

SERVOTRONICS INC /DE/
Form 10KSB/A
April 29, 2004

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, 2003 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.

- Item 14. Principal Accountant Fees and Services.

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 28, 2004

SERVOTRONICS, INC.

By: /s/ Lee D. Burns

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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|

SERVOTRONICS, INC.

AMENDMENT NO. 1
TO
FORM 10-KSB FOR YEAR ENDED
DECEMBER 31, 2003

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 2003 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 | 82 | 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 | 82 | Director of the Company since 1967; self-employed attorney since 1988. |
| Nicholas D. Trbovich, Jr. | 43 | 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 | 68 | Chairman of the Board of Directors, President and Chief Executive Officer of the Company since 1959. |

The Board has designated Dr. William H. Duerig as the Company's "Audit Committee financial expert" in accordance with the SEC rules and regulations. The Board has determined that Dr. Duerig is independent pursuant to Section 121A of the listing Standards of the American Stock Exchange.

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(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 |
|---------------------------|-----|--|
| Dr. Nicholas D. Trbovich | 68 | See table under "Directors." |
| Nicholas D. Trbovich, Jr. | 43 | See table under "Directors." |
| Raymond C. Zielinski | 59 | Vice President since 1990; Director of Manufacturing of the Company from 1983 to 1990. |
| Lee D. Burns | 62 | 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 Audit Committee of the Board are paid a yearly Audit Committee fee of \$2,500 plus a per-meeting fee of \$450 and reimbursement of actual expenses for attendance at Audit Committee meetings.

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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

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Annual Compensation

| Name and Principal Position ----- | Year ---- | Salary ----- | Bonus (1) ----- | Other Annual Compen- sation (2) ----- |
|---|--------------|-----------------|--------------------|---|
| Dr. Nicholas D. Trbovich..... | 2003 | \$359,579 | -- | -- |
| Chairman, President and | 2002 | 347,419 | \$15,000 | -- |
| CEO | 2001 | 337,301 | 30,000 | -- |
| Raymond C. Zielinski..... | 2003 | \$134,263 | -- | -- |
| Vice President | 2002 | 129,308 | \$ 6,500 | -- |
| | 2001 | 120,423 | 10,000 | -- |
| Nicholas D. Trbovich, Jr..... | 2003 | \$139,446 | -- | -- |
| Director, Vice President | 2002 | 129,308 | \$ 6,500 | -- |
| | 2001 | 120,423 | 10,000 | -- |
| Lee D. Burns..... | 2003 | \$122,809 | -- | -- |
| Treasurer, Secretary and CFO | 2002 | 118,532 | \$ 6,500 | -- |
| | 2001 | 110,327 | 10,000 | -- |

(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 2003. Discretionary payments authorized for 2004 will be included in the compensation table for 2004 to the extent they are paid in that year. The Board of Directors has made no commitment for incentive payments in subsequent years.

(2) The values of perquisites and other personal benefits are not shown on the table because the aggregate amount of such compensation (if any) for each year shown did not exceed 10% of the Named Officer's annual salary and bonus for that year.

(3) All Other Compensation for 2003 includes (i) an allocation of 1,378 share, 940 shares, and 1,020 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, 2003 (the date of the allocation) at the closing price on the American Stock Exchange on that date of \$3.10 per share; (ii) \$4,350, \$494, \$118, and \$747 to Dr. Trbovich, Mr. Zielinski, Mr. Trbovich, Jr. and Mr. Burns, respectively, for life insurance; and

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(iii) \$26,265, \$10,570, and \$11,822 paid to Dr. Trbovich, Mr. Trbovich, Jr. and Mr. Burns, respectively, 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.

Option Grants. The following tables give information with

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respect to stock options granted to, exercised or owned by the Named Officers during 2003.

| OPTION GRANTS IN LAST FISCAL YEAR (INDIVIDUAL GRANTS) | | | | |
|--|--|---|--------------------------------|-----------------|
| Name of Officer | Number of Securities Underlying Options/SARs Granted (#) | Percent of Total Options/SARs Granted to Employees in Fiscal Year | Exercise of Base Price (\$/Sh) | Expiration Date |
| Dr. Nicholas D. Trbovich... | 50,000 (1) | 45.9% | \$2.045 | 4/10/13 |
| Raymond C. Zielinski..... | 9,000 (2) | 8.3% | \$2.045 | 4/10/13 |
| Nicholas D. Trbovich, Jr... | 27,000 (1) | 24.8% | \$2.045 | 4/10/13 |
| Lee D. Burns..... | 9,000 (2) | 8.3% | \$2.045 | 4/10/13 |

- (1) Exercisable on October 11, 2003
- (2) Exercisable on April 11, 2004

Option Exercises and Fiscal Year End Values. No Named Officer exercised options during 2003. The following table shows information with respect to the value of unexercised options held by the Named Officers as of December 31, 2003. Valuation calculations for unexercised options are based on the closing price (\$2.90) of a Share on the American Stock Exchange on December 31, 2003.

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AGGREGATED OPTION/SAR EXERCISES WITH LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION/SAR VALUES

| Name of Officer | Number of Unexercised Securities Underlying Options at Fiscal Year-End: Exercisable/Unexercisable | Value of Unexercised In-The-Money Options at Fiscal Year End: Exercisable/Unexercisable |
|-----------------------------|---|---|
| Dr. Nicholas D. Trbovich... | 170,600/0 | \$42,750/0 |
| Raymond C. Zielinski..... | 21,300/9,000 | 0/\$7,695 |
| Nicholas D. Trbovich, Jr. . | 87,800/0 | \$23,085/0 |
| Lee D. Burns..... | 21,300/9,000 | 0/\$7,695 |

Employment Agreement. Dr. Trbovich has an employment agreement

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with the Company pursuant to which he is entitled to receive minimum direct compensation of \$363,995 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 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 the agreement is not extended by the Company beyond the scheduled expiration date (September 30, 2008), 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, 2004, more than 5% of the outstanding shares of common stock of the Company, based on

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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 | 836,971 (2) | 33.6% |
| Dr. Nicholas D. Trbovich 1110 Maple Street P.O. Box 300 Elma, New York 14059 | 557,689 (3) | 20.9% |
| Harvey Houtkin (4) 160 Summit Avenue Montvale, New Jersey 07645 | 352,088 (4) | 14.1% |

(1) Percent of class is based upon 2,492,901 shares of common stock outstanding as of April 12, 2004 plus, in the case of Dr. Trbovich, the shares underlying his stock options, all of which are presently exercisable.

(2) The trustees of the Servotronics, Inc. Employee Stock Ownership Trust--Nicholas D. Trbovich, Jr., Lee D. Burns and Raymond C.

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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, 2004, approximately 391,646 shares have been allocated to the accounts of participants and approximately 445,325 shares (17.9% 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 170,600 shares; (iii) approximately 42,974 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 13D, as last amended on February 12, 2004, 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 162,088 shares. Mr. Houtkin disclaims beneficial ownership in additional shares owned by other members of his family.

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(b) Security Ownership of Management. The following table sets

forth, as of April 12, 2004, 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):

| Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class (1) |
|---|---|----------------------|
| Dr. Nicholas D. Trbovich | 557,689 (2) | 20.9% |
| Nicholas D. Trbovich, Jr. | 124,520 (3) | 4.8% |
| Donald W. Hedges | 66,336 (4) | 2.6% |
| Dr. William H. Duerig | 65,193 (5) | 2.6% |
| Raymond C. Zielinski | 54,753 (6) | 2.2% |
| Lee D. Burns | 49,895 (7) | 2.0% |
| All directors and executive officers as a group | 1,363,711 (8) (9) | 46.46% |

(1) Percent of class is based upon 2,492,901 shares of common stock outstanding as of April 12, 2004 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."

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- (3) This amount includes 87,800 shares which Mr. Trbovich, Jr. has the right to acquire under stock options which are currently exercisable and approximately 20,906 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 61,600 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 61,600 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.

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- (6) This amount includes 30,300 shares which Mr. Zielinski has the right to acquire under stock options which are currently exercisable and approximately 16,126 shares allocated to Mr. Zielinski's account under the Servotronics, Inc. Employee Stock Ownership Plan. Does not include shares held by the ESOT as to which Mr. Zielinski serves as one of three trustees. See note (8) below and the table in "Security Ownership of Certain Beneficial Owners."
- (7) This amount includes 30,300 shares which Mr. Burns has the right to acquire under stock options which are currently exercisable and approximately 6,423 shares allocated to Mr. Burns' account under the Servotronics, Inc. Employee Stock Ownership Plan. Does not include shares held by the ESOT as to which Mr. Burns serves as one of three trustees. See note (8) below and the table in "Security Ownership of Certain Beneficial Owners."
- (8) 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.
- (9) See notes (2) through (7) above.

(c) Securities Authorized for Issuance Under Equity

Compensation Plans.

 EQUITY COMPENSATION PLAN INFORMATION

Number of securities
 to be issued upon
 exercise of outstanding
 options, warrants

Weighted-average
 exercise price of
 outstanding options,

Number of securities
 remaining available
 for future issuance
 under equity compensation
 plans (excluding

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| Plan category | and rights (a) | warrants and rights (b) | reflected in co (c) |
|--|-------------------|----------------------------|------------------------|
| Equity compensation plans approved by security holders..... | 270,000 | \$3.126 | 80,00 |
| Equity compensation plans not approved by security holders... | 194,200 | \$6.057 | 76,60 |
| | 464,200 ===== | \$4.352 ----- | 156,60 ===== |
| Total..... | | | |

Item 12. Certain Relationships and Related Transactions.

During 2003, 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.

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Nicholas D. Trbovich, received remuneration of \$74,852 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.

Item 14. Principal Accountant Fees and Services.

The following table shows the fees paid or accrued by the Company for the audit and other services provided by PricewaterhouseCoopers LLP for fiscal 2003 and 2002.

| | 2003 ---- | 2002 ---- |
|------------------------|--------------|--------------|
| Audit Fees (1)..... | \$83,750 | \$79,250 |
| Audit-Related Fees.... | 0 | 6,000 |
| Tax Fees (2)..... | 30,300 | 31,300 |
| All Other Fees | 0 | 0 |
| Total..... | \$114,050 | \$116,550 |

- (1) Audit fees represent fees for professional services provided in connection with the audit of the Company's financial statements and review of the Company's quarterly financial statements and audit services provided in connection with other statutory or regulatory filings.
- (2) Tax fees principally included fees for tax preparation and tax consulting services.

The Audit Committee pre-approves all audit and legally permissible non-audit services provided by the independent accountants. The Audit Committee pre-approved all services performed by PricewaterhouseCoopers LLP during 2003.