

CONTINENTAL MATERIALS CORP
Form 8-K
October 31, 2007

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

October 31, 2007 (October 23, 2007)

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)

CURRENT REPORT

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(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 October 23, 2007, Continental Materials Corporation (the Company) entered into the Seventh 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, April 14, 2005, June 28, 2005, June 8, 2006, March 28, 2007, and August 13, 2007 (the Loan Agreement) with LaSalle Bank National Association and Fifth Third Bank (the Lenders). The Amendment waived compliance with the Fixed Charge Coverage Ratio, as defined in the Loan Agreement, as of September 29, 2007 and December 29, 2007. The Company expects to be in compliance with the ratio in future quarters. The Amendment also temporarily increases the total commitment under the Revolving Credit portion of the Loan Agreement from \$15,000,000 to \$18,000,000 from October 23, 2007 through January 15, 2008.

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 and the Company's performance, the performance based rates would be LIBOR plus 1.50% for the term loan and LIBOR plus 1.25% 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 with a final payment of all remaining unpaid principal due March 31, 2011.

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.

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 the terms of the Amendment, which is filed as Exhibit 99.1 hereto and incorporated herein by reference.

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.

(d) Exhibits

Exhibit No.	Description
99.1	Seventh Amendment to Revolving Credit and Term Loan Agreement, dated as of October 23, 2007, 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: October 31, 2007