of a provision for doubtful accounts for contractual amounts due from BOMAY. In recording these adjustments, a variety of factors were considered by management including local operating conditions, potential warranty costs associated with introduction of new products in the Chinese market and uncertainty regarding the collectability of amounts due from BOMAY arising from certain contractual obligations. Based on the evaluation in the three months ended March 31, 2010, management determined that the allowance was no longer necessary.

This determination was based on a number of changed circumstances including the satisfaction of all past contractual obligations by BOMAY, good historical performance of its manufactured products and positive relationships built with local management that the Company believes have eliminated any collection issues on the contractual obligations. This change in estimate increased the carrying value of the investment by \$660,000 and was included in our statements of operations as other income (expense) equity in income of joint ventures for the year ended December 31, 2010.

(7) Income Taxes

The components of Income (loss) before the (provision) benefit for income taxes for the years ended December 31, 2010 and 2009 were as follows:

| | 2010 | 2009 |
|---------------|----------------|----------------|
| United States | \$ (5,063,680) | \$ (1,075,894) |
| Foreign | 2,279,376 | 2,043,203 |
| | \$ (2,784,304) | \$ 967,309 |

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The components of the provision (benefit) for income taxes for the years ended December 31, 2010 and 2009 were as follows:

| | 2010 | 2009 |
|-------------------------------------|----------------|------------|
| Current provision: | | |
| United States | \$ 15,887 | \$ |
| Foreign | | |
| States (United States) | 44,863 | 37,105 |
| Total current provision | 60,750 | 37,105 |
| Deferred provision (benefit): | | |
| United States | (1,057,865) | 251,914 |
| Foreign | | |
| States (United States) | (93,240) | |
| Total deferred provision (benefit): | (1,151,105) | 251,914 |
| | \$ (1,090,355) | \$ 289,019 |

Significant components of the Company's deferred federal income taxes were as follows:

| | 2010 | | 2009 | |
|---------------------------------|------------|--------------|------------|--------------|
| | Current | Non-Current | Current | Non-Current |
| Deferred tax assets: | | | | |
| Accrued liabilities | \$ 168,840 | \$ | \$ 85,509 | \$ |
| Deferred compensation | | 260,989 | | 42,207 |
| Allowance for doubtful accounts | 240,105 | | 158,004 | |
| Inventory | 192,893 | | 243,378 | |
| Long-term contracts | 53,793 | | 60,227 | |
| Net operating loss | | 3,349,114 | | 2,172,896 |
| Intangible assets | | 86,729 | | 83,649 |
| Foreign tax credit carryforward | | 718,742 | | 614,059 |
| Deferred tax assets | 655,631 | 4,415,574 | 547,118 | 2,912,811 |
| Deferred tax liabilities: | | | | |
| Equity in foreign investments | | (1,593,315) | | (1,188,303) |
| Property and equipment | | (128,313) | | (100,780) |
| Intangible assets | | (9,310) | | (9,059) |
| Translation gain | | (356,683) | | (132,905) |
| Other | | | | (189,712) |
| Deferred tax liabilities | | (2,087,621) | | (1,620,759) |
| Net deferred assets | \$ 655,631 | \$ 2,327,953 | \$ 547,118 | \$ 1,292,052 |

The net operating loss deferred tax asset includes the estimated benefit of \$9,428,894 in net operating losses acquired from American Access Technologies, Inc, subject to the utilization limitation under Section 382 of the Internal Revenue Code. The net operating loss carry forwards are available to offset future taxable income and expire, if unused, during the federal tax years ending December 31, 2018 through 2025.

The difference between the effective income tax rate reflected in the provision for income taxes and the amounts, which would be determined by applying the statutory income tax rate of 34%, is summarized as follows:

| | 2010 | 2009 |
|--|----------------|------------|
| Provision (benefit) at U.S Federal statutory rate | \$ (946,663) | \$ 420,526 |
| Effect of state income taxes | (36,777) | 37,105 |
| Non-deductible business meals and entertainment expenses | 21,961 | (19,395) |
| Foreign income taxes included in equity in earnings | (98,057) | (143,430) |
| Other accrual to return adjustments | (30,819) | (5,787) |
| | \$ (1,090,355) | \$ 289,019 |

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company's 2008 U.S. federal income tax return is currently being examined by the Internal Revenue Service; however, management expects there will be no material change in our financial position or results of operations as a result of this examination. With few exceptions, the Company is no longer subject to federal and state tax examinations for years prior to 2006.

The Company recognizes net interest and penalties related to uncertain tax positions in other income (expense) interest expense and other income (expense) other, net, respectively. At December 31, 2010 and 2009, the Company believes there are no uncertain income tax positions and hence did not recognize any interest or penalties.

(8) Notes Payable

The components of notes payable at December 31, 2010 and 2009 are as follows:

| | 2010 | 2009 |
|--|--------------|--------------|
| Revolving credit agreement | \$ 4,000,000 | \$ 3,000,000 |
| Capital lease obligation (Note 9) | 365,312 | 510,903 |
| Other short-term note payable | 50,000 | |
| Total notes payable | 4,415,312 | 3,510,903 |
| Less current portion of capital lease obligation and short-term note | (193,954) | (134,992) |
| Non-current notes payable | \$ 4,221,358 | \$ 3,375,911 |

Revolving Credit Agreement

Effective July 1, 2010, the Company amended its revolving credit agreement with JP Morgan Chase Bank, N.A. As amended, the bank provides the Company with a revolving credit line not to exceed the lesser of \$10,000,000 or the sum of (i) 80% of eligible accounts receivable and (ii) 40% of the eligible inventory up to an amount not to exceed \$1,000,000, less (iii) \$75,000. In addition, the interest rate on borrowings under the agreement was amended, increasing the rate from the 30 day LIBOR rate plus 2.25% to the 30 day LIBOR rate plus 2.75%. As of December 31, 2010, \$4,000,000 was borrowed under this line of credit.

Borrowings under the agreement bear interest at an annual rate based on the 30 day LIBOR rate (0.26% at December 31, 2010) plus 2.75% per year. The agreement is collateralized on trade accounts receivable, equipment, inventories, and work-in-process. Our subsidiaries are guarantors of the loan. Loans under the agreement must be repaid no later than July 1, 2012.

Under the agreement, the Company pays a commitment fee of 0.3% of the unused portion of the credit limit each quarter. Additionally, the terms of the agreement contain covenants which provide for customary

restrictions and limitations, the maintenance of certain financial ratios, including maintenance of a minimum current ratio, leverage ratio and tangible net worth and restriction from paying dividends without prior written consent of the bank. The maximum borrowing amount under the loan shall not exceed \$4,000,000 (the Line Limit) in the event that adjusted net income is less than \$1.00 at any time. Adjusted net income is defined as net income from operations plus depreciation and amortization.

As amended, the agreement contains a tangible net worth covenant that required the Company to maintain a minimum tangible net worth, as defined in the agreement, of \$11,350,000. Tangible net worth, as defined by the Company's credit facility was approximately \$11,200,000 and \$16,900,000 at December 31, 2010 and 2009, respectively.

On March 28, 2011, the Company amended its revolving credit agreement with the Bank, effective December 31, 2010, to lower the minimum required Tangible Net Worth to \$10,000,000 (from \$11,350,000) and increased the Line Limit to \$6,000,000 (from \$4,000,000). The revised agreement includes the Company's real estate in Houston and Beaumont, Texas as additional collateral for borrowings under the line. All other terms of the agreement remained unchanged.

(9) Leases

The Company leases equipment (principally trucks) under operating lease agreements that expire at various dates to 2015. Rental expense relating to operating leases and other short-term leases for the years ended December 31, 2010 and 2009, amounted to approximately \$767,000 and \$770,000, respectively.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2010:

| Year Ending December 31, | Amount |
|--------------------------|------------|
| 2011 | \$ 233,605 |
| 2012 | 233,605 |
| 2013 | 185,850 |
| 2014 | 137,052 |
| 2015 | 72,459 |
| | \$ 862,571 |

In March, 2008, the Company entered into a capital lease in order to finance shop equipment and related training expenses related to its American Access segment. The lease term commenced in June, 2008 when the equipment was installed and operational. The lease obligation and capitalized amount at inception was \$724,520 and the lease term is 60 months. Future minimum lease payments associated with this capital lease are as follows:

| Year Ending December 31, | Amount |
|--|------------|
| 2011 | \$ 172,963 |
| 2012 | 166,210 |
| 2013 | 54,122 |
| Total future minimum lease payments | 393,295 |
| Less imputed interest | (27,983) |
| Net present value of future minimum lease payments | \$ 365,312 |

(10) Stock and Stock-based Compensation Employee Stock Purchase Plan

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The Company issued 15,372 and 21,168 shares of Company stock during 2010 and 2009, respectively, in connection with an Employee Stock Purchase Plan that commenced in April 2008.

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Restricted Stock Units

During 2010 and 2009, the Board of Directors approved the grants of approximately 230,000 and 160,000 restricted stock units (RSU s) to members of management and key employees as part of the 2007 Employee Stock Incentive Plan. In May 2010, the stockholders of the Company approved amendments to the 2007 Employee Stock Incentive Plan to increase the number of shares available for issuance under the plan from 300,000 shares to 800,000 shares of stock. The number of RSUs awarded is generally subject to the substantial achievement of budgeted performance and other individual metrics. The RSUs do not have voting rights of the common stock, and the shares of common stock underlying the RSUs are not considered issued and outstanding until actually vested and issued. In addition, the awards vest in 25% increments over four years from the grant date.

The following table summarizes the activity for unvested restricted stock units for the years ended December 31, 2010 and 2009:

| | Units | Weighted Average Fair Value Per RSU |
|--|----------|--|
| Unvested restricted stock units at December 31, 2008 | 41,953 | \$ 4.14 |
| Awarded | 105,344 | \$ 1.87 |
| Vested | (14,072) | \$ 3.56 |
| Forfeited | (310) | \$ 1.85 |
| Unvested restricted stock units at December 31, 2009 | 132,915 | \$ 2.41 |
| Awarded | 123,760 | \$ 2.26 |
| Vested | (36,718) | \$ 2.51 |
| Forfeited | (18,314) | \$ 2.36 |
| Unvested restricted stock units at December 31, 2010 | 201,643 | \$ 2.26 |

Compensation expense of approximately \$176,000 and \$82,000 was recorded in the years ended December 31, 2010 and 2009, respectively, to reflect the fair value of the original RSU s granted or anticipated to be granted less forfeitures, amortized over the portion of the vesting period occurring during the period. The fair value of the RSUs was based on the closing price of our common stock as reported on the NASDAQ Stock Market (NASDAQ) on the grant date. Based upon the fair value on the grant date of the number of shares awarded or expected to be awarded, it is anticipated that approximately \$450,000 of additional compensation cost will be recognized in future periods through 2014. The weighted average period over which this additional compensation cost will be expensed is 2.6 years.

During February 2011, the Board of Directors approved the grants of approximately 210,000 RSUs in conjunction with the Plan, of which, approximately 143,000 units are subject to 2011 fiscal performance measures.

Stock Options

The Company recognizes compensation expense related to stock options in accordance with the Financial Accounting Standards Board (FASB) standard regarding share-based payments, and as such, has measured the share-based compensation expense for stock options granted during the year ended December 31, 2008 based upon the estimated fair value of the award on the date of grant and recognizes the compensation expense over the award s requisite service period. The weighted average fair values were calculated using the Black Scholes-Merton option pricing model. There were no options issued in 2010 or 2009.

Details of stock option activity during the years ended December 31, 2010 and 2009 follows:

| | 2010 | 2010 Weighted Average Exercise Price | 2009 | 2009 Weighted Average Exercise Price |
|----------------------------------|-----------|---|-----------|---|
| Outstanding at beginning of year | 274,007 | \$ 8.47 | 450,937 | \$ 8.47 |
| Options granted | | | | |
| Options exercised | | | | |
| Options forfeited | (6,502) | 4.09 | (150) | 4.09 |
| Options expired | (206,220) | 9.75 | (176,780) | 8.33 |
| Outstanding at end of year | 61,285 | 4.29 | 274,007 | 8.40 |
| Exercisable at end of year | 44,083 | \$ 4.37 | 243,257 | \$ 8.94 |

A summary of outstanding stock options as of December 31, 2010 follows:

| Number of Options | Expires | Remaining Contractual Life (Years) | Weighted Average Exercise Price | Intrinsic Value |
|-------------------------|---------|---|--|--------------------|
| 26,880 | 2012 | 1.0 years | \$ 4.55 | \$ |
| 34,405 | 2013 | 2.1 years | 4.09 | |
| 61,285 | | | \$ 4.29 | |

Compensation expense of approximately \$16,000 and \$15,000 was recorded in the years ended December 31, 2010 and 2009, respectively, which is included in selling and administrative expenses in the consolidated statements of operations. As of December 31, 2010, there was approximately \$17,000 of total unrecognized compensation cost related to non-vested stock option awards which is expected to be recognized over a weighted average period of 2.2 years.

Board of Directors Compensation

Directors who are not employees of the Company and who do not have a compensatory agreement providing for service as a director of the Company receive a retainer fee payable quarterly. Eligible directors may elect to defer 50% to 100% of their retainer fee, which may be used to acquire common stock of the Company at the fair market value on the date the retainer fee would otherwise be paid, acquire stock units equivalent to the fair market value of the Company's common stock on the date the retainer fee would otherwise be paid, or be paid in cash. During the years ended December 31, 2010 and 2009, directors of the Company elected to defer retainer fees to acquire approximately 10,800 and 11,800, respectively, stock units. Compensation expense of approximately \$24,000 and \$27,000 was recorded in the years ended December 31, 2010 and 2009, respectively, which is included in general and administrative expenses in the consolidated statements of operations.

(11) Commitments and Contingencies

The Company completed a \$6,700,000 E&I construction contract during the early part of 2010 on which a loss of \$1,200,000 was incurred. The loss was largely attributable to cost incurred by the Company as a result of the failure of a subcontractor to complete its work. The Company has filed a claim against the general contractor for approximately \$1,100,000 associated with this issue. As a result of this dispute, the general contractor has filed a claim against the Company for \$800,000 claiming the Company caused overall project delays. In addition, the general contractor has withheld a portion of the Company's contract balance to cover the claim. This dispute is expected to be resolved through binding arbitration in May 2011. The Company does not expect the resolution of this matter to result in a material impact to its financial position.

On September 1, 1999, the Company created a group medical and hospitalization minimum premium insurance program. For the policy year ended August 2010, the Company is liable for all claims each year up to \$60,000 per insured, or \$1,375,000 in the aggregate. An outside insurance company insures any claims in excess of these amounts. The Company's expense for this minimum premium insurance totaled \$870,750 and \$1,291,005 during the years ended December 31, 2010 and 2009, respectively. Insurance reserves included in accrued payroll and benefits in the accompanying consolidated balance sheets were approximately \$72,000 and \$106,000 at December 31, 2010 and 2009, respectively.

(12) Employee Benefit and Bonus Plans

The employees of the Company are eligible to participate in a 401(k) plan sponsored by the Company. The plan is a defined contribution 401(k) Savings and Profit Sharing Plan (the Plan) that covers all full-time employees who meet certain age and service requirements. Employees may contribute up to 20% of their annual gross pay through salary deferrals. The Company may provide discretionary contributions to the Plan as determined by the Board of Directors. For the years ended December 31, 2010 and 2009, the Company made contributions of approximately \$0 and \$95,000, respectively.

The Company maintains an Executive Performance bonus plan, which covers approximately 40 officers and certain key employees. Under the plan, the participants receive a percentage of a bonus pool based primarily on pre-tax income in relation to budget. The Board of Directors approves the executive performance plan at the beginning of each year. During the years ended December 31, 2010 and 2009, the Company recorded approximately \$266,000 and \$320,000 under the plan, respectively, all of which was included in accrued expenses as of the respective year end.

The Company instituted a Supplemental Management Performance bonus program for 2010 for participating executives. Under this plan, executives receive a percentage of a bonus pool not to exceed \$2,500,000 with respect to consolidated earnings before tax over budgeted amounts. During 2010, the Company did not attain the performance measures as prescribed by the plan and no expense was recognized.

(13) Related Party Transactions

During 2010 and 2009, the Company received legal advice on various Company matters from a law firm related to a director of the Company. The Company incurred expenses totaling approximately \$48,000 and \$75,000 related to these services during 2010 and 2009, respectively, which is included in general and administrative expenses in the accompanying consolidated statements of operations. As of December 31, 2010 and 2009, there were no outstanding amounts owed to this law firm for services provided.

In August 2009, the Company entered into an employment agreement with the Executive Chairman of the Board of Directors (Executive Chairman), whereby the Company will compensate the Executive Chairman \$180,000 and \$120,000 during 2010 and 2011, respectively. Under the terms of the agreement, the Executive Chairman will assist in international joint venture relations and operations, technical developments, manufacturing and transformative business development projects and other special projects assigned by the Company. In November 2010, the Company amended the agreement to extend the term through 2012 with compensation for 2012 at \$120,000. In addition, the amendment included a bonus equal to 1% of the amount reported by the Company as equity in income of joint ventures in the consolidated statement of operations. During 2010, the Company paid compensation of \$180,000 under the terms of the agreement, which is included in general and administrative expenses in the accompanying statement of operations.

(14) Segment Reporting

The Company follows the guidance prescribed by ASC Topic 280, *Segment Reporting*, which governs the way the Company reports information about its operating segments.

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Management has organized the Company around its products and services and has three reportable segments: Technical Products and Services (TP&S), Electrical and Instrumentation Construction (E&I) and American Access Technologies (AAT). TP&S develops, manufactures, provides and markets switchgear and variable speed drives. The service component of this segment includes retrofitting equipment upgrades, startups, testing and troubleshooting electrical substations, switchgear, drives and control systems. Additionally, joint venture equity income is included in TP&S income before income taxes because their operations are exclusively involved in TP&S activities. The E&I segment installs electrical equipment for the energy, water, industrial, marine and commercial markets. The AAT segment manufactures and markets zone cabling products and manufactures formed metal products of varying designs.

Following are selected financial details regarding the Company's reportable segments (in thousands):

| | 2010 | 2009 |
|---|------------|-----------|
| Revenue: | | |
| Technical products and services | \$ 20,583 | \$ 31,058 |
| Electrical and instrumentation construction | 11,503 | 14,570 |
| American Access | 6,878 | 6,535 |
| | \$ 38,964 | \$ 52,163 |
| Gross Profit (Loss): | | |
| Technical products and services | \$ 1,155 | \$ 6,096 |
| Electrical and instrumentation construction | 834 | (483) |
| American Access | 1,667 | 1,018 |
| | \$ 3,656 | \$ 6,631 |
| Income (Loss) Before Income taxes: | | |
| Technical products and services | \$ (983) | \$ 4,677 |
| Electrical and instrumentation construction | (911) | (1,834) |
| American Access | 251 | (557) |
| Corporate and other unallocated expenses | (1,141) | (1,319) |
| | \$ (2,784) | \$ 967 |

Selling, general and administrative expenses are directly allocated to its TP&S and E&I business segments based on their revenue because these expenses are centrally controlled and incurred. AAT's selling general and administrative expenses are captured directly.

Approximately 25% and 22% of Technical Products and Services were sold into international markets in 2010 and 2009, respectively. These sales are made in US dollars and are generally settled prior to shipment or are secured by irrevocable letters of credit. All of Electrical and Instrumentation Construction sales are made in the United States. The Company's only assets that are held outside the United States are the Singapore, Chinese, and Brazilian affiliates (Note 6). The functional currencies of our affiliates are their respective local currencies.

During 2010 one customer accounted for approximately 11% of net revenue; however, during 2009, no single customer represented 10% or more of Company revenue.

During the fourth quarter of 2010, the Company determined that certain costs included in cost of sales in the accompanying consolidated statements of operations related to research and development activities and management of the Company's joint ventures. Costs totaling \$881,855 and \$262,462 have been reclassified from cost of sales to operating expenses—research and development for the years ended December 31, 2010 and 2009, respectively. In addition, management related expenses of the Company's joint venture of \$436,101 and \$406,816 have been reclassified from cost of sales to other income (expense)—joint venture management related expenses for the years ended December 31, 2010 and 2009, respectively.

As a result of the reclassification, originally reported cost of sales for the year ended December 31, 2009 was decreased by \$582,555, with a corresponding increase in gross profit for the same amount. In addition, operating expenses increased by \$262,462 and other income (expense) decreased by \$406,816 for the same period. The quarterly breakdown of the reclassification for 2010 and 2009 is presented in the table below. The reclassification had no effect on revenues, net income (loss) or earnings (loss) per share.

The following table reflects the quarterly information as originally reported and amounts as reclassified for the applicable time periods.

| | 2010 Quarters | | | | |
|-----------------------------------|---------------|-----------|-----------|-----------|-----------|
| | First | Second | Third | Fourth | Total |
| As originally reported: | | | | | |
| Revenues | \$ 9,658 | \$ 8,288 | \$ 10,472 | \$ 10,546 | \$ 38,964 |
| Gross profit | 464 | 1 | 672 | 1,505 | 2,642 |
| Net income (loss) | (410) | (1,143) | (340) | 199 | (1,694) |
| Earnings (loss) per share: | | | | | |
| Basic and fully diluted | \$ (0.05) | \$ (0.15) | \$ (0.04) | \$ 0.02 | \$ (0.22) |
| As reclassified: | | | | | |
| Revenues | \$ 9,658 | \$ 8,288 | \$ 10,472 | \$ 10,546 | \$ 38,964 |
| Gross profit | 727 | 381 | 1,043 | 1,505 | 3,656 |
| Net income (loss) | (410) | (1,143) | (340) | 199 | (1,694) |
| Earnings (loss) per share: | | | | | |
| Basic and fully diluted | \$ (0.05) | \$ (0.15) | \$ (0.04) | \$ 0.02 | \$ (0.22) |
| | 2009 Quarters | | | | |
| | First | Second | Third | Fourth | Total |
| As originally reported: | | | | | |
| Revenues | \$ 15,978 | \$ 12,174 | \$ 11,967 | \$ 12,044 | \$ 52,163 |
| Gross profit | 2,228 | 714 | 1,825 | 1,281 | 6,048 |
| Net income (loss) | 652 | (291) | 170 | 147 | 678 |
| Earnings (loss) per share: | | | | | |
| Basic and fully diluted | \$ 0.08 | \$ (0.04) | \$ 0.02 | \$ 0.03 | \$ 0.09 |
| As reclassified: | | | | | |
| Revenues | \$ 15,978 | \$ 12,174 | \$ 11,967 | \$ 12,044 | \$ 52,163 |
| Gross profit | 2,393 | 807 | 1,999 | 1,432 | 6,631 |
| Net income (loss) | 652 | (291) | 170 | 147 | 678 |
| Earnings (loss) per share: | | | | | |
| Basic and fully diluted | \$ 0.08 | \$ (0.04) | \$ 0.02 | \$ 0.03 | \$ 0.09 |

EXHIBIT INDEX

- 3.1 Restated Articles of Incorporation of the Registrant. (Incorporated by Reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed May 12, 2008)
- 3.2 Amended and Restated Bylaws of the Registrant. (Incorporated by Reference to Exhibit 3.2 to Registrant's Current Report on Form 8-K filed February 9, 2009)
- 10.1 Employee 2000 Stock Option Plan. (Incorporated by Reference to Exhibit 8.16 to Registrant's Annual Report on Form 10-QSB as filed April 20, 2000.)*
- 10.2 Directors 2000 Stock Option Plan. (Incorporated by Reference to Exhibit 8.17 to Registrant's Annual Report on Form 10-QSB as filed April 20, 2000.)*
- 10.3 2007 Employee Stock Incentive Plan (Incorporated by reference to Exhibit 10.3 to the Registrant's report on Form 10-QSB filed November 14, 2007)*
- 10.4 Non-Employee Directors' Deferred Compensation Plan (Incorporated by reference to Exhibit 10.4 to the Registrant's report on Form 10-QSB filed November 14, 2007)*
- 10.5 2007 Employee Stock Purchase Plan (Incorporated by reference to Exhibit 10.5 to the Registrant's report on Form 10-QSB filed November 14, 2007)*
- 10.6 Amended 2000 Employee Stock Option Plan. (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-QSB, filed August 11, 2003.)*
- 10.7 Amended 2000 Director Stock Option Plan. (Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-QSB, filed August 11, 2003.)*
- 10.8 Manufacturing and Marketing Agreement dated May 8, 2003 between registrant and Chatsworth Products, Inc. (portions omitted pursuant to a request for confidentiality.) (Incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-QSB, filed August 11, 2003.)
- 10.9 Stock Purchase and Sale Agreement dated May 8, 2003 between registrant and Chatsworth Products, Inc. (Incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-QSB, filed August 11, 2003.)
- 10.10 Standstill Agreement dated May 8, 2003 between registrant and Chatsworth Products, Inc. (Incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-QSB, filed August 11, 2003.)
- 10.11 2004 Employee Stock Incentive Plan. (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-QSB, filed August 4, 2004.)*
- 10.12 2004 Director Stock Option Plan. (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-QSB, filed August 4, 2004.)*
- 10.13 Form of Employees Stock Option Agreement under 2004 Employee Stock Incentive Plan. (Incorporated by reference to Exhibit 10.3 to Registrant's Registration Statement on Form S-8; file number 333-118178.)*
- 10.14 Form of Director Stock Option Agreement under 2004 Director Stock Option Plan. (Incorporated by reference to Exhibit 10.4 to Registrant's Registration Statement on Form S-8; file number 333-118178.)*
- 10.15 Summary of Non-Employee Director compensation. (Incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K filed March 26, 2010)*
- 10.16 Summary of compensation for named executive officers-February 2011*
- 10.17 Employment Agreement with Timothy C. Adams dated November 27, 2006 (Incorporated by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-KSB filed March 12, 2007)*

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- 10.18 Loan Agreement between Registrant and JP Morgan Chase Bank, N.A. dated October 31, 2007 (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-QSB filed November 14, 2007)
 - 10.19 First Amendment to Loan Documents between Registrant, M&I Electric Industries, Inc., American Access Technologies, Inc. and JP Morgan Chase Bank, N.A. effective June 30, 2008. (Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed August 11, 2008)
 - 10.20 Consulting Agreement with Stuart Schube and Acorn Ventures, Inc. dated November 13, 2007 (Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-QSB filed November 14, 2007) *
 - 10.21 Form of Employee Stock Option Award Agreement under 2007 Employee Stock Incentive Plan.* (Incorporated by reference to Exhibit 10.25 to the Registrant's Annual Report on Form 10-K filed March 31, 2008)
 - 10.22 Form of Restricted Stock Unit Award Agreement under 2007 Employee Stock Incentive Plan.* (Incorporated by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K filed March 31, 2008)
 - 10.23 Employment Agreement with Charles M. Dauber dated August 25, 2009. (Incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed August 27, 2009)*
 - 10.24 Amended employment agreement with John H. Untereker dated December 21, 2009. (Incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K filed March 26, 2010.)*
 - 10.25 Deferred Compensation Plan for executives. (Incorporated by reference to Exhibit 10.25 to the Registrant's Annual Report on Form 10-K filed March 27, 2009.)*
 - 10.26 Form of Director Stock Option Amendment dated December 14, 2006, under 2004 Director Stock Option Plan. (Incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-KSB filed March 12, 2007)*
 - 10.27 Notification of annual salary and target for performance bonus compensation. (Incorporated by reference to Exhibit 10.27 to the Registrant's Annual Report on Form 10-K filed March 27, 2009.)*
 - 10.28 Outline of Supplemental Senior Management Performance Bonus Program for Fiscal 2010. (Incorporated by reference to Exhibit 10.27 to the Registrant's Current Report on Form 8-K filed March 4, 2010)*
 - 10.29 Employment Agreement with Arthur G. Dauber dated August 25, 2009. (Incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed August 27, 2009)*
 - 10.30 Second Amendment to Loan Agreement effective as of June 30, 2009 between Registrant and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed August 11, 2009)
 - 10.31 Amendment No. 1 to Employment Agreement with Arthur G. Dauber (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed November 30, 2010)*
 - 10.32 Employment letter agreement with Frank R. Pierce (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed September 20, 2010)*
 - 14 Code of Ethics. (Incorporated by reference to Exhibit 14 to the Registrant's Annual Report on Form 10-KSB filed March 21, 2004.)
 - 21 Subsidiaries of the Registrant. (Incorporated by reference to Exhibit 21 to the Registrant's Annual Report on Form 10-K filed March 31, 2008)
 - 23.1 Consent of Ham, Langston & Brezina, LLP
 - 31.1 Rule 13a-14(a) / 15d-14(a) Certifications of the Principal Executive Officer.

31.2 Rule 13a-14(a) / 15d-14(a) Certifications of the Principal Financial Officer.

32.1 Section 1350 Certifications of the Principal Executive Officer and Principal Financial Officer.

* Indicates a management contract or compensatory plan or arrangement.