

SMTC CORP  
Form 8-K  
November 09, 2018

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

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**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(D) OF THE  
THE SECURITIES EXCHANGE ACT OF 1934**

**Date of report (Date of earliest event reported):**

**November 9, 2018 (November 8, 2018)**

**SMTC CORPORATION**

**(Exact name of registrant as specified in its charter)**

<b>Delaware</b> <b>(State or other jurisdiction of incorporation or organization)</b>	<b>0-31051</b> <b>(Commission File Number)</b>	<b>98-0197680</b> <b>(I.R.S. Employer Identification No.)</b>
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**7050 Woodbine Avenue, Suite 300**

**Markham, Ontario, Canada L3R 4G8**

**(Address of Principal Executive Offices) (Zip Code)**

Registrant's telephone number, including area code: **(905) 479-1810**

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 (*see* General Instruction A.2. below):

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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (240.12b-2 of this chapter).

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standard provided pursuant to Section 13(a) of the Exchange Act.



*Financing Agreement*

In connection with the MC Acquisition, on November 8, 2018 (the “**Closing Date**”), the Company entered into that certain Financing Agreement (the “**TCW Agreement**”), by and among the Borrowers, lenders from time to time party thereto (“**TCW Lenders**”), and TCW Asset Management Company LLC, as collateral agent for the TCW Lenders (“**TCW**”), whereby the TCW Lenders provided the Borrowers with a senior secured credit facility in an aggregate amount of up to \$67,000,000, consisting of (i) a term loan A facility (the “**Term Loan A Facility**”) in an amount of \$50,000,000, and (ii) a term loan B facility (the “**Term Loan B Facility**”) and, together with the Term Loan A Facility, the “**TCW Facilities**”) in an amount of \$17,000,000. On November 8, 2018, the Company borrowed an aggregate of \$50,000,000 pursuant to the Term Loan A Facility, and \$12,000,000 pursuant to the Term Loan B Facility. The TCW Facilities mature on the earlier of November 8, 2023 or the maturity of the PNC Facilities (the “**Maturity Date**”). The Term Loan A Facility bears interest, as selected by the Company at the time of borrowing, at the base rate plus 5.00% or LIBOR plus 7.00%. Term Loan B Facility bears interest, as selected by the Company at the time of borrowing, at the base rate plus 8.50% or LIBOR plus 10.50%. The base rate should approximate U.S. prime rate. Payment of loans made under the Term Loan A Facility at any time prior to the Maturity Date (other than scheduled amortization payments and mandatory prepayments) are subject to an applicable premium equal to (a) the amount of such payment multiplied by (b)(i) 3.00% in the event that such payment occurs before the first anniversary of the Closing Date, (ii) 2.00% in the event that such payment occurs after the first anniversary of the Closing Date and on or before the second anniversary of the Closing Date and (iii) 1.00% in the event that such payment occurs after the second anniversary of the Closing Date and on or before the third anniversary of the Closing Date. No such applicable premium is payable for any payment of loans made under the Term Loan A Facility occurring after the third anniversary of the Closing Date. The TCW Facilities are a joint and several obligation of the Borrowers and are jointly and severally guaranteed by Borrowers and other subsidiaries of the Company. Repayment under the TCW Facilities are collateralized by the assets of the Company and each of its subsidiaries. The foregoing description of the TCW Agreement is not complete and is subject to and entirely qualified by reference to the full text of the TCW Agreement, which is attached hereto as **Exhibit 10.2**.

*Subscription Agreement*

In connection with and as part of the consideration paid by the Company for the TCW Agreement, on November 8, 2018, the Company entered into a subscription agreement (a “**Subscription Agreement**”) with certain of the TCW Lenders, relating to the sale and issuance by the Company of warrants to purchase shares of common stock of the Company, par value \$0.01 (“**Common Stock**”) equal to an aggregate of 2% of the shares of Common Stock on the Closing Date on a fully diluted basis at the Closing Date (collectively, the “**Warrants**”). The Warrants have a nominal exercise price, not to exceed \$0.01 per share, and may be exercised by cashless exercise or by payment of cash, subject to adjustment therein. Subject to the TCW Lenders, collectively, not owning more than 4.99% of the aggregate outstanding shares of Common Stock following the TCW Lenders’ exercise of the Warrants, the Warrants shall be exercisable on or after the Closing Date and have a term of exercise equal to 7 years from the Closing Date. The Warrants also provide for an adjustment in the number of shares of Common Stock underlying the Warrants if the Company, subject to certain exceptions, issues, or is deemed to have issued, Common Stock at a price that is less than the fair market value of the Common Stock at the time of such issuance or deemed issuance.

The Warrants were sold to the TCW Lenders in a transaction pursuant to a private placement (“**Private Placement**”). The Warrants are being issued pursuant to an exemption from the registration requirements of Section 5 of the Securities Act of 1933, as amended (the “**Securities Act**”) contained in Section 4(a)(2) thereof and Regulation D thereunder. The foregoing description of the Subscription Agreement and the Warrants is not complete and is subject to and entirely qualified by reference to the full text of the Subscription Agreement and Warrants, the forms of which are attached hereto as **Exhibit 10.3** and **Exhibit 4.1**, respectively.

*Registration Rights Agreement*

In connection with the TCW Agreement and the issuance of the Warrants, the Company and certain of the TCW Lenders entered into a registration rights agreement (the “**Registration Rights Agreement**”), dated November 8, 2018. Under the terms of the Registration Rights Agreement, the Company agreed to prepare and file with the Securities and Exchange Commission (the “**SEC**”) (i) a registration statement (the “**Registration Statement**”) covering the resale of 125% of the maximum number of shares of Common Stock underlying the Warrants within 60 days of the Closing Date, (ii) a registration statement to replace the initially-filed Registration Statement to cover the resale of 150% of the maximum number of shares of Common Stock underlying the Warrants within 90 days of the Company’s next annual meeting, which shall take place no later than August 31, 2019, and (iii) to the extent the number of shares of Common Stock underlying the Warrants increases on the second anniversary of the Closing Date, another Registration Statement covering 150% of the maximum number of such additional shares of Common Stock issuable upon exercise of the Warrants within 60 days of the second anniversary of the Closing Date. The Company shall use its reasonable best efforts to have any such Registration Statements declared effective within 90 days after the earlier of (i) the date such Registration Statement is filed with the SEC and (ii) the date such Registration Statement is required to be filed with the SEC. The Company granted the TCW Lenders customary indemnification rights in connection with each Registration Statement. The TCW Lenders also granted the Company customary indemnification rights in connection with the Registration Statement. The foregoing description of the Registration Rights Agreement is not complete and is subject to and entirely qualified by reference to the full text of the Registration Rights Agreement, the form of

which is attached hereto as **Exhibit 10.4**.



<b>Exhibit Number</b>	<b>Description</b>
<u>2.1</u>	<u>Purchase Agreement</u>
<u>4.1</u>	<u>Form of Warrant</u>
<u>10.1</u>	<u>PNC Amendment</u>
<u>10.2</u>	<u>TCW Agreement</u>
<u>10.3</u>	<u>Form of Subscription Agreement</u>
<u>10.4</u>	<u>Form of Registration Rights Agreement</u>
<u>99.1</u>	<u>Press Release of SMTC Corporation dated November 9, 2018</u>

**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.

**SMTC CORPORATION**

Date: November 9, 2018 By: /s/ Edward Smith

Name: Edward Smith

Title: President and Chief Executive Officer