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SPIRE CORP
Form 11-K
April 05, 2004

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K
ANNUAL REPORT PURSUANT TO SECTION 15(E) OF THE
SECURITIES EXCHANGE ACT OF 1934

Annual Report Pursuant to Section 15(d) of the Securities
Exchange Act of 1934

For the fiscal year ended December 31, 2003; or

Transition Report Pursuant to 15(d) of the Securities
Exchange Act of 1934

For the transition period from to

Commission file number: 0-12742

SPIRE CORPORATION 401(K) PROFIT SHARING PLAN
(Full title of the plan)

SPIRE CORPORATION

(Name of issuer of the securities held pursuant to the plan)

ONE PATRIOTS PARK
BEDFORD, MASSACHUSETTS 01730-2396

(Address of principal executive offices)

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SPIRE CORPORATION
401(K) PROFIT SHARING PLAN
FOR THE YEAR ENDED DECEMBER 31, 2003

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INDEPENDENT AUDITORS' REPORT

To the Trustees
Spire Corporation 401(k) Profit Sharing Plan
Bedford, Massachusetts

We have audited the accompanying statements of net assets available for benefits of Spire Corporation 401(k) Profit Sharing Plan (the "Plan") as of December 31, 2003 and 2002 and the related statement of changes in net assets available for benefits for the year ended December 31, 2003. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2003 and 2002, and the changes in net assets available for benefits for the year ended December 31, 2003, in conformity with accounting principles

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generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of nonexempt transactions and assets (held at end of year) are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting under the Employee Retirement Income Security Act of 1974. The supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CARLIN, CHARRON & ROSEN LLP

Worcester, Massachusetts
March 3, 2004

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SPIRE CORPORATION
401(K) PROFIT SHARING PLAN

Statements of Net Assets Available for Benefits
December 31, 2003 and 2002

| | 2003 | 2002 |
|---|--------------|--------------|
| | ----- | ----- |
| ASSETS | | |
| Investments: | | |
| At fair value: | | |
| Common stock - Spire Corporation..... | \$ 1,529,906 | \$ 760,286 |
| Mutual funds | 4,017,326 | 2,861,969 |
| Participant loans | 85,944 | 115,610 |
| At contract value: | | |
| Hartford Fixed Income Fund | 310,693 | 292,689 |
| | ----- | ----- |
| | 5,943,869 | 4,030,554 |
| Participant contributions receivable..... | 18,545 | 16,954 |
| | ----- | ----- |
| Total assets | \$ 5,962,414 | \$ 4,047,508 |
| | ===== | ===== |
| Net assets available for benefits | \$ 5,962,414 | \$ 4,047,508 |
| | ===== | ===== |

See notes to financial statements.

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SPIRE CORPORATION
401(K) PROFIT SHARING PLAN

Statement of Changes in Net Assets Available for Benefits
For the Year Ended December 31, 2003

| | |
|--|--------------|
| Additions to net assets attributed to: | |
| Investment income: | |
| Interest and dividends | \$ 37,116 |
| Interest on loans | 3,757 |
| Net appreciation in fair value of investments..... | 1,580,667 |
| | ----- |
| | 1,621,540 |
| Participant contributions | 364,433 |
| | ----- |
| Total additions | 1,985,973 |
| | ----- |
| Deductions from net assets attributed to: | |
| Benefits paid to participants | 70,464 |
| Administrative charges | 603 |
| | ----- |
| Total deductions | 71,067 |
| | ----- |
| Net increase | 1,914,906 |
| Net assets available for benefits: | |
| Beginning of year | 4,047,508 |
| | ----- |
| End of year | \$ 5,962,414 |
| | ===== |

See notes to financial statements.

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SPIRE CORPORATION
401(K) PROFIT SHARING PLAN
Notes to Financial Statements
For the Year Ended December 31, 2003

1. PLAN DESCRIPTION

The following description of the Spire Corporation 401(k) Profit Sharing Plan (the "Plan") provides only general information. Participants should

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refer to the Plan agreement for a more complete description of the Plan's provisions.

GENERAL

The Plan is a defined contribution plan covering all employees of Spire Corporation (the "Company") who have completed 90 days of service and are age twenty-one or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

CONTRIBUTIONS

Each year, participants may contribute up to the maximum amount of pre-tax annual compensation as determined by the Internal Revenue Code. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan currently offers the Company's common stock, sixteen mutual funds, and an insurance contract as investment options for participants. The Company may contribute, at the determination of the board of directors, a discretionary matching contribution on the first 15 percent of base compensation that a participant contributes to the Plan. The Company's matching contribution is invested directly in Company common stock. The Company may also make a profit sharing contribution. In 2003, the Company did not make a matching or profit sharing contribution. Contributions are subject to certain limitations.

PARTICIPANT ACCOUNTS

Each participant's account is credited with the participant's contributions and the Company's matching contribution (if any) and an allocation of (a) the Company's profit sharing contribution (if any), and (b) plan earnings. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

VESTING

Participants are immediately vested in voluntary contributions plus actual earnings thereon. Vesting in the Company matching contribution is based on years of continuous service. A participant is 100 percent vested after six years of credited service.

PARTICIPANT LOANS

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to \$50,000 or 50 percent of their account balance, whichever is less. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with local prevailing rates as determined by the plan administrator. Interest rates range from 5.0% to 10.5%. Principal and interest are repaid through payroll deductions.

PAYMENTS OF BENEFITS

On termination of service for any reason, a participant may elect to receive a lump-sum amount equal to the value of the participant's vested interest in his or her account or annual installments over a period of not more than a participant's and his or her beneficiary's assumed life expectancy determined at the time of distribution. Withdrawals may be made

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under certain other circumstances in accordance with the Plan document.

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SPIRE CORPORATION
401(K) PROFIT SHARING PLAN

Notes to Financial Statements
For the Year Ended December 31, 2003

1. PLAN DESCRIPTION (CONTINUED)

ADMINISTRATIVE COSTS

Except for loan fees, which are charged against the borrowers' accounts, administrative costs of the Plan are paid by the Company.

FORFEITED ACCOUNTS

At December 31, 2003, forfeited nonvested accounts totaled \$17,713. These amounts will be used to reduce future employer contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

INVESTMENT VALUATION AND INCOME RECOGNITION

The Plan's investments are stated at fair value except for its insurance contract which is stated at contract value, which approximates fair value, as reported to the plan administrator by Hartford Life Insurance Company. Quoted market prices are used to value investments. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

PAYMENT OF BENEFITS Benefits are recorded when paid.

3. INVESTMENTS

Investments that represent five percent or more of the Plan's net assets are as follows:

| | December 31, | |
|---|--------------|------------|
| | 2003 | 2002 |
| Mutual funds | | |
| Franklin Flexible Capital Growth Fund | \$1,162,364 | \$ 833,760 |
| Oppenheimer Quest Opportunity Value Fund... | 1,161,689 | 925,599 |
| American Washington Mutual Investors Fund.. | 376,332 | 279,048 |
| Hartford Fixed Income Fund | 310,693 | 292,689 |
| Common stock | | |
| Spire Corporation | 1,529,906 | 760,286 |

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The Plan's investments (including investments bought, sold, and held during the year) appreciated in value as follows:

| | |
|--------------------|-------------|
| Mutual funds | \$ 799,767 |
| Common stock | 780,900 |
| | ----- |
| | \$1,580,667 |
| | ===== |

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SPIRE CORPORATION
401(K) PROFIT SHARING PLAN

Notes to Financial Statements
For the Year Ended December 31, 2003

4. NONPARTICIPANT-DIRECTED INVESTMENTS

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

| | December 31, | |
|--|--------------|------------|
| | 2003 | 2002 |
| | ----- | ----- |
| Net assets: | | |
| Common stock - Spire Corporation | \$1,494,579 | \$ 745,063 |
| | ===== | ===== |

| | Year ended December 31, 2003 | |
|-------------------------------------|------------------------------|--|
| | ----- | |
| Changes in net assets: | | |
| Benefits paid to participants | \$ (12,998) | |
| Net appreciation | 762,514 | |
| | ----- | |
| | \$ 749,516 | |
| | ===== | |

5. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants would become 100 percent vested in their employer contributions.

6. INCOME TAX STATUS

The Internal Revenue Service has determined and informed the Company by a letter dated May 23, 1995, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code ("IRC"). Although the Plan has been amended since receiving the determination

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letter, the plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

7. NON-EXEMPT TRANSACTIONS

The Company is obligated to transmit payroll withholdings of employee contributions to the investment manager within fifteen business days after the month end in which the amounts are withheld. For two months in 2003, withholdings amounting to \$52,951 were three days late in being transmitted.

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SPIRE CORPORATION
401(K) PROFIT SHARING PLAN

Schedule G, Part III - Form 5500
Schedule of Nonexempt Transactions
For the Year Ended December 31, 2003

E.I.N. 04-2457335
Plan number 002

| (a) Identity of Party | (b) Relationship to Plan | (c) Description of Transaction | (h) Cost of Asset | (i) Current Value |
|-----------------------------|--------------------------------|---|-------------------------|-------------------------|
| Spire Corporation | Plan Sponsor | Payroll withholdings not invested within 15 business days | \$ 52,951 | \$ 52,951 |

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SPIRE CORPORATION
401(K) PROFIT SHARING PLAN

Schedule H, Part IV, Item 4(i) - Form 5500
Schedule of Assets (Held at End of Year)
December 31, 2003

E.I.N. 04-2457335
Plan Number 002

| (a) | (b) | (c) | (d) |
|-------|--|---|------------|
| | Identity of Issue, Borrower, Lessor or Similar Party | Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value | Cost |
| ----- | | | |
| * | Hilliard Lyons, Inc. | Spire Corporation common stock | \$ 646,537 |
| | OppenheimerFunds | Oppenheimer Quest Opportunity Value | n/a |
| | Franklin Templeton Investments | Franklin Flexible Capital Growth | n/a |
| | American Funds | Washington Mutual Investors | n/a |
| | American Funds | Europacific Growth | n/a |
| | Hartford Life Insurance Co. | Fixed Income Fund | n/a |
| | AIM Funds | AIM Cash Reserve Shares | n/a |
| | American Funds | American Balanced | n/a |
| | PIMCO Funds | Pimco Innovation | n/a |
| | AIM Funds | AIM Balanced | n/a |
| | Franklin Templeton Investments | Franklin Small Mid-Cap Growth Fund | n/a |
| | MFS Investment Management | MFS Capital Opportunities | n/a |
| | MFS Investment Management | Mass Investors Growth Stock | n/a |
| | Eaton Vance | Income Fund of Boston | n/a |
| | American Funds | New Perspective | n/a |
| | OppenheimerFunds | Oppenheimer Strategic Income | n/a |
| | Fidelity Investments | Fidelity Advisor Value Strategies | n/a |
| | PIMCO Funds | Pimco Total Return | n/a |
| | Hilliard Lyons, Inc. | Black Rock Money Market | n/a |
| | Pioneer Investments | Pioneer Cash Reserves | n/a |
| | Participant Loans | Interest rates 5.0% to 10.5% | n/a |

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SIGNATURE

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The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees have duly caused this annual report to be signed on their behalf by the undersigned hereunto duly authorized.

SPIRE CORPORATION 401(k) PROFIT SHARING PLAN

Date: March 29, 2004

By: /s/ Roger G. Little

Roger G. Little
Trustee