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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
Form 10-Q

(Mark One)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2022

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	**16-0837866**
(State or other jurisdiction of incorporation or organization)	*(I. R. S. Employer Identification No.)*

1110 Maple Street
Elma, New York 14059
(Address of principal executive offices) (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	Ticker symbol(s)	Name of each exchange on which registered
Common Stock	SVT	NYSE American

Indicate by check mark 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 (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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 22, 2022
Common Stock, $.20 par value	2,491,667

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SERVOTRONICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
($000's omitted except share and per share data)

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Current assets:		
Cash	$ 8,855	$ 9,546
Accounts receivable, net	9,304	7,198
Inventories, net	20,186	20,132
Prepaid income taxes	593	792
Other current assets	1,431	647
Total current assets	40,369	38,315
Property, plant and equipment, net	10,349	10,557
Deferred income taxes	892	900
Other non-current assets	318	321
Total Assets	$ 51,928	$ 50,093
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 266	$ 276
Accounts payable	2,332	663
Accrued employee compensation and benefits costs	1,687	1,759
Current portion of postretirement obligation	136	136
Other accrued liabilities	1,347	1,414
Total current liabilities	5,768	4,248
Long-term debt	4,690	4,750
Postretirement obligation	5,732	5,729
Shareholders' equity:		
Common stock, par value $0.20; authorized 4,000,000 shares; issued 2,614,506 shares; outstanding 2,435,032 (2,435,032 - 2021) shares	523	523
Capital in excess of par value	14,502	14,500
Retained earnings	26,183	25,858
Accumulated other comprehensive loss	(3,886)	(3,908)
Employee stock ownership trust commitment	(258)	(258)
Treasury stock, at cost 122,839 (122,839 - 2021) shares	(1,326)	(1,349)
Total shareholders' equity	35,738	35,366
Total Liabilities and Shareholders' Equity	$ 51,928	$ 50,093

See notes to condensed consolidated financial statements

SERVOTRONICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
($000's omitted except per share data)
(Unaudited)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Revenue	$ 11,168	$ 9,060
Cost of goods sold, inclusive of depreciation and amortization	8,530	8,067
Gross margin	2,638	993
Operating Expenses:		
Selling, general and administrative	2,182	1,973
Operating income/(loss)	456	(980)
Other (expense)/income:		
Other income: employee retention credit (ERC)	—	1,730
Interest expense	(70)	(61)
Gain on sale of equipment	26	—
Total other (expense)/income, net	(44)	1,669
Income before income tax provision	412	689
Income tax provision	87	148
Net income	$ 325	$ 541
Income per share:		
Basic		
Net income per share	$ 0.13	$ 0.23
Diluted		
Net income per share	$ 0.13	$ 0.22

See notes to condensed consolidated financial statements

SERVOTRONICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
($000's omitted)
(Unaudited)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Net Income	$ 325	$ 541
Other comprehensive income items:		
Actuarial gains	27	19
Income tax expense on actuarial losses	(5)	(4)
Other comprehensive income:		
Retirement benefits adjustments, net of income taxes	22	15
Total comprehensive income	$ 347	$ 556

See notes to condensed consolidated financial statements

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SERVOTRONICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
($000's omitted)
(Unaudited)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Cash flows related to operating activities:		
Net Income	$ 325	$ 541
Adjustments to reconcile net income to net cash (used) provided by operating activities:		
Depreciation and amortization	313	356
Stock based compensation	25	31
Increase in inventory reserve	168	58
Increase in allowance for doubtful accounts	65	36
Gain on sale of equipment	(26)	—
Change in assets and liabilities:		
Accounts receivable	(2,171)	(98)
Other receivables-ERC	—	(1,593)
Inventories	(222)	1,091
Prepaid income taxes	199	140
Other current assets	(783)	(420)
Accounts payable	1,669	146
Accrued employee compensation and benefit costs	(72)	499
Post retirement obligation	34	24
Other accrued liabilities	(68)	25
Net cash (used) provided by operating activities	(544)	836
Cash flows related to investing activities:		
Capital expenditures - property, plant and equipment	(115)	(14)
Proceeds from sale of assets	38	—
Net cash used by investing activities	(77)	(14)
Cash flows related to financing activities:		
Principal payments on long-term debt	—	(637)
Principal payments on equipment financing lease/note obligations	(70)	(85)
Proceeds from equipment note and equipment financing lease	—	384
Proceeds from line of credit	—	500
Purchase of treasury shares	—	(81)
Net cash (used) provided by financing activities	(70)	81
Net (decrease) increase in cash	(691)	903
Cash at beginning of period	9,546	5,935
Cash at end of period	$ 8,855	$ 6,838

See notes to condensed consolidated financial statements

SERVOTRONICS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements ("consolidated financial statements") have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements.

The accompanying consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. All such adjustments are of a normal recurring nature. Operating results for the three months ended March 31, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022. The consolidated financial statements should be read in conjunction with the 2021 annual report and the notes thereto.

COVID-19 Impacts on Our Business

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus a global pandemic. COVID-19 resulted in the disruption of our operations due to the push-out of orders by our customers, elevated safety standards to keep our employees safe, and supply chain challenges. We continue to maintain the health and safety of our employees while meeting the needs of our customers and securing the financial well-being of the Company. All of our operations and production activities have remained operational. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information related to COVID-19.

2. Business Description and Summary of Significant Accounting Policies

Business Description

Servotronics, Inc. and its subsidiaries design, manufacture and market advanced technology products consisting primarily of control components, and consumer products consisting of knives and various types of cutlery and other edged products.

Principles of Consolidation

The consolidated financial statements include the accounts of Servotronics, Inc. and its wholly-owned subsidiaries (the "Company"). All intercompany balances and transactions have been eliminated upon consolidation.

Cash

The Company considers cash to include all currency and coin owned by the Company as well as all deposits in the bank including checking accounts and savings accounts.

Accounts Receivable

The Company grants credit to substantially all of its customers and carries its accounts receivable at original invoice amount less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts based on history of past write-offs, collections, and current credit conditions. The allowance for doubtful accounts amounted to approximately $196,000 at March 31, 2022 and $131,000 at December 31, 2021. The Company does not accrue interest on past due receivables.

Revenue Recognition

Revenues are recognized at the time of shipment of goods, transfer of title and customer acceptance, as required. Our revenue transactions generally consist of a single performance obligation to transfer contracted goods and are not accounted for under industry-specific guidance. Purchase orders generally include specific terms relative to quantity, item description, specifications, price, customer responsibility for in-process costs, delivery schedule, shipping point, payment and other standard

SERVOTRONICS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

terms and conditions of purchase. Service sales, principally representing repair, are recognized at the time of shipment of goods. The costs incurred for nonrecurring engineering, development and repair activities of our products under agreements with commercial customers are expensed as incurred. Subsequently, the revenue is recognized as products are delivered to the customers with the approval by the customers.

Revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods and services to a customer. The Company determines revenue recognition using the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when the company satisfies a performance obligation.

Revenue excludes taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the Company from a customer (e.g., sales and use taxes). Revenue includes payments for shipping activities that are reimbursed by the customer to the Company.

Performance obligations are satisfied as of a point in time. Performance obligations are supported by contracts with customers, providing a framework for the nature of the distinct goods, services or bundle of goods and services. The timing of satisfying the performance obligation is typically indicated by the terms of the contract. As a significant portion of the Company's revenue is recognized at the time of shipment, transfer of title and customer acceptance, there is no significant judgment applied to determine the timing of the satisfaction of performance obligations or transaction price. Shipping and handling activities that occur after the customer obtains control of the promised goods are considered fulfillment activities.

The timing of satisfaction of our performance obligations does not significantly vary from the typical timing of payment. The Company generally receives payment for these contracts within the payment terms negotiated and agreed upon by each customer contract.

Warranty and repair obligations are assessed on all returns. Revenue is not recorded on any warranty returns. The Company warrants its products against design, materials and workmanship based on an average of twenty-seven months. The Company determines warranty reserves needed based on actual average costs of warranty units shipped and current facts and circumstances. As of March 31, 2022 and December 31, 2021 under the guidance of ASC 460 the Company has recorded a warranty reserve of approximately $511,000. This amount is reflected in other accrued expenses in the accompanying consolidated balance sheets. Revenue is recognized on repair returns, covered under a customer contract, at the contractual price upon shipment to the customer.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost includes all costs incurred to bring each product to its present location and condition. Market provisions in respect of lower of cost or market adjustments and inventory expected to be used in greater than one year are applied to the gross value of the inventory through a reserve of approximately $1,910,000 and $1,742,000 at March 31, 2022 and December 31, 2021, respectively. Pre-production and start-up costs are expensed as incurred.

The purchase of suppliers' minimum economic quantities of material such as steel, etc. may result in a purchase of quantities exceeding two years of customer requirements. Also, in order to maintain a reasonable and/or agreed to lead time or minimum stocking requirements, certain larger quantities of other product support items may have to be purchased and may result in over one year's supply.

Shipping and Handling Costs

Shipping and handling costs are classified as a component of cost of goods sold.

SERVOTRONICS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Property, Plant and Equipment

Property, plant and equipment is carried at cost; expenditures for new facilities and equipment and expenditures which substantially increase the useful lives of existing plant and equipment are capitalized; expenditures for maintenance and repairs are expensed as incurred. Upon disposal of properties, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is included in income.

Depreciation is provided on the basis of estimated useful lives of depreciable properties, primarily by the straight-line method for financial statement purposes and by accelerated methods for income tax purposes. Depreciation expense includes the amortization of ROU (Right of Use) assets. The estimated useful lives of depreciable properties are generally as follows:

Buildings and improvements	5-40 years
Machinery and equipment	5-20 years
Tooling	3-5 years

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities, as well as operating loss and credit carryforwards. The Company and its subsidiaries file a consolidated federal income tax return, combined New York, Texas, California and Connecticut state income tax returns and a separate Arkansas state income tax return.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company did not have any accrued interest or penalties included in its consolidated balance sheets at March 31, 2022 or December 31, 2021, and did not recognize any interest and/or penalties in its consolidated statements of income during the periods ended March 31, 2022 and 2021. The Company did not have any material uncertain tax positions or unrecognized tax benefits or obligations as of March 31, 2022 and December 31, 2021. The 2018 through 2021 federal and state income tax returns remain subject to examination.

Supplemental Cash Flow Information

There were income tax refunds received of approximately $113,000 for the three month period ended March 31, 2022 and no income taxes paid or refunds received for the same three month period ended March 31, 2021. Interest paid amounted to approximately $31,000 and $33,000, respectively, during the three months ended March 31, 2022 and 2021.

Employee Stock Ownership Plan

Contributions to the employee stock ownership plan are determined annually by the Company according to plan formula.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment annually or whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable based on undiscounted future operating cash flow analyses. If an impairment is determined to exist, any related impairment loss is calculated based on fair value. Due to the losses incurred by our CPG segment, we performed a test for recoverability of the long-lived assets by comparing its carrying value to the future undiscounted cash flows that we expect will be generated by the asset group. Impairment losses on assets to be disposed of, if any, are based on the estimated proceeds to be received, less costs of disposal. The Company has determined that no impairment of long-lived assets existed at March 31, 2022 and December 31, 2021.

SERVOTRONICS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Research and Development Costs

Research and development costs are expensed as incurred.

Concentration of Credit Risks

Financial instruments that potentially subject the Company to concentration of credit risks principally consist of cash accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institutions.

Fair Value of Financial Instruments

The carrying amount of cash, accounts receivable, accounts payable and accrued expenses are reasonable estimates of their fair value due to their short maturity. Based on variable interest rates and the borrowing rates currently available to the Company for loans similar to its long-term debt, the fair value approximates its carrying amount.

Recent Accounting Pronouncements Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. ASU 2016-13 will be adopted by the Company as of January 1, 2023. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and does not expect the impact to be significant.

3. Inventories

	March 31, 2022	December 31, 2021
	($000's omitted)	
Raw material and common parts	$ 15,771	$ 15,952
Work-in-process	4,181	3,432
Finished goods	2,144	2,490
	22,096	21,874
Less inventory reserve	(1,910)	(1,742)
Total inventories	$ 20,186	$ 20,132

SERVOTRONICS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

4. Property, Plant and Equipment

	March 31, 2022	December 31, 2021
	($000's omitted)	
Land	$ 7	$ 7
Buildings	11,363	11,363
Machinery, equipment and tooling	20,631	20,689
Construction in progress	529	414
	32,530	32,473
Less accumulated depreciation and amortization	(22,181)	(21,916)
Total property, plant and equipment	$ 10,349	$ 10,557

Depreciation and amortization expense amounted to approximately $313,000 and $356,000 for the three months ended March 31, 2022 and 2021, respectively. Depreciation expense amounted to approximately $305,000 and $339,000 for the three months ended March 31, 2022 and 2021, respectively. Amortization expense primarily related to capital leases amounted to approximately $8,000 and $17,000 for the three months ended March 31, 2022 and 2021, respectively.

As of March 31, 2022, there is approximately $529,000 ($414,000 – December 31, 2021) of construction in progress (CIP) included in property, plant and equipment all of which is related to capital projects. There is approximately $373,000 in CIP for the machinery and equipment ($304,000 – December 2021), $5,000 of computer equipment ($0 – December 2021) and $151,000 for building improvements ($110,000 – December 2021) primarily related to the Advance Technology Group.

5. Long-Term Debt

	March 31, 2022	December 31, 2021
	($000's omitted)	
Line of credit payable to a financial institution; Interest rate is the BSBY Daily Floating Rate (Interest rate 2.58943% as of March 31, 2022) (A)	$ 4,250	$ 4,250
Equipment note obligations; Interest rate fixed for term of each funding based upon the Lender's lease pricing at time of funding. (Interest rate/factor 1.7955% - 1.8350% as of March 31 , 2022) (B)	657	712
Equipment financing lease obligations; Interest rate fixed for term of each funding based upon the Lender's lease pricing at time of funding. (Interest rate/ factor 1.8227% - 1.8690% at time of funding)(C)	49	64
	4,956	5,026
Less current portion	(266)	(276)
	$ 4,690	$ 4,750

A.) The Company has a $6,000,000 line of credit. The interest rate is a rate per year equal to the sum (i) the greater of the Bloomberg's Short-Term Bank Yield (BSBY) Daily Floating Rate or the Index Floor, plus (ii) 1.65 Percentage point(s). For purpose of this paragraph "Index Floor" means 0.5 percent. In addition, the company is required to pay a commitment fee of 0.25% on the unused portion of the line of credit. The line of credit expires December 31, 2023.

On January 11, 2022, the Company executed an amendment to the loan agreement, which extended the line of credit. The amended agreement suspended the Debt Service Coverage Ratio loan covenant up through and including the third quarter of 2022. A Quarterly Minimum Cash Flow measurement loan covenant replaced the Debt Service Coverage Ratio loan covenant. Minimum Cash Flow means net income, plus depreciation, depletion, and amortization expense, plus interest expense, plus non-cash expense related to the Servotronics, Inc. Employee Stock Ownership Plan, plus non-cash stock and stock option transactions.

SERVOTRONICS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Through the third quarter of 2022, the amended agreement requires the Company to maintain a minimum liquidity, defined as cash on hand plus line of credit availability of at least $9,000,000.

The line of credit is secured by all personal property of the Company with the exception of certain equipment that was purchased from proceeds of government grants. There was approximately $4,250,000 balance outstanding at March 31, 2022 and December 31, 2021.

B.) The Company established an equipment loan facility in the amount of $1,000,000 available until July 9, 2021. This line was non-revolving and non-renewable. The loan term for the equipment covered by the agreement is 60 months. Monthly payments are fixed for the term of each funding based upon the Lender's lease pricing in effect at the time of such funding. There was approximately $657,000 outstanding at March 31, 2022 and $712,000 balance outstanding at December 31, 2021.

C.) The Company established a lease line of credit for equipment financing in the amount of $1,000,000 available until June 28, 2018. This line was non-revolving and non-renewable. The lease term for equipment covered by the lease line of credit is 60 months. Monthly payments are fixed for the term of each funding based upon the Lender's lease pricing in effect at the time of such funding. There was approximately $49,000 outstanding at March 31, 2022 and $64,000 at December 31, 2021.

Principal maturities of long-term debt are as follows: 2022 - $206,000; 2023 - $4,481,000; 2024 - $182,000; 2025 - $77,000; and 2026 - $10,000. Remaining principal payments for the capital note and capital lease obligations for each of the next five years:

	March 31, 2022	December 31, 2021
	($000's omitted)	
2022	$ 225	$ 296
2023	246	246
2024	192	192
2025	83	83
2026	11	11
Total principal and interest payments	757	828
Less amount representing interest	(51)	(52)
Present value of net minimum loan/lease payments	706	776
Less current portion	(266)	(276)
Long term principle payments	$ 440	$ 500

6. Postretirement Benefit Plan

The Company provides certain postretirement health and life insurance benefits for two former executives of the Company (the Plan). Upon ceasing employment with the Company, the Company will pay the annual cost of health insurance coverage and provide life insurance at the same level of coverage provided to the former employee at the time of termination of employment by the Company. The Plan also provides a benefit to reimburse the participants for certain out-of-pocket medical or health related expenses. The participant's insurance benefits cease upon the death of the former executive. The Plan is unfunded and the actuarially determined future accumulated postretirement benefit obligation at March 31, 2022 and December 31, 2021 was approximately $5,868,000 and $5,865,000, respectively and has been recognized in Postretirement Obligation and current portion of Postretirement Obligation in the accompanying balance sheets.

Benefit cost for the three months ended March 31, 2022 and 2021 totaled $69,000 and $46,000, respectively.

SERVOTRONICS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

7. Shareholders' Equity

	Three-month Period Ended March 31, 2022						
	Retained Earnings	Accumulated Other Comprehensive Loss	Common Stock	Capital in excess of par value	ESOT	Treasury stock	Total shareholders' equity
December 31, 2021	$ 25,858	$ (3,908)	$ 523	$ 14,500	$ (258)	$ (1,349)	$ 35,366
Retirement benefits adjustment	—	22	—	—	—	—	22
Stock based compensation	—	—	—	2	—	23	25
Net Income	325	—	—	—	—	—	325
March 31, 2022	$ 26,183	$ (3,886)	$ 523	$ 14,502	$ (258)	$ (1,326)	$ 35,738

	Three-month Period Ended March 31, 2021						
	Retained Earnings	Accumulated Other Comprehensive Income	Common Stock	Capital in excess of par value	ESOT	Treasury stock	Total shareholders' equity
December 31, 2020	$ 21,803	$ (1,356)	$ 523	$ 14,481	$ (359)	$ (1,355)	$ 33,737
Retirement benefits adjustment	—	15	—	—	—	—	15
Stock based compensation	—	—	—	11	—	20	31
Purchase of treasury shares	—	—	—	—	—	(81)	(81)
Net Income	541	—	—	—	—	—	541
March 31, 2021	$ 22,344	$ (1,341)	$ 523	$ 14,492	$ (359)	$ (1,416)	$ 34,243

The Company's Board of Directors authorized the purchase of up to 450,000 shares of its common stock in the open market or in privately negotiated transactions. As of March 31, 2022, the Company has purchased 360,615 shares and there remains 89,385 shares available to purchase under this program. There were no shares purchased by the Company during the three month period ended March 31, 2022.

On January 1, 2021, 25,250 shares of restricted stock vested of which 9,920 shares were withheld by the Company for approximately $81,000 to satisfy statutory minimum withholding tax requirements for those participants who elected this option as permitted under the applicable equity plan.

The Company's director compensation policy provides that non-employee directors receive a portion of their annual retainer in the form of restricted stock under the Company's 2012 Long-Term Incentive Plan. These shares vest quarterly over a twelve month service period, have voting rights and accrue dividends that are paid upon vesting. The aggregate amount of expense to the Company, measured based on the grant date fair value, will be recognized over the requisite service period. An aggregate of 13,160 restricted shares were issued on May 14, 2021 with a grant date fair value of $100,000.

SERVOTRONICS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Included in three months ended March 31, 2022 and March 31, 2021 is approximately $25,000 and $31,000, respectively, of stock-based compensation expense related to the restrictive share awards.

	Shares	Weighted Average Grant Date Fair Value
Restricted Share Activity:		
Unvested at December 31, 2021	6,576	$ 7.60
Vested in 2022	3,288	$ 7.60
Unvested at March 31, 2022	3,288	$ 7.60

Earnings Per Share

Basic earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding during the period. The weighted average number of common shares outstanding does not include any potentially dilutive securities or any unvested restricted shares of common stock. These unvested restricted shares, although classified as issued and outstanding, are considered forfeitable until the restrictions lapse and will not be included in the basic EPS calculation until the shares are vested. Diluted earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding during the period plus the number of shares of common stock that would be issued assuming all contingently issuable shares having a dilutive effect on the earnings per share that were outstanding for the period. Incremental shares from assumed conversions are calculated as the number of shares that would be issued, net of the number of shares that could be purchased in the marketplace with the cash received upon stock option exercise. The dilutive effect of unvested restrictive stock is determined using the treasury stock method.

	Three Months Ended March 31,	
	2022	2021
	($000's omitted except per share data)	
Net Income	$ 325	$ 541
Weighted average common shares outstanding (basic)	2,432	2,404
Unvested restricted stock	3	3
Weighted average common shares outstanding (diluted)	2,435	2,407
Basic		
Net income per share	$ 0.13	$ 0.23
Diluted		
Net income per share	$ 0.13	$ 0.22

SERVOTRONICS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

8. Litigation

In the course of its business, the Company is subject to a variety of claims and lawsuits that are inherently subject to many uncertainties regarding the possibility of a loss to the Company. Because litigation outcomes are inherently unpredictable, the Company's evaluation of legal proceedings often involves a series of complex assessments by management, after consulting with legal counsel, about future events and can rely heavily on estimates and assumptions. The Company carries liability insurance, subject to certain deductibles and policy limits, for such claims as they arise and may from time to time establish reserves for litigation that is considered probable of a loss. The Company does not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated, or when the liability is believed to be only reasonably possible or remote.

On June 7, 2021, a Summons and Complaint was filed by an employee in the Supreme Court of the State of New York, County of Erie, against Servotronics, Inc., the Servotronics Board of Directors, The Ontario Knife Company and Kenneth D. Trbovich (collectively, the "Defendants"). The Complaint alleges certain violations under the New York Human Rights Law by the Defendants relating to the employee's employment by the Company as well as intentional and negligent infliction of emotional distress. The complaint also alleges certain purported derivative causes of action against all Defendants, including breach of fiduciary duties, fraud and corporate waste. The complaint seeks monetary damages in an amount not less than $5,000,000 with respect to the direct causes of action and equitable relief with respect to the purported derivative causes of action. The Defendants filed a motion to dismiss the Complaint on August 6, 2021. On January 13, 2022, the Defendants' motion to dismiss was granted, in part, and denied, in part. This litigation is still in its earliest stages. Based on the information known by the Company as of the date of this filing, the Company does not consider the risk of loss to be probable and is unable to reasonably or accurately estimate the likelihood and amount of any liability that may be realized as a result of this litigation. Accordingly, no loss has been recognized in the accompanying financials statements related to this litigation. The Company intends to vigorously defend against this litigation.

On December 21, 2021, the Company's former Chief Executive Officer ("Former CEO") delivered his Notice of Termination and alleged that the Company breached the terms of the Employment Agreement between the Company and the Former CEO by, among others, placing the Former CEO on paid administrative leave pending an internal investigation in June 2021. On December 22, 2021, the Board of Directors accepted the Former CEO's resignation from the Company but rejected his request to treat his resignation as resignation for good reason under Paragraph 10 of his Employment Agreement. The Board also determined, based on the findings of its investigation, that the Former CEO committed willful malfeasance in violation of his Employment Agreement, and that such willful malfeasance would have justified termination of employment pursuant to Paragraph 9 of the Employment Agreement, but for his earlier resignation. The Former CEO claims that he is entitled to a severance payment equal to 2.99 times his average annual compensation as set forth in the Employment Agreement, plus the reimbursement of certain expenses and the value of any lost benefits. As noted above, the Board of Directors rejected the Former CEO's claim that the Company breached the Employment Agreement. Accordingly, the Company is classifying the Former CEO's termination as a voluntary resignation for which no severance is due. The Employment Agreement provides that disputes arising thereunder shall be settled by arbitration. To date, neither party has commenced an arbitration proceeding with respect to these matters. Based on the information known by the Company as of the date of this filing, if a claim is ultimately asserted, the Company does not consider the risk of loss to be probable and is unable to reasonably or accurately estimate the likelihood and amount of any liability that may be realized with respect to this matter.

There are no other legal proceedings currently pending by or against the Company other than litigation incidental to the business which is not expected to have a material adverse effect on the business or earnings of the Company.

9. Related Party Transactions

The Company paid legal fees and disbursements of approximately $21,000 and $19,000 in the three month periods ended March 31, 2022 and 2021, respectively, for services provided by a law firm that is owned by a member of the Company's Board of Directors. Additionally, the Company had accrued unbilled legal fees at March 31, 2022 and 2021 of approximately $10,000 and $20,000, respectively.

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10. Business Segments

The Company operates in two business segments, Advanced Technology Group ("ATG") and Consumer Products Group ("CPG"). The Company's reportable segments are strategic business units that offer different products and services. The segments are composed of separate corporations and are managed separately. Operations in ATG primarily involve the design, manufacture, and marketing of servo-control components (i.e., torque motors, control valves, actuators, etc.) for government, commercial and industrial applications. CPG's operations involve the design, manufacture and marketing of a variety of cutlery products for use by consumers and government agencies. The Company derives its primary sales revenue from domestic customers, although a portion of finished products are for foreign end use.

As of March 31, 2022, the Company had total assets of approximately $51,928,000 ($50,093,000 – December 31, 2021) of which approximately $42,382,000 ($40,871,000 – December 31, 2021) was for ATG and approximately $9,546,000 ($9,222,000 – December 31, 2021) was for CPG.

Information regarding the Company's operations in these segments is summarized as follows:

	($000's omitted except per share data)					
	ATG		CPG		Consolidated	
	Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,	
	2022	2021	2022	2021	2022	2021
Revenues from unaffiliated customers	$ 9,168	$ 7,223	$ 2,000	$ 1,837	$ 11,168	$ 9,060
Cost of goods sold, inclusive of depreciation	(6,815)	(6,210)	(1,715)	(1,857)	$ (8,530)	(8,067)
Gross margin	2,353	1,013	285	(20)	2,638	993
Gross margin %	25.7 %	14.0 %	14.3 %	(1.1)%	23.6 %	11.0 %
Selling, general and administrative	(1,774)	(1,585)	(408)	(388)	(2,182)	(1,973)
Total operating costs and expenses	(8,589)	(7,795)	(2,123)	(2,245)	(10,712)	(10,040)
Operating income/(loss)	579	(572)	(123)	(408)	456	(980)
Other income: ERC	—	1,413	—	317	—	1,730
Interest expense	(70)	(60)	—	(1)	(70)	(61)
Gain on sale of equipment	26	—	—	—	26	—
Total other (expense)/income, net	(44)	1,353	—	316	(44)	1,669
Income (loss) before income tax provision	535	781	(123)	(92)	412	689
Income tax provision (benefit)	113	168	(26)	(20)	87	148
Net income/(loss)	$ 422	$ 613	$ (97)	$ (72)	$ 325	$ 541
Capital expenditures, net	$ 77	$ 10	$ —	$ 4	$ 77	$ 14

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Overview

During the three months ended March 31, 2022 and 2021, approximately 82% and 80%, respectively, of the Company's consolidated revenues were derived from the ATG sale of product to a small base of customers. During the three months ended March 31, 2022 and 2021, approximately 18% and 20% of the Company's consolidated revenues were derived from the CPG sale of product to a large base of retail customers. The Company's consolidated revenues increased approximately $2,108,000 for the three month period ended March 31, 2022 when compared to the same period in 2021. This is due to an increase at the ATG of approximately $1,945,000 and an increase at the CPG of approximately $163,000.

The Company's commercial business is affected by such factors as uncertainties in today's global economy, global competition, the vitality and ability of the commercial aviation industry to purchase new aircraft, the effects and threats of terrorism, market demand and acceptance both for the Company's products and its customers' products which incorporate Company made components.

The ATG engages its business development efforts in its primary markets and is broadening its activities to include new domestic and foreign markets that are consistent with its core competencies. We believe our business remains particularly well positioned in the strong commercial aircraft market driven by the replacement of older aircraft with more fuel efficient alternatives and the increasing demand for air travel in emerging markets. Although the ATG backlog continues to be strong, actual scheduled shipments may be delayed/changed as a function of the Company's customers' final delivery determinations based on changes in the global economy and other factors.

The ATG and CPG continue to respond to U.S. government procurement requests for quotes. New product development activities are ongoing along with the acquisition and development of new product lines.

See also Note 10, Business Segments, of the accompanying condensed consolidated financial statements for information concerning business segment operating results.

Business Environment

The COVID-19 pandemic continues to impact our business operations, our customers' and suppliers' ability to operate at normal levels. Disruptions in normal operating levels continue to create supply chain disruptions and inflationary cost pressures within our end-markets. We anticipate supply chain constraints, and the inflationary environment will continue during 2022.

We continue to actively monitor regional COVID-19 outbreaks, and the related government restrictions and lockdown activities in the areas we operate. The Company is focused on ensuring ample liquidity to meet its business needs. For the three months ended March 31, 2022, the impacts of COVID-19 have not been material.

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Results of Operations

The following table compares the Company's consolidated statements of income data for the three months ended March 31, 2022 and 2021:

($000's omitted except per share data)	Three Months Ended March 31, 2022 Dollars	% of Sales	Three Months Ended March 31, 2021 Dollars	% of Sales	2022 vs 2021 Dollar Change	% Favorable/ (Unfavorable)
Revenues:						
Advanced Technology	$ 9,168	82.1 %	$ 7,223	79.7 %	$ 1,945	26.9 %
Consumer Products	2,000	17.9 %	1,837	20.3 %	163	8.9 %
	11,168	100.0 %	9,060	100.0 %	2,108	23.3 %
Cost of goods sold, inclusive of depreciation and amortization	(8,530)	76.4 %	(8,067)	89.0 %	(463)	(5.7)%
Gross margin	2,638	23.6 %	993	11.0 %	1,645	165.7 %
Gross margin %	23.6 %		11.0 %			
Selling, general and administrative	(2,182)	19.5 %	(1,973)	21.8 %	(209)	(10.6)%
Total operating costs and expenses	(10,712)	95.9 %	(10,040)	110.8 %	(672)	(6.7)%
Operating income/(loss)	456	4.1 %	(980)	(10.8)%	1,436	(146.5)%
Other income: ERC	—	0.0 %	1,730	19.1 %	(1,730)	—
Interest expense	(70)	(0.6)%	(61)	(0.7)%	(9)	(14.8)%
Gain on sale of equipment	26	0.2 %	—	0.0 %	26	0.0 %
Total other (expense)/income, net	(44)	(0.4)%	1,669	18.4 %	(1,713)	(102.6)%
Income before income tax provision	412	3.7 %	689	7.6 %	(277)	(40.2)%
Income tax provision	87	0.8 %	148	2.0 %	(61)	(41.2)%
Net income	$ 325	2.9 %	$ 541	7.5 %	$ (216)	(39.9)%

Revenue and Gross Margin

($000's omitted)	ATG Three months ended March 31, 2022	ATG 2021	CPG Three months ended March 31, 2022	CPG 2021	Servotronics, Inc. Three months ended March 31, 2022	Servotronics, Inc. 2021
Revenues	**$ 9,168**	**$ 7,223**	**$ 2,000**	**$ 1,837**	**$ 11,168**	**$ 9,060**
Cost of goods sold	(6,815)	(6,210)	(1,715)	(1,857)	(8,530)	(8,067)
Gross margin	**2,353**	**1,013**	**285**	**(20)**	**2,638**	**993**
Gross margin %	**25.7 %**	**14.0 %**	**14.3 %**	**(1.1)%**	**23.6 %**	**11.0 %**

Revenue

The Company's consolidated revenues from operations increased approximately $2,108,000 or 23.3% for the three month period ended March 31, 2022 when compared to the same period in 2021. This is due to an increase at both the ATG of approximately $1,945,000 or 26.9% and at the CPG of approximately $163,000 or 8.9%.

The consolidated increase for the three month period ended March 31, 2022 when compared to the same period ended March 31, 2021 is attributable to an increase in units shipped at the ATG of approximately $424,000 and an increase in the average price due to the mix of units shipped of approximately $1,521,000. With the exception of the last quarter in 2021, the ATG is experiencing a gradual increase in revenues, quarter over quarter for the last four quarters.

Additionally, there was an increase in the average price due to the mix of units shipped at the CPG of approximately $158,000 despite a drop in volume and an increase in price of approximately $5,000. The CPG revenue for the three month period ended March 31, 2022 is the highest revenue recognized in the first quarter of a calendar year since the three month period ended March 31, 2012.

Gross Margin

The Company's consolidated gross margin increased approximately $1,645,000 or 165.7% for the three month period ended March 31, 2022 when compared to the same period in 2021. This is due to an increase at both the ATG of approximately $1,340,000 or 132.3% and at the CPG of approximately $305,000 or 1525.0%.

The ATG gross margin increased in the three month period due to an increase in the price of the mix of the units shipped of approximately $1,521,000 and an improved cost per unit produced of approximately $303,000. The gross margin increases were offset by approximately $484,000 due to the increased costs of higher volume of units shipped at the ATG. Additionally, the CPG gross margin increased in the three month period due to an increase in the price of the mix of the units shipped of approximately $163,000 and an improved cost per unit produced of approximately $142,000.

Since mid-2020, both Segments have experienced the challenge of fully utilizing their production resources, increasing the cost per unit produced. Coupled with the increased costs of raw materials and shipping costs associated with the production of our products, the Segments have been closely monitoring all other purchases. Both Segments have experienced an improvement in the utilization of their production resources with an increase in production at both locations during the three months ended March 31, 2022.

Selling, General and Administrative Expenses and Operating Income/(Losses)

	ATG		CPG		Servotronics, Inc.	
	Three months ended March 31,		Three months ended March 31,		Three months ended March 31,	
($000's omitted)	2022	2021	2022	2021	2022	2021
SG&A:						
Selling, general & admin	(1,774)	(1,585)	(408)	(388)	(2,182)	(1,973)
Total SG&A	**$ (1,774)**	**$ (1,585)**	**$ (408)**	**$ (388)**	**$ (2,182)**	**$ (1,973)**
% SG&A to Revenues	**19.3 %**	**21.9 %**	**20.4 %**	**21.1 %**	**19.5 %**	**21.8 %**
Operating Income/(Loss)						
	$ 579	**$ (572)**	**$ (123)**	**$ (408)**	**$ 456**	**$ (980)**
Operating Inc/(Loss) %	**6.3 %**	**(7.9)%**	**(6.2)%**	**(22.2)%**	**4.1 %**	**(10.8)%**

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) increased approximately $209,000 or (10.6)% for the three month period ended March 31, 2022 when compared to the same period in 2021. This is due to an increase at both the ATG of approximately $189,000 or (11.9)% and at the CPG of approximately $20,000 or (5.2)%. The increase is driven by the ATG due to higher legal fees of approximately $227,000 and insurances of approximately $38,000 offset by lower compensation of approximately $76,000 and professional fees of $25,000. Additionally, there is an increase at the CPG due to higher media advertising of approximately $19,000. All other SG&A expenditures increased approximately $26,000 for the three month period ended March 31, 2022 compared to the same period in 2021. Despite the increase in SG&A expenses the percentage to revenue is beginning to drop due to the increases in revenue at both Segments and lower nonrecurring expenses at the ATG.

Operating Income/(Losses)

Income from operations increased approximately $1,436,000 or 146.5% when comparing the three month period ended March 31, 2022 to the same period in 2021. Operating income improved at the ATG and CPG by approximately $1,151,000 and $285,000, respectively, as compared to the three month period ended March 31, 2021.

The consolidated improvement in operating income is primarily the result in the increases in revenue partially offset by increases in SG&A expenditures at both Segments, as discussed above.

Other (Expense)/Income:

	ATG		CPG		Servotronics, Inc.	
	Three months ended March 31,		Three months ended March 31,		Three months ended March 31,	
($000's omitted)	2022	2021	2022	2021	2022	2021
Other (Expense)/Income:						
ERC	$ —	$ 1,413	$ —	$ 317	$ —	$ 1,730
Interest expense	(70)	(60)	—	(1)	(70)	(61)
Gain sale of equipment	26	—	—	—	26	—
Total other (expense)/income, net	**$ (44)**	**$ 1,353**	**$ —**	**$ 316**	**$ (44)**	**$ 1,669**
Income (loss) before income tax provision (benefits)	**$ 535**	**$ 781**	**$ (123)**	**$ (92)**	**$ 412**	**$ 689**
EBIT %	**5.8 %**	**10.8 %**	**(6.2)%**	**(5.0)%**	**3.7 %**	**7.6 %**

As discussed in the Company's Annual Report on Form 10-K, the Company qualified for the Employee Retention Credit (ERC) for all quarters allowed under the Federal Government program. The Infrastructure Investment and Jobs Act of 2021, enacted November 15, 2021 terminated the employee retention credit for wages paid in the fourth quarter of 2021 for employers that are not recovery startup businesses. As a result, for the three months ended March 31, 2022 there was no recognition of an ERC as compared to approximately $1,730,000 recognized in the three month period ended March 31, 2021.

Interest Expense

Interest expense increased approximately $9,000 or (14.8)% primarily due to the increase in interest recognized for postretirement benefits offset by the elimination of the interest for the paydown of the Company's term loans as of December 2021. See also Note 5, Long-Term Debt, of the accompanying condensed consolidated financial statements for information on long-term debt.

Income before Income Taxes

The Company's consolidated income before income taxes decreased approximately $277,000 or (40.2)% during the three month period ended March 31, 2022 when compared to the same three month period ended March 31, 2021. Income before income taxes for the three month period ended March 31, 2022 decreased at the ATG and losses increased at the CPG by approximately $246,000 and $31,000, respectively, as compared to the three month period ended March 31, 2021.

Both Segments performed significantly better during the three months ended March 31, 2022 as compared to the three month period ended March 31, 2021, despite the elimination of the ERC, discussed above.

Net Income

Net Income decreased approximately $216,000 or (39.9)% when comparing the three month period ended March 31, 2022 to the same period in 2021. Net income at the ATG was lower by approximately $191,000 or (31.1)% while the net loss at the CPG increased by approximately $25,000 or (34.7)% as compared to the three month period ended March 31, 2021. The consolidated decrease is primarily the result of the elimination of the ERC credit and increases in the SG&A offset by improved revenues and operating performance at both Segments.

Liquidity and Capital Resources

($000's omitted)		Three months ended March 31, 2022		2021
CASH FLOW DATA:				
Net Cash Flows from:				
Operating Activities	$	(544)	$	836
Investing Activities	$	(77)	$	(14)
Financing Activities	$	(70)	$	81
QUARTER END FINANCIAL POSITION:				
Working Capital	$	34,601	$	32,153
Indebtedness	$	5,732	$	7,515
CAPITAL EXPENDITURES (1):	$	(77)	$	(14)

(1) NET OF PROCEEDS FROM SALE OF EQUIPMENT AND EQUIPMENT FINANCING

Operating Activities:

The Company used approximately $544,000 in cash from operations during the three month period ended March 31, 2022 as compared to providing approximately $836,000 for the same period in 2021. At March 31, 2022, the Company had working capital of approximately $34,601,000 ($34,067,000 – December 2021) of which approximately $8,855,000 ($9,546,000 – December 2021) was comprised of cash.

The decrease in cash flows from operating activities is primarily attributable to an increase in accounts receivable of approximately $2,171,000, due to the increases in revenues and other current assets/prepaid insurances of approximately $783,000 partially offset by an increase in accounts payable of approximately $1,669,000 and net income plus adjustments to reconcile net income to cash of approximately $870,000. All other operating accounts were a net used amount of approximately $129,000.

The Company's cash flow from operations and available capacity provide the Company with the financial resources needed to run the Company's operations and reinvest in its business. The Company's ability to maintain sufficient liquidity is highly dependent upon achieving expected operating results. Failure to achieve expected operating results could have a material adverse effect on the Company's liquidity, its ability to obtain financing, and our operations in the future.

Investing Activities:

The Company used approximately $77,000 in cash from investing activities during the three month period ended March 31, 2022 as compared to a usage of cash of approximately $14,000 during the same period in 2021. Usage of cash for ATG manufacturing improvement projects partially offset by proceeds from the sale of an automobile.

Financing Activities:

The Company's primary usage of cash in its financing activities in the three month period ended March 31, 2022 include the principal payments on equipment financing obligations of approximately $70,000.

As of March 20, 2020, the Company increased its line of credit from $4,000,000 to $6,000,000. On January 11, 2022, the Company executed an amendment to the loan agreement, which extended the line of credit availability period from December 31, 2022 to December 31, 2023. The amended agreement suspended the Debt Service Coverage Ratio up through and including the third quarter of 2022. A Quarterly Minimum Cash Flow measurement replaced the Debt Service Coverage Ratio. Minimum Cash Flow means net income, plus depreciation, depletion, and amortization expense, plus interest expense, plus non-cash expense related to the Servotronics, Inc. Employee Stock Ownership Plan, plus non-cash stock and stock option transactions.

Through the third quarter of 2022, the amended agreement requires the Company to maintain a minimum liquidity, defined as cash on hand plus line of credit availability of at least $9,000,000. We are in compliance with all covenants under the agreement.

The interest rate is a rate per year equal to the sum of (i) the greater of the Bloomberg's Short-Term Bank Yield (BSBY) Daily Floating Rate or the Index Floor, plus (ii) 1.65 percentage point(s). For purposes of this paragraph, "Index Floor" means 0.5 percent.

The line of credit is secured by all personal property of the Company with the exception of certain equipment that was purchased from proceeds of government grants. There was a $4,250,000 balance outstanding at both March 31, 2022 and December 31, 2021. The phase out of LIBOR and transition to the BSBY Daily Floating Rate is not expected to have a significant impact on the Company's operating results, financial position, or cash flows as the only outstanding debt is the line of credit.

The Company had an equipment loan facility in the amount of $1,000,000 available until July 9, 2021. This line was non-revolving and non-renewable. The loan term for the equipment covered by the agreement is 60 months. Monthly payments are fixed for the term of each funding based upon the Lender's lease pricing in effect at the time of such funding. There is approximately $657,000 outstanding as of March 31, 2022 and $712,000 outstanding at December 31, 2021.

Management believes that it should retain the capital generated from operating activities for investment in research and development and programs to retain the Company's human resources talent. Accordingly, there are no plans to institute a cash dividend within the next year.

The Company believes its cash generating capability and financial condition, together with available credit facilities will be adequate to meet our future operating and investing needs.

The COVID-19 pandemic could impact our liquidity. Lower production schedules, possible inability of our customers to make timely payments to us, and similar factors could lower cash generated from operations and adversely affect our financial position.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company carried out an evaluation under the supervision and with the participation of its management, including the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) as of March 31, 2022. Based upon that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were not effective due to the material weakness in the Company's internal control over financial reporting reported in the Company's Form 10-K for the year ended December 31, 2021.

Changes in Internal Controls

As reported in the Company's Form 10-K for the year ended December 31, 2021, management identified certain control deficiencies that, individually and in the aggregate, constitute a material weakness in the Company's internal control over financial reporting. The Company began its remediation efforts in 2021 and continue with its remediation plan which includes a comprehensive technology assessment by a third party, including the establishment and implementation of an information technology strategy and improving its risk assessment and documentation over the monitoring of internal controls. Except for the implementation of the remediation plan, there have been no changes during the period covered by this report to the

Company's internal controls over financial reporting that have materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

Notwithstanding the existence of the above-mentioned material weakness, the Company believes that the consolidated financial statements in this filing fairly present, in all material respects, the Company's financial position, results of operations and cash flows as of the dates, and for the periods presented, in conformity with U.S. generally accepted accounting principles.

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PART II

OTHER INFORMATION

Item 1. Legal Proceedings

Except as set forth in Note 8, Litigation, there are no other legal proceedings which are material to the Company currently pending by or against the Company other than litigation incidental to the business, which is not expected to have a material adverse effect on the business or earnings of the Company.

Item 1A. Risk Factors

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Company Purchases of Company's Equity Securities

2022 Periods	Total Number of Shares Purchased	Weighted Average Price $ Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that may yet be Purchased under the Plans or Programs (1)
January	—	$ —	—	89,385
February	—	—	—	89,385
March	—	—	—	89,385
Total	—	$ —	—	89,385

(1) The Company's Board of Directors authorized the purchase of up to 450,000 shares of its common stock in the open market or in privately negotiated transactions. As of March 31, 2022, the Company has purchased 360,615 shares and there remains 89,385 shares available to purchase under this program. There were no shares purchased by the Company during the three month period ended March 31, 2022.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable

Item 6. Exhibits

10.1	Servotronics, Inc. Executive Change in Control Severance Plan
10.2	Participation Agreement for Executive Change in Control Severance Plan
31.1	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 (Filed herewith)
31.2	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 (Filed herewith)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
101	The following materials from Servotronics, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, formatted in XBRL (eXtensible Business Reporting Language): (i) consolidated balance sheets, (ii) consolidated statements of income, (iii) consolidated statements of cash flows and (iv) the notes to the consolidated financial statements.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this release, the words “project,” “believe,” “plan,” “anticipate,” “expect” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve numerous risks and uncertainties which may cause the actual results of the Company to be materially different from future results expressed or implied by such forward-looking statements. There are a number of factors that will influence the Company’s future operations, including: uncertainties in today’s global economy, including political risks, adverse changes in legal and regulatory environments, and difficulty in predicting defense appropriations, the introduction of new technologies and the impact of competitive products, the vitality of the commercial aviation industry and its ability to purchase new aircraft, the willingness and ability of the Company’s customers to fund long-term purchase programs, and market demand and acceptance both for the Company’s products and its customers’ products which incorporate Company-made components, the Company’s ability to accurately align capacity with demand, the availability of financing and changes in interest rates, the outcome of pending and potential litigation, the severity, magnitude and duration of the COVID-19 pandemic, including impacts of the pandemic and of businesses’ and governments’ responses to the pandemic on our operations and personnel, and on commercial activity and demand across our and our customers’ businesses, and on global supply chains, the ability of the Company to obtain and retain key executives and employees and the additional risks discussed elsewhere in this Form 10-Q and in the Company’s other filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on forward-looking statements, which reflect management’s analysis only as of the date hereof. The Company assumes no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise.

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SIGNATURES

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

Date: May 16, 2022

SERVOTRONICS, INC.

By: /s/ William F. Farrell, Jr., Chief Executive Officer
William F. Farrell, Jr.
Chief Executive Officer

By: /s/ Lisa F. Bencel, Chief Financial Officer
Lisa F. Bencel
Chief Financial Officer

EXHIBIT 10.1

Servotronics, Inc.

Executive Change in Control Severance Plan

ARTICLE I
PURPOSE

This Executive Change in Control Severance Plan has been established by the Company on April 19, 2022 (the "**Effective Date**") to provide Participants with the opportunity to receive severance protection in connection with a Change in Control of the Company. The purpose of the Plan is to attract and retain talent and to assure the present and future continuity, objectivity, and dedication of management in the event of any Change in Control to maximize the value of the Company on a Change in Control. The Plan is intended to be a top hat welfare benefit plan under ERISA.

Capitalized terms used but not otherwise defined herein have the meanings set forth in ARTICLE II.

ARTICLE II
DEFINITIONS

"**ACA**" has the meaning set forth in Section 4.01(c).

"**Administrator**" means the Board or any committee thereof duly authorized by the Board to administer the Plan. The Board may at any time administer the Plan, in whole or in part, notwithstanding that the Board has previously appointed a committee to act as the Administrator.

"**Applicable Severance Multiplier**" means the multiplier contained in a Participant's Participation Agreement that is used to determine the amount of severance the Participant may receive if a Qualifying Termination occurs.

"**Beneficial Owner**" has the meaning ascribed to it in Rule 13d-3 and Rule 13d-5 under the Exchange Act; except that, in calculating the beneficial ownership of any particular Person, such Person shall be deemed to have beneficial ownership of all securities that such Person has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The term "Beneficial Ownership" has a corresponding meaning.

"**Benefit Continuation**" has the meaning set forth in Section 4.01(c).

"**Benefit Continuation Period**" means the earliest of: (a) the end of the time period specified in a Participant's Participation Agreement during which the Participant may receive continued health coverage following a Qualifying Termination; (b) the date on which the Participant becomes eligible to receive substantially similar coverage from another employer; and (c) the date the Participant is no longer eligible to receive COBRA continuation coverage.

"**Board**" means the Board of Directors of the Company.

“**Cause**” means:

(a) the Participant’s willful failure to perform his or her duties (other than any such failure resulting from incapacity due to physical or mental illness);

(b) the Participant’s willful failure to comply with any valid and legal directive of the Board or the person to whom the Participant reports;

(c) the Participant’s willful engagement in dishonesty, illegal conduct or gross misconduct, which is, in each case, materially injurious to the Company or its affiliates;

(d) the Participant’s embezzlement, misappropriation or fraud, whether or not related to the Participant’s employment with the Company;

(e) the Participant’s conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude; or

(f) the Participant’s material violation of the Company’s written policies or codes of conduct, including written policies related to discrimination, harassment, performance of illegal or unethical activities, and ethical misconduct.

(g) the Participant’s engagement in conduct that brings or is reasonably likely to bring the Company negative publicity or into public disgrace, embarrassment, or disrepute.

For purposes of this definition, no act or failure to act on the part of the Participant shall be considered “willful” unless it is done, or omitted to be done, by the Participant in bad faith or without reasonable belief that the Participant’s action or omission was in the best interests of the Company. For any termination by the Company for Cause that occurs after the occurrence of a Change in Control, termination of a Participant’s employment shall not be deemed to be for Cause unless and until the Company delivers to the Participant a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds (2/3) of the Board (after reasonable written notice is provided to the Participant and the Participant is given an opportunity, together with counsel, to be heard before the Board), finding that the Participant has engaged in the conduct described in any of (a)-(f) above.

“**Change in Control**” means the occurrence of any of the following:

(a) one Person (or more than one Person acting as a group) acquires Beneficial Ownership of stock of the Company that, together with the stock held by such Person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company; provided, that, a Change in Control shall not occur if any Person (or more than one Person acting as a group) owns more than 50% of the total fair market value or total voting power of the Company’s stock and acquires additional stock;

(b) one Person (or more than one Person acting as a group) acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition) Beneficial Ownership of the Company's stock possessing 30% or more of the total voting power of the stock of the Company;

(c) a majority of the members of the Board are replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election; or

(d) one Person (or more than one Person acting as a group), acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition) assets from the Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company immediately before such acquisition(s).

A Change in Control will be deemed to occur: (i) with respect to a Change in Control pursuant to subparagraph (a) above, on the date that any Person or group first becomes the Beneficial Owner, directly or indirectly, of stock representing more than 50% of the combined voting power of the Company's then-outstanding stock entitled generally to vote for the election of directors; (ii) with respect to a Change in Control pursuant to subparagraph (b) or (d) above, on the date the applicable transaction closes; and (iii) with respect to subparagraph (c) above, on the date members of the incumbent board first cease to constitute at least a majority of the Board.

"**COBRA**" means the Consolidated Omnibus Budget Reconciliation Act of 1985.

"**Code**" means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code shall be deemed to include a reference to any regulations promulgated thereunder.

"**Company**" means Servotronics, Inc., a Delaware corporation, and any successor thereto.

"**Compensation Committee**" means the Compensation Committee of the Board.

"**Covered Payments**" has the meaning set forth in Section 7.01.

"**Covered Period**" means the period of time beginning on the first occurrence of a Change in Control and lasting through the eighteen-month anniversary of the occurrence of the Change in Control.

"**Effective Date**" has the meaning set forth in ARTICLE I.

"**Eligible Employee**" means any full-time employee of the Company who is an executive officer and any other full-time employee of the Company who is recommended by the chief executive officer to the Administrator to be a key employee who should be eligible to participate in the Plan. Eligible Employees shall be limited to a select group of management or highly compensated employees within the meaning of Sections 201, 301, and 404 of ERISA.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended.

“**Exchange Act**” means the Securities and Exchange Act of 1934, as amended.

“**Excise Tax**” has the meaning set forth in Section 7.01.

“**Good Reason**” means:

(a) a material reduction in the Participant’s base salary other than a general reduction in base salary that affects all similarly situated executives in substantially the same proportions;

(b) a material reduction in the Participant’s target annual bonus opportunity;

(c) a relocation of the Participant’s principal place of employment by more than 50 miles;

(d) the Company’s failure to obtain an agreement from any successor to the Company to assume and agree to perform the obligations under the Plan in the same manner and to the same extent that the Company would be required to perform, except where such assumption occurs by operation of law; or

(e) a material, adverse change in the Participant’s title, reporting relationship, authority, duties or responsibilities (other than temporarily while the Participant is physically or mentally incapacitated or as required by applicable law).

The Participant cannot terminate his or her employment for Good Reason unless he or she has provided written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason within 30 days of the initial existence of such grounds and the Company has had at least 30 days from the date on which such notice is provided to cure such circumstances, if curable. If the Participant does not terminate his or her employment for Good Reason within 90 days after the first occurrence of the applicable grounds, then the Participant will be deemed to have waived his or her right to terminate for Good Reason with respect to such grounds.

“**Parachute Payments**” has the meaning set forth in Section 7.01.

“**Participant**” has the meaning set forth in Section 3.01.

“**Participation Agreement**” means the latest participation agreement delivered by the Company to a Participant informing the Eligible Employee of the Eligible Employee’s participation in the Plan.

“**Person**” has the meaning ascribed to it in Section 13(d)(3) of the Exchange Act.

“**Plan**” means this Servotronics, Inc. Executive Change in Control Severance Plan, as may be amended and/or restated from time to time.

“**Pro-Rata Bonus**” has the meaning set forth in Section 4.01(b).

“**Qualifying Termination**” means the termination of a Participant’s employment during the Covered Period either:

(a) by the Company without Cause; or

(b) by the Participant for Good Reason.

“**Reduced Amount**” has the meaning set forth in Section 7.01(a).

“**Release**” has the meaning set forth in Section 6.01(c).

“**Severance**” has the meaning set forth in Section 4.01(a).

“**Specified Employee Payment Date**” has the meaning set forth in Section 10.13(b).

ARTICLE III
PARTICIPATION

Section 3.01 Participants. Each Eligible Employee of the Company who (a) is chosen by the Administrator to participate in the Plan; (b) receives a Participation Agreement from the Company; and (c) executes and returns such Participation Agreement to the Company in accordance with the terms of the Participation Agreement shall be a “**Participant**” in the Plan.

ARTICLE IV
SEVERANCE

Section 4.01 Severance. If a Participant has a Qualifying Termination, then, subject to ARTICLE VI, the Company will provide the Participant with the following:

(a) Severance in an amount equal to the product of the Participant’s Applicable Severance Multiplier times the sum of the Participant’s base salary in effect on the Qualifying Termination or, if greater, in effect on the first occurrence of a Change in Control, plus the Participant’s target annual cash bonus for the year in which the Qualifying Termination occurs (“**Severance**”). Subject to Section 10.13, Severance will be paid in substantially equal installment payments over the two-year period following the Qualifying Termination, payable in accordance with the Company’s normal payroll practices, but no less frequently than monthly, which payments in the aggregate are equal to the Severance and which shall begin on the 61st day following the Qualifying Termination;

(b) A prorated annual bonus equal to the product of (i) the annual bonus, if any, that the Participant would have earned for the entire calendar year in which the Qualifying Termination occurs at target level; and (ii) a fraction, the numerator of which is the number of days the Participant was employed by the Company during the calendar year in which the Qualifying Termination occurs and the denominator of which is the number of days in such year (a "**Pro-Rata Bonus**"). Subject to Section 10.13, a Participant's Pro-Rata Bonus shall be paid on the 61st day following the Qualifying Termination; and

(c) During the Participant's Benefit Continuation Period, the Participant will receive reimbursement for the difference between the monthly COBRA premium paid by the Participant for himself or herself and his or her eligible dependents and the monthly premium amount paid by similarly situated active executives ("**Benefit Continuation**"). Notwithstanding the foregoing, if the Company's providing Benefit Continuation under this Section 4.01(c) would violate the nondiscrimination rules applicable to non-grandfathered plans, or would result in the imposition of penalties under the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act of 2010, and the related regulations and guidance promulgated thereunder (the "**ACA**"), the Company shall reform this Section 4.01(c) in a manner as is necessary to comply with the ACA. Subject to Section 10.13, Benefit Continuation reimbursement shall be paid to the Participant on the fifteenth of the month immediately following the month in which the Participant timely remits the premium payment.

ARTICLE V
EQUITY AWARDS

Section 5.01 Equity Awards. The Plan does not affect the terms of any outstanding equity awards. The treatment of any outstanding equity awards shall be determined in accordance with the terms of the Company equity plan or plans under which they were granted and any applicable award agreements.

ARTICLE VI
CONDITIONS

Section 6.01 Conditions. A Participant's entitlement to any severance benefits under ARTICLE IV and ARTICLE V will be subject to:

(a) the Participant executing and delivering to the Company his or her Participation Agreement in accordance with the terms thereof;

(b) the Participant experiencing a Qualifying Termination; and

(c) the Participant executing a release of claims in favor of the Company, its affiliates and their respective officers and directors in a form provided by the Company (the "**Release**") and such Release becoming effective and irrevocable within 60 days following the Participant's Qualifying Termination; and

(d) with respect to Benefit Continuation only, the Participant timely and properly electing continuation coverage under COBRA.

ARTICLE VII
SECTION 280G

Section 7.01 Reduction. Notwithstanding any other provision of the Plan or any other plan, arrangement or agreement to the contrary, if any of the payments or benefits provided or to be provided by the Company or its affiliates to a Participant or for a Participant's benefit pursuant to the terms of the Plan or otherwise ("**Covered Payments**") constitute parachute payments ("**Parachute Payments**") within the meaning of Section 280G of the Code and would, but for this ARTICLE VII, be subject to the excise tax imposed under Section 4999 of the Code (or any successor provision thereto) or any similar tax imposed by state or local law or any interest or penalties with respect to such taxes (collectively, the "**Excise Tax**"), then the Covered Payments shall be either:

(a) reduced to the minimum extent necessary to ensure that no portion of the Covered Payments is subject to the Excise Tax (that amount, the "**Reduced Amount**"); or

(b) payable in full if the Participant's receipt on an after-tax basis of the full amount of payments and benefits (after taking into account the applicable federal, state, local and foreign income, employment and excise taxes (including the Excise Tax)) would result in the Participant receiving an amount at least ten percent greater than the Reduced Amount.

Section 7.02 Order of Reduction. Any such reduction shall be made in accordance with Section 409A of the Code and the following:

(a) the Covered Payments which do not constitute nonqualified deferred compensation subject to Section 409A of the Code shall be reduced first; and

(b) all other Covered Payments shall then be reduced as follows: (i) cash payments shall be reduced before non-cash payments; and (ii) payments to be made on a later payment date shall be reduced before payments to be made on an earlier payment date.

Section 7.03 Determinations. Any determination required under this ARTICLE VII, including whether any payments or benefits are Parachute Payments, shall be made by the Company in its sole discretion. The Participant shall provide the Company with such information and documents as the Company may reasonably request in order to make a determination under this ARTICLE VII. The Company's determination shall be final and binding on the Participant.

ARTICLE VIII
CLAIMS PROCEDURES

Section 8.01 Initial Claims. A Participant who believes he or she is entitled to a payment under the Plan that has not been received may submit a written claim for benefits to the Plan within 60 days after the Participant's Qualifying Termination. Claims should be addressed and sent to the Compensation Committee of the Board of Directors, c/o Servotronics, Inc., 1110 Maple Street, PO Box 300, Elma, NY 14059.

If the Participant's claim is denied, in whole or in part, the Participant will be furnished with written notice of the denial within 90 days after the Administrator's receipt of the Participant's written claim, unless special circumstances require an extension of time for processing the claim, in which case a period not to exceed 180 days will apply. If such an extension of time is required, written notice of the extension will be furnished to the Participant before the termination of the initial 90-day period and will describe the special circumstances requiring the extension, and the date on which a decision is expected to be rendered. Written notice of the denial of the Participant's claim will contain the following information:

(a) the specific reason or reasons for the denial of the Participant's claim;

(b) references to the specific Plan provisions on which the denial of the Participant's claim was based;

(c) a description of any additional information or material required by the Administrator to reconsider the Participant's claim (to the extent applicable) and an explanation of why such material or information is necessary; and

(d) a description of the Plan's review procedures and time limits applicable to such procedures, including a statement of the Participant's right to bring a civil action under Section 502(a) of ERISA following a benefit claim denial on review.

Section 8.02 Appeal of Denied Claims. If the Participant's claim is denied and he or she wishes to submit a request for a review of the denied claim, the Participant or his or her authorized representative must follow the procedures described below:

(a) Upon receipt of the denied claim, the Participant (or his or her authorized representative) may file a request for review of the claim in writing with the Administrator. This request for review must be filed no later than 60 days after the Participant has received written notification of the denial.

(b) The Participant has the right to submit in writing to the Administrator any comments, documents, records or other information relating to his or her claim for benefits.

(c) The Participant has the right to be provided with, upon request and free of charge, reasonable access to and copies of all pertinent documents, records and other information that is relevant to his or her claim for benefits.

(d) The review of the denied claim will take into account all comments, documents, records and other information that the Participant submitted relating to his or her claim, without regard to whether such information was submitted or considered in the initial denial of his or her claim.

Section 8.03 Administrator's Response to Appeal. The Administrator will provide the Participant with written notice of its decision within 60 days after the Administrator's receipt of the Participant's written claim for review. There may be special circumstances which require an extension of this 60-day period. In any such case, the Administrator will notify the Participant in writing within the 60-day period and the final decision will be made no later than 120 days after the Administrator's receipt of the Participant's written claim for review. The Administrator's decision on the Participant's claim for review will be communicated to the Participant in writing and will clearly state:

(a) the specific reason or reasons for the denial of the Participant's claim;

(b) reference to the specific Plan provisions on which the denial of the Participant's claim is based;

(c) a statement that the Participant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, the Plan and all documents, records and other information relevant to his or her claim for benefits; and

(d) a statement describing the Participant's right to bring an action under Section 502(a) of ERISA.

Section 8.04 Exhaustion of Administrative Remedies. The exhaustion of these claims procedures is mandatory for resolving every claim and dispute arising under the Plan. As to such claims and disputes:

(a) no claimant shall be permitted to commence any legal action to recover benefits or to enforce or clarify rights under the Plan under Section 502 or Section 510 of ERISA or under any other provision of law, whether or not statutory, until these claims procedures have been exhausted in their entirety; and

(b) in any such legal action, all explicit and implicit determinations by the Administrator (including, but not limited to, determinations as to whether the claim, or a request for a review of a denied claim, was timely filed) shall be afforded the maximum deference permitted by law.

Section 8.05 Attorney's Fees. The Company and each Participant shall bear their own attorneys' fees incurred in connection with any disputes between them.

ARTICLE IX
ADMINISTRATION, AMENDMENT AND TERMINATION

Section 9.01 Administration. The Administrator has the exclusive right, power and authority, in its sole and absolute discretion, to administer and interpret the Plan. The Administrator has all powers reasonably necessary to carry out its responsibilities under the Plan including (but not limited to) the sole and absolute discretionary authority to:

(a) administer the Plan according to its terms and to interpret Plan policies and procedures;

(b) resolve and clarify inconsistencies, ambiguities and omissions in the Plan and among and between the Plan and other related documents;

(c) take all actions and make all decisions regarding questions of eligibility and entitlement to benefits, and benefit amounts;

(d) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan;

(e) process and approve or deny all claims for benefits; and

(f) decide or resolve any and all questions, including benefit entitlement determinations and interpretations of the Plan, as may arise in connection with the Plan.

The decision of the Administrator on any disputes arising under the Plan, including (but not limited to) questions of construction, interpretation and administration shall be final, conclusive and binding on all persons having an interest in or under the Plan. Any determination made by the Administrator shall be given deference in the event the determination is subject to judicial review and shall be overturned by a court of law only if it is arbitrary and capricious.

Section 9.02 Duration. Unless earlier terminated pursuant to Section 9.03, if a Change in Control has not occurred, the Plan will expire two years from the Effective Date; provided, that on each anniversary of the date the Plan would otherwise expire, the Plan will be automatically extended for an additional year.

Section 9.03 Amendment and Termination. The Company reserves the right to amend or terminate the Plan at any time, by providing at least 90 days advance written notice to each Participant; provided that no such amendment or termination that has the effect of reducing or diminishing the right of any Participant will be effective without the written consent of such Participant.

ARTICLE X
GENERAL PROVISIONS

Section 10.01 At-Will Employment. The Plan does not alter the status of each Participant as an at-will employee of the Company. Nothing contained herein shall be deemed to give any Participant the right to remain employed by the Company or to interfere with the rights of the Company to terminate the employment of any Participant at any time, with or without Cause.

Section 10.02 Effect on Other Plans, Agreements and Benefits.

(a) Any severance benefits payable to a Participant under the Plan will be: (i) in lieu of and not in addition to any severance benefits to which the Participant would otherwise be entitled under any general severance policy or severance plan maintained by the Company or any agreement between the Participant and the Company that provides for severance benefits (unless the policy, plan or agreement expressly provides for severance benefits to be in addition to those provided under the Plan); and (ii) reduced by any severance benefits to which the Participant is entitled by operation of a statute or government regulations.

(b) Any severance benefits payable to a Participant under the Plan will not be counted as compensation for purposes of determining benefits under any other benefit policies or plans of the Company, except to the extent expressly provided therein.

Section 10.03 Mitigation and Offset. If a Participant obtains other employment, such other employment will not affect the Participant's rights or the Company's obligations under the Plan.

The Company's obligation to make the payments and provide the benefits required under the Plan will not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other rights that the Company may have against the Participant.

Section 10.04 Severability. The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan. If any provision of the Plan is held by a court of competent jurisdiction to be illegal, invalid, void or unenforceable, such provision shall be deemed modified, amended and narrowed to the extent necessary to render such provision legal, valid and enforceable, and the other remaining provisions of the Plan shall not be affected but shall remain in full force and effect.

Section 10.05 Headings and Subheadings. Headings and subheadings contained in the Plan are intended solely for convenience and no provision of the Plan is to be construed by reference to the heading or subheading of any section or paragraph.

Section 10.06 Unfunded Obligations. The amounts to be paid to Participants under the Plan are unfunded obligations of the Company. The Company is not required to segregate any monies or other assets from its general funds with respect to these obligations. Participants shall not have any preference or security interest in any assets of the Company other than as a general unsecured creditor.

Section 10.07 Successors. The Plan will be binding upon any successor to the Company, its assets, its businesses or its interest (whether as a result of the occurrence of a Change in Control or otherwise), in the same manner and to the same extent that the Company would be obligated under the Plan if no succession had taken place. In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by the Plan, the Company shall require any successor to the Company to expressly and unconditionally assume the Plan in writing and honor the obligations of the Company hereunder, in the same manner and to the same extent that the Company would be required to perform if no succession had taken place. All payments and benefits that become due to a Participant under the Plan will inure to the benefit of his or her heirs, assigns, designees or legal representatives.

Section 10.08 Transfer and Assignment. Neither a Participant nor any other person shall have any right to sell, assign, transfer, pledge, anticipate or otherwise encumber, transfer, hypothecate or convey any amounts payable under the Plan prior to the date that such amounts are paid, except that, in the case of a Participant's death, such amounts shall be paid to the Participant's beneficiaries.

Section 10.09 Waiver. Any party's failure to enforce any provision or provisions of the Plan will not in any way be construed as a waiver of any such provision or provisions, nor prevent any party from thereafter enforcing each and every other provision of the Plan.

Section 10.10 Governing Law. To the extent not pre-empted by federal law, the Plan shall be construed in accordance with and governed by the laws of the state of New York without regard to conflicts of law principles. Any action or proceeding to enforce the provisions of the Plan will be brought only in a state or federal court located in the state of New York, county of Erie, and each party consents to the venue and jurisdiction of such court. The parties hereby irrevocably submit to the exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

Section 10.11 Clawback. Any amounts payable under the Plan are subject to any policy (whether in existence as of the Effective Date or later adopted) established by the Company providing for clawback or recovery of amounts that were paid to the Participant. The Company will make any determination for clawback or recovery in its sole discretion and in accordance with any applicable law or regulation.

Section 10.12 Withholding. The Company shall have the right to withhold from any amount payable hereunder any Federal, state and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

Section 10.13 Section 409A.

(a) The Plan is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and administered in accordance with Section 409A of the Code. Notwithstanding any other provision of the Plan, payments provided under the Plan may only be made upon an event and in a manner that complies with Section 409A of the Code or an applicable exemption. Any payments under the Plan that may be excluded from Section 409A of the Code either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A of the Code to the maximum extent possible. For purposes of Section 409A of the Code, each installment payment provided under the Plan shall be treated as a separate payment. Any payments to be made under the Plan upon a termination of employment shall only be made upon a "separation from service" under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under the Plan comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by a Participant on account of non-compliance with Section 409A of the Code.

(b) Notwithstanding any other provision of the Plan, if any payment or benefit provided to a Participant in connection with his or her Qualifying Termination is determined to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code and the Participant is determined to be a “specified employee” as defined in Section 409A(a)(2)(b)(i) of the Code, then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the Qualifying Termination or, if earlier, on the Participant’s death (the “**Specified Employee Payment Date**”). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to the Participant in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule. Notwithstanding any other provision of the Plan, if any payment or benefit is conditioned on the Participant’s execution of a Release, the first payment shall include all amounts that would otherwise have been paid to the Participant during the period beginning on the date of the Qualifying Termination and ending on the payment date if no delay had been imposed.

(c) To the extent required by Section 409A of the Code, each reimbursement or in-kind benefit provided under the Plan shall be provided in accordance with the following: (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; and (ii) any right to reimbursements or in-kind benefits under the Plan shall not be subject to liquidation or exchange for another benefit.

EXHIBIT 10.2

SERVOTRONICS, INC.

[DATE]

[NAME AND ADDRESS]

Re: Executive Change in Control Severance Plan

Dear [PARTICIPANT NAME]:

This Participation Agreement (this “**Agreement**”) is made and entered into by and between [PARTICIPANT NAME] and Servotronics, Inc. (the “**Company**”).

The Company adopted the Servotronics, Inc. Executive Change in Control Severance Plan (the “**Plan**”) to assure the present and future continuity, objectivity, and dedication of Participants in the Plan, notwithstanding the possibility, threat, or occurrence of a Change in Control.

A Participant in the Plan is eligible to receive severance benefits under certain circumstances if the Participant’s employment is terminated in connection with a Change in Control of the Company, as described in the Plan.

The Company has selected you to be a Participant in the Plan, subject to your being an Eligible Employee on the date of your Qualifying Termination and the other terms and conditions set forth in the Plan. A copy of the Plan is attached hereto as Annex A and is deemed to be part of this Agreement.

Unless otherwise defined herein, any capitalized terms used in this Agreement shall have the meanings set forth in the Plan.

In consideration of the mutual covenants contained herein, the parties hereby agree as follows:

(a) Your Applicable Severance Multiplier shall be two.

(b) Your Benefit Continuation Period shall be eighteen months.

You agree that this Agreement contains all of the understandings and representations between you and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter. The parties mutually agree that the Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

You acknowledge and agree that you have fully read, understand and voluntarily enter into this Agreement. You acknowledge and agree that you have had an opportunity to consult with your personal tax, financial planning advisor and/or attorney about the tax, financial and legal consequences of your participation in the Plan before signing this Agreement.

This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has executed this Agreement by its duly authorized officer as of the date set forth below. Please sign below and return this Agreement to the Company's Human Resources Department by [DATE].

Very truly yours,

SERVOTRONICS, INC.

By: ______________________________
Name:
Title:

I accept my designation as a Participant under the terms and conditions of the Plan and this Agreement.
[PARTICIPANT]

By: ______________________________
Name:
Title:
Date:
cc Human Resources Department

ANNEX A: EXECUTIVE CHANGE IN CONTROL SEVERANCE PLAN

Exhibit 31.1

CERTIFICATION

I, William F. Farrell Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Servotronics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 16, 2022

/s/ William F. Farrell, Jr., Chief Executive Officer
William F. Farrell, Jr.
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Lisa F. Bencel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Servotronics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 16, 2022

/s/ Lisa F. Bencel, Chief Financial Officer

Lisa F. Bencel
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Servotronics, Inc. (the "Company"), on Form 10-Q for the period ended March 31, 2022, I hereby certify solely for the purpose of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The quarterly report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Act of 1934, and

2. The information contained in the quarterly report fairly represents, in all material respects, the financial condition and results of operations of the Company.

Date: May 16, 2022

/s/ William F. Farrell, Jr., Chief Executive Officer
William F. Farrell, Jr.
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Servotronics, Inc. (the "Company"), on Form 10-Q for the period ended March 31, 2022, I hereby certify solely for the purpose of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The quarterly report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Act of 1934, and

2. The information contained in the quarterly report fairly represents, in all material respects, the financial condition and results of operations of the Company.

Date: May 16, 2022

/s/Lisa F. Bencel, Chief Financial Officer
Lisa F. Bencel
Chief Financial Officer