

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form DEF 14A

PERFORMANCE TECHNOLOGIES INC \DE\
Form DEF 14A
April 30, 2002

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the registrant [X]
Filed by a party other than the registrant []

Check the appropriate box:

- | | |
|---|--|
| <input type="checkbox"/> Preliminary proxy statement | <input type="checkbox"/> Confidential. For Use of the Com- |
| <input checked="" type="checkbox"/> Definitive proxy statement | mission Only (as permitted by |
| <input type="checkbox"/> Definitive additional materials | Rule 14a-6(e) (2) |
| <input type="checkbox"/> Soliciting material pursuant to
Rule 14a-11(c) or Rule 14a-12 | |

PERFORMANCE TECHNOLOGIES, INCORPORATED
(Name of Registrant as Specified in Its Charter)

N/A
(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of filing fee (check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i) (4) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction
computed pursuant to Exchange Act Rule 0-11 (set forth the
amount on which the filing fee is calculated and state how it
was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

Fee previously paid with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule
0-11(a) (2) and identify the filing for which the offsetting fee was paid
previously. Identify the previous filing by registration statement number,
or the form or schedule and the date of its filing.

- (1) Amount previously paid:
- (2) Form, schedule or registration no.:
- (3) Filing party:
- (4) Dated filed:

Notes:

May 1, 2002

To Our Stockholders:

You are cordially invited to attend the 2002 Annual Meeting of the Stockholders of Performance Technologies, Incorporated at Monroe Golf Club, 155 Golf Avenue, Pittsford, New York, on Tuesday, June 4 at 10 a.m. local time.

The matters expected to be acted upon at the meeting are described in detail in the attached Notice of Annual Meeting of Stockholders and Proxy Statement. The Company's 2001 Annual Report, which is contained in this package, sets forth important financial information concerning the Company.

A brief report will be made at the meeting of the highlights for the year 2001, and there will be an opportunity for questions of general interest to the stockholders.

We sincerely hope you will be able to attend the Annual Meeting, but if you cannot do so, it is important that your shares be represented. Please sign, date and return the proxy card in the enclosed return envelope, which requires no postage if mailed in the United States. For some stockholders, information regarding telephone and Internet voting is included in the proxy card instructions.

On behalf of the officers and directors, I wish to thank you for your interest in the Company and your confidence in its future.

Very truly yours,

John M. Slusser
Chairman of the Board

PERFORMANCE TECHNOLOGIES, INCORPORATED
205 Indigo Creek Drive
Rochester, New York 14626

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
June 4, 2002

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form DEF 14A

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the "Meeting") of PERFORMANCE TECHNOLOGIES, INCORPORATED (the "Company") will be held at Monroe Golf Club, 155 Golf Avenue, Pittsford, New York, on Tuesday, June 4, 2002 at 10 a.m., local time, for the following purposes, which are more fully described in the accompanying Proxy Statement:

1. To elect three nominees to the Board of Directors of the Company for a three-year term.
2. To consider and act upon a proposal to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent public accountants for the fiscal year ending December 31, 2002.
3. To transact such other business as may properly come before the Meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on April 5, 2002 as the record date for the determination of stockholders entitled to notice of and to vote at the Meeting.

A Proxy Statement and Proxy are enclosed.

WE HOPE YOU WILL ATTEND THIS MEETING IN PERSON, BUT IF YOU CANNOT ATTEND, PLEASE SIGN AND DATE THE ENCLOSED PROXY. RETURN THE PROXY IN THE ENCLOSED ENVELOPE WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. FOR SOME STOCKHOLDERS, INFORMATION REGARDING TELEPHONE AND INTERNET VOTING IS INCLUDED IN THE PROXY CARD INSTRUCTIONS.

BY ORDER OF THE BOARD OF DIRECTORS

Reginald T. Cable, Secretary

Dated at Rochester, New York
May 1, 2002

PERFORMANCE TECHNOLOGIES, INCORPORATED
205 Indigo Creek Drive
Rochester, New York 14626

May 1, 2002

PROXY STATEMENT

GENERAL

This proxy statement is furnished to stockholders in connection with the solicitation of proxies by the Board of Directors of PERFORMANCE TECHNOLOGIES, INCORPORATED (the "Company") to be used at the Annual Meeting of Stockholders of the Company, which will be held on Tuesday, June 4, 2002 (the "Meeting"), and at

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form DEF 14A

any adjournments thereof. This proxy statement and accompanying form of proxy are first being mailed to stockholders on or about May 1, 2002. The proxy, when properly executed and received by the Secretary of the Company prior to the Meeting, will be voted as therein specified unless revoked by filing a written revocation or a duly executed proxy bearing a later date with the Secretary prior to the Meeting. A stockholder may also revoke his or her proxy in person at the Meeting. Unless authority to vote for one or more of the director nominees is specifically withheld, a signed proxy will be voted FOR the election of the director nominees named herein and, unless otherwise indicated FOR the selection of PricewaterhouseCoopers LLP as the Company's independent public accountants for the fiscal year ending December 31, 2002.

The cost of soliciting proxies will be borne by the Company. In addition to the solicitation by use of the mails, directors, officers or regular employees of the Company, without extra compensation, may solicit proxies personally, by telephone, by e-mail, telegraph or facsimile transmission. The Company has requested persons holding stock for others in their names or in the names of nominees to forward soliciting material to the beneficial owners of such shares and will, if requested, reimburse such persons for their reasonable expenses in so doing.

VOTES REQUIRED

Stockholders may vote by mail, telephone or the Internet. Information regarding telephone and Internet voting is included in some proxy card instructions. The total outstanding shares of capital stock of the Company as of April 5, 2002, the record date for the Meeting (the "Record Date"), consisted of 12,239,228 shares of Common Stock, par value \$.01 per share (the "Common Stock"). Only holders of Common Stock of record on the books of the Company at the close of business on the Record Date are entitled to notice of and to vote at the Meeting and at any adjournments thereof. Each holder of Common Stock is entitled to one vote for each share of Common Stock registered in his or her name. A majority of the outstanding shares of Common Stock, represented in person or by proxy at the Meeting, will constitute a quorum for the transaction of all business.

Pursuant to the provisions of the Delaware General Corporation Law, directors shall be elected by a plurality of the votes cast by the holders of shares of Common Stock present in person or represented by proxy at the Meeting and entitled to vote at the Meeting. Because directors are elected by a plurality of the votes cast, withholding authority to vote with respect to one or more nominees will have no effect on the outcome of the election, although such shares would be counted as present for purposes of determining the existence of a quorum. Similarly, any broker non-votes (which occur when shares held by brokers or nominees for beneficial owners are voted on some matters but not on others in the absence of instructions from the beneficial owner) are not considered to be votes cast and therefore would have no effect on the outcome of the election of directors, although they would be counted for quorum purposes.

The affirmative vote of a majority of the votes cast is required to ratify the selection of PricewaterhouseCoopers LLP as independent public accountants for the Company for the fiscal year ending December 31, 2002. Abstentions and any broker non-votes are not considered to be votes cast and therefore would have no effect on the outcome of this proposal.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table, with notes thereto, sets forth as of April 5, 2002

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form DEF 14A

certain information regarding the Common Stock held by (i) the persons known to the Company to own beneficially more than 5% of the Company's Common Stock, (ii) each director of the Company, as well as the newly nominated individual (iii) each executive officer of the Company, and (iv) all directors and executive officers of the Company as a group. Unless otherwise indicated immediately beneath the beneficial owner's name, the address of each beneficial owner listed in the table below is Performance Technologies, Inc., 205 Indigo Creek Drive, Rochester, New York 14626.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1)
Putnam Investments One Post Office Square, Boston, MA 02109	1,237,315(2)	10.1%
FMR Corp. 82 Devonshire Street, Boston, MA 02109	1,214,250(3)	9.9%
Reginald T. Cable 150 Metcalfe Street Ottawa, Canada	814,561(4)	6.6%
FleetBoston Financial Corporation One Federal Street, Boston, MA 02110	787,725(5)	6.4%
Lord, Abbett & Co. 767 Fifth Avenue, New York, NY 10153	716,954(6)	5.9%
Charles E. Maginness	645,360(7)	5.3%
John M. Slusser	471,511(8)	3.8%
Bernard Kozel	437,923(9)	3.6%
Donald L. Turrell	308,811(10)	2.5%
William E. Mahuson	245,500(11)	2.0%
Dorrance W. Lamb	140,412(12)	1.1%
John J. Grana	115,113(13)	*
John J. Peters	95,799(14)	*
John E. Mooney	50,295(15)	*
Paul L. Smith	15,000(16)	*
Stuart B. Meisenzahl	13,250(17)	*
Arlen Vanderwel	0(18)	*
All Directors and Officers as a Group (12 persons) -----	2,538,974(19)	19.6%

* Less than 1%.

(1) Percentage based upon 12,239,228 shares of Common Stock outstanding as of April 5, 2002.

(2) The following information is derived from a Schedule 13G dated March 8, 2002 filed by Putnam Investments on behalf of itself, Marsh & McLennan Companies, Inc. (its parent holding company), Putnam Investment Management, LLC (a wholly-owned subsidiary of Putnam Investments and investment adviser to the Putnam family of mutual funds) and The Putnam Advisory Company, LLC (a wholly-owned subsidiary of Putnam Investments and investment adviser to Putnam's institutional clients). Both Putnam Investment Management, LLC and The Putnam Advisory Company, LLC have dispositive power over the shares as investment managers. However, each of the mutual fund's trustees has voting power over the shares held by each fund, and The Putnam Advisory, LLC has shared voting power over the shares held by institutional clients. Putnam Investments and The Putnam

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form DEF 14A

Advisory Company, LLC have shared voting power with respect to 500,800 of such shares. Putnam Investments and The Putnam Advisory Company, LLC have shared dispositive power with respect to 810,315 shares. Putnam Investments and Putnam Investment Management, LLC have shared dispositive power with respect to 427,000 shares.

- (3) The following information is derived from a Schedule 13G dated February 14, 2002 filed by FMR Corp. Fidelity Management & Research Company, a wholly-owned subsidiary of FMR Corp, is the beneficial owner of 1,214,250 shares as a result of acting as investment advisor to various investment companies. The ownership of one investment company, FA Value Strategies Fund, amounted to 1,214,250 shares. Edward C. Johnson 3d, FMR Corp., through its control of Fidelity, and the funds each has sole power to dispose of the 1,214,250 shares owned by the Funds. Neither FMR Corp. nor Edward C. Johnson 3d, Chairman of FMR Corp., has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Funds' Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds' Boards of Trustees.
- (4) Includes (a) 37,083 shares of Common Stock issuable upon exercise of options currently exercisable; (b) 26,416 shares of Common Stock owned by Mr. Cable; (c) 6,006 shares held in trust by American Stock Transfer & Trust Co. as Trustee and Exchange Agent for the benefit of Mr. Cable; and (d) 745,056 shares held in trust by American Stock Transfer & Trust Co. as Trustee and Exchange Agent for 3414850 Canada Inc., of which (i) Mr. Cable is a 70% shareholder and (ii) a trust for the benefit of Mr. Cable is a 30% shareholder. Excludes 52,917 shares of Common Stock issuable upon exercise of options not yet vested.
- (5) The following information is derived from a Schedule 13G dated February 14, 2002 filed by FleetBoston Financial Corporation. Fleet National Bank and Fleet Investment Advisors, Inc. are the listed subsidiaries which acquired the security being reported on by the parent holding company. FleetBoston Financial Corporation has sole dispositive power over 787,725 shares and sole power to vote or to direct the voting of 500,425 shares of common stock.
- (6) The following information is derived from a Schedule 13G dated January 16, 2002 filed by Lord, Abnett & Co. Lord, Abnett & Co. has sole dispositive power and sole power to vote or to direct the voting of 716,954 shares of common stock.
- (7) Includes (a) 37,000 shares of Common Stock issuable upon exercise of options currently exercisable; and (b) 103,247 shares of Common Stock owned of record by Mr. Maginness' wife. Mr. Maginness disclaims beneficial ownership of the shares owned by his wife.
- (8) Includes (a) 21,250 shares of Common Stock issuable upon exercise of options currently exercisable; and (b) 15,000 shares of Common Stock owned of record by Mr. Slusser as custodian for his minor children living in his household.
- (9) Includes (a) 21,250 shares of Common Stock issuable upon exercise of options currently exercisable; (b) 39,000 shares of Common Stock owned of record by The Jayme E. Fund Trust U/A, Benjamin J. Fund Trust U/A and Ariel D. Fund Trust U/A over which Mr. Kozel has voting and investment powers; (c) 186,279 shares of Common Stock owned of record by the Kozel Family, LLC, over which Mr. Kozel has voting and investment power; and (d) 189,144 shares of Common Stock owned of record by The Kozel Holding Company, LLC, over which Mr. Kozel has voting and investment power.

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form DEF 14A

- (10) Includes (a) 215,960 shares of Common Stock issuable upon exercise of options currently exercisable; (b) 87,876 shares owned jointly by Mr. Turrell and his wife; and (c) 4,975 shares of Common Stock owned of record by Mr. Turrell's wife as custodian for their child. Mr. Turrell disclaims beneficial ownership of the shares owned by his wife as custodian for their child. Excludes 70,290 shares of Common Stock issuable upon exercise of options not yet vested.
- (11) Includes 81,000 shares of Common Stock issuable upon exercise of options currently exercisable.
- (12) Includes 108,117 shares of Common Stock issuable upon exercise of options currently exercisable. Excludes 48,688 shares of Common Stock issuable upon exercise of options not yet vested.
- (13) Includes (a) 114,553 shares of Common Stock issuable upon exercise of options currently exercisable; and (b) 150 shares of Common Stock owned of record by Mr. Grana's wife as custodian for their child living in their household. Excludes 40,447 shares of Common Stock issuable upon exercise of options not yet vested.
- (14) Includes 95,237 shares of Common Stock issuable upon exercise of options currently exercisable. Excludes 43,063 shares of Common Stock issuable upon exercise of stock options not yet vested.
- (15) Includes (a) 21,250 shares of Common Stock issuable upon exercise of options currently exercisable; and (b) 29,045 shares of Common Stock owned of record by Mr. Mooney's wife. Mr. Mooney disclaims beneficial ownership of the shares owned by his wife.
- (16) Includes 14,500 shares of Common Stock issuable upon exercise of options currently exercisable.
- (17) Includes 10,000 shares of Common Stock issuable upon exercise of options currently exercisable.
- (18) Excludes 6,700 shares of Common Stock issuable upon exercise of options not yet vested.
- (19) Includes 740,117 shares of Common Stock issuable upon exercise of stock options currently exercisable. Excludes 209,188 shares of Common Stock issuable upon exercise of stock options not yet vested.

PROPOSAL 1

ELECTION OF DIRECTORS

The Board of Directors is divided into three classes. The Company currently has eight directors, three in two classes and two in one class. Terms are staggered so that one class is elected each year. Only one class of directors is elected at each Annual Meeting of Stockholders. Each director so elected serves for a three-year term and until his or her successor is elected and qualified, subject to such director's earlier death, resignation or removal.

The Board of Directors recommends the election of the three nominees named below, all of whom are currently directors of the Company. Unless authority to vote for one or more of the nominees is specifically withheld according to the instructions, proxies in the enclosed form will be voted FOR the election of each of the three nominees named below. The Board of Directors does not contemplate that any of the nominees will be unable to serve as a director, but if that contingency should occur prior to the voting of the proxies, the persons named in the enclosed proxy reserve the right to vote for such substitute

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form DEF 14A

nominee or nominees as they, in their discretion, shall determine.

Information about the Directors

The following table sets forth certain information with respect to each director of the Company who is being proposed for re-election at the Meeting for a three-year term expiring in 2005 and the nominee for director of the Company who is being proposed for a three-year term expiring in 2005.

PROPOSED FOR ELECTION AS DIRECTORS AT THE 2002 ANNUAL MEETING FOR A THREE-YEAR TERM EXPIRING IN 2005

Name and Background	Director Since
Bernard Kozel, age 80, has served as a director of the Company since 1983. He is the former Chairman of the Board of J. Kozel & Son, a Rochester, New York-based structural steel company. He is President of K.G. Capital Corporation.	1983
Charles E. Maginness, age 69, served as Chairman of the Board from 1986 to June 2001 and served as Chief Executive Officer of the Company from 1995 to 1997. From 1984 through 1986, he held the position of President and from 1984 through 1995 was also Chief Financial Officer. From 1970 to 1983, Mr. Maginness was employed by Kayex Corporation where he held several positions, including President and Chief Executive Officer, and President of its Hamco Division.	1983
Arlen Vanderwel, age 48, was appointed to the Board of Directors in October 2001 and is currently Vice President of Technology at Sun Microsystems where for the past three years he has been responsible for the strategic technology directions of Sun's Network Equipment Provider group in Menlo Park, California. He was formerly with Nortel Networks where he held various management positions, including Chief Engineer, Public Networks and Vice President, Platform Technology. Mr. Vanderwel has 27 years of telecommunications industry experience.	October 2001

THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 1

The following table sets forth certain information with respect to each director of the Company whose term in office does not expire at the Meeting.

DIRECTORS WHOSE TERMS DO NOT EXPIRE AT THE 2002 ANNUAL MEETING

Name and Background	Director Since
John M. Slusser, age 49, a founder of the Company, has served as Chairman of the Board since June 2001 and has served as a director since the Company's inception in 1981. From 1981 through 1995, he held various positions, including President and Chief Executive Officer. From 1995 until 2000, he served as Chairman of the Board of InformationView Solutions Corporation and to 1999 as that company's Chief Executive Officer. Since 2000, he has served as President of Radio Daze LLC.	1981
Stuart B. Meisenzahl, age 60, has served as a director of the Company since 2001. He is a former partner in the law firm of	2001

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form DEF 14A

Harter, Secrest & Emery LLP, general counsel to the Company. He was affiliated with the firm for 36 years, retiring in December 1999, and he practiced principally in the areas of federal securities law and biotechnology licensing. Following his retirement, Mr. Meisenzahl has acted as a business consultant to a number of biotechnology companies and is Acting General Counsel to Vaccinex, Inc., a biotechnology company in Rochester, New York. In addition, he has served as director or trustee for a number of charitable organizations in Rochester, New York.

Name and Background	Director Since
John E. Mooney, age 57, has served as a director of the Company since 1984. He is Chairman and Chief Executive Officer of Essex Partners, Inc., a property development and management company in Rochester, New York.	1984
Paul L. Smith, age 66, has served as a director of the Company since 1993. He is an independent business and financial consultant. From 1983 to 1993, he served as Senior Vice President and Chief Financial Officer of Eastman Kodak Company. He also serves on the Board of Directors of Constellation Brands, Inc. and Home Properties of New York, Inc.	1993
Donald L. Turrell, age 54, has served as Chief Executive Officer of the Company since June 1997, and President and Chief Operating Officer since April 1995. From 1985 to 1990, he held the position of Vice President of Sales and Marketing and from 1990 to 1993, he held the position of Vice President and General Manager of the Workstation Products business unit. From 1993 to 1995, he held the position of President of the Company's Performance Computer business unit. From 1977 to 1984, Mr. Turrell held various positions with Rochester Instrument Systems, including Sales Manager, Product Marketing Manager, Vice President of Sales and Vice President of Marketing.	1995

Committees of the Board of Directors

The Board has a Compensation Committee to evaluate executive compensation. Messrs. Kozel, Mooney and Smith comprise the Compensation Committee. Additionally, the Board has a Stock Option Committee to determine option grants pursuant to the Company's 2001 Stock Option Plan. For purposes of complying with Securities Exchange Act Rule 16b-3, the Company has at least two non-employee directors administer the 2001 Stock Option Plan. Messrs. Kozel, Slusser and Smith currently comprise the Stock Option Committee. The Board also has an Audit Committee for the purposes of reviewing the Company's financial reporting procedures. Messrs. Kozel, Mooney and Smith comprise the Audit Committee. The Board also has a Nominating Committee to identify potential new directors and to designate officers of the Company. Messrs. Maginness, Turrell and Slusser comprise the Nominating Committee. The Nominating Committee considers and establishes procedures regarding recommendations for nomination to the Board of Directors submitted by stockholders. Such recommendations should be sent to the Company, to the attention of the Secretary.

The Compensation Committee, Stock Option Committee, Audit Committee, and Nominating Committee met three, two, two, and three times, respectively, in 2001. The Company's Board of Directors held eight meetings in 2001. All of the

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form DEF 14A

directors attended at least 75 percent of the Board of Directors' meetings and committee meetings that required their attendance.

Compensation of Directors

Members of the Board of Directors who are not employees of the Company received \$1,000 for each meeting attended. Each Board member also receives \$10,000 per year if he attends at least 75 percent of the scheduled meetings. In addition, each committee member receives \$400 for each meeting attended if the meeting is not scheduled on the same day as a Board of Directors meeting. The Company's 2001 Stock Option Plan currently provides that on the day of the Company's Annual Meeting of Stockholders, each individual elected, reelected or continuing, as an Outside Participating Director will automatically receive a non-statutory option for 10,000 shares of Common Stock. The exercise price for these options will be the fair market value of the Company's Common Stock on the date of the option grant. Options vest on the first anniversary of the grant date and expire five years from the date of grant. From time to time, the Company may grant additional options to directors. At the 2001 Stockholders Meeting, Messrs. Kozel, Maginness, Meisenzahl, Mooney, Slusser and Smith each received a non-qualified option to purchase 10,000 shares at an exercise price of \$14.250 per share. Mr. Vanderwel received a non-qualified option to purchase 6,700 shares at an exercise price of \$8.00 upon his appointment to the Board on October 1, 2001.

EXECUTIVE OFFICERS

The Company is currently served by five executive officers, who are elected annually by the Board of Directors and serve until their successors are elected and qualify.

Name and Background	Executive Officer Since
John J. Grana, age 46, has served as Vice President, Engineering since 1994. From 1997 to 2000, he held the position of Vice President and General Manager of the Controller Products Group. From 1994 to 1997, he held the position of Vice President of Software Engineering. From 1990 to 1994, he held the position of Technical Director of the Workstation Products business unit, and from 1986 to 1990, he served in various engineering positions. Prior to joining the Company, he held various engineering positions with Computer Consoles, Inc. (now a division of Nortel Networks). Mr. Grana holds a BS degree in Computer Science from Rochester Institute of Technology.	2000
Dorrance W. Lamb, age 54, has served as Chief Financial Officer of the Company since April 1995 and as Vice President of Finance since August 1992. Prior to joining the Company, he was Senior Vice President for Finance and Administration at Infodata Systems, Inc. based in Fairfax, Virginia. Mr. Lamb is a certified public accountant and holds a BS degree in Accounting from Benjamin Franklin University.	1995
William E. Mahuson, age 51, has served as Vice President since 1987. From 1987 to 1990, he served as Vice President, Engineering and from 1992 to 1995 he served as General Manager of the UconX business unit of the Company. Prior to joining the Company, he held various technical and technical management positions with Computer	1987

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form DEF 14A

Consoles, Inc. (now a division of Nortel Networks) and the Xerox Corporation. Mr. Mahuson holds a BS degree in Electrical Engineering from Rensselaer Polytechnic Institute.

John J. Peters, age 43, has served as Vice President, Engineering since 1994. From 1997 to 2000, he held the position of Vice President of Development, Network Switching Products. From 1994 to 1997, he held the position of Vice President of Hardware Engineering. From 1990 to 1994, he served as Technical Director of the Hardware Products business unit, and from 1986 to 1990, he served in various engineering positions. Prior to joining the Company, he held various engineering positions with Computer Consoles, Inc. (now a division of Nortel Networks). Mr. Peters holds a BS degree in Engineering from the Rochester Institute of Technology. 2000

Donald L. Turrell, age 54, has served as Chief Executive Officer of the Company since 1997. Further information about Mr. Turrell is set forth under "DIRECTORS WHOSE TERMS DO NOT EXPIRE AT THE 2002 ANNUAL MEETING" above. 1985

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's officers and directors and persons who own more than 10% of a registered class of the Company's equity securities to file certain reports regarding ownership of, and transactions in, the Company's securities with the Securities and Exchange Commission (the "SEC"). Such officers, directors, and 10% stockholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) forms that they file.

Based solely on its review of such forms furnished to the Company and written representations from certain reporting persons, the Company believes that all filing requirements applicable to the Company's executive officers, directors and more than 10% stockholders were complied with.

Report of the Compensation Committee with Respect to Executive Compensation

General

The Compensation Committee, in conjunction with the Stock Option Committee of the Board of Directors, administers the Company's executive compensation program. The Compensation Committee is comprised of three outside directors, Paul L. Smith, Chairman, John E. Mooney and Bernard Kozel. The Compensation Committee considers internal and external information in determining executive officer compensation, including data provided by Watson Wyatt & Company.

The Company's executive pay program is designed to attract and retain executives who will contribute to the Company's long-term success, to reward executives for achieving short and long-term strategic Company goals, to link executive and stockholder interests through equity-based plans and to provide a compensation package that recognizes individual contributions and Company performance.

The three key components of the Company's executive compensation are base salary, short-term incentives (cash bonus) and long-term incentives (stock options).

Base Salary. Annually, the Compensation Committee reviews with the Chief Executive Officer and approves, with any modifications it deems appropriate, a salary plan for all of the Company's executives, none of whom have a written

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form DEF 14A

employment agreement with the Company. The salary plan is developed under the ultimate direction of the Chief Executive Officer based on performance judgments as to the past and expected future contributions of each executive.

Annual Short-term Incentive Awards. The short-term incentive award program is intended to be variable and is directly related to the Company's financial performance. The parameters of the short-term incentive program for the Company's employees, including executive officers, are generally established at the beginning of each year. Amounts contributed to this program are based upon the Company's profitability.

Long-term Incentive Awards. Stock options are granted to executive officers and employees under the Performance Technologies, Incorporated 2001 Stock Option Plan administered by the Stock Option Committee. The Compensation Committee, in conjunction with the Stock Option Committee, believes that stock options are a means of aligning the long-range interests of all employees, including executives, with those of the Company's stockholders by providing them with the opportunity to acquire an equity stake in the Company. The size of the stock option award is based primarily on the individual's responsibilities and position with the Company, as well as on the individual's performance. Stock options are granted at an exercise price equal to the fair market value of the Company's Common Stock on the date of grant and options generally vest in three to five years. This approach is designed to encourage the creation of stockholder value over the long term since no benefit is realized from a stock option grant unless the price of the Company's Common Stock rises.

Executive Officer Compensation

Due to the dramatic changes in economic climate in 2001, the Compensation Committee again recommended that the Company retain the services of Watson Wyatt & Company to perform a comparative analysis of the compensation of its executive officers. Watson Wyatt & Company compared the total compensation of the Company's executives to a peer group of companies with similar products and target markets. The analysis indicated that the total compensation levels for executive officers is generally appropriate in the years that short term incentive bonuses are earned and stock options are granted. However, the analysis continued to indicate that the base salary compensation levels of executives could be adjusted upward to become more comparable. The Company continues to address the deficiencies outlined in the Watson Wyatt & Company analysis and made upward salary adjustments in 1999, 2000 and 2001 toward this objective.

The Company met the profitability measurement established in the Company's 2001 annual short-term incentive plan resulting in a cash incentive bonus being earned by the executives and employees for 2001.

Stock options granted for 2001 were issued to executive officers in December 2000.

President and Chief Executive Officer

Mr. Turrell's base salary, short-term incentive and long-term incentive awards are determined by the Compensation Committee based upon the same factors as those employed by the Compensation Committee for executive officers generally. Mr. Turrell's base salary for 2001 was \$180,000, which was lower than reported in the peer companies in the Watson Wyatt & Company analysis. Mr. Turrell earned a short-term incentive bonus, related to the Company's profitability measure, in the amount of \$35,000 for 2001 and was granted stock options for 35,000 shares in December 2000 as part of his 2001 compensation plan.

Compensation Committee

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form DEF 14A

Paul L. Smith, Chairman
 John E. Mooney
 Bernard Kozel

Compensation Committee Interlocks and Insider Participation

The Chief Executive Officer of the Company, Donald L. Turrell, consults with the Compensation Committee and makes recommendations. He participates in discussions with the Compensation Committee but does not vote or otherwise participate in the Compensation Committee's determinations.

EXECUTIVE COMPENSATION

Shown on the table below is information on the annual and long-term compensation for services rendered to the Company in all capacities for the fiscal years ended December 31, 2001, 2000, and 1999, paid by the Company to those persons who were, during the fiscal year ended December 31, 2001 (i) the Chief Executive Officer of the Company and (ii) the other executive officers of the Company who earned over \$100,000 during the fiscal year ended December 31, 2001 (the "Named Executives"):

SUMMARY COMPENSATION TABLE

Name and Principal Position -----	Year	Annual Compensation		Long Term	All Other
		Salary	Bonus	Compensation	Compensation(2)
				Securities Underlying Options(1)	
	-----	-----	-----	-----	-----
Donald L. Turrell, Chief Executive Officer and President	2001	\$180,381	\$ 35,000		\$12,680
	2000	\$174,519		60,000	\$15,434
	1999	\$164,423	\$183,544	33,750	\$15,256
Dorrance W. Lamb, Vice President - Finance Chief Financial Officer	2001	\$150,885	\$ 28,000		\$ 6,359
	2000	\$139,615		40,000	\$11,314
	1999	\$129,423	\$157,324	26,250	\$ 8,174
William E. Mahuson, Vice President	2001	\$120,193	\$ 20,000		\$ 5,175
	2000	\$113,808			\$ 9,004
	1999	\$108,846	\$144,214	7,500	\$ 6,219
John J. Grana Vice President (Officer since 5/2000)	2001	\$125,770	\$ 22,000		\$ 1,910
	2000	\$115,615		35,000	\$ 4,413
	1999	\$105,692	\$144,214	13,500	\$ 2,929
John J. Peters Vice President (Officer since 5/2000)	2001	\$124,192	\$ 22,000		\$ 4,856
	2000	\$106,808		30,000	\$ 7,215
	1999	\$101,731	\$ 78,662	10,500	\$ 4,461

(1) All option shares have been adjusted for the Company's three-for-two stock split effected in September 1999. Stock options granted for 2001 were issued to executive officers in December 2000, while options granted for 2000 were issued to executive officers in February 2000.

(2) Includes payments for life insurance, car allowances and car expenses, and 401(k) allowance.

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form DEF 14A

Employment Agreements

The Company does not have employment agreements with any of its executive officers.

Stock Option Grants And Exercises

There were no stock options granted to the Named Executives during the fiscal year ended December 31, 2001 pursuant to the Performance Technologies, Incorporated 2001 Stock Option Plan or the Company's original Stock Option Plan which expired on December 31, 2001.

The following table sets forth information with respect to the exercise of stock options by the Named Executives, if any, during the year ended December 31, 2001, and it also sets forth information with respect to status of unexercised stock options as of December 31, 2001.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR END OPTION VALUES

Name	Shares Acquired on Exercise (#)	Value Realized (\$) (2)	Number of Shares Underlying Unexercised Options at FY-End (#)		Value of Unexercised In-The-Money Options at FY-End (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Donald L. Turrell			178,989	72,261	\$1,200,936	\$
Dorrance W. Lamb			83,390	48,415	\$ 511,312	\$
William E. Mahuson			77,250	3,750	\$ 585,026	\$
John J. Grana	5,000	\$ 42,960	101,214	33,786	\$ 663,505	\$
John J. Peters			85,044	28,256	\$ 543,960	\$

- (1) Represents the difference between the fair market value of the Common Stock as of December 31, 2001 and the exercise price of the option. Options that are not in-the-money have been excluded from the computation.
- (2) Represents the difference between the fair market value of the Common Stock underlying the options as of the exercise date and the exercise price of the options.

Report of the Audit Committee to Stockholders

The Audit Committee of the Board of Directors is comprised of three members of the Company's Board of Directors, each of whom is independent pursuant to the Nasdaq National Market's listing standards. Among other things, the Audit

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form DEF 14A

Committee recommends to the Board that the Company's audited financial statements be included in the Annual Report on Form 10-K and recommends the selection of the independent auditors to audit the Company's books and records. The Audit Committee has:

- o reviewed and discussed the Company's audited financial statements for 2001 with management and with PricewaterhouseCoopers LLP, the Company's independent auditors;
- o reviewed and discussed management's selection, application and disclosure of critical accounting policies;
- o reviewed and discussed the adequacy of the Company's internal controls and accounting and financial personnel;
- o discussed with PricewaterhouseCoopers LLP the matters required to be discussed by SAS 61 (Codification for Statements on Auditing Standards);
- o discussed the process used by management in formulating accounting estimates and the basis for the auditors' conclusions regarding the reasonableness of those estimates; and
- o received and discussed the written disclosures and the letter from the independent auditors required by Independence Standards Board Statement No. 1 (Independent Discussions with Audit Committees).

Based on such review and discussions with management and the independent auditors, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for 2001 for filing with the SEC.

Auditors' Fees

Audit Fees: For professional services rendered by them for the audit of the Company's annual financial statements for 2001 and reviews of the financial statements included in its Quarterly Reports on Form 10-Q for 2001, PricewaterhouseCoopers LLP billed the Company fees in the aggregate amount of \$52,000.

Financial Information Systems Design and Implementation Fees: PricewaterhouseCoopers LLP billed the Company no fees for professional services rendered by them for 2001 in connection with financial information systems design and implementation.

All Other Fees: For professional services other than those described above rendered by them for 2001, PricewaterhouseCoopers LLP billed the Company fees in the aggregate amount of \$44,000.

The Audit Committee has considered whether the provision for audit and tax services described above under "Financial Information Systems Design and Implementation Fees" and "All Other Fees" is compatible with maintaining the independence of PricewaterhouseCoopers LLP and has concluded that PricewaterhouseCoopers LLP meets the independence standards.

Audit Committee
John E. Mooney, Chairman
Paul L. Smith
Bernard Kozel

Report of the Stock Option Committee to Stockholders

General

The Stock Option Committee of the Board of Directors administers the Company's stock option program. The Stock Option Committee is comprised of three outside directors, John M. Slusser, Chairman, Paul L. Smith and Bernard Kozel.

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form DEF 14A

The Stock Option Committee considers internal and external information in determining overall guidelines for stock option grants, including data provided by Watson Wyatt & Company.

Stock options are granted to executive officers and employees under the 2001 Performance Technologies, Incorporated Stock Option Plan administered by the Stock Option Committee. The Stock Option Committee believes that stock options are a means of aligning the long-range interests of all employees, including executives, with those of the Company's stockholders by providing them with the opportunity to acquire an equity stake in the Company. The size of the stock option award is based primarily on the individual's responsibilities and position with the Company, as well as on the individual's performance. Stock options are granted at an exercise price equal to the fair market value of the Company's Common Stock on the date of grant and options generally vest in three to five years. This approach is designed to encourage the creation of stockholder value over the long term since no benefit is realized from a stock option grant unless the price of the Company's Common Stock rises.

Annually, the Stock Option Committee reviews specific option requests along with option grant guidelines submitted by the Chief Executive Officer, and approves, with any modifications it deems appropriate, stock option grants requested for several categories of employees throughout the company.

The Stock Option Committee in cooperation with the Executive Compensation Committee approves stock option grants for the executive officers, key employees and the Chief Executive Officer. Stock Option requests for executive officers are developed under the direction of the Chief Executive Officer, based on criteria that evaluate past and expected future contributions of each executive.

In 2001, the Stock Option Committee referenced a year 2000 report from Watson Wyatt & Company to review the status of the Company's option grant level for a variety of employee groups. The Watson Wyatt & Company report analyzed the Company's Option program with respect to option program trends in the high technology industry and the impact of such programs on attracting, retaining and motivating necessary skilled personnel.

Stock Option Committee
John M. Slusser, Chairman
Paul L. Smith
Bernard Kozel

Stock Performance Graph

The following graph compares the cumulative total return on the Company's Common Stock at the end of each calendar year since December 31, 1996 to the NASDAQ Stock Market (U.S.) Index, and the NASDAQ Computer Manufacturer Index. The stock performance shown in the graph below is not intended to forecast or necessarily be indicative of future performance.

(The following descriptive data is supplied in accordance with Rule 304(d) of Regulation S-T.)

Performance

NASDAQ

NASDAQ

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form DEF 14A

	Technologies, Incorporated	Stock Market	Computer Manufacturer
12/31/96	100	100	100
12/31/97	225	122	121
12/31/98	204	173	263
12/31/99	405	321	558
12/31/00	317	193	314
12/31/01	310	153	217

CERTAIN TRANSACTIONS

The Company leased its facility at 315 Science Parkway from Vortex Enterprises, LLC ("Vortex"), a New York limited liability company of which Mr. Maginness and Mr. Slusser, directors of the Company, are equal members. Vortex (formerly C & J Enterprises) acquired the property and constructed the facility with the proceeds of an industrial development revenue bond with the County of Monroe Industrial Development Agency ("COMIDA") in September 1990. Pursuant to the terms of the facility lease, the Company was obligated to pay annual rental of \$270,000 plus annual increases based on the Consumer Price Index, together with real property taxes and assessments, expenses and other charges associated with the facility. The lease on this facility expired in April 2002.

Arlen Vanderwel, a director of the Company and a nominee for election to the Board of Directors of the Company at the 2002 Annual Meeting of Stockholders, is an employee of Sun Microsystems, Inc., serving as that company's Vice President of Technology since 1999. During the past fiscal year, Sun Microsystems was a customer of the Company from which the Company received payments for goods or services in excess of five percent of the Company's consolidated gross revenues for that fiscal year.

PROPOSAL 2

RATIFICATION OF THE APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The firm of PricewaterhouseCoopers LLP served as the independent public accountants of the Company for the fiscal year ended December 31, 2001 and the Board of Directors has again selected PricewaterhouseCoopers LLP as the Company's independent public accountants for the fiscal year ending December 31, 2002. This selection will be presented to the stockholders for their approval at the Meeting. The Board of Directors recommends a vote in favor of the proposal to approve and ratify this selection and (unless otherwise directed therein) it is intended that the shares represented by the enclosed properly executed proxy will be voted FOR such proposal. If the stockholders do not ratify this selection, the Board of Directors may reconsider its choice.

A representative of PricewaterhouseCoopers LLP is expected to be present at the Meeting. The representative will be given an opportunity to make a statement if he so desires and will be available to respond to appropriate questions concerning the audit of the Company's financial statements.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 2

STOCKHOLDER PROPOSALS FOR 2003 ANNUAL MEETING

In order for any stockholder proposal to be included in the Company's proxy statement to be issued in connection with the 2003 Annual Meeting of Stockholders, such proposal must be delivered to the Company no later than December 31, 2002. If the proposal is in compliance with all of the requirements of Rule 14a-8 under the Securities Exchange Act, the Company will include the stockholder proposal in its proxy statement and place it on the form of proxy issued for the 2003 Annual Meeting of Stockholders. Stockholder proposals that are not submitted for inclusion in the Company's proxy materials pursuant to Rule 14a-8 under the Securities Exchange Act may be brought before the 2003 Annual Meeting of Stockholders only if written notice of the proposal is delivered to the Company's Secretary no earlier than March 6, 2003 and no later than April 5, 2003, and if the stockholder complies with all of the other provisions of Article II, Section 12 of the Company's By-laws. All such notices should be delivered to Reginald T. Cable, Secretary of Performance Technologies, Inc., 205 Indigo Creek Drive, Rochester, New York 14626.

OTHER MATTERS

As of the date of this Proxy Statement, the Board of Directors does not intend to present, and has not been informed that any other person intends to present, any matter other than those specifically referred to in this Proxy Statement. If any other matters properly come before the Meeting, it is intended that the holders of the proxies will act in respect thereto in accordance with their best judgment.

BY ORDER OF THE BOARD OF DIRECTORS

Reginald T. Cable, Secretary

Dated at Rochester, New York
May 1, 2002