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BLONDER TONGUE LABORATORIES INC

Form 8-K

December 21, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 15, 2006

Blonder Tongue Laboratories, Inc.
(Exact Name of registrant as specified in its charter)

| | | |
|---|--------------------------|---|
| <u>Delaware</u> | <u>1-14120</u> | <u>52-1611421</u> |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

One Jake Brown Road, Old Bridge, New Jersey 08857
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (732) 679-4000

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

1. Divestment of BDR Broadband, LLC

On December 15, 2006, Blonder Tongue Laboratories, Inc. (the "Company") and its wholly-owned subsidiary, BDR Broadband, LLC, a Delaware limited liability company ("BDR"), entered into a Membership Interest Purchase Agreement ("Purchase Agreement") with DirecPath Holdings, LLC, a Delaware limited liability company ("DirecPath") pursuant to which the Company sold all of the issued and outstanding membership interests of BDR to DirecPath. BDR owns rights-of-entry to provide video and high-speed data services to approximately 25 multi-dwelling unit communities in the State of Texas. The sale was completed on December 15, 2006.

Pursuant to the Purchase Agreement, DirecPath paid the Company an aggregate purchase price of \$3,130,000 in cash, subject to certain post-closing adjustments, including an adjustment for cash, an adjustment for working capital and adjustments related to the number of subscribers for certain types of services, all as of the closing date and as set forth in the Purchase Agreement. A portion of the purchase price was deposited into an escrow account pursuant to an Escrow Agreement dated December 15, 2006, among the Company, DirecPath and U.S. Bank National Association, to secure the Company's indemnification obligations under the Purchase Agreement.

In addition, in connection with the purchase transaction, on December 15, 2006, the Company entered into a Purchase and Supply Agreement with DirecPath, LLC, a wholly-owned subsidiary of DirecPath ("DPLLC"), pursuant to which DPLLC will purchase \$1,630,000 of products from the Company, subject to certain adjustments, over a period of three (3) years beginning no later than June 13, 2007. The period in which DPLLC is required to satisfy the purchase commitment may be extended upon the occurrence of certain events, including if the Company is unable to deliver the products required by DPLLC.

The Purchase Agreement includes customary representations and warranties and post-closing covenants, including indemnification obligations, subject to certain limitations, on behalf of the parties with respect to their representations, warranties and agreements made pursuant to the Purchase Agreement. In addition, except for certain activities by Hybrid Networks, LLC, a wholly-owned subsidiary of the Company, the Company agreed, for a period of two (2) years, not to engage in any business that competes with BDR.

In connection with the Purchase Agreement, the Company also entered into a Transition Services Agreement with DirecPath, pursuant to which the Company will provide certain administrative and other services to DirecPath during a ninety-day transition period.

There is no material relationship, other than in respect of the transactions consummated by the Purchase Agreement and the related agreements, between DirecPath or DPLLC and the Company or any of its affiliates, or any director or officer of the Company or any associate of any such officer or director.

The foregoing description of the Purchase Agreement is qualified in its entirety by reference to the complete terms and conditions of the Purchase Agreement, which is filed as Exhibit 10.1 to this Current Report on Form 8-K.

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2. Second Amendment to Credit and Security Agreement

On December 15, 2006, the Company and BDR, as Borrowers, and Blonder Tongue Investment Company, a wholly-owned subsidiary of the Company, as Guarantor, executed a Second Amendment to Credit and Security Agreement (the "Amendment") with National City Business Credit, Inc. ("NCBC") and National City Bank (the "Bank"). The Amendment removes BDR as a "Borrower" under the Credit and Security Agreement dated as of December 29, 2005, as amended (the "Credit Agreement"), and includes other modifications and amendments to the Credit Agreement and related ancillary agreements necessitated by the removal of BDR as a Borrower, including a reduction of approximately \$1,400,000 to the maximum amount of Revolving Advances that NCBC will make to the Company due to the release from collateral of the rights of entry owned by BDR.

The foregoing description of the Amendment is qualified in its entirety by reference to the complete terms and conditions of the Amendment, which is filed as Exhibit 10.2 to this Current Report on Form 8-K.

ITEM 2.01. COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS.

The information under Item 1.01 of this Current Report describing the Purchase Agreement and the transactions consummated thereby is incorporated by reference into this Item 2.01 in its entirety.

The disposition of the Company's 100% interest in BDR meets the threshold for filing pro forma financial statements under this Item 2.01. Such pro forma financial statements are provided in Item 9.01.

ITEM 8.01. OTHER EVENTS.

On December 15, 2006, the Company issued a press release announcing that it had entered into the Purchase Agreement. The press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(b) The unaudited pro forma condensed consolidated financial statements, including the balance sheet as of September 30, 2006 and the statements of operations for the year ended December 31, 2005 and the nine months ended September 30, 2006, are attached as Exhibit 99.2 hereto and incorporated herein by reference.

(d) The following exhibits are filed herewith:

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|--|
| Exhibit 10.1 | Membership Interest Purchase Agreement |
| Exhibit 10.2 | Second Amendment to Credit and Security Agreement |
| Exhibit 99.1 | Press Release dated December 15, 2006, issued by Blonder Tongue Laboratories, Inc. |
| Exhibit 99.2 | Unaudited Pro Forma Financial Statements |

Forward Looking Statements

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This report contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. These statements are neither promises nor guarantees, are based upon assumptions and estimates that may or may not be realized and are subject to risks and uncertainties that could cause actual results to differ materially from the forward looking statements. There are a number of factors that may cause actual results to differ from the forward-looking statements, including the success of marketing and sales strategies and new product development, the price of raw materials, and general economic and business conditions. Other risks and uncertainties that may affect the Company are provided in the Company's annual reports to shareholders and the Company's reports filed with the Securities and Exchange Commission from time to time, including reports on Forms 10-K and 10-Q. For more information on these documents for a more thorough description of these and other risk factors.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BLONDER TONGUE LABORATORIES, INC.

By: /s/ Eric Skolnik
Senior Vice President and
Chief Financial Officer

Date: December 21, 2006

EXHIBIT INDEX

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