

CONTINENTAL MATERIALS CORP

Form 8-K

April 18, 2005

UNITED STATES

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

April 14, 2005

Date of Report (Date of earliest event reported)

CONTINENTAL MATERIALS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation)

001-03834

(Commission File Number)

36-2274391

(IRS Employer Identification
No.)

**200 South Wacker Dr., Suite 4000
Chicago, IL**

(Address of Principal Executive Offices)

60606

(Zip Code)

(312) 541-7200

(Registrant's telephone number,
including area code)

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.):

- 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.

On April 14, 2005, Continental Materials Corporation (the Company) entered into the Second Amendment to Revolving Credit and Term Loan Agreement (the Amendment), which amended the Company's existing Revolving Credit and Term Loan Agreement dated September 5, 2003, as amended as of May 29, 2004 (the Loan Agreement) with LaSalle Bank National Association and Fifth Third Bank (the Lenders). The Amendment increases the principal amount of the term loan portion of the Loan Agreement by \$12.5 million. With the increase in the term loan amount, the total loan commitment by the Lenders is \$31.0 million.

The Loan Agreement provides that, at the Company's option, the term loan and revolving credit facility will bear interest at prime or a performance-based LIBOR rate. Based on the terms of the Amendment, the increase in the term loan and the Company's performance for the year ended January 1, 2005, the performance based rates would be LIBOR plus 2.00% for the term loan and LIBOR plus 1.75% for borrowings under the revolving credit facility. Payment of accrued interest is due and payable quarterly by the Company. Payments of principal under the term loan are payable on a quarterly basis, ending on June 28, 2008.

The Loan Agreement requires the Company to maintain certain levels of consolidated tangible net worth, to attain certain levels of cash flow on a rolling four-quarter basis, and to maintain certain ratios including consolidated debt to cash flow. Additional borrowings, acquisition of stock of other companies, repurchases of Company stock and payment of cash dividends are either limited or require prior approval by the Lenders. The Loan Agreement also includes customary events of default such as payment defaults, cross-defaults to other indebtedness, bankruptcy and insolvency, and a change in control, the occurrence of which could cause all amounts under the Credit Agreement to become immediately due and payable.

In connection with the Amendment, each guarantor under the Loan Agreement (certain of the Company's subsidiaries) consented to the terms of the Amendment and agreed that the terms of the Amendment shall not affect its obligations and liabilities under any loan document.

The proceeds of the term loan facility will be used to fund the purchase of the Company's stock through its previously announced modified Dutch auction tender offer and to pay related fees and expenses. The Amendment permits the Company to use up to \$12.5 million for the repurchase, on or before September 30, 2005, of shares of Company common stock.

All other material terms of the Loan Agreement remain in force, except to the extent they have been modified by the Amendment. The foregoing discussion is qualified in its entirety by reference to the terms of the Loan Agreement and the First Amendment thereto (each of which was previously filed with the Securities and Exchange Commission) and by the terms of the Amendment, which is filed as Exhibit 10.1 hereto and incorporated herein by reference.

THE TENDER OFFER HAS NOT YET COMMENCED, AND THIS FILING IS NEITHER AN OFFER TO BUY OR THE SOLICITATION OF AN OFFER TO SELL SHARES OF THE COMPANY'S COMMON STOCK. THE TENDER OFFER IS BEING MADE ONLY PURSUANT TO THE OFFER TO PURCHASE AND THE RELATED MATERIALS THAT THE COMPANY WILL DISTRIBUTE TO ITS STOCKHOLDERS. STOCKHOLDERS SHOULD READ THE TENDER OFFER STATEMENT WHEN IT BECOMES AVAILABLE BECAUSE IT CONTAINS IMPORTANT INFORMATION. STOCKHOLDERS WILL BE ABLE TO OBTAIN A FREE COPY OF THE TENDER OFFER STATEMENT AT THE SECURITIES AND EXCHANGE COMMISSION'S WEBSITE AT WWW.SEC.GOV. STOCKHOLDERS MAY ALSO OBTAIN A COPY OF THESE DOCUMENTS, WITHOUT CHARGE, FROM GEORGESON SHAREHOLDER COMMUNICATIONS, THE INFORMATION AGENT FOR THE TENDER OFFER, BY CALLING TOLL FREE (877) 278-4412.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The disclosure set forth above under Item 1.01 is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

Exhibit No.	Description
10.1	Second Amendment to Revolving Credit and Term Loan Agreement, dated as of April 14, 2005, by and among Continental Materials Corporation, LaSalle Bank National Association and Fifth Third Bank.

SIGNATURES

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.

CONTINENTAL MATERIALS CORPORATION

By: /s/ Joseph J. Sum
Name: Joseph J. Sum
Title: Chief Financial Officer

Date: April 18, 2005