

BLONDER TONGUE LABORATORIES INC
Form 8-K
August 08, 2008

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): August 6, 2008

Blonder Tongue Laboratories, Inc.

(Exact Name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation)

1-14120

(Commission File Number)

52-1611421

(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))

ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

On August 6, 2008, Blonder Tongue Laboratories, Inc. (the **Company**) entered into a Revolving Credit, Term Loan and Security Agreement (**Credit Agreement**) with Sovereign Business Capital (**Sovereign**), a division of Sovereign Bank. The Credit Agreement provides for (i) a \$4,000,000 asset based revolving credit facility (**Revolver**) and (ii) a \$4,000,000 term loan facility (**Term Loan**), both of which have a three year term. The amounts which may be borrowed under the Revolver are based on certain percentages of Eligible Receivables and Eligible Inventory, as such terms are defined in the Credit Agreement. The obligations of the Company under the Credit Agreement are secured by substantially all of the assets of the Company.

Under the Credit Agreement, the Revolver bears interest at a rate per annum equal to the prime lending rate announced from time to time by

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Sovereign (**Prime**) plus 0.25% . The Term Loan bears interest at a rate per annum equal to Prime plus 0.50% .

The Revolver terminates on August 5, 2011, at which time all outstanding borrowings under the Revolver are due. The Term Loan matures on August 5, 2011 and requires equal monthly principal payments of approximately \$17,000 each, plus interest, with the remaining balance due at maturity. The loans are subject to a prepayment penalty if satisfied in full prior to the second anniversary of the effective date of the loans.

The Credit Agreement contains customary representations and warranties as well as affirmative and negative covenants, including certain financial covenants. The Credit Agreement contains customary events of default, including, among others, non-payment of principal, interest or other amounts when due.

Proceeds from the Credit Agreement were used to refinance the Company's existing credit facility with National City Business Credit, Inc. and National City Bank, to pay transaction costs, to provide working capital and for other general corporate purposes.

The foregoing description of the Credit Agreement is qualified in its entirety by reference to the terms and conditions of the Credit Agreement, which is filed as Exhibit 99.1 to this Current Report on Form 8-K.

ITEM 1.02. TERMINATION OF A MATERIAL DEFINITIVE AGREEMENT.

The material terms and conditions of the Credit Agreement are set forth in Item 1.01 of this Current Report on Form 8-K and are incorporated by reference into this Item 1.02. On August 6, 2008, the Company used a portion of the proceeds received under the Credit Agreement to repay all amounts outstanding under the Credit and Security Agreement by and among the Company and its wholly-owned subsidiary, Blonder Tongue Investment Company (as Guarantor), National City Business Credit, Inc. (**NCBC**) and National City Bank (the **Bank**), dated December 29, 2005, as amended (**NCBC Credit Facility**), and terminated the NCBC Credit Facility.

The NCBC Credit Facility had a three year term and the obligations of the Company thereunder were secured by substantially all of the assets of the Company and the Guarantor. The NCBC Credit Facility, as amended, was for an aggregate amount of \$11,000,000, comprised of (i) a \$7,500,000 asset based revolving credit facility under which funds could be borrowed at a rate per annum equal to the Alternate Base Rate, being the higher of (x) the prime lending rate announced from time to time by the Bank plus 1.50% or (y) the Federal Funds Effective Rate (as defined in the NCBC Credit Facility), plus 1.50%, and (ii) a \$3,500,000 term loan facility that bore interest at a rate per annum equal to the Alternate Base Rate plus 1.50% and which required equal monthly principal payments of \$19,000 each, plus interest, with the remaining balance due at maturity.

In connection with the NCBC Credit Facility, the Company also entered into an interest rate swap agreement with the Bank which exchanged the variable interest rate of the term loan for a fixed interest rate of 5.13% per annum effective January 10, 2006 through the maturity of the term loan. This swap agreement was also terminated along with the NCBC Credit Facility.

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ITEM 2.03. CREATION OF DIRECT FINANCIAL OBLIGATION.

The material terms and conditions of the Credit Agreement are set forth in Item 1.01 of this Current Report on Form 8-K and are incorporated by reference into this Item 2.03. Upon a default under the Credit Agreement, including the non-payment of principal or interest, the obligations of the Company under the Credit Agreement may be accelerated and the assets securing such obligations may be sold.

ITEM 7.01. REGULATION FD DISCLOSURE.

On August 7, 2008, the Company issued a press release announcing the closing of the credit facility with Sovereign (as discussed in Item 1.01 hereof), which press release is attached hereto as Exhibit 99.2. This press release is incorporated into this Item 7.01 by reference.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) The following exhibits are filed herewith:

Exhibit 99.1

Revolving Credit, Term Loan and Security Agreement

