

SERVOTRONICS INC /DE/
Form 10-K/A
April 30, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
Form 10-K/A

Amendment No. 1

(Mark One)

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

For the fiscal year ended December 31, 2008
or

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

Commission File No. 1-07109

SERVOTRONICS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
Employer
incorporation or
organization)

16-0837866

(I. R. S.

Identification No.)

1110 Maple Street
Elma, New York 14059-0300
(Address of principal executive offices including zip code)

(716) 655-5990
(Registrant's telephone number, including area code)

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

| Title of each class | Name of each exchange on which registered |
|-------------------------------|---|
| Common Stock, \$.20 par value | NYSE Amex |

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to the filing requirements for past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

Based on the closing price of the Common Stock on June 30, 2008 (\$15.00) (the last day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the voting stock held by non-affiliates of the registrant was \$22,761,045.30.

As of March 31, 2009 the number of \$.20 par value common shares outstanding was 2,238,314.

EXPLANATORY NOTE AS TO PURPOSE OF THIS AMENDMENT

This Amendment No. 1 to the Annual Report on Form 10-K of Servotronics, Inc. (the “Company”) for the fiscal year ended December 31, 2008 is being filed to provide information required by Items 10, 11, 12, 13 and 14 of Part III of the Annual Report on Form 10-K, 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-K/A.

For purposes of this Form 10-K/A, and in accordance with Rule 12b-15 under the Exchange Act, each item of our Annual Report on Form 10-K/A for the year ended December 31, 2008, as filed on March 27, 2009, that was affected by this amendment, has been amended and restated in its entirety. No attempt has been made in this Form 10-K/A to modify or update other disclosures as presented in our original Form 10-K, except as may be required to reflect such amendments.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

(a) Directors. The table below sets forth certain information regarding the directors of the Company, each of whom was elected at the Company's 2008 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 | 87 | 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 | 87 | Director of the Company since 1967; self-employed attorney since 1988. |
| Nicholas D. Trbovich, Jr. | 49 | Director of the Company since 1990; Chief Operating Officer of the Company since 2007; Executive Vice President of the Company since 2006; Vice President of the Company from 1990 to 2006. |
| Dr. Nicholas D. Trbovich | 73 | Chairman of the Board of Directors, President and Chief Executive Officer of the Company for more than 5 years. |

(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 | 73 | See table under "Directors." |
| Nicholas D. Trbovich, Jr. | 49 | See table under "Directors." |
| Cari L. Jaroslowsky | 40 | Treasurer and Chief Financial Officer of the Company since 2005; CPA Consultant/Controller for the Company for more than five years prior to 2005. |
| Salvatore San Filippo | 60 | Vice President of Marketing and Sales of the Company since 2007; Director of Marketing and Sales of the Company since 2005; Director of Sales of the Company from 2002 to 2005. |
| Michael D. Trbovich | 46 | |

Corporate Secretary of the Company since 2005; Corporate Administration and Liaison for the Company for more than five years prior to 2005.

Nicholas D. Trbovich, Jr. and Michael D. Trbovich are the sons 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, directors and greater than 10% beneficial owners were timely made for 2008.

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(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 NYSE Amex. 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 NYSE Amex.

(e) Audit Committee. The Board of Directors has an Audit Committee comprised of Dr. Duerig and Mr. Hedges. The Board has (i) determined that Dr. Duerig and Mr. Hedges are independent pursuant to the listing standards of the NYSE Amex; and (ii) designated Dr. Duerig as the Company's "Audit Committee financial expert."

Item 11. Executive Compensation.

Summary Compensation Table.

The following table contains information with respect to the annual compensation for the years ended December 31, 2008 and 2007 for the Company's Chief Executive Officer and the two most highly compensated Executive Officers who were serving as Executive Officers at December 31, 2008 (the "Named Executive Officers").

| Name and Principal Position | Year | Salary | Bonus | All Other Compen- sation (1) | Total |
|--|-----------|-----------|----------|------------------------------------|-----------|
| Dr. Nicholas D. Trbovich | 2008 | \$448,533 | \$55,000 | \$442,363 | \$945,897 |
| Chairman, President and CEO | 2007 | \$417,767 | \$55,000 | \$130,759 | \$603,526 |
| Nicholas D. Trbovich, Jr. | 2008 | \$266,667 | \$45,000 | \$233,143 | \$544,810 |
| Director, Executive Vice President and COO | 2007 | \$229,607 | \$45,000 | \$92,020 | \$366,627 |
| Cari L. Jaroslowsky | 2008..... | \$144,000 | \$15,000 | \$76,546 | \$235,546 |
| CFO and Treasurer | 2007 | \$130,633 | \$10,000 | \$27,597 | \$168,230 |

(1) All Other Compensation for 2008 includes (i) an allocation of 2,136 and 1,739 shares of Common Stock under the Servotronics Inc.'s Employee Stock Ownership Plan ("ESOP") for Dr. Trbovich and Mr. Trbovich Jr., respectively, valued as of November 30, 2008 (the date of allocation), at the closing price on the NYSE Amex of \$6.80 per share; (ii) \$40,433 and \$66,346 for Dr. Trbovich and Mr. Trbovich Jr., respectively for vacation pay in lieu of time off pursuant to a policy that is generally applicable to all employees of the Company; (iii) \$100,500, \$2,700, and \$3,100 for Dr. Trbovich, Mr. Trbovich Jr., and Ms. Jaroslowsky respectively for benefit parity payments in lieu of pension related benefits that are limited by the terms of the ESOP; (iv) \$7,787, \$387, and \$197 for Dr. Trbovich, Mr. Trbovich Jr., and Ms. Jaroslowsky respectively for life insurance; (v) \$25,452, \$25,221, and \$15,739 for Dr. Trbovich, Mr. Trbovich Jr., and Ms. Jaroslowsky respectively for health insurance and medical related expenses; (vi) \$3,367 for personal use of a company car for Mr. Trbovich Jr., and (vii) \$253,666, \$123,298 and \$57,510 for Dr. Trbovich, Mr. Trbovich Jr., and Ms. Jaroslowsky respectively for the surrender of unexercised options to the Company in exchange for a cash payment equal to the difference between the exercise

price and the average of the high and the low market price (\$15.22 on 2/4/2008) of the Company's common stock on the day of surrender less an administrative charge. The number of options surrendered for Dr. Trbovich, Mr. Trbovich Jr., and Ms. Jaroslowsky was 37,800 (exercise price of \$8.50), 18,400 (exercise price of \$8.50), and 5,500 (exercise price of \$4.70), respectively.

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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 \$462,550 and \$275,000 per annum respectively, or such greater amount as the Company's Board of Directors may approve/ratify, 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 respective estates are 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 for Dr. Trbovich and extends to and includes July 1, 2013 for Mr. Trbovich, Jr., 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 and/or Mr. Trbovich, Jr. will be entitled to a severance payment equal to nine months' salary and benefits.

Outstanding Equity Awards at 2008 Fiscal Year End.

The following table shows information with respect to the value of unexercised options held by the Named Executive Officers as of December 31, 2008. All of the options granted to the Named Executive Officers were exercisable.

| Named Executive Officer | Number of securities underlying unexercised options (#) | Option Exercise Price | Option Awards | |
|--------------------------|---|-----------------------|------------------------|--|
| | | | Option Expiration Date | |
| Dr. Nicholas D. Trbovich | 37,800 | \$3.8125 | 07/06/2010 | |
| | 45,000 | \$4.38 | 09/05/2011 | |
| | 50,000 | \$2.045 | 04/10/2013 | |
| | 25,000 | \$4.70 | 12/29/2015 | |
| Nicholas D. Trbovich Jr. | 18,400 | \$3.8125 | 07/06/2010 | |
| | 24,000 | \$4.38 | 09/05/2011 | |
| | 27,000 | \$2.045 | 04/10/2013 | |
| | 15,000 | \$4.70 | 12/29/2015 | |
| Cari L. Jaroslowsky | 1,000 | \$4.70 | 12/29/2015 | |

Directors' Compensation.

Under the Company's compensation arrangements, non-employee directors are paid a yearly director's fee of \$18,000 plus a per meeting fee of \$900 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 \$5,000 plus a per-meeting fee of \$650 and reimbursement of actual expenses for attendance at Audit Committee meetings.

The following table contains information with respect to the compensation paid to the non-employee directors for the year ended December 31, 2008.

| Name | Fees Earned or Paid in Cash (1) | Option Awards (2) | All other Compensation (3) | Total |
|-------------------|---------------------------------|-------------------|----------------------------|-----------|
| William H. Duerig | \$32,017 | -- | \$84,322 | \$116,339 |
| Donald W. Hedges | \$32,017 | -- | \$84,322 | \$116,339 |

(1) Includes cash compensation earned by the Directors during the fiscal year 2008.

(2) No options were awarded in 2008. As of December 31, 2008, each of Dr. Duerig's and Mr. Hedges' stock option holdings in the Company consisted of: 15,000 options with an exercise price of \$3.8125 expiring on July 6, 2010; 16,000 options with an exercise price of \$4.38 expiring on September 5, 2011; 18,000 options with an exercise price of \$2.045 expiring on April 10, 2013; and 7,500 options with an exercise price of \$4.70 expiring on December 29, 2015. All stock options listed in this note (2) were exercisable at December 31, 2008.

(3) In February of 2008, Dr. Duerig and Mr. Hedges each surrendered 12,600 of unexercised options to the Company in exchange for a cash payment equal to the difference between the exercise price of \$8.50 and the average of the high and the low market price (\$15.22 on 2/4/2008) of the Company's common stock on the day of surrender less an administrative charge.

Item 12. 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 March 31, 2009, 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 | 767,717 (2) | 34.30% |
| (2) 1110 Maple Street P.O. Box 300 Elma, New York 14059 | | |
| Dr. Nicholas D. Trbovich | 546,203 (3) | 22.80% |
| (3) | | |

1110 Maple Street

P.O. Box 300

Elma, New York 14059

Nicholas D. Trbovich, Jr. 127,293 (4) 5.50%

(4)

1110 Maple Street

P.O. Box 300

Elma, New York 14059

Harvey Houtkin (5) 352,088 (5) 15.70%

160 Summit Avenue

Montvale, New

Jersey 07645

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- (1) Percent of class is based upon 2,238,314 shares of Common Stock outstanding as of March 31, 2009 plus, in the case of Dr. Trbovich and Nicholas D. Trbovich, Jr., the shares underlying their 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 and Nicholas D. Trbovich, Jr. -- 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 March 31, 2009, approximately 462,656 shares have been allocated to the accounts of participants and approximately 305,061 shares remain unallocated.
- (3) This amount includes (i) 31,809 shares held by a charitable foundation for which Dr. Trbovich serves as a trustee; (ii) 157,800 shares which Dr. Trbovich has the right to acquire under stock options which are currently exercisable; and (iii) approximately 46,568 shares allocated to Dr. Trbovich's account under the ESOT. These amounts do not include the shares beneficially owned by certain of Dr. Trbovich's other relatives. Also, except as set forth in this note (3), does not include shares held by the ESOT as to which Dr. Trbovich serves as one of the two trustees. See note (2) above.
- (4) This amount includes (i) 84,400 shares which Mr. Trbovich, Jr. has the right to acquire under stock options which are currently exercisable; and (ii) approximately 27,079 shares allocated to Mr. Trbovich, Jr.'s account under the ESOT. Except as set forth in the preceding sentence, does not include shares held by the ESOT as to which Mr. Trbovich, Jr. serves as one of two trustees. See note (2) above.
- (5) 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 March 31, 2009, 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 | 546,203 (2) | 22.80% |
| Nicholas D. Trbovich, Jr. | 127,293 (3) | 5.50% |
| Donald W. Hedges | 61,236 (4) | 2.70% |
| Dr. William H. Duerig | 60,093 (5) | 2.60% |
| Cari L. Jaroslowsky | 2,000 (6) | 0.10% |
| Salvatore San Filippo | 5,159 (7) | 0.20% |
| Michael D. Trbovich | 29,304 (8) | 1.30% |
| All directors and officers as a group | 1,136,349 (9) | 43.5% |

(1) Percent of class is based upon 2,238,314 shares of Common Stock outstanding as of March 31, 2009 plus the number of shares subject to stock options held by the indicated person or group.

(2) See note (9) below and note (3) to the table in “Security Ownership of Certain Beneficial Owners.”

(3) See note (9) below and note (4) to the table in “Security Ownership of Certain Beneficial Owners.”

(4) This amount includes 56,500 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.

(5) This amount includes 56,500 shares which Dr. Duerig has the right to acquire under stock options which are currently exercisable.

(6) This amount includes 1,000 shares which Ms. Jaroslowsky has the right to acquire under stock options which are currently exercisable.

(7) This amount includes (i) 1,000 shares which Mr. San Filippo has the right to acquire under stock options which are currently exercisable; and (ii) approximately 3,159 shares allocated to Mr. San Filippo’s account under the ESOT.

(8) This amount includes (i) 18,500 shares which Mr. Trbovich has the right to acquire under stock options which are currently exercisable; and (ii) approximately 9,268 shares allocated to Mr. Trbovich’s account under the ESOT.

(9) See notes (2) through (8) 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. The following table sets forth the securities authorized for issuance under the Company's equity compensation plans as of December 31, 2008.

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) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|---|--|--|--|
| Equity compensation plans approved by security holders..... | 314,000 | \$3.47 | 17,000 |
| Equity compensation plans not approved by security holders..... | 93,700 | \$3.81 | 84,100 |
| Total..... | 407,700 | \$3.55 | 101,100 |

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Nicholas D. Trbovich, Jr., Executive Vice President and Chief Operating Officer of the Company, is an inventor or co-inventor of certain issued patents and patent pending applications that are used in the business of a subsidiary of the Company. The patents have been and are currently used by the subject subsidiary on a royalty-free basis with Mr. Trbovich, Jr.'s consent.

Michael D. Trbovich, also a son of Dr. Nicholas D. Trbovich, received remuneration of \$170,777 which includes \$64,690 for the surrender of 6,000 stock options to the Company in exchange for a cash payment equal to the difference between the exercise price (\$4.38) and the average of the high and low market price (\$15.22 on 2/4/2008) of the Company's common stock on the day of surrender less an administrative charge, \$8,000 bonus, \$4,754 for health and life insurance, but does not include 749 shares allocated by the Company's ESOP.

The Board has determined that Dr. Duerig and Mr. Hedges are independent pursuant to the listing standards of the NYSE Amex. The Board of Directors has an Audit Committee comprised of Dr. Duerig and Mr. Hedges. The Board does not have a standing nominating or compensation committee. Pursuant to Board resolutions, the full Board of Directors approves/ratifies all director nominees after they are determined by the independent Directors. Additionally, the independent Directors determine the compensation of the Chief Executive Officer and all Executive Officers and such determination is then subsequently submitted to the full Board of Directors for approval/ratification.

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, ("FM&B") and RSM McGladrey for fiscal years 2008 and 2007.

| | 2008 | 2007 |
|----------------------|-----------|-----------|
| Audit Fees (1) | \$79,000 | \$74,950 |
| Tax Service Fees (2) | 35,015 | 35,806 |
| All Other Fees (3) | 6,775 | 5,759 |
| Total | \$120,790 | \$116,515 |

(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 service fees principally included fees for tax preparation and tax consulting services.

(3) Primarily for SEC compliance and assistance.

The Audit Committee pre-approves audit and non-audit services provided by FM&B and RSM McGladrey.

The Audit Committee of the Board of Directors has considered whether provision of the services described above is compatible with maintaining our accountant's independence and has determined that such services have not adversely affected FM&B's independence.

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: April 30, 2009

SERVOTRONICS, INC.

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

| Exhibit No. | Exhibits | 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. | |

