

Edgar Filing: SONICS & MATERIALS INC - Form 10KSB/A

SONICS & MATERIALS INC  
Form 10KSB/A  
October 18, 2002

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U. S. Securities and Exchange Commission  
Washington, D. C. 20549  
FORM 10-KSB/A

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED JUNE 30, 2002.
- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_.

Commission file number: 0-20753

SONICS & MATERIALS, INC.  
(Name of small business issuer in its charter)

DELAWARE 060854713  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

53 CHURCH HILL ROAD, NEWTOWN, CT 06470  
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: (203) 270-4600

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, par value \$.03 per share  
(Title of class)  
Warrants to purchase Common Stock  
(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes  No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

The issuer's revenues for the most recent fiscal year were: \$9,274,227

The aggregate market value of the common stock held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common stock as of September 24, 2002 as reported on the Over the Counter Bulletin Board was approximately \$520,243. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

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As of September 24, 2002, the issuer had outstanding 3,520,100 shares of Common Stock, par value \$.03 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Not applicable.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

ITEM 9. SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and executive officers and persons who own more than 10% of the Company's Common Stock or other equity securities to file with the Securities and Exchange Commission (the "SEC") initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company on Forms 3, 4 and 5. Officers, directors and 10% beneficial owners are required by SEC regulations to furnish the Company with copies of all Forms 3, 4 and 5 they file. Based solely on a review of the copies of such reports furnished to the Company, the Company believes all Section 16(a) filing requirements applicable to its officers, directors and 10% beneficial owners were complied with during the fiscal year ended June 30, 2002.

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, AND CONTROL PERSONS

ROBERT S. SOLOFF  
AGE: 63  
FIRST ELECTED DIRECTOR: 1969  
PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE COMPANY  
MEMBER OF STOCK OPTION COMMITTEE AND AUDIT COMMITTEE

Mr. Soloff joined the Company in 1969 and has served as its Chairman, President, Chief Executive Officer, and a Director since then. From 1960 to 1961, he was employed as an Assistant Project Engineer by Kearfott-Singer, Inc. designing ultrasonic oil burners and investigating the use of ultrasonic energy for various industrial applications. From 1962 until 1969, Mr. Soloff held a variety of positions with Branson Sonic Power Company, a major manufacturer of ultrasonic devices. These positions included laboratory manager for new products and applications, New York Metro district sales manager and manager of new product development. He is a 1960 graduate of Cooper Union where he earned a bachelor of science degree in mechanical engineering.

JACK TYRANSKY  
AGE: 57  
FIRST ELECTED DIRECTOR: 1995  
PARTNER, ALLEN & TYRANSKY  
MEMBER OF STOCK OPTION COMMITTEE AND AUDIT COMMITTEE

Mr. Tyransky has been a partner in Allen & Tyransky, a Connecticut certified public accounting firm since 1975. This firm served as the Company's certified public accountants from 1988 to 1994. He holds a bachelor of science degree in accounting from the University of Maryland and a masters degree in science (taxation) from the University of Hartford.

LAUREN H. SOLOFF  
AGE: 36  
FIRST ELECTED DIRECTOR: 1995  
VICE PRESIDENT OF LEGAL AFFAIRS AND INVESTOR RELATIONS OF THE COMPANY

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### SECRETARY OF THE COMPANY

Ms. Soloff, the daughter of Robert Soloff, joined the Company in early 1995 as Corporate Counsel, Secretary and a Director. In May of 1996, Ms. Soloff was promoted to Vice President of Legal Affairs and Investor Relations. From 1993 to 1994, she was employed by the Connecticut law firm of Siegel, O'Connor, Schiff and Zangari as an associate specializing in litigation for labor and employment matters. From 1991 to 1993, she served as a staff attorney for the Office of Solicitor of the U.S. Department of Labor where she was responsible for all aspects of appellate litigation as well as other litigation and counseling duties. Ms. Soloff is a member of the New York and Connecticut bars. She has a bachelor of arts degree from Tufts University and a juris doctorate from the Washington College of Law, American University.

RONALD KALB  
AGE: 52  
FIRST ELECTED DIRECTOR: 1998

Ronald Kalb is the Vice President and a principal owner of the Siegel Agency, Inc., a Connecticut insurance agency. Mr. Kalb has been with the Siegel Agency since 1977. Prior to that, he was employed as a civil engineer by Ebasco Services, Inc. He holds a bachelor of civil engineering degree from the City College of New York and received his masters in engineering at the Brooklyn Polytechnical Institute.

STEVEN A. BOWEN  
AGE: 43  
CHIEF FINANCIAL OFFICER

Steven Bowen joined Sonics & Materials, Inc. in January of 2000 as its Controller. In January of 2001 he became the Company's Chief Financial Officer. From 1987 to 2001, Mr. Bowen was employed as the Chief Financial Officer for American Computer Resources, Inc. He received his bachelor of arts degree from Rutgers University and received his masters in business administration from Drexel University.

None of the directors or executive officers have had any involvement in legal proceedings within the past five years that are material to an evaluation of the ability or integrity of such persons to become directors or executive officers of the Company.

### ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth, for the fiscal years ended June 30, 2002, 2001, and 2000 the annual and long-term compensation for the Company's Chief Executive Officer (the "named executive"). This was the only executive officer, who was serving as such on June 30, 2002 whose annual compensation exceeded \$100,000 for the fiscal year ended June 30, 2002.

#### SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	BASE SALARY	OTHER ANNUAL COMPENSATION(1)
Robert S. Soloff, President and Chief Executive Officer	2002	\$144,000	\$14,058
	2001	138,000	14,576
	2000	114,000	18,941

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(1) Represents compensation for excess life insurance premium and personal use

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of company auto. Includes executive insurance benefits for Mr. Soloff.

The Company's non-employee directors are paid a fee of \$300 for attendance at each of its Board of Directors meetings plus related out-of-pocket expenses.

### EMPLOYMENT CONTRACTS

Effective July 1, 1995, the Company entered into an employment agreement with Robert S. Soloff, who is serving as the Company's President and Chief Executive Officer, for an initial term that expired on June 30, 1998. The agreement provided for an annual base salary of \$180,000, \$198,000 and \$218,000 in each of the first three years of the agreement. On June 30, 1998, the Board of Directors unanimously voted to extend the term of the contract under the same terms and conditions. For fiscal years 1999, and 2000, Mr. Soloff voluntarily reduced his salary to \$114,000. In fiscal year 2001, Mr. Soloff's salary was increased to \$138,000, and in fiscal year 2002 Mr. Soloff's salary was increased to \$144,000. Under the original agreement, Mr. Soloff's base salary may be increased at the discretion of the Board of Directors through (i) any bonus arrangement provided by the Company in its discretion and (ii) other

compensation or employee benefit plans and arrangements, if any, provided to other officers and key employees of the Company. Such bonuses will be determined by the non-employee or independent members of the Board of Directors who will take into account the performance of Mr. Soloff and the Company in making such determination. Such bonuses may not exceed 10% of Mr. Soloff's annual compensation for three years. Mr. Soloff is subject to a two-year covenant not to compete with the Company, which restrictive period begins upon the expiration of the employment agreement.

### ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the Company's Common Stock owned as of September 30, 2002 by (i) each person who is known by the Company to own beneficially more than 5% of its outstanding Common Stock, (ii) each director and nominee for director, (iii) each named executive officer, and (iv) all executive officers and directors as a group.

#### COMMON STOCK

NAME AND ADDRESS OF BENEFICIAL OWNER (1)	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENTAGE OWNED
Robert S. Soloff	2,515,000	67.0%
Lauren H. Soloff	274,990 (3)	7.3%
Jack Tyransky	3,000 (2)	*
Ronald Kalb	1,000 (2)	*
All directors and executive officers as a group (6 people) (2) (4)	2,830,976	75.0%
The Crest Group, Inc.	300,012	8.0%

\* Indicates less than one percent.

- 1) The address of each such person, except for The Crest Group, is c/o Sonics & Materials, Inc., 53 Church Hill Road, Newtown, Connecticut 06470 and except as otherwise set forth in the footnotes below, all shares are beneficially owned and the sole voting and investment power is held by the persons named. The address of The Crest Group, Inc., Scotch Road, Trenton, New Jersey 08628.

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- (2) Represents or includes qualified stock options granted under the Company's Option Plan.
- (3) Includes shares of Common Stock issuable upon exercise of currently exercisable non-qualified stock options granted to Ms. Soloff.
- (4) Includes 274,390 shares and 10,976 shares that are issuable upon exercise of currently-exercisable non-qualified stock options granted to Lauren H. Soloff and Daniel Grise, respectively, under the Company's Option Plan.

### EQUITY PLAN COMPENSATION PLAN INFORMATION

The following table sets forth information as of the end of the most recently completed fiscal year, June 30, 2002.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights  (A)	Weighted-average exercise price of outstanding options, warrants and rights  (B)
Equity compensation plans approved by security holders	N/A	N/A
Equity compensation plans not approved by security holders	331,366	\$.95
<b>Total</b>	<b>331,366</b>	<b>\$.95</b>

The Company has reserved a total of 250,000 shares for issuance under its Incentive Stock Option Plan (the "Plan"). Options may be granted to officers, directors, and other key Company employees. Options granted under the Plan are intended to qualify as incentive stock options as defined in the Internal Revenue Code of 1986, as amended.

The plan is administered by the Board of Directors and a Stock Option Committee presently consisting of two members of the Board that determines which persons are to receive options, the number of options to be granted and the exercise prices. In the event an optionee voluntarily terminates employment with the Company, the optionee has the right to exercise his accrued options within thirty (30) days of such termination. However, the Company may exercise any accrued options held by each optionee by paying the difference between the option exercise price and the then fair market value.

All employee options issued to date under the Plan have a five-year term and vest evenly over the first three years commencing on the date of the grant. Director options vest over a one-year period.

The Company has also granted nonqualified stock options for 285,366 shares of common stock at option prices ranging from \$.31 to \$1.03 per share expiring at various dates through 2004.

There were no options granted or exercised in fiscal year 2001 or 2002.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: October 18, 2002

SONICS & MATERIALS, INC.

By: /s/ ROBERT S. SOLOFF

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ROBERT S. SOLOFF  
CHIEF EXECUTIVE OFFICER AND PRESIDENT

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature -----	Title -----	Date ----
/s/ ROBERT S. SOLOFF ----- (ROBERT S. SOLOFF)	Chairman, President, Treasurer, Chief Executive Officer	October 18, 2002
/s/ LAUREN H. SOLOFF ----- (LAUREN H. SOLOFF)	Secretary, Director, Vice President	October 18, 2002
/s/ Ronald Kalb ----- (RONALD KALB)	Director	October 18, 2002
/s/ JACK T. TYRANSKY ----- (JACK T. TYRANSKY)	Director	October 18, 2002
/s/ STEVEN A. BOWEN ----- (STEVEN A. BOWEN)	Chief Financial Officer	October 18, 2002

CERTIFICATION

I, Robert S. Soloff, certify that:

1. I have reviewed this amendment No. 1 to the annual report on Form 10-KSB/A of Sonics & Materials, Inc.;
2. Based on my knowledge, this amendment No. 1 to the annual 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

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period covered by this amendment No. 1 to the annual report; and

3. Based on my knowledge, the financial statements, and other financial information included in this amendment No. 1 to the annual 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 amendment No. 1 to the annual report.

Date: October 18, 2002.

/s/ Robert S. Soloff  
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Robert S. Soloff  
Chief Executive Officer

CERTIFICATION

I, Steven A. Bowen, certify that:

1. I have reviewed this amendment No. 1 to the annual report on Form 10-KSB/A of Sonics & Materials, Inc.;
2. Based on my knowledge, this amendment No. 1 to the annual 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 annual report; and
3. Based on my knowledge, the financial statements, and other financial information included in this amendment No. 1 to the annual 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 amendment No. 1 to the annual report.

Date: October 18, 2002.

/s/ Steven A. Bowen  
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Steven A. Bowen  
Chief Financial Officer