# Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

## Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code).

▶ **Complete all entries in accordance with the instructions to the Form 5500.**

OMB Nos. 1210-0110
1210-0089

**2009**

**This Form is Open to Public Inspection**

## Part I Annual Report Identification Information

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

**A** This return/report is for:
- [ ] a multiemployer plan;
- [ ] a multiple-employer plan; or
- [X] a single-employer plan;
- [ ] a DFE (specify) ____

**B** This return/report is:
- [ ] the first return/report;
- [ ] the final return/report;
- [X] an amended return/report;
- [ ] a short plan year return/report (less than 12 months).

**C** If the plan is a collectively-bargained plan, check here. . . . . ▶ [ ]

**D** Check box if filing under:
- [ ] Form 5558;
- [ ] automatic extension;
- [ ] the DFVC program;
- [ ] special extension (enter description)

## Part II Basic Plan Information—enter all requested information

**1a** Name of plan
PATE ENGINEERS, INC. EMPLOYEE STOCK OWNERSHIP PLAN

**1b** Three-digit plan number (PN) ▶ 001

**1c** Effective date of plan 02/28/1985

**2a** Plan sponsor's name and address (employer, if for a single-employer plan)
(Address should include room or suite no.)
PATE ENGINEERS, INC.

13333 NORTHWEST FWY STE 300
HOUSTON, TX 77040-6016

**2b** Employer Identification Number (EIN)
76-0091776

**2c** Sponsor's telephone number
713-462-3178

**2d** Business code (see instructions)
541330

**Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.**

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

| | | | |
|---|---|---|---|
| **SIGN HERE** | Filed with authorized/valid electronic signature. | 02/07/2011 | BETH GIBLIN |
| | **Signature of plan administrator** | Date | Enter name of individual signing as plan administrator |
| **SIGN HERE** | Filed with authorized/valid electronic signature. | 02/07/2011 | DEBRA ANGLIN |
| | **Signature of employer/plan sponsor** | Date | Enter name of individual signing as employer or plan sponsor |
| **SIGN HERE** | | | |
| | **Signature of DFE** | Date | Enter name of individual signing as DFE |

**3a** Plan administrator's name and address (if same as plan sponsor, enter "Same")

PATE ENGINEERS, INC.

13333 NORTHWEST FWY STE 300
HOUSTON, TX 77040-6016

**3b** Administrator's EIN: 76-0091776

**3c** Administrator's telephone number: 713-462-3178

**4** If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:

**a** Sponsor's name

**4b** EIN

**4c** PN

| | | | |
|---|---|---|---|
| **5** | Total number of participants at the beginning of the plan year | **5** | 403 |
| **6** | Number of participants as of the end of the plan year (welfare plans complete only lines **6a, 6b, 6c,** and **6d**). | | |
| **a** | Active participants | **6a** | 132 |
| **b** | Retired or separated participants receiving benefits | **6b** | 0 |
| **c** | Other retired or separated participants entitled to future benefits | **6c** | 270 |
| **d** | Subtotal. Add lines **6a**, **6b**, and **6c** | **6d** | 402 |
| **e** | Deceased participants whose beneficiaries are receiving or are entitled to receive benefits | **6e** | 0 |
| **f** | Total. Add lines **6d** and **6e** | **6f** | 402 |
| **g** | Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) | **6g** | 402 |
| **h** | Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested | **6h** | 39 |
| **7** | Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) | **7** | |

**8a** If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:

2E 2O

**b** If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

**9a** Plan funding arrangement (check all that apply)

- **(1)** [ ] Insurance
- **(2)** [ ] Code section 412(e)(3) insurance contracts
- **(3)** [X] Trust
- **(4)** [ ] General assets of the sponsor

**9b** Plan benefit arrangement (check all that apply)

- **(1)** [ ] Insurance
- **(2)** [ ] Code section 412(e)(3) insurance contracts
- **(3)** [X] Trust
- **(4)** [ ] General assets of the sponsor

**10** Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

**a Pension Schedules**

- **(1)** [ ] **R** (Retirement Plan Information)
- **(2)** [ ] **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
- **(3)** [ ] **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

**b General Schedules**

- **(1)** [X] **H** (Financial Information)
- **(2)** [ ] **I** (Financial Information – Small Plan)
- **(3)** [ ] 0 **A** (Insurance Information)
- **(4)** [X] **C** (Service Provider Information)
- **(5)** [ ] **D** (DFE/Participating Plan Information)
- **(6)** [ ] **G** (Financial Transaction Schedules)

| SCHEDULE C (Form 5500) | Service Provider Information | OMB No. 1210-0110 |
|---|---|---|
| Department of the Treasury<br>Internal Revenue Service<br>Department of Labor<br>Employee Benefits Security Administration<br>Pension Benefit Guaranty Corporation | This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).<br>▶ **File as an attachment to Form 5500.** | **2009**<br>**This Form is Open to Public Inspection.** |

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

**A** Name of plan
PATE ENGINEERS, INC. EMPLOYEE STOCK OWNERSHIP PLAN

**B** Three-digit plan number (PN) ▶ 001

**C** Plan sponsor's name as shown on line 2a of Form 5500
PATE ENGINEERS, INC.

**D** Employer Identification Number (EIN)
76-0091776

## Part I Service Provider Information (see instructions)

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

### 1 Information on Persons Receiving Only Eligible Indirect Compensation

**a** Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions).. . . . . ☐ Yes ☒ No

**b** If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

**(a)** Enter name and EIN or address (see instructions)

WEAVER AND TIDWELL, L.L.P.

24 GREENWAY PLAZA
SUITE 1800
HOUSTON, TX 77046

75-0786316

| (b) Service Code(s) | (c) Relationship to employer, employee organization, or person known to be a party-in-interest | (d) Enter direct compensation paid by the plan. If none, enter -0-. | (e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h) Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| 10 | AUDITOR | 35050 | Yes [ ] No [X] | Yes [ ] No [ ] | | Yes [ ] No [ ] |

**(a)** Enter name and EIN or address (see instructions)

| (b) Service Code(s) | (c) Relationship to employer, employee organization, or person known to be a party-in-interest | (d) Enter direct compensation paid by the plan. If none, enter -0-. | (e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h) Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| | | | Yes [ ] No [ ] | Yes [ ] No [ ] | | Yes [ ] No [ ] |

**(a)** Enter name and EIN or address (see instructions)

| (b) Service Code(s) | (c) Relationship to employer, employee organization, or person known to be a party-in-interest | (d) Enter direct compensation paid by the plan. If none, enter -0-. | (e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h) Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| | | | Yes [ ] No [ ] | Yes [ ] No [ ] | | Yes [ ] No [ ] |

**(a)** Enter name and EIN or address (see instructions)

| **(b)** Service Code(s) | **(c)** Relationship to employer, employee organization, or person known to be a party-in-interest | **(d)** Enter direct compensation paid by the plan. If none, enter -0-. | **(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | **(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | **(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | **(h)** Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| | | | Yes ☐ No ☐ | Yes ☐ No ☐ | | Yes ☐ No ☐ |

**(a)** Enter name and EIN or address (see instructions)

| **(b)** Service Code(s) | **(c)** Relationship to employer, employee organization, or person known to be a party-in-interest | **(d)** Enter direct compensation paid by the plan. If none, enter -0-. | **(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | **(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | **(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | **(h)** Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| | | | Yes ☐ No ☐ | Yes ☐ No ☐ | | Yes ☐ No ☐ |

**(a)** Enter name and EIN or address (see instructions)

| **(b)** Service Code(s) | **(c)** Relationship to employer, employee organization, or person known to be a party-in-interest | **(d)** Enter direct compensation paid by the plan. If none, enter -0-. | **(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | **(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | **(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | **(h)** Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| | | | Yes ☐ No ☐ | Yes ☐ No ☐ | | Yes ☐ No ☐ |

## Part I Service Provider Information (continued)

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received $1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| **(a)** Enter service provider name as it appears on line 2 | **(b)** Service Codes (see instructions) | **(c)** Enter amount of indirect compensation |
|---|---|---|
| | | |
| **(d)** Enter name and EIN (address) of source of indirect compensation | **(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. | |
| | | |

| **(a)** Enter service provider name as it appears on line 2 | **(b)** Service Codes (see instructions) | **(c)** Enter amount of indirect compensation |
|---|---|---|
| | | |
| **(d)** Enter name and EIN (address) of source of indirect compensation | **(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. | |
| | | |

| **(a)** Enter service provider name as it appears on line 2 | **(b)** Service Codes (see instructions) | **(c)** Enter amount of indirect compensation |
|---|---|---|
| | | |
| **(d)** Enter name and EIN (address) of source of indirect compensation | **(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. | |
| | | |

## Part II Service Providers Who Fail or Refuse to Provide Information

**4** Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

| **(a)** Enter name and EIN or address of service provider (see instructions) | **(b)** Nature of Service Code(s) | **(c)** Describe the information that the service provider failed or refused to provide |
|---|---|---|
| | | |

| **(a)** Enter name and EIN or address of service provider (see instructions) | **(b)** Nature of Service Code(s) | **(c)** Describe the information that the service provider failed or refused to provide |
|---|---|---|
| | | |

| **(a)** Enter name and EIN or address of service provider (see instructions) | **(b)** Nature of Service Code(s) | **(c)** Describe the information that the service provider failed or refused to provide |
|---|---|---|
| | | |

| **(a)** Enter name and EIN or address of service provider (see instructions) | **(b)** Nature of Service Code(s) | **(c)** Describe the information that the service provider failed or refused to provide |
|---|---|---|
| | | |

| **(a)** Enter name and EIN or address of service provider (see instructions) | **(b)** Nature of Service Code(s) | **(c)** Describe the information that the service provider failed or refused to provide |
|---|---|---|
| | | |

| **(a)** Enter name and EIN or address of service provider (see instructions) | **(b)** Nature of Service Code(s) | **(c)** Describe the information that the service provider failed or refused to provide |
|---|---|---|
| | | |

## Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)

(complete as many entries as needed)

| | |
|---|---|
| **a** Name: | **b** EIN: |
| **c** Position: | |
| **d** Address: | **e** Telephone: |

Explanation:

| | |
|---|---|
| **a** Name: | **b** EIN: |
| **c** Position: | |
| **d** Address: | **e** Telephone: |

Explanation:

| | |
|---|---|
| **a** Name: | **b** EIN: |
| **c** Position: | |
| **d** Address: | **e** Telephone: |

Explanation:

| | |
|---|---|
| **a** Name: | **b** EIN; |
| **c** Position: | |
| **d** Address: | **e** Telephone: |

Explanation:

| | |
|---|---|
| **a** Name: | **b** EIN; |
| **c** Position: | |
| **d** Address: | **e** Telephone: |

Explanation:

# SCHEDULE H (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

# Financial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

**2009**

**This Form is Open to Public Inspection**

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

**A** Name of plan
PATE ENGINEERS, INC. EMPLOYEE STOCK OWNERSHIP PLAN

**B** Three-digit plan number (PN) ▶ 001

**C** Plan sponsor's name as shown on line 2a of Form 5500
PATE ENGINEERS, INC.

**D** Employer Identification Number (EIN)
76-0091776

## Part I Asset and Liability Statement

**1** Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

| Assets | | (a) Beginning of Year | (b) End of Year |
|---|---|---|---|
| **a** Total noninterest-bearing cash | 1a | 5515 | 560 |
| **b** Receivables (less allowance for doubtful accounts): | | | |
| **(1)** Employer contributions | 1b(1) | 350000 | 0 |
| **(2)** Participant contributions | 1b(2) | 0 | 0 |
| **(3)** Other | 1b(3) | 0 | 0 |
| **c** General investments: | | | |
| **(1)** Interest-bearing cash (include money market accounts & certificates of deposit) | 1c(1) | 1144241 | 1054568 |
| **(2)** U.S. Government securities | 1c(2) | 0 | 0 |
| **(3)** Corporate debt instruments (other than employer securities): | | | |
| **(A)** Preferred | 1c(3)(A) | 0 | 0 |
| **(B)** All other | 1c(3)(B) | 0 | 0 |
| **(4)** Corporate stocks (other than employer securities): | | | |
| **(A)** Preferred | 1c(4)(A) | 0 | 0 |
| **(B)** Common | 1c(4)(B) | 0 | 0 |
| **(5)** Partnership/joint venture interests | 1c(5) | 0 | 0 |
| **(6)** Real estate (other than employer real property) | 1c(6) | 0 | 0 |
| **(7)** Loans (other than to participants) | 1c(7) | 0 | 0 |
| **(8)** Participant loans | 1c(8) | 0 | 0 |
| **(9)** Value of interest in common/collective trusts | 1c(9) | 0 | 0 |
| **(10)** Value of interest in pooled separate accounts | 1c(10) | | |
| **(11)** Value of interest in master trust investment accounts | 1c(11) | 0 | 0 |
| **(12)** Value of interest in 103-12 investment entities | 1c(12) | 0 | 0 |
| **(13)** Value of interest in registered investment companies (e.g., mutual funds) | 1c(13) | 0 | 0 |
| **(14)** Value of funds held in insurance company general account (unallocated contracts) | 1c(14) | | |
| **(15)** Other | 1c(15) | 0 | 0 |

| | | | (a) Beginning of Year | (b) End of Year |
|---|---|---|---|---|
| **1d** | Employer-related investments: | | | |
| | **(1)** Employer securities | 1d(1) | 5120881 | 3575064 |
| | **(2)** Employer real property | 1d(2) | 0 | 0 |
| **e** | Buildings and other property used in plan operation | 1e | 0 | 0 |
| **f** | Total assets (add all amounts in lines 1a through 1e) | 1f | 6620637 | 4630192 |
| | **Liabilities** | | | |
| **g** | Benefit claims payable | 1g | 2180904 | 2162465 |
| **h** | Operating payables | 1h | 21050 | 0 |
| **i** | Acquisition indebtedness | 1i | 0 | 0 |
| **j** | Other liabilities | 1j | 263568 | 322785 |
| **k** | Total liabilities (add all amounts in lines 1g through1j) | 1k | 2465522 | 2485250 |
| | **Net Assets** | | | |
| **l** | Net assets (subtract line 1k from line 1f) | 1l | 4155115 | 2144942 |

## Part II Income and Expense Statement

**2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

| | Income | | (a) Amount | (b) Total |
|---|---|---|---|---|
| **a** | **Contributions:** | | | |
| | **(1)** Received or receivable in cash from: **(A)** Employers | 2a(1)(A) | | |
| | **(B)** Participants | 2a(1)(B) | | |
| | **(C)** Others (including rollovers) | 2a(1)(C) | | |
| | **(2)** Noncash contributions | 2a(2) | | |
| | **(3)** Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)** | 2a(3) | | 0 |
| **b** | **Earnings on investments:** | | | |
| | **(1)** Interest: | | | |
| | **(A)** Interest-bearing cash (including money market accounts and certificates of deposit) | 2b(1)(A) | 12327 | |
| | **(B)** U.S. Government securities | 2b(1)(B) | | |
| | **(C)** Corporate debt instruments | 2b(1)(C) | | |
| | **(D)** Loans (other than to participants) | 2b(1)(D) | | |
| | **(E)** Participant loans | 2b(1)(E) | | |
| | **(F)** Other | 2b(1)(F) | | |
| | **(G)** Total interest. Add lines **2b(1)(A)** through **(F)** | 2b(1)(G) | | 12327 |
| | **(2)** Dividends: **(A)** Preferred stock | 2b(2)(A) | | |
| | **(B)** Common stock | 2b(2)(B) | | |
| | **(C)** Registered investment company shares (e.g. mutual funds) | 2b(2)(C) | | |
| | **(D)** Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)** | 2b(2)(D) | | 0 |
| | **(3)** Rents | 2b(3) | | |
| | **(4)** Net gain (loss) on sale of assets: **(A)** Aggregate proceeds | 2b(4)(A) | | |
| | **(B)** Aggregate carrying amount (see instructions) | 2b(4)(B) | | |
| | **(C)** Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result | 2b(4)(C) | | 0 |

| | | (a) Amount | (b) Total |
|---|---|---|---|
| 2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate | 2b(5)(A) | | |
| (B) Other | 2b(5)(B) | -1545817 | |
| (C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B) | 2b(5)(C) | | -1545817 |
| (6) Net investment gain (loss) from common/collective trusts | 2b(6) | | |
| (7) Net investment gain (loss) from pooled separate accounts | 2b(7) | | |
| (8) Net investment gain (loss) from master trust investment accounts | 2b(8) | | |
| (9) Net investment gain (loss) from 103-12 investment entities | 2b(9) | | |
| (10) Net investment gain (loss) from registered investment companies (e.g., mutual funds) | 2b(10) | | |
| c Other income | 2c | | |
| d Total income. Add all **income** amounts in column (b) and enter total | 2d | | -1533490 |
| **Expenses** | | | |
| e Benefit payment and payments to provide benefits: | | | |
| (1) Directly to participants or beneficiaries, including direct rollovers | 2e(1) | 438250 | |
| (2) To insurance carriers for the provision of benefits | 2e(2) | | |
| (3) Other | 2e(3) | | |
| (4) Total benefit payments. Add lines 2e(1) through (3) | 2e(4) | | 438250 |
| f Corrective distributions (see instructions) | 2f | | |
| g Certain deemed distributions of participant loans (see instructions) | 2g | | |
| h Interest expense | 2h | | 22728 |
| i Administrative expenses: (1) Professional fees | 2i(1) | 15705 | |
| (2) Contract administrator fees | 2i(2) | | |
| (3) Investment advisory and management fees | 2i(3) | | |
| (4) Other | 2i(4) | | |
| (5) Total administrative expenses. Add lines 2i(1) through (4) | 2i(5) | | 15705 |
| j Total expenses. Add all **expense** amounts in column (b) and enter total | 2j | | 476683 |
| **Net Income and Reconciliation** | | | |
| k Net income (loss). Subtract line 2j from line 2d | 2k | | -2010173 |
| l Transfers of assets: | | | |
| (1) To this plan | 2l(1) | | |
| (2) From this plan | 2l(2) | | |

## Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) [X] Unqualified (2) [ ] Qualified (3) [ ] Disclaimer (4) [ ] Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? [ ] Yes [X] No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: WEAVER AND TIDWELL, LLP (2) EIN: 75-0786316

d The opinion of an independent qualified public accountant is **not attached** because:

(1) [ ] This form is filed for a CCT, PSA, or MTIA. (2) [ ] It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

## Part IV Compliance Questions

**4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

| | | Yes | No | Amount |
|---|---|---|---|---|
| **a** | Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.) | 4a | | X | |
| **b** | Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.) | 4b | | X | |
| **c** | Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.) | 4c | | X | |
| **d** | Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.) | 4d | | X | |
| **e** | Was this plan covered by a fidelity bond? | 4e | X | | 1500000 |
| **f** | Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty? | 4f | | X | |
| **g** | Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser? | 4g | | X | |
| **h** | Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser? | 4h | | X | |
| **i** | Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.) | 4i | X | | |
| **j** | Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.) | 4j | | X | |
| **k** | Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC? | 4k | | X | |
| **l** | Has the plan failed to provide any benefit when due under the plan? | 4l | | X | |
| **m** | If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.) | 4m | | X | |
| **n** | If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3. | 4n | | | |

**5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? If yes, enter the amount of any plan assets that reverted to the employer this year ☐ **Yes** ☒ **No** **Amount:**

**5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

| **5b(1)** Name of plan(s) | **5b(2)** EIN(s) | **5b(3)** PN(s) |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

# PATE ENGINEERS, INC.
# EMPLOYEE STOCK OWNERSHIP PLAN

## FINANCIAL REPORT

## DECEMBER 31, 2009 AND 2008

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weaver

# INDEPENDENT AUDITOR'S REPORT

To the Administrative Committee of
Pate Engineers, Inc. Employee Stock Ownership Plan
Houston, Texas

We have audited the accompanying statements of net assets available for benefits of Pate Engineers, Inc. Employee Stock Ownership Plan (the Plan) as of December 31, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2009 and 2008, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets Held at Year End as of December 31, 2009 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
October 13, 2010

**PATE ENGINEERS, INC. EMPLOYEE STOCK OWNERSHIP PLAN**
**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**
**DECEMBER 31, 2009 AND 2008**

| | 2009 | 2008 |
|---|---|---|
| **ASSETS** | | |
| Investment in Pate Engineers, Inc. common stock, at fair value | $ 3,575,064 | $ 5,120,881 |
| Cash and cash equivalents | 1,055,128 | 1,149,756 |
| Employer contribution receivable | - | 350,000 |
| **TOTAL ASSETS** | 4,630,192 | 6,620,637 |
| **LIABILITIES** | | |
| Accounts payable | 22,221 | 21,050 |
| Notes payable | 300,564 | 263,568 |
| **TOTAL LIABILITIES** | 322,785 | 284,618 |
| **NET ASSETS AVAILABLE FOR BENEFITS** | $ 4,307,407 | $ 6,336,019 |

The Notes to Financial Statements are an integral part of these statements.

**PATE ENGINEERS, INC. EMPLOYEE STOCK OWNERSHIP PLAN**
**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

| | 2009 | 2008 |
|---|---|---|
| **Additions (Reductions)** | | |
| Investment income (loss): | | |
| Net unrealized depreciation in fair value of investments | $ (1,545,817) | $ (714,389) |
| Interest income | 12,327 | 17,916 |
| **Total investment loss, net** | (1,533,490) | (696,473) |
| Employer contribution | - | 350,000 |
| **Total reductions** | (1,533,490) | (346,473) |
| **Deductions** | | |
| Distributions to participants | 456,689 | 516,683 |
| Interest expense | 22,728 | 33,414 |
| Professional fees | 15,705 | 23,606 |
| **Total deductions** | 495,122 | 573,703 |
| **Net decrease** | (2,028,612) | (920,176) |
| **Net assets available for benefits, beginning of year** | 6,336,019 | 7,256,195 |
| **Net assets available for benefits, end of year** | $ 4,307,407 | $ 6,336,019 |

The Notes to Financial Statements are an integral part of these statements.

**PATE ENGINEERS, INC. EMPLOYEE STOCK OWNERSHIP PLAN**
**NOTES TO FINANCIAL STATEMENTS**

## NOTE 1. PLAN DESCRIPTION

The following brief description of the Pate Engineers, Inc. Employee Stock Ownership Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for complete information.

### General

Pate Engineers, Inc. (the Company), the sponsoring company, established the Plan on February 28, 1985. The Plan is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

### Eligibility

Employees of the Company are generally eligible to participate in the Plan after six months of service. Eligible employees are admitted to the Plan on the next entry date, January 1 or July 1. Participants who do not have at least 1,000 hours during the Plan year, or are not employed on the last working day of the Plan year, are generally not eligible for an allocation of Company contributions for such year.

### Participant Accounts

The Plan is a defined contribution plan under which account balances are maintained for each participant. Each participant's account is credited as of the last day of the Plan year with an allocation of the Company's contribution, if applicable, and an allocation of shares of the Company's common stock, if applicable. Only those participants who are eligible employees of the Company as of the last day of the Plan year will receive an allocation.

The Company may make a discretionary contribution to the Plan at the option of the Company's board of directors. Allocations of any Company contribution are based on an active participant's eligible compensation, relative to total eligible compensation.

If a participant has a termination of employment, the participant's non-vested account balance shall be forfeited after the participant has incurred five consecutive one-year breaks in employment. Forfeited shares of the Company's common stock of terminated participants' non-vested accounts are allocated to active participants based on the participant's eligible compensation, relative to total eligible compensation. There were no forfeitures in 2009 or 2008.

New shares sold to the Plan by outside shareholders, unallocated shares of the Company's common stock within the Plan and interest expense, if any, related to the release of the unallocated shares, are allocated to each participant's account based on the ratio of the active participant's account balance at the beginning of the year to the sum of all active participants' account balances at the beginning of the year.

## NOTE 1. PLAN DESCRIPTION – CONTINUED

### Participant Accounts – Continued

Plan net income or loss is allocated to each participant's account based on the ratio of each active and inactive participant's account balance at the beginning of the year to the total account balances for the Plan at the beginning of the year.

### Termination

The Company reserves the right to terminate the Plan at any time, subject to the Plan provisions. Upon such termination of the Plan, the interest of each participant in the trust fund will be distributed to such participant or his or her beneficiary at the time prescribed by the Plan terms and the Internal Revenue Code (the Code).

### Vesting

If a participant's employment with the Company ends for any reason other than retirement, permanent disability or death, he or she will vest in the balances in his or her account based on total years of service with the Company. Beginning with the effective date of the Plan (February 28, 1985) or their date of employment, if later, employees vest in their accounts at 20% upon completion of three years of service, but less than four years; 40% upon completion of four years, but less than five years; 60% upon completion of five years, but less than six years; 80% upon completion of six years, but less than seven years, and 100% upon completion of seven years or more. The Plan has been amended in accordance with the Pension Protection Act resulting in 100% vesting for participants with six years of credited service effective January 1, 2007. Amounts in participants' accounts prior to January 1, 2007 will retain the seven year vesting schedule.

### Payment of Benefits

Distributions from the Plan will not be made until a participant retires, dies (in which case payment shall be made to his or her beneficiary or, if none, his or her legal representatives), becomes disabled, or otherwise terminates employment with the Company. A participant terminating as a result of death, disability, or retirement is entitled to the entire value of his or her account in one lump sum distribution after the allocation of the year's income and expenses and Company contribution. A participant who terminates for reasons other than death, disability, or retirement is entitled to receive the vested interest in his or her account in the Plan after five years through either the issuance of a five year note payable from the Plan or, at the Company's option, one lump sum payment. A distribution of benefits is recorded when paid or upon issuance of a note payable from the Plan.

## NOTE 1. PLAN DESCRIPTION – CONTINUED

### Put Option

Under Federal income tax regulations, employer stock that is held by the Plan and its participants, and is not readily tradable on an established market, or is subject to trading limitations, includes a put option. The put option is a right to demand that the Company or the Plan buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the fair market value of the stock. The purpose of the put option is to ensure the participant has the ability to ultimately obtain cash.

### Voting Rights

Since the Company stock is not a registered security, participants may vote the Company stock in their account only on corporate matters such as merger or consolidation, recapitalization, reclassification, liquidation, dissolution or sale of substantially all assets of the Company. On all other matters, the Trustee votes all shares of Company stock at its discretion. If the Company stock becomes a registered security, the participants may vote the Company stock in their account on any matter which is put to a shareholder vote. In the event of a tender offer or other offer for 10% or more of the shares of the Company stock held under the Plan, the participants may direct the Trustee whether or not to accept the offer with respect to the Company stock in their account. If the participants do not direct the Trustee with respect to such an offer, the Company stock in their account will not be tendered.

### Diversification

Diversification is offered to participants close to retirement so that they may have the opportunity to move part of the value of their investment in Company stock into investments which are more diversified. Participants who are at least 55 years of age with at least 10 years of participation in the Plan may elect to diversify a portion of their account. Diversification is offered to each eligible participant over a six-year period. In each of the first five years, a participant may diversify up to 25 percent of the number of post-1986 shares allocated to his or her account, less any shares previously diversified. In the sixth year, the percentage changes to 50 percent. Participants who elect to diversify receive a stock distribution with a put option.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

### Cash and Cash Equivalents

The Plan considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### Investment Valuation and Income Recognition

Investment in Pate Engineers, Inc.'s common stock is stated at fair value as determined by an annual independent appraisal. The difference between fair value at the beginning of the year and the end of the year is recorded in the Statement of Changes in Net Assets Available for Benefits as net unrealized appreciation or depreciation in the market value of investments.

### 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, liabilities, and changes therein, and disclosure of contingent assets and liabilities. The actual results could differ from these estimates.

### Income Taxes

Effective January 1, 2009, the Plan implemented the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*, relating to accounting for uncertainties in income taxes. FASB ASC 740 requires the Plan to recognize in the financial statements the financial effects of a tax position only if it is determined that it is more likely than not that the tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on technical merits of the positions. The Plan is not a tax paying entity for income tax purposes and accordingly, no provision has been made for income taxes. The adoption did not have a material impact on the Plan's financial statements as of and for the year ended December 31, 2009.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### Expenses

Expenses of maintaining the Plan are paid by the Plan, unless elected to be paid by the Company.

### New Accounting Pronouncements

In September 2009, the FASB issued Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2009-12 provides amendments to ASC 820, *Fair Value Measurements and Disclosures*. The amendments permit, as a practical expedient, a reporting to estimate the fair value of an investment that is within the scope of ASU 2009-12 using the net asset value per share (or its equivalent) of the investment if the net asset value of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of ASC 946, *Financial Services-Investment Companies* as of the reporting entity's measurement date. ASC 946 requires investment companies to report their investment assets at fair value in accordance with the principles of ASC 820. The amendments also require disclosures regarding the attributes of investments within the scope of ASU 2009-12, such as the nature of any restrictions on the investor's ability to redeem its investments at the measurement date, any unfunded capital commitments, and the investment strategies of the investees. The disclosures are required (by major category) for all investments within the scope of ASU 2009-12 regardless of whether the fair value of the investment is measured using the practical expedient. The amended guidance is effective for interim and annual periods ending after December 15, 2009.

Plan management has adopted the amended guidance and therefore, as a practical expedient, measures the fair value of the Plan's investments within the scope of ASU 2009-12, based on the unadjusted net asset value per share of the investments (or its equivalent) as of the measurement date.

In June 2009, the FASB issued ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB ASC as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of ASC 105, the Plan has updated references to generally accepted accounting principles in its financial statements issued for the year ended December 31, 2009. The adoption of ASC 105 did not impact the Plan’s Statements of Net Assets Available for Benefits or Statements of Changes in Net Assets Available for Benefits.

In May 2009, the FASB issued ASC 855, *Subsequent Events*, which establishes general standards of accounting for and disclosure of events that occur after the Statements of Net Assets Available for Benefits but before financial statements are issued or are available to be issued. The adoption of this new guidance did not impact the Plan’s financial statements as of and for the year ended December 31, 2009.

## NOTE 3. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 inputs – to the valuation methodology are unadjusted quoted process for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 inputs – to the valuation method include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractually) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs – to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

The fair value of the Pate Engineers, Inc. common stock held by the Plan is valued at estimated fair value based upon an independent appraisal. This appraisal was based upon a combination of the market and income valuation techniques consistent with prior years. The appraiser took into account historical and projected cash flow and net income, return on assets, return on equity, market comparables and estimated fair value of company assets and liabilities. There have been no significant changes in the methodologies used at December 31, 2009 and 2008.

## NOTE 3. FAIR VALUE MEASUREMENTS – CONTINUED

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the classification of the securities by level at December 31, 2009.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Plan assets | | | | |
| Investment in Pate Engineers, Inc. common stock | $ - | $ - | $ 3,575,064 | $3,575,064 |
| Total assets at fair value | $ - | $ - | $ 3,575,064 | $3,575,064 |

The following table presents the classification of the securities by level at December 31, 2008.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Plan assets | | | | |
| Investment in Pate Engineers, Inc. common stock | $ - | $ - | $ 5,120,881 | $5,120,881 |
| Total assets at fair value | $ - | $ - | $ 5,120,881 | $5,120,881 |

## NOTE 3. FAIR VALUE MEASUREMENTS – CONTINUED

The following table sets forth a summary of changes in the fair value of the Plan's level 3 assets for the years ended December 31, 2009 and 2008.

| | Investment in Pate Engineers, Inc. common stock | |
|---|---|---|
| | **2009** | **2008** |
| Balance, beginning of year | $ 5,120,881 | $5,835,270 |
| Unrealized gains (losses) | (1,545,817) | (714,389) |
| Balance, end of year | $ 3,575,064 | $5,120,881 |

## NOTE 4. NOTES PAYABLE

As described in Note 1 under Payment of Benefits, the Company has the option to issue a five year note payable from the Plan to liquidate the accounts of participants terminated for reasons other than death, disability or retirement. As of December 31, 2009 and 2008, the Plan had notes payable outstanding totaling $300,564 and $263,568, respectively. The notes bear interest at fixed rates ranging from 6% to 9.25%. Interest expense totaled $22,728 and $33,414 for 2009 and 2008, respectively. The loans are collateralized by the Company stock sold by the participants.

Required principal payments on notes payable as of December 31, 2009 are as follows:

| Year ending December 31, | |
|---|---|
| 2010 | $ 160,846 |
| 2011 | 58,676 |
| 2012 | 40,521 |
| 2013 | 40,521 |
| | $ 300,564 |

## NOTE 5. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for Plan benefits per the financial statements to the Form 5500:

| | 2009 | 2008 |
|---|---|---|
| Net assets available for plan benefits per the financial statements | $ 4,307,407 | $ 6,336,019 |
| Amounts allocated to separated participants as distributions payable | (2,162,465) | (2,180,904) |
| Net assets available for plan benefits per the Form 5500 | $ 2,144,942 | $ 4,155,115 |

The following is a reconciliation of distributions to participants per the financial statements to the Form 5500:

| | 2009 | 2008 |
|---|---|---|
| Distributions to participants per the financial statements | $ 456,689 | $ 516,683 |
| Add: Amounts allocated to separated participants in current year | 2,162,465 | 2,180,904 |
| Less: Amounts allocated to separated participants in prior year | (2,180,904) | (1,520,327) |
| Distributions to participants per the Form 5500 | $ 438,250 | $ 1,177,260 |

## NOTE 6. INCOME TAX STATUS

The Internal Revenue Service issued a favorable determination letter to the Plan administrator, dated June 21, 2010, that the Plan is qualified and the trust established under the Plan is tax-exempt, under the appropriate sections of the Code.

## NOTE 7. ADMINISTRATION OF THE PLAN

The Plan's assets, which consist principally of sponsor Company common shares, are held by the Trustee of the Plan. Company contributions are held and managed by the Trustee, which invests cash received and makes distributions to participants.

The administration of the Plan is the responsibility of a committee, which was appointed by the Board of Directors of the sponsoring Company. The committee is authorized to take such actions as may be necessary to carry out the provisions and purposes of the Plan and shall have the authority to control and manage the operations and administration of the Plan.

Certain administrative functions are performed by officers or employees of the Company. No such officer or employee receives compensation from the Plan. Administrative expenses of the Trustee, if any, are paid directly by the Company.

## NOTE 8. CONCENTRATION OF CREDIT RISK

Substantially all of the Plan's assets are invested in the common stock of Pate Engineers, Inc. The value of the Plan's investments and their future earnings are dependent on the Company's ability to remain profitable. The Plan's cash held by the Trustee exceeds the federally insured deposit limit. The Plan has not experienced any previous losses on cash and does not believe it has significant risk exposure on its cash balances.

## NOTE 9. SUBSEQUENT EVENTS

The Plan has evaluated subsequent events through October 13, 2010, the date the financial statements were available to be issued and noted no items of significance, other than as disclosed in Note 6 - Income Tax Status.

# SUPPLEMENTAL SCHEDULE

**PATE ENGINEERS, INC. EMPLOYEE STOCK OWNERSHIP PLAN**
**SCHEDULE H, LINE 4i – SCHEDULE OF ASSETS HELD AT END OF YEAR**
**EMPLOYER'S IDENTIFICATION NUMBER: 76-0091776 – PLAN NUMBER: 001**
**DECEMBER 31, 2009**

| (a) | (b) Identity of issue | (c) Description | (d) Cost | (e) Current Value |
|---|---|---|---|---|
| * | Pate Engineers, Inc. | 2,498 shares Class A common stock | $ 1,966,482 | $ 1,858,587 |
| * | Pate Engineers, Inc. | 2,307 shares Class B common stock | 1,532,131 | 1,716,477 |
| | Subtotal | | 3,498,613 | 3,575,064 |
| | Amegy Bank | Money Market Checking | 1,054,568 | 1,054,568 |
| | Amegy Bank | Checking | 560 | 560 |
| | Total | | $ 4,553,741 | $ 4,630,192 |

* Party in interest

See Independent Auditor's Report.

**PATE ENGINEERS, INC. EMPLOYEE STOCK OWNERSHIP PLAN**
**SCHEDULE H, LINE 4i – SCHEDULE OF ASSETS HELD AT END OF YEAR**
**EMPLOYER'S IDENTIFICATION NUMBER: 76-0091776 – PLAN NUMBER: 001**
**DECEMBER 31, 2009**

| (a) | (b) Identity of issue | (c) Description | (d) Cost | (e) Current Value |
|---|---|---|---|---|
| * | Pate Engineers, Inc. | 2,498 shares Class A common stock | $ 1,966,482 | $ 1,858,587 |
| * | Pate Engineers, Inc. | 2,307 shares Class B common stock | 1,532,131 | 1,716,477 |
| | Subtotal | | 3,498,613 | 3,575,064 |
| | Amegy Bank | Money Market Checking | 1,054,568 | 1,054,568 |
| | Amegy Bank | Checking | 560 | 560 |
| | Total | | $ 4,553,741 | $ 4,630,192 |

* Party in interest

See Independent Auditor's Report.