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VALLEY FORGE SCIENTIFIC CORP
Form 10-K/A
January 27, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

(Mark One)

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

For the fiscal year ended September 30, 2002.

OR

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

For the transition period from _____ to _____

Commission File Number: 001-10382

VALLEY FORGE SCIENTIFIC CORP.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA

23-2131580

(State or other jurisdiction of incorporation or organization)

(I.R.S. employer identification no.)

136 Green Tree Road, Oaks, Pennsylvania 19456

(Address of principal executive offices and zip code)

Telephone: (610) 666-7500

(Registrant's telephone number, including area code)

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

Title of Each Class -----	Name of Each Exchange on which Registered -----
Common Stock, no par value	Boston Stock Exchange

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

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

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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 [X] No []

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes [] No [X]

The aggregate market value of voting stock held by non-affiliates of the registrant, computed by reference to the closing bid and ask prices as reported by the Nasdaq system on December 13, 2002 was \$6,336,774.

At December 13, 2002 there were 8,024,312 shares of the Registrant's Common Stock outstanding.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The directors and executive officers of the Company are as follows:

Name	Age	Position(s)	Director Since
----	---	-----	-----
Jerry L. Malis	70	Chairman of the Board, Chief Executive Officer and President	1980
Leonard I. Malis	83	Director	1989
Bruce A. Murray	66	Director	1992
Robert H. Dick	59	Director	1997
Louis Uchitel	77	Director	2001

Jerry L. Malis, has served as Chief Executive Officer, President or Vice-President and a Director of the Company since its inception in March 1980. As of June 30, 1989, Mr. Malis was elected as Chairman of the Board of the Company. He has published over fifty articles in the biological science, electronics and engineering fields, and has been issued twelve United States patents. Mr. Malis coordinates and supervises the development, engineering and manufacturing of the Company's products and is in charge of the daily business operations of the Company. He devotes substantially all his business time to the business of the Company.

Leonard I. Malis, M.D., a consultant to the Company since its inception in March 1980, has been a director since June 30, 1989. Dr. Malis was Professor and Chairman of the Department of Neurosurgery at Mount Sinai School of Medicine, New York, New York, from 1971 until 1993, and is currently Professor and Chairman Emeritus of the Department of Neurosurgery. Dr. Malis designed and

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built the first commercial bipolar coagulator in 1955, and his original units were the standard in neurosurgery for many years. Dr. Malis has been issued five United States patents and has designed and trademarked over one hundred instruments. He has published over one hundred articles in medical journals and reviews and is the author of a textbook on neurosurgery.

Bruce A. Murray, a member of the audit committee and chairman of the compensation committee, has been a director of the Company since October 14, 1992. He was a Managing Member of The Change Management Group, LLC, a management consulting company, and was a Principal of Adair & Murray Associates, Inc., a management consulting company. Mr. Murray has held positions within the Pfizer Hospital Products Group, as Director of Engineering-Surgical Products, Corporate Vice President - Research and Development, and Senior Vice President and Business Manager - Surgical Products. He has also held senior management positions with Valleylab, Inc., Picker Corporation Electronics Division, Ball Brothers Research Corporation and IIT Research Institute. Mr. Murray received both his B.S. in Engineering and his M.B.A. from the Illinois Institute of Technology.

Robert H. Dick, a member of the audit committee and the compensation committee, has been a director of the Company since 1997. He is the principal of R.H. Dick & Company, Inc., an investment banking firm. From April 1996 to 1998, he was a partner in Boles & Company, an investment banking firm. He was President, CEO and CFO of two Boles & Company clients: BioMagnetic Therapy Systems, Inc. (from September 1995 to April 1996) and Pharmx, Inc. (from May 1994 to May 1995). From April 1987 to May 1994, Mr. Dick served as Vice President-International for Codman & Shurtleff, Inc., a Johnson & Johnson subsidiary, where he was responsible for new business development and sales and marketing in non-U.S. markets. Mr. Dick has also held other business development and sales and marketing positions with Codman & Shurtleff, Inc., and product management positions with USCI Surgical Products, a division of C.R. Bard.

Louis Uchitel, chairman of the audit committee and a member of the compensation committee, was appointed as a director of the Company in June 2001. He is a certified public accountant and the Secretary and Treasurer of Quaker

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State Environmental Equipment, Inc., a lessor of solid waste equipment. Mr. Uchitel was formerly the Executive Vice President and Chief Financial Officer of Accurate Industries, Inc.

Jerry L. Malis and Dr. Leonard I. Malis are brothers. The executive officers are elected annually by the Board of Directors and shall continue to serve until their successors are elected and qualified.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership of, and transactions in, the Company's securities with the Securities and Exchange Commission and the Nasdaq Stock Market. Such directors, executive officers and 10% stockholder are also required to furnish the Company with copies of all Section 16(a) forms they file.

Based solely upon a review of reports furnished to the Company, and on written representations from certain reporting persons, the Company believes that, with respect to the fiscal year ended September 30, 2002, each director, executive officer and 10% stockholder of the Company's securities made timely filings of all reports required by Section 16 of the Exchange Act.

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Item 11. EXECUTIVE COMPENSATION.

SUMMARY COMPENSATION TABLE

Summary Compensation Table. The following table sets forth the aggregate compensation paid by the Company with respect to the three fiscal years ended September 30, 2002 to the Company's Chief Executive Officer.

Name and Principal Position	Fiscal Year	Salary	Bonus	Number of Shares of Common Stock Underlying Options Granted
Jerry L. Malis, Chief Executive Officer and President	2002	\$199,000	\$ 25,000	--
	2001	199,000	0	50,000
	2000	199,000	0	--

Aggregate Fiscal Year End Option Values. The following table sets forth the value on September 30, 2002 of unexercised options for the Chief Executive Officer.

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Name	Number of Shares of Common Stock Underlying Unexercised Options at September 30, 2002	Aggregate Value of Unexercised Options at September 30, 2002
Jerry L. Malis (1)	100,000	\$27,250

- (1) On each of June 5, 2000 and October 24, 2002, options to purchase 50,000 shares of Common Stock, which were previously issued to Mr. Malis, expired in accordance with their terms unexercised. Mr. Malis' options consist of the following:
- 50,000 shares granted on December 22, 1994 at \$2.375 per share, expiring December 22, 2004, of which 50,000 shares are exercisable; and
 - 50,000 shares granted on December 12, 2000 at \$1.125 per share expiring December 12, 2010, of which 50,000 shares are exercisable.

DIRECTORS' COMPENSATION

Directors have not received any cash compensation for their services as members of the Board of Directors, but Directors are entitled to reimbursement for expenses incurred in connection with their attendance at meetings.

Non-Employee Directors' Stock Option Plan. The Company has adopted the 2000 Non-Employee Directors' Stock Option Plan which provides that each Director of the Company, who is neither an employee of the Company or an immediate family member of an officer of the Company, will be granted options to purchase 10,000

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shares of the Company's common stock, no par value, ("Common Stock") each year he is elected, appointed, or re-elected as a Board member. Each non-employee Director of the Company who served in such position on December 12, 2000, the effective date of this plan, received a grant of options as of that date. The exercise price of options granted under this plan is equal to the fair market value of the common stock on the date of grant. All options granted under this plan vest upon issuance.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth as of January 15, 2003 certain information with respect to the beneficial ownership of the Company's Common Stock by (i) each of the named Executive Officers and Directors; and (ii) persons or entities believed by the Company to be the beneficial owners of more than 5% of the Company's Common Stock based on certain filings made under Section 13 of the Exchange Act. All such information provided by the stockholders who are not Executive Officers or Directors listed reflects their beneficial ownership as of the dates specified in the footnotes to the table.

Name and Address of Beneficial Owners (1)	Amount of Beneficial Ownership	Percentage Owned
Jerry L. Malis (2) (3)	1,232,276	15.2%
Dr. Leonard I. Malis (2) (6)	961,242	12.0%
Russell U. Schenkman (8)	651,375	8.1%
Louis Uchitel (2) (7)	235,000	2.9%
Bruce A. Murray (2) (4)	36,000	*
Robert H. Dick (2) (5)	34,000	*
All officers and directors as a group (5 persons)	2,498,518	30.4%

* less than 1%

(1) Except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.

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- (2) The mailing address of Messrs. Malis, Murray, Dick, Uchitel and Dr. Malis, directors of the Company, is 136 Green Tree Road, P.O. Box 1179, Oaks, Pennsylvania 19456-1179.
- (3) Includes 100,000 shares issuable to Mr. Malis subject to options exercisable currently or within 60 days. Also includes 200,000 shares held in the Malis Family, L.P., a limited partnership in which Jerry L. Malis is the general partner and possesses voting and investment power.
- (4) Represents 36,000 shares issuable to Mr. Murray subject to options exercisable currently or within 60 days.
- (5) Represents 34,000 shares issuable to Mr. Dick subject to options exercisable currently or within 60 days.
- (6) Includes 400,000 shares held in the Leonard and Ruth Malis Family, L.P., a limited partnership in which Dr. Malis is a general partner and possesses voting and investment power.
- (7) Includes 20,000 shares issuable to Mr. Uchitel subject to options exercisable currently or within 60 days.
- (8) Russell U. Schenkman is the sole trustee of the Frances W. Gilloway Marital Trust and the Frances W. Gilloway Residue Trust (the "Trusts"), which are the record owners of 601,375 shares of the Common Stock and options to purchase 50,000 shares of Common Stock exercisable currently or within 60 days. The Trusts were created under the will of Thomas J.

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Gilloway to, among other things, own certain shares of the Common Stock beneficially owned by Mr. Gilloway. Mr. Schenkman in his capacity as trustee of the Trusts possesses sole voting and investment power with respect to the shares and therefore is deemed to beneficially own, under applicable regulations of the Securities and Exchange Commission, the 651,375 shares owned of record by the Trusts. Mr. Schenkman disclaims beneficial ownership of all shares owned of record by the Trusts. The address of Mr. Schenkman is 13 Roszel Road, Princeton, New Jersey 08540. Based on information set forth in a Schedule 13G filed under the Exchange Act on January 16, 2002.

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of shares of common stock to be issued upon exercise of outstanding options, warrants and rights at September 30, 2002	Weighted average exercise price of outstanding options warrants and rights	Number of shares of common stock availabl for future issuance un equity compensation plans at September 30 2002 (excluding share reflected in the first column)
Equity compensation plans approved by security holders	517,850	\$2.30	217,500
Equity compensation plans not approved by security holders	0	0	0
Total:	517,850 =====	\$2.30 =====	217,500 =====

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Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Since the late 1960's, Dr. Leonard I. Malis, one of the Company's directors, on an individual basis, has been a party to royalty arrangements with Codman & Shurtleff, Inc., the Company's principal customer. Dr. Malis has developed and in the future may develop passive hand instruments for Codman & Shurtleff, Inc. with no pecuniary benefits to the Company.

The Company has entered into a five year lease commencing on July 1, 2000 for approximately 4,200 square feet of office and warehouse space at a base monthly rent of \$4,716 with GMM Associates, a Pennsylvania general partnership. Two of the partners of GMM Associates are Jerry L. Malis and Leonard I. Malis, principal shareholders as well as directors. The related expense for this lease for the year ended September 30, 2002 was \$57,740. The Company believes the rental payments reflect fair rental value for the space.

For the year ended September 30, 2002, the Company paid legal fees and

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costs in the amount of \$85,994 to a law firm in which a son-in-law of Jerry L. Malis is a partner.

During fiscal years 2000, 2001 and 2002, the Company retained R. H. Dick & Company, Inc., an investment banking and business consulting company, owned by Robert H. Dick, one of the Company's directors, to perform investment banking and business consulting services. For the years ended September 30, 2002, 2001 and 2000, the Company incurred consulting expenses from these services in an amount totaling \$10,000, \$5,000 and \$5,594, respectively.

Item 15. REPORTS ON FORM 8-K.

The Company filed a Form 8-K on September 10, 2002 in which the Company disclosed Other Events under Item 5.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) 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 on this 24th day of January, 2003.

VALLEY FORGE SCIENTIFIC CORP.

By: /s/ JERRY L. MALIS

Jerry L. Malis, President