

SERVOTRONICS INC /DE/
Form 10KSB/A
April 30, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB/A

AMENDMENT TO FORM 10-KSB
Filed Pursuant to
THE SECURITIES EXCHANGE ACT OF 1934

SERVOTRONICS, INC.

(Exact name of registrant as specified in its charter)

AMENDMENT NO. 1

The undersigned registrant hereby amends the following items, financial statements, exhibits or other portions of its Annual Report on Form 10-KSB for the year ended December 31, 2002 as set forth in the pages attached hereto:

PART III

- Item 9. Directors, Executive Officers, Promoters and Control Persons;

Compliance With Section 16(a) of the Exchange Act.

- Item 10. Executive Compensation.

- Item 11. Security Ownership of Certain Beneficial Owners and Management.

- Item 12. Certain Relationships and Related Transactions.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated as of: April 29, 2003

SERVOTRONICS, INC.

By: /s/ Lee D. Burns

Lee D. Burns
Treasurer and Secretary

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. X

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SERVOTRONICS, INC.

AMENDMENT NO. 1
TO
FORM 10-KSB FOR YEAR ENDED
DECEMBER 31, 2002

Item 9. Directors, Executive Officers and Control Persons; Compliance With

Section 16(a) of the Exchange Act.

(a) DIRECTORS. The table below sets forth certain information regarding the directors of Servotronics, Inc. (the "Company"), each of whom was elected at the Company's 2002 Annual Meeting of Shareholders. The term of office of each director is until the next Annual Meeting of Shareholders and until his successor is elected and shall have qualified.

| Name | Age | Position with the Company and Principal Occupation and Business Experience for Past Five Years |
|---------------------------|-----|---|
| ---- | --- | ----- |
| Dr. William H. Duerig | 81 | Director of the Company since 1990; Physicist and Senior Program Manager for Kearfott Guidance & Navigation Corporation for more than five years prior to retirement in 1993. |
| Donald W. Hedges | 81 | Director of the Company since 1967; self-employed attorney since 1988. |
| Nicholas D. Trbovich, Jr. | 42 | Director of the Company since 1990; Vice President of the Company since 1990; Director of Corporate Development of the Company from 1987 to 1990; Director of e.Autoclaims. |
| Dr. Nicholas D. Trbovich | 67 | Chairman of the Board of Directors, President and Chief Executive Officer of the Company since 1959. |

-2-

(b) EXECUTIVE OFFICERS. The following is a listing of the Company's executive officers:

| Name | Age | Position with the Company and Principal Occupation and Business Experience for Past Five Years |
|------|-----|---|
| ---- | --- | ----- |

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| | | |
|---------------------------|----|--|
| Dr. Nicholas D. Trbovich | 67 | See table under "Directors." |
| Nicholas D. Trbovich, Jr. | 42 | See table under "Directors." |
| Raymond C. Zielinski | 58 | Vice President since 1990; Director of Manufacturing of the Company from 1983 to 1990. |
| Lee D. Burns | 61 | Treasurer, Secretary and Chief Financial Officer of the Company since 1991; Controller and Assistant Treasurer of the Company from 1978 to 1991. |

Nicholas D. Trbovich, Jr. is the son of Dr. Nicholas D. Trbovich. There are no other family relationships between any of the directors or executive officers of the Company.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE. Based solely on its review of reports filed pursuant to Section 16(a) of the Securities Exchange Act or representations from directors and executive officers required to file such reports, the Company believes that all such filings required of its officers and directors were timely made.

Item 10. Executive Compensation.

DIRECTORS' FEES. Under the Company's standard compensation arrangements with directors who are not employees, they are paid a yearly director's fee of \$10,000 plus a per meeting fee of \$650 and reimbursement of actual expenses for attendance at Board meetings. Directors who are also employees do not receive the director's and/or meeting fees. Members of the

-3-

Audit Committee of the Board are paid a yearly Audit Committee fee of \$1,500 plus a per-meeting fee of \$450 and reimbursement of actual expenses for attendance at Audit Committee meetings other than Audit Committee meetings held on the same day as a Board meeting.

COMPENSATION TABLE. The following table shows the compensation paid by the Company to each executive officer of the Company whose total salary and bonus from the Company and its subsidiaries exceeded \$100,000 during any of the last three fiscal years (the "Named Officers").

SUMMARY COMPENSATION TABLE

| Name and Principal Position ----- | Year ---- | Annual Compensation ----- | | |
|---|--------------|------------------------------|--------------------|---|
| | | Salary ----- | Bonus (1) ----- | Other Annual Compen- sation (2) ----- |
| Dr. Nicholas D. Trbovich..... Chairman, President and CEO | 2002 | \$347,419 | \$15,000 | \$ 35,827 |
| | 2001 | 337,301 | 30,000 | 29,484 |
| | 2000 | 328,875 | -- | 31,250 |
| Raymond C. Zielinski..... Vice President | 2002 | \$129,308 | \$ 6,500 | -- |
| | 2001 | 120,423 | 10,000 | \$ 4,846 |
| | 2000 | 118,478 | -- | -- |
| Nicholas D. Trbovich, Jr..... Director, Vice President | 2002 | \$129,308 | \$ 6,500 | \$ 15,192 |
| | 2001 | 120,423 | 10,000 | 7,633 |
| | 2000 | 108,596 | -- | 54,508 |
| Lee D. Burns..... Treasurer, Secretary and CFO | 2002 | \$118,532 | \$ 6,500 | -- |
| | 2001 | 110,327 | 10,000 | -- |
| | 2000 | 105,379 | -- | \$ 29,172 |

(1) The "Bonus" column of the compensation table above includes discretionary incentive payments authorized by the Board of Directors and paid in the year indicated in the table. No bonuses were paid in the year 2000. Discretionary payments authorized for 2003 will be included in the compensation table for 2003 to the extent they are paid in that year. The Board of Directors has made no commitment for incentive payments in subsequent years.

-4-

(2) Comprises amounts paid for untaken vacation pursuant to a policy that is generally applicable to all employees of the Company; these amounts reflect accrued vacation earned and expensed by the Company prior to when the payments were received.

(3) All Other Compensation for 2002 includes (i) an allocation of 1,436, 1,013, and 1,175 shares for Dr. Trbovich, Mr. Zielinski and Mr. Trbovich, Jr., respectively, of common stock of the Company under the Servotronics, Inc. Employee Stock Ownership Plan valued as of November 30, 2002 (the date of the allocation) at the closing price on the American Stock Exchange on that date of \$3.90 per share; and (ii) \$4,191, \$2,702, \$9,664 and \$3,017 to Dr. Trbovich, Mr. Zielinski, Mr. Trbovich, Jr. and Mr. Burns, respectively, for life insurance and health care benefits, but excludes \$18,250 of a taxable life insurance related benefit for Dr. Trbovich.

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STOCK OPTIONS. No stock options were granted to or exercised by the Named Officers during 2002. The following table gives information with respect to stock options owned by the Named Officers at the end of 2002.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

| Name of Officer ----- | Shares Acquired on Exercise ----- | Value Realized ----- | Number of Unexercised Securities Underlying Options at Fiscal Year-End: Exercisable/Unexercisable ----- | Un In O Fisc Exercisab ----- |
|---------------------------|---|----------------------------|--|---|
| Dr. Nicholas D. Trbovich | - | -- | 120,600/0 | |
| Raymond C. Zielinski | - | -- | 21,300/0 | |
| Nicholas D. Trbovich, Jr. | - | -- | 60,800/0 | |
| Lee D. Burns | - | -- | 21,300/0 | |

EMPLOYMENT AGREEMENT. Dr. Trbovich has an employment agreement with the Company pursuant to which he is entitled to receive minimum direct compensation of \$353,395 per annum, or such greater amount as the Company's Board of Directors may determine, and lifetime health and life insurance benefits. In the event of Dr. Trbovich's death or total disability during the term of the employment agreement, he or his estate is entitled to receive 50% of the compensation he is receiving from the Company at the time of his death or disability during the remainder of the term of the employment agreement. Also, in the event of (i) a breach of the agreement by the Company, (ii) a change in

-5-

control of the Company, as defined, or (iii) a change in the responsibilities, positions or geographic office location of Dr. Trbovich, he is entitled to terminate the agreement and receive a payment of 2.99 times his average annual compensation from the Company for the preceding five years. If this provision is invoked by Dr. Trbovich and the Company makes the required payment, the Company will be relieved of any further liability under the agreement notwithstanding the number of years covered by the agreement prior to termination. In the event

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the agreement is not extended by the Company beyond the scheduled expiration date (September 30, 2007), as such date may be extended, Dr. Trbovich will be entitled to a severance payment equal to nine months' salary and benefits.

Item 11. Security Ownership of Certain Beneficial Owners and Management.

(a) SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS. The following table lists the persons that owned beneficially, as of April 12, 2003, more than 5% of the outstanding shares of common stock of the Company, based on the Company's records. Unless otherwise stated, each person has sole voting and investment power with respect to the shares of common stock indicated as beneficially owned by that person.

| Name and Address of Beneficial Owner ----- | Amount and Nature of Beneficial Ownership ----- | Percent of Class (1) ----- |
|---|---|----------------------------------|
| Servotronics, Inc. Employee Stock Ownership Trust (2) 1110 Maple Street P.O. Box 300 Elma, New York 14059 | 841,774 (2) | 33.8% |
| Dr. Nicholas D. Trbovich 1110 Maple Street P.O. Box 300 Elma, New York 14059 | 506,311 (3) | 19.4% |

-6-

| Name and Address of Beneficial Owner ----- | Amount and Nature of Beneficial Ownership ----- | Percent of Class (1) ----- |
|---|---|----------------------------------|
| Harvey Houtkin (4) 160 Summit Avenue Montvale, New Jersey 07645 | 238,803 (4) | 9.6% |

(1) Percent of class is based upon 2,492,901 shares of common stock outstanding as of April 12, 2003 plus, in the case of Dr. Trbovich, the shares underlying his stock options, all of which are presently exercisable.

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- (2) The trustees of the Servotronics, Inc. Employee Stock Ownership Trust--Nicholas D. Trbovich, Jr., Lee D. Burns and Raymond C. Zielinski--direct the voting of unallocated shares. The participants in the related plan have the right to direct the voting of shares which have been allocated to their respective accounts; if a participant does not direct the vote, the trustees may direct the vote of that participant's shares. As of April 12, 2003, approximately 371,171 shares have been allocated to the accounts of participants and approximately 470,603 shares (18.9% of the shares outstanding) remain unallocated.
- (3) This amount includes (i) 32,309 shares held by a charitable foundation for which Dr. Trbovich serves as a trustee; (ii) an option to acquire 120,600 shares; (iii) approximately 41,596 shares allocated to Dr. Trbovich's account under the Servotronics, Inc. Employee Stock Ownership Plan; and (iv) approximately 3,084 shares beneficially owned by certain of Dr. Trbovich's children (as to which Dr. Trbovich disclaims beneficial interest). This amount does not include the shares beneficially owned by certain of Dr. Trbovich's other relatives.
- (4) Based on a statement on Schedule 13G, as last amended on February 13, 2003, filed by Mr. Houtkin with the Securities and Exchange Commission. According to Mr. Houtkin's statement, he has sole voting and investment power with respect to 190,000 shares and shared voting and investment power with respect to 48,803 shares. Mr. Houtkin disclaims beneficial ownership in additional shares owned by other members of his family.

(b) SECURITY OWNERSHIP OF MANAGEMENT. The following table sets forth, as of April 12, 2003, information as to the beneficial ownership of shares of common stock of the Company held by each director and by all directors and officers as a group (each individual listed in the following table has sole voting and investment power with respect to the shares of common stock indicated as beneficially owned by that person, except as otherwise indicated):

-7-

| Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class (1) |
|---|---|----------------------|
| Dr. Nicholas D. Trbovich | 506,311 (2) | 19.4% |
| Nicholas D. Trbovich, Jr. | 95,500 (3) | 3.7% |
| Donald W. Hedges | 36,586 (4) | 1.5% |
| Dr. William H. Duerig | 35,443 (5) | 1.4% |
| All directors and executive officers as a group | 1,129,391 (6) (7) | 44.24% |

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- (1) Percent of class is based upon 2,492,901 shares of common stock outstanding as of April 12, 2003 plus the number of shares subject to stock options held by the indicated person or group.
- (2) See note (3) to the table in "Security Ownership of Certain Beneficial Owners."
- (3) This amount includes 60,800 shares which Mr. Trbovich, Jr. has the right to acquire under stock options which are currently exercisable and approximately 19,886 shares allocated to Mr. Trbovich, Jr.'s account under the Servotronics, Inc. Employee Stock Ownership Plan. Does not include shares held by the Servotronics, Inc. Employee Stock Ownership Trust (the "ESOT") as to which Mr. Trbovich, Jr. serves as one of three trustees. See note (6) below and the table in "Security Ownership of Certain Beneficial Owners."
- (4) This amount includes 31,850 shares which Mr. Hedges has the right to acquire under stock option plans all of which are currently exercisable. Mr. Hedges has sole voting and investment power with respect to 4,261 shares and shared voting and investment power with respect to 475 shares.
- (5) This amount includes 31,850 shares which Dr. Duerig has the right to acquire under a stock option plan all of which are currently exercisable. Dr. Duerig has sole voting with respect to 3,593 shares.
- (6) Includes unallocated shares held by the ESOT over which certain officers, as trustees of the ESOT, may be deemed to have voting power, as well as shares allocated to the accounts of all officers as a group under the related plan. See the table in "Security Ownership of Certain Beneficial Owners" and note (2) thereto.
- (7) See notes (2) through (5) above.

-8-

(c) SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS.

EQUITY COMPENSATION PLAN INFORMATION

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Num rema fut eq plans refle |
|---|--|---|--|
| Equity compensation plans approved by security holders..... | 125,000 | \$4.38 | |
| Equity compensation plans not approved | | | |

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| | | |
|--------------------------|------------------|------------------|
| by security holders..... | 194,200 ----- | \$6.057 ----- |
| ----- | | |
| | 319,200 ----- | \$5.40 ----- |
| Total..... | | |
| ----- | | |

Item 12. Certain Relationships and Related Transactions.

During 2002, Dr. Trbovich's son, Nicholas D. Trbovich, Jr., served as an officer and director of the Company and received the compensation disclosed in the Summary Compensation Table in Item 10. See also, the discussion under "Employment Agreement" in Item 10. Michael D. Trbovich, also a son of Dr. Nicholas D. Trbovich, received remuneration of \$72,827 which includes fringe benefits for health insurance, life insurance and an amount paid for untaken vacation. He did not receive a benefit (i.e.: a no-cost allocation of Company shares) from the Company's ESOP.