

Edgar Filing: SERVOTRONICS INC /DE/ - Form 10KSB/A

SERVOTRONICS INC /DE/
Form 10KSB/A
May 01, 2006

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

FORM 10-KSB/A
Amendment No. 1

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2005 Commission File Number 1-07109

SERVOTRONICS, INC.
(NAME OF SMALL BUSINESS ISSUER IN ITS CHARTER)

DELAWARE
(State or other jurisdiction
of incorporation or organization)

16-0837866
(I.R.S. Employer
Identification No.)

1110 MAPLE STREET
ELMA, NEW YORK
(Address of principal executive offices)

14059
(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (716) 655-5990

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of each class -----	Name of each exchange on which registered -----
Common Stock, \$.20 par value	American Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE.

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. -----

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No
--- ---

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)

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

Issuer's revenues for its most recent fiscal year: \$23,126,000

As of April 21, 2006 the aggregate market value of the voting common stock held by non-affiliates of the registrant was \$12,650,984 based on the closing sales price reported by the American Stock Exchange on that day.

Edgar Filing: SERVOTRONICS INC /DE/ - Form 10KSB/A

As of April 21, 2006 the number of \$.20 par value common shares outstanding was 2,389,857.

Transitional Small Business Disclosure Format. Yes No
--- ---

EXPLANATORY NOTE AS TO PURPOSE OF THIS AMENDMENT

This Amendment No. 1 to the Annual Report on Form 10-KSB of Servotronics, Inc. (the "Company") for the fiscal year ended December 31, 2005 is being filed to provide information required by Items 9, 10, 11, 12, and 14 of Part III of the Annual Report on Form 10-KSB, rather than incorporate by reference portions of the proxy statement into Part III.

As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), new certifications of our principal executive officer and principal financial officer are being filed as exhibits to this Form 10-KSB/A.

For purposes of this Form 10-KSB/A, and in accordance with Rule 12b-15 under the Exchange Act, each item of our Annual Report on Form 10-KSB/A for the year ended December 31, 2005, as filed on March 31, 2006, that was affected by this amendment, has been amended and restated in its entirety. No attempt has been made in this Form 10-KSB/A to modify or update other disclosures as presented in our original Form 10-KSB, except as may be required to reflect such amendments.

-2-

PART III

Item 9. Directors and Executive Officers of the Registrant.

(a) DIRECTORS. The table below sets forth certain information regarding the directors of the Company, each of whom was elected at the Company's 2005 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	84	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	84	Director of the Company since 1967; self-employed attorney since 1988.
Nicholas D. Trbovich, Jr.	45	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 eAutoclaims, Inc.

Edgar Filing: SERVOTRONICS INC /DE/ - Form 10KSB/A

Dr. Nicholas D. Trbovich 70 Chairman of the Board of Directors,
President and Chief Executive Officer
of the Company since 1959.

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

Name	Age	Position with the Company and Principal Occupation and Business Experience for Past Five Years
Dr. Nicholas D. Trbovich	70	See table under "Directors."
Nicholas D. Trbovich, Jr.	45	See table under "Directors."
Raymond C. Zielinski	61	Vice President since 1990; Director of Manufacturing of the Company from 1983 to 1990.
Cari L. Jaroslowsky	36	Treasurer and Chief Financial Officer of the Company since September 2005; CPA Consultant/Controller for the Company for more than five years prior to September 2005.

-3-

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.

(c) 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 executive officers and directors were timely made.

(d) CODE OF ETHICS. The Company has adopted a Code of Ethics and Business Conduct that applies to all directors, officers and employees of the Company as required by the listing standards of the American Stock Exchange. The Code is available on the Company's website at www.servotronics.com and the Company intends to disclose on this website any amendment to the Code. Waivers under the Code, if any, will be disclosed under the rules of the SEC and the American Stock Exchange.

(e) AUDIT COMMITTEE FINANCIAL EXPERT. 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.

(f) IDENTIFICATION OF AUDIT COMMITTEE. The Board of Directors has a standing Audit Committee that consists of Dr. Duerig and Mr. Hedges. Each member of the Audit Committee is "independent" as that term is defined in the American Stock Exchange listing standards.

Edgar Filing: SERVOTRONICS INC /DE/ - Form 10KSB/A

Item 10. Executive Compensation.

DIRECTORS' FEES. Under the Company's compensation arrangements, non-employee directors 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. On December 30, 2005, Dr. Duerig and Mr. Hedges were granted options to purchase 7,500 shares of common stock at an exercise price of \$4.70 per share.

-4-

COMPENSATION TABLE. The following table contains information with respect to the annual and long-term compensation for the years ended December 31, 2005, 2004 and 2003 for the Company's Chief Executive Officer and each other person who was an Executive Officer of the Company and received total salary and bonus in excess of \$100,000 during 2005.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation (2)	
		Salary	Bonus (1)
Dr. Nicholas D. Trbovich..... Chairman, President and CEO	2005	\$391,064	\$40,000
	2004	374,611	40,000
	2003	359,579	--
Raymond C. Zielinski..... Vice President	2005	\$145,725	\$7,500
	2004	139,576	5,000
	2003	134,263	--
Nicholas D. Trbovich, Jr..... Director, Vice President	2005	\$179,083	\$25,000
	2004	162,500	15,000
	2003	139,446	--
Lee D. Burns..... Former Treasurer, Secretary and CFO*	2005	\$102,596	--
	2004	127,942	\$ 5,000
	2003	122,809	--

* Separated from the Company in September of 2005

Edgar Filing: SERVOTRONICS INC /DE/ - Form 10KSB/A

- (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 2006 will be included in the compensation table for 2006 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 Executive Officer's annual salary and bonus for that year.

-5-

- (3) All Other Compensation for 2005 includes (i) an allocation of 1,273 shares, 902 shares, and 1,136 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, 2004 (the date of the allocation) at the closing price on the American Stock Exchange on that date of \$4.50 per share; (ii) \$3,989, \$1,112, \$1,304 and \$767 to Dr. Trbovich, Mr. Zielinski, Mr. Trbovich, Jr. and Mr. Burns, respectively, for life insurance; (iii) \$44,099, \$3,365 and \$10,042 paid for Dr. Trbovich, Mr. Trbovich, Jr. and Mr. Burns, respectively, for vacation pay in lieu of time off pursuant to a policy that is generally applicable to all employees of the Company.

OPTION GRANTS. The following table gives information with respect to stock options granted to the Executive Officers during 2005.

OPTION GRANTS IN LAST FISCAL YEAR (INDIVIDUAL GRANTS)			
Name of Officer	Number of Securities Underlying Options Granted(#)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise o Base Price (\$
Dr. Nicholas D. Trbovich.....	25,000 (1)	38.5%	\$4.70
Raymond C. Zielinski.....	7,500 (1)	11.5%	\$4.70
Nicholas D. Trbovich, Jr.....	15,000 (1)	23.1%	\$4.70
Cari L. Jaroslowsky.....	7,500 (1)	11.5%	\$4.70

- (1) Immediately exercisable

Edgar Filing: SERVOTRONICS INC /DE/ - Form 10KSB/A

OPTION EXERCISES AND FISCAL YEAR END VALUES. No Executive Officer exercised options during 2005. The following table shows information with respect to the value of unexercised options held by the Executive Officers as of December 31, 2005. Valuation calculations for unexercised options are based on the closing price (\$4.70) of a Share on the American Stock Exchange on December 31, 2005. All of the options granted to the Executive Officers are currently exercisable.

-6-

FISCAL YEAR-END OPTION VALUES		
Name of Officer	Number of Unexercised Securities Underlying Options at Fiscal Year-End	Value of Unexercised In-The-Money Options at Fiscal Year End
Dr. Nicholas D. Trbovich...	195,600	\$180,698
Raymond C. Zielinski.....	37,800	\$33,111
Nicholas D. Trbovich, Jr. .	102,800	\$95,695
Cari L. Jaroslowsky.....	7,500	-0-

EMPLOYMENT AGREEMENTS. Dr. Trbovich and Mr. Trbovich, Jr. have employment agreements with the Company pursuant to which they are entitled to receive minimum salary compensation of \$397,400 and \$182,000 per annum respectively, or such greater amount as the Company's Board of Directors may determine, and individual and spousal lifetime health and life insurance benefits. In the event of Dr. Trbovich's or Mr. Trbovich, Jr.'s death or total disability during the term of the employment agreement, they or their estate is entitled to receive 50% of the compensation they are receiving from the Company at the time of their 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 or Mr. Trbovich, Jr., they are entitled to terminate the agreement and receive a payment of 2.99 times their average annual compensation from the Company for the preceding five years. If this provision is invoked by Dr. Trbovich or Mr. Trbovich, Jr. and the Company makes the required payment, the Company will be relieved of any further salary liability under the agreement notwithstanding the number of years covered by the agreement prior to termination. The term of the agreement extends to and includes July 1, 2010, provided, however the term of the agreement will be automatically extended for one additional year beyond its then expiration date unless either party has notified the other in writing that the term will not be extended. If the Company elects not to extend the agreement, Dr. Trbovich or Mr. Trbovich, Jr. will be entitled to a severance payment equal to nine months' salary and benefits.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

(a) SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS. The following table lists the persons that owned beneficially, as of April 7, 2006, 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	816,467 (2)	32.9%
Dr. Nicholas D. Trbovich 1110 Maple Street P.O. Box 300 Elma, New York 14059	585,189 (3)	19.8%
Harvey Houtkin (4) 160 Summit Avenue Montvale, New Jersey 07645	352,088 (4)	14.2%

(1) Percent of class is based upon 2,477,951 shares of common stock outstanding as of April 7, 2006 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 (the "ESOT") -- Dr. Nicholas D. Trbovich, Nicholas D. Trbovich, Jr. 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 7, 2006, approximately 419,180 shares have been allocated to the accounts of participants and approximately 397,287 shares (16.3% 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) 195,600 shares which Dr. Trbovich has the right to acquire under stock options which are currently exercisable; (iii) approximately 45,474 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. Does not include shares held by the ESOT as to which Dr.

Edgar Filing: SERVOTRONICS INC /DE/ - Form 10KSB/A

Trbovich serves as one of the three trustees. See note (2) above.

- (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.

(b) SECURITY OWNERSHIP OF MANAGEMENT. The following table sets forth, as of April 7, 2006, information as to the beneficial ownership of shares of common stock of the Company held by each director, executive officer 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	585,189 (2)	21.9%
Nicholas D. Trbovich, Jr.	141,689 (3)	5.5%
Donald W. Hedges	73,836 (4)	2.9%
Dr. William H. Duerig	72,693 (5)	2.9%
Raymond C. Zielinski	64,022 (6)	2.5%
Cari L. Jaroslowsky	7,500 (7)	0.3%
All directors and officers as a group -----	1,375,669 (8)	46.1%

- (1) Percent of class is based upon 2,477,951 shares of common stock outstanding as of April 7, 2006 plus the number of shares subject to stock options held by the indicated person or group.

- (2) See note (8) below and note (3) to the table in "Security Ownership of Certain Beneficial Owners."

- (3) This amount includes (i) 102,800 shares which Mr. Trbovich, Jr. has the right to acquire under stock options which are currently exercisable and (ii) approximately 23,075 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 (8) below and note (2) to the table in "Security Ownership of Certain Beneficial Owners."

-9-

- (4) This amount includes 69,100 shares which Mr. Hedges has the right to acquire under stock options 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.

Edgar Filing: SERVOTRONICS INC /DE/ - Form 10KSB/A

- (5) This amount includes 69,100 shares which Dr. Duerig has the right to acquire under stock options which are currently exercisable.
- (6) This amount includes (i) 37,800 shares which Mr. Zielinski has the right to acquire under stock options which are currently exercisable and (ii) approximately 12,198 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 note (2) to the table in "Security Ownership of Certain Beneficial Owners."
- (7) This amount represents 7,500 shares which Mrs. Jaroslowsky has the right to acquire under stock options which are currently exercisable.
- (8) See notes (2) through (7) above. Also 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.

(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.....	333,000	\$3.503	
Equity compensation plans not approved by security holders.....	180,900 -----	\$6.072	
	513,900 =====	\$4.407	
Total.....			

Item 12. Certain Relationships and Related Transactions.

During 2005, Dr. Trbovich's son, Nicholas D. Trbovich, Jr., served as an officer and director of the Company and received the compensation disclosed

Edgar Filing: SERVOTRONICS INC /DE/ - Form 10KSB/A

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 \$81,358 which includes fringe benefits for health insurance, life insurance and an amount paid for untaken vacation, but does not include 484 shares allocated by the Company's ESOP or stock options.

Ms. Jaroslowsky has served as Treasurer and Chief Financial Officer of the Company since September 2005. Prior to being employed by the Company, she served as a Consultant/Controller to the Company and received fees totaling \$65,459 and \$84,027 in 2005 and 2004 respectively.

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 Freed Maxick & Battaglia, CPAs, PC and RSM McGladrey for fiscal 2005 and by PricewaterhouseCoopers LLP for fiscal 2004.

	2005	2004
Audit Fees (1)	\$63,000	\$85,200
Tax Fees (2)	1,713	42,150
All Other Fees (3)	35,704	-
Total	\$100,417	\$127,350

(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.

(3) For 2005, this was primarily for the investigation and report by RSM McGladrey with respect to a defalcation by a former employee.

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 Freed Maxick & Battaglia, CPAs, PC and RSM McGladrey during 2005.

-11-

SIGNATURES In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 1, 2006

SERVOTRONICS, INC.

Edgar Filing: SERVOTRONICS INC /DE/ - Form 10KSB/A

By: /s/ Cari L. Jaroslowsky, Treasurer and CFO

Cari L. Jaroslowsky, Treasurer and
Chief Financial Officer

-12-

Exhibits

Exhibit No.	Description
31.1	Certification of Chief Financial Officer pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Executive Officer pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

-13-