

TECH OPS SEVCON INC
Form DEF 14A
December 23, 2010

TECH/OPS SEVCON, INC.

155 NORTHBORO ROAD, SOUTHBOROUGH, MASSACHUSETTS 01772
TELEPHONE (508) 281-5510

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the annual meeting of the stockholders of Tech/Ops Sevcon, Inc., a Delaware corporation, will be held at the offices of Edwards Angell Palmer & Dodge LLP, 20th Floor, 111 Huntington Avenue at Prudential Center, Boston, Massachusetts, at 5:00 p.m. on Tuesday, January 25, 2011, for the following purposes:

1. To elect as directors the two persons named in the Company's proxy statement for the meeting, each to hold office for a term of three years.
2. To ratify, by an advisory vote, the selection of McGladrey & Pullen, LLP as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2011.
3. To approve, by an advisory vote, the compensation of the Company's executive officers.
4. To indicate, by an advisory vote, the frequency with which the stockholders should vote to approve the compensation of the Company's executive officers.
5. To transact such other business as may properly come before the meeting.

Only stockholders of record at the close of business on December 1, 2010 are entitled to notice of the meeting or to vote thereat.

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING. THEREFORE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE YOUR PROXY AND RETURN IT IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. IF YOU ATTEND THE MEETING AND WISH TO VOTE IN PERSON, YOUR PROXY WILL NOT BE USED.

By order of the Board of Directors,

MATTHEW C. DALLET
Secretary

Dated December 23, 2010

PROXY STATEMENT

INFORMATION CONCERNING THE PROXY SOLICITATION

Important Notice Regarding the Availability of Proxy Materials for the
Stockholder Meeting to Be Held on January 25, 2011:

This Proxy Statement and the Annual Report are available to the Company's
stockholders electronically via the Internet at www.proxyvote.com

Approximate Date of Mailing: December 23, 2010

The enclosed proxy is solicited by and on behalf of the Board of Directors of Tech/Ops Sevcon, Inc. (the "Company") for use at the annual meeting of stockholders of the Company to be held on Tuesday, January 25, 2011 at 5:00 p.m. at the offices of Edwards Angell Palmer & Dodge LLP, 20th Floor, 111 Huntington Avenue at Prudential Center, Boston, Massachusetts, and any adjournments or postponements thereof. It is subject to revocation at any time prior to the exercise thereof by giving written notice to the Company, by submission of a later dated proxy or by voting in person at the meeting. The costs of solicitation, including the preparation, assembly and mailing of proxy statements, notices and proxies, will be paid by the Company. Such solicitation will be made by mail and in addition may be made by the officers and employees of the Company personally or by telephone or e-mail. Forms of proxy and proxy materials will also be distributed, at the expense of the Company, through brokers, custodians and other similar parties to beneficial owners.

On December 1, 2010, the Company had outstanding 3,340,322 shares of Common Stock, \$.10 par value, which is its only class of stock outstanding and entitled to vote at the meeting. Stockholders of record at the close of business on December 1, 2010 will be entitled to vote at the meeting. With respect to all matters which will come before the meeting, each stockholder may cast one vote for each share registered in his or her name on the record date. The shares represented by every proxy received will be voted, and where a choice has been specified, the shares will be voted in accordance with the specification so made. If no choice has been specified on the proxy, the shares will be voted FOR the election of the nominees as directors, FOR the ratification of the selection of the Company's independent registered public accounting firm FOR approval of the Company's executive compensation program and in favor of the Company's including a "Say on Pay" proposal in the proxy statement for its annual meeting each year.

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table provides information as to the ownership of the Company's Common Stock as of December 1, 2010 by (i) persons known to the Company to be the beneficial owners of more than 5% of the Company's outstanding Common Stock, (ii) the executive officers named in the Summary Compensation Table below, and (iii) all current executive officers and directors of the Company as a group. Beneficial ownership by individual directors and nominees for director is shown in the table on pages 3 to 5 below.

Name and Address Of Beneficial Owner	Amount Beneficially Owned (1)	Percent of Class
Mario J. Gabelli/GGCP, Inc./GAMCO Investors, Inc. One Corporate Center Rye, NY 10580-1435	995,983(2)	29.8%

Dr. Marvin G. Schorr 330 Beacon Street Boston, MA 02116	366,278	11.0%
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Name and Address Of Beneficial Owner	Amount Beneficially Owned (1)	Percent of Class
Bernard F. Start Water Ridge, Front Street, Corbridge, Northumberland, NE46 2JY, United Kingdom	244,477	7.3%
Wells Fargo & Company/Wells Fargo Advisors, LLC 420 Montgomery Street San Francisco, CA	201,269(3)	6.0%
Paul D. Sonkin/Hummingbird Management LLC/Hummingbird Capital, LLC 460 Park Avenue, 12th Floor New York, NY 10022	211,925(4)	6.3%
Matthew Boyle Tech/Ops Sevcon, Inc. 155 Northboro Road Southborough, MA 01772	70,400(5)	2.1%
Paul N. Farquhar Tech/Ops Sevcon, Inc. 155 Northboro Road Southborough, MA 01772	27,000	(#)
All current executive officers and directors as a group (9 persons)	860,135(5)	2.58%

(#) Less than 1%

(1) Unless otherwise indicated, each owner has sole voting and investment power with respect to the shares listed or shares that power with his spouse.

(2) As reported on Schedule 13D/A filed with the Securities and Exchange Commission (“SEC”) on October 13, 2010, each of Mr. Gabelli, GGCP, Inc. and GAMCO Investors, Inc. is the beneficial owner of the shares shown, which are held in investment advisory accounts of various subsidiaries of GGCP, Inc. and GAMCO Investors, Inc. As reported in that Schedule 13D/A, GAMCO Asset Management, Inc., a subsidiary of GAMCO Investors, Inc., has sole voting and investment power with respect to 496,383 of such shares (14.8% of the class) and Gabelli Funds, LLC, a subsidiary of GAMCO Investors, Inc., has sole voting and investment power with respect to 240,200 of such shares (7.2% of the class). Teton Advisors, Inc., which is controlled by Mr. Gabelli and GGCP, Inc., has sole voting and investment power with respect to 259,400 of such shares (7.8% of the class).

(3) As reported on Schedule 13G/A filed with the SEC on January 26, 2010.

(4) As reported on Schedule 13D/A filed with the SEC on May 7, 2007, Mr. Sonkin is the managing member and control person of Hummingbird Management, LLC and of Hummingbird Capital, LLC, which are the investment manager and general partner, respectively, of two investment funds that hold the shares shown. Hummingbird Management, LLC and Hummingbird Capital, LLC each disclaims beneficial ownership of such shares.

(5) Includes the following shares subject to stock options exercisable within sixty days: Mr. Boyle (19,000), all current executive officers and directors as a group (22,500).

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PROPOSAL 1: ELECTION OF DIRECTORS

Board of Directors and Nominees for Election

The Company's Board of Directors has fixed the number of directors at eight. Members of the Board of Directors are divided into three classes serving staggered three-year terms. The terms of two of the Company's current directors, Matthew Boyle and Paul O. Stump, expire at the annual meeting. Based on the recommendation of its Nominating and Governance Committee, the Board has nominated Messrs. Boyle and Stump for re-election to new three-year terms. Each nominee has consented to serve if elected, and the Company is not presently aware of any reason that would prevent any nominee from serving as a director. If a nominee should become unavailable for election, the proxies will be voted for another nominee selected by the Board.

The following table contains information on the nominees for election at the annual meeting and each other person whose term of office as a director will continue after the meeting. The nominees for election at the meeting are indicated by an asterisk.

Name	Term Expires	Business Experience During Past Five Years and Other Directorships	Has Been a Director of the Company or its Predecessor, Tech/Ops, Inc., Since	No. of Common Shares of the Company Beneficially Owned and Percent of Class (†)
*Matthew Boyle (3) Age – 48	2011	President and Chief Executive Officer of the Company since November 1997. Vice President and Chief Operating Officer of the Company from November 1996 to November 1997.	1997	70,400 (2.1%)(1)
As our Chief Executive Officer, Mr. Boyle represents management on the Board of Directors. His strong executive leadership and knowledge of our products, suppliers, customers and industry are valued highly by the Board.				
Maarten D. Hemsley (4)(5) Age – 61	2013	Former Chief Financial Officer and currently a director of Sterling Construction Company, Inc., a NASDAQ listed company involved in civil construction in Texas, Nevada and Utah. Senior Advisor at North Atlantic Value LLP, part of the J. O. Hambro Capital Management Group, London,	2003	15,500 (#)(2)

England, since 2001. President of Bryanston Management Ltd., a specialized financial services company, since 1993. Director of a number of UK privately-held companies.

Mr. Hemsley's qualifications to serve on the Board of Directors include significant financial management expertise and international business experience. The Board has benefited from his contributions as Chairman of the Compensation Committee and a member of the Audit Committee.

Name	Term Expires	Business Experience During Past Five Years and Other Directorships	Has Been a Director of the Company or its Predecessor, Tech/Ops, Inc., Since	No. of Common Shares of the Company Beneficially Owned and Percent of Class (†)
Paul B. Rosenberg (4)(6) Age – 78	2012	Former Treasurer of the Company. Mr. Rosenberg’s long experience with the Company and his financial management expertise are valuable to our Board of Directors. He makes a strong contribution to the Company as Chairman of the Audit Committee and as a member of the Nominating and Governance Committee.	1988	96,480 (2.9%)
Dr. Marvin G. Schorr (3)(5)(6) Age – 85	2013	Chairman of the Company’s Board of Directors from January 1988 until January 2005. Prior to that, Chairman of the Board of Directors and President of Tech/Ops, Inc., the Company’s predecessor. Also a director emeritus of Brooks Automation, Inc. As the Company’s founder and with lengthy business experience and wide-ranging interests in relevant technologies and the Company’s industry, Dr. Schorr provides wisdom and vision to the Board. The Company also benefits from his active involvement on the Executive and Compensation Committees of the Board, as well as his chairmanship of the Nominating and Governance Committee.	1988	366,278 (11.0%)
Bernard F. Start Age – 72	2012	Vice-Chairman of the Board from November 1997 to January 2009. President and Chief Executive Officer of the Company from January 1988 to November 1997.	1988	244,477 (7.3%)

Mr. Start's deep knowledge of the Company's customers, competitors and technology, deriving from his executive experience with the Company, as well as his understanding of the Company's operations, provides strong support for the work of the Board.

Name	Term Expires	Business Experience During Past Five Years and Other Directorships	Has Been a Director of the Company or its Predecessor, Tech/Ops, Inc., Since	No. of Common Shares of the Company Beneficially Owned and Percent of Class (†)
David R. A. Steadman (3)(4)(6) Age – 73	2013	Chairman of the Company’s Board of Directors since January 2005. President of Atlantic Management Associates, Inc., a management services firm, from 1988 to 2009. Director of Sterling Construction Company, Inc. and several privately held companies.	1997	26,000 (#)
<p>Mr. Steadman’s service as executive and director of a variety of companies give him the skills and experience to be an effective leader and to provide guidance to management and the other Board members on financial and operational matters. The Board also benefits from Mr. Steadman’s leadership as Chairman of the Executive Committee and his service on the Audit Committee.</p>				
*Paul O. Stump (4)(5) Age – 58	2011	President and Chief Executive Officer of Telequip Corporation, a manufacturer of coin dispensing equipment, from 1997 to 2007. Currently Vice President of Engineering of Telequip Corporation.	2005	12,000 (#)
<p>Mr. Stump’s qualifications to serve on the Company’s Board of Directors include his operational and engineering skills, as well as his management experience, which allows him to provide guidance and perspective to the Company’s management. The Board also values his contributions as a member of the</p>				

Audit and Compensation
Committees.

Frederick A. Wang (5) Age – 60	2012	Former head of R&D, product marketing and sales and service operations at Wang Laboratories, Inc. Director and Trustee of the Wang Foundation.	2,000 (#)
		Mr. Wang’s in-depth experience in a variety of management and operational roles in the high tech industry provide the basis for his knowledgeable contributions to the Board of Directors. Elected to the Board in February 2010, Mr. Wang has begun making a contribution as a member of the Compensation Committee.	

† Unless otherwise indicated, each person has sole voting and investment power with respect to the shares listed or shares that power with his spouse.

(#) Less than 1%

(1) Includes 19,000 shares subject to stock options exercisable within sixty days.

(2) Includes 3,500 shares subject to stock options exercisable within sixty days.

(3) Member of the Executive Committee.

(4) Member of the Audit Committee.

(5) Member of the Compensation Committee.

(6) Member of the Nominating and Governance Committee.

Vote Required

Pursuant to the Company's by-laws, directors will be elected by a plurality of the votes properly cast at the annual meeting. Broker non-votes and votes withheld will not be treated as votes cast and will not affect the outcome of the election.

The Board of Directors recommends that you vote FOR the election of
Messrs. Boyle and Stump as directors

PROPOSAL RATIFICATION OF THE SELECTION OF THE COMPANY'S INDEPENDENT REGISTERED 2: PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2011

On September 20, 2010, Caturano and Company, Inc. (formerly Caturano and Company, P.C.) ("Caturano") resigned as the Company's independent registered public accounting firm as a result of the July 20, 2010 acquisition by McGladrey & Pullen, LLP ("McGladrey") of certain of Caturano's assets. On September 20, the Audit Committee of the Company's Board of Directors appointed McGladrey as the Company's independent registered public accounting firm for the fiscal year ended September 30, 2010 and expects that McGladrey will also serve in that capacity for the fiscal year ending September 30, 2011. The Board of Directors is seeking an advisory stockholder vote ratifying the appointment. McGladrey audited the Company's financial statements for fiscal 2010, and the Audit Committee believes it is well qualified to continue.

Caturano's audit reports on our consolidated financial statements for fiscal 2008 and 2009 did not contain any adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles. During those fiscal years and through the date hereof, there was no disagreement between us and Caturano on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement, if not resolved to Caturano's satisfaction, would have caused Caturano to make reference to the subject matter of the disagreement in its audit report; and there were no reportable events, as defined in Item 304(a) (1) (v) of SEC Regulation S-K.

Representatives of McGladrey are expected to attend the annual meeting and to be available to respond to appropriate questions. They will also have the opportunity to make a statement if they desire. We do not expect that a representative of Caturano will be present.

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The fees billed by Caturano for fiscal 2009 and by McGladrey and Caturano for fiscal 2010 are set out below. They include fees billed by independent members of Baker Tilly International (of which Caturano was a member) in the United Kingdom, France, the Netherlands and Poland relating to the United Kingdom and French subsidiaries of the Company.

	(in thousands)	
	2010	2009
Audit fees	\$ 168	\$ 168
Audit-related fees	6	5
Tax fees	25	25
All other fees	7	24
Total	\$206	\$222

The audit-related fees in fiscal 2010 and fiscal 2009 relate to the audit of the pension plan for the Company's UK subsidiary. The tax fees for both years are for the filing of the Company's tax returns in both the United States and the United Kingdom. The other fees disclosed above are for advice in relation to indirect taxes and Sarbanes Oxley audit work in 2010 and in relation to indirect taxes in 2009.

All of the above fees were approved by the Audit Committee before the respective engagements were undertaken. The Company has not adopted pre-approval policies and procedures relating to non-audit services.

Vote Required

Ratification of the appointment of McGladrey by the stockholders is not required by law or by the Company's by-laws. The Board of Directors is nevertheless submitting this non-binding resolution to the stockholders to ascertain their views. If this proposal is not approved at the annual meeting, the Audit Committee intends to reconsider its recommendation of McGladrey as independent auditors. The Company may retain the firm for fiscal 2011 notwithstanding a negative stockholder vote.

The ratification of the appointment of McGladrey will require the affirmative vote of a majority of the votes cast at the annual meeting. Accordingly, abstentions and broker non-votes will not count as votes cast for or against this proposal.

The Board of Directors recommends that you vote FOR the ratification of McGladrey's selection
as the Company's independent registered public accounting firm
for the fiscal year ending September 30, 2011.

PROPOSAL ADVISORY VOTE REGARDING THE EXECUTIVE OFFICERS' COMPENSATION

3:

This proposal, commonly known as "Say on Pay," asks the stockholders to approve the compensation of the Company's executive officers as described under "Executive Compensation" on pages 13 to 15 of this proxy statement.

The compensation paid to the Company's executive officers is intended to align their interests with the long-term interests of the Company's stockholders and is based on a pay-for-performance philosophy. It is straightforward, consisting principally of salary, which must be competitive to retain the skills and experience of excellent employees, annual bonus to reward strong performance, and equity compensation to encourage long-term commitment and team performance. Not all elements may be provided every year, depending on the performance of the Company and the

executive. Due to the severe impact of the global recession during fiscal 2008 and 2009, as well as the Company's need to conserve cash, the executive officers accepted a 10% cut in salary for half of fiscal 2009 and through the first quarter of fiscal 2010 and they did not receive bonuses for fiscal 2009 or 2010. In the third quarter of fiscal 2010, base salaries were increased by 17% in recognition of the executives' leadership in taking advantage of opportunities presented by the new developing markets, as well as their strong management of the Company's business and finances despite the challenges of the recession. The Board believes that the executives' compensation met the Company's goals and that it should be approved by the stockholders.

The vote solicited by this proposal is advisory and its outcome will not be binding on the Board nor require the Board to take any action. Moreover, the outcome of the vote will not be construed as overruling any decision of the Board, or creating or implying any additional fiduciary duty of the Board. However, the Board expects to take into account the outcome of this vote when considering future executive compensation arrangements for the Company's executive officers.

The proposal will be considered approved at the annual meeting if more votes are cast in favor than against. Abstentions and broker non-votes will not count as votes cast for or against this proposal.

The Board of Directors recommends a vote FOR approval of the compensation of the Company's named executive officers.

PROPOSAL ADVISORY VOTE REGARDING THE FREQUENCY OF STOCKHOLDER VOTES TO APPROVE
4: THE EXECUTIVE OFFICERS' COMPENSATION

The Board also seeks the views of the stockholders on how often the Company should ask the stockholders to vote on the compensation of the Company's executive officers: each year, every two years, or every three years. The Company is required by Section 14A of the Securities Exchange Act of 1934 to include a Say on Pay vote, like Proposal 3, in proxy statements for its annual meetings at least once every three years, and also to seek periodic advisory votes on how often there should be a Say on Pay vote.

The Board recognizes the importance of receiving regular input from stockholders on important governance matters. The Board believes that the Say on Pay vote should be held each year because that will permit our stockholders to express their opinion as close in time to the relevant compensation and will be most useful to the Board. You should indicate your preference on the proxy card.

Because the vote solicited by this proposal is advisory, its outcome will not be binding on the Board nor require the Board to take any action. Moreover, the outcome of the vote will not be construed as overruling any decision of the Board or creating or implying any additional fiduciary duty of the Board or restricting. However, the Board expects to take into account the outcome of this vote when considering how frequently to seek a "Say on Pay" vote of stockholders in the future.

Only votes cast at the annual meeting will be taken into account. Abstentions and broker non-votes will not count as votes cast with respect to this proposal.

The Board of Directors recommends a vote in favor of the Company's including a Say on Pay proposal in the proxy statement for its annual meeting each year.

CORPORATE GOVERNANCE

Director Independence

The Board has determined that all directors, other than Mr. Boyle, are independent under Securities and Exchange Commission rules and NASDAQ Capital Market listing standards, based on information known to the Company and on the annual questionnaire completed by each director. The Company may from time to time have arms-length commercial dealings with companies of which its directors may be officers and/or directors. To the Company's knowledge, during fiscal 2010, there were no such dealings and none of the independent directors had any other business, financial, family or other type of relationship with the Company or its management other than as a director and stockholder.

Board Leadership Structure

The Company has always had different persons serving in the offices of Chairman of the Board and Chief Executive Officer (CEO), although it has no formal policy requiring that structure, and it is likely that the Board would elect an independent lead director if the Chairman and CEO were the same person. The responsibilities of the Chairman or lead director include chairing the Executive Committee, setting the Board's agenda in collaboration with the CEO, providing guidance to the CEO, acting as a regular communication channel between the Board and CEO, presiding over executive sessions of the Board to review the Company's performance and management effectiveness, coordinating the activities of the independent directors, reviewing the activities and effectiveness of the Board committees, and evaluating the need for any changes. The Board believes that having a separate Chairman or lead director allows the CEO to focus principally on managing the Company, which is important because of the Company's small senior management team, enhances Board involvement and communications among the independent directors, and would ensure consistent Board leadership during any CEO transition.

Board Meetings

During the fiscal year ended September 30, 2010, the Board of Directors held a total of seven meetings. The Board regularly holds meetings at which only independent directors are present. All Board members are expected to attend the annual meeting of stockholders, subject to special circumstances. All of the Board members attended the annual meeting of stockholders in 2010.

Communications to the Board

Stockholders may communicate with the Board of Directors by mailing a communication to the entire Board or to one or more individual directors, in care of the Corporate Secretary, Tech/Ops Sevcon, Inc., 155 Northboro Road, Southborough, Massachusetts 01772. All communications from stockholders to Board members (other than communications soliciting the purchase of products and services) will be promptly relayed to the Board members to whom the communications are addressed.

Committees of the Board

The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating and Governance Committee, all the members of which are independent under Securities and Exchange Commission rules and NASDAQ Capital Market listing standards, as applicable. In addition to the meetings described below, the members of each committee communicate regularly amongst themselves and with management on Company matters.

Each of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee operates under a written charter that is available on the Company's web site: www.techopssevcon.com.

Audit Committee

The Audit Committee is composed of four directors. The Board has determined that at least one of the members of the Committee, Mr. Rosenberg, is an "audit committee financial expert," as define