

# DGT HOLDINGS CORP.

## FORM 8-K (Current report filing)

Filed 11/09/11 for the Period Ending 11/03/11

Address	100 PINE AIRE DRIVE BAY SHORE, NY 11706
Telephone	631 231-6400
CIK	0000027748
Symbol	DGTC
SIC Code	3679 - Electronic Components, Not Elsewhere Classified
Industry	Medical Equipment & Supplies
Sector	Healthcare
Fiscal Year	07/28

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

Date of Report (Date of earliest event reported): November 3, 2011

**DGT Holdings Corp.**

(Exact name of registrant as specified in its charter)

New York	0-3319	13-1784308
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)
100 Pine Aire Drive, Bay Shore, New York		11706
(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code: (631) 231-6400

(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 ( *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))

**Item 2.01 Completion of Acquisition or Disposition of Assets.**

On November 3, 2011, DGT Holdings Corp. (the “Company”) completed the sale of all of the shares of its Italian subsidiary, Villa Sistemi Medicali S.p.A. (“Villa”) to VIV s.r.l., a limited liability company incorporated under Italian law (“VIV”) pursuant to the share purchase agreement (the “Share Purchase Agreement”), dated as of September 12, 2011, by and between the Company and VIV. In consideration for the sale of Villa, the Company received \$21.8 million in cash, net of certain expenses and of funds used to consummate the Share Repurchase Agreement (as defined below), and an unsecured subordinated promissory note (the “Note”) made by VIV in the amount of Euro 500,000. The Note has a term of 5 years with interest accruing at a rate of 6% per annum beginning 18 months after issuance. The Note may be prepaid at any time and if prepayment in full occurs during the first 18 months following the date of issuance, the total principal amount will be reduced to Euro 400,000. Payment of the Note is subordinated to the repayment of the loan extended to VIV by Banca Intesa to provide financing for the Villa Sale. Through the Company’s subsidiary, Villa Immobiliare Srl, an Italian limited liability company, the Company continues to own the real property from which Villa operates and leases the property to Villa. The Company also received as part of the transaction a dividend of cash held by Villa as of the closing date in the amount of \$4.5 million.

In addition, on November 3, 2011, the Company completed the purchase of shares of the Company held by Roberto Daglio and Emilio Bruschi pursuant to the share repurchase agreement (the “Share Repurchase Agreement”) dated as of September 12, 2011.

Until November 3, 2011, Mr. Daglio and Mr. Bruschi were executive officers of Villa. As of November 3, 2011, i) Mr. Daglio held indirectly a 12.82% interest in VIV and Mr. Bruschi held indirectly a 14.75% interest in VIV, ii) Mr. Bruschi is the Chairman of the Board of Directors of Villa and Mr. Daglio is the Managing Director of Villa, and (iii) Mr. Bruschi is the Chairman of the Board of Directors of VIV and Mr. Daglio is the Managing Director of VIV.

The descriptions of the transactions consummated pursuant to the Share Purchase Agreement and the Share Repurchase Agreement contained herein do not purport to be complete and are qualified in their entirety by reference to the full text of the Share Purchase Agreement and the Share Repurchase Agreement which were filed as Exhibit 10.1 and Exhibit 10.2, respectively, to the Current Report on Form 8-K filed on September 14, 2011, and incorporated herein by reference.

**Item 8.01 Other Events.**

On November 3, 2011, the Company issued a press release announcing the consummation of the sale of Villa. A copy of the press release is attached as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated herein by reference.

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**Item 9.01 Financial Statements and Exhibits.**

(b) *Pro Forma Financial Information*

The following Unaudited Pro Forma Consolidated Financial Statements are included as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference:

(i) Unaudited Pro Forma Consolidated Balance Sheet as of July 30, 2011

(ii) Unaudited Pro Forma Consolidated Statements of Operations for the Fiscal Years Ended July 30, 2011, July 31, 2010 and August 1, 2009

(iii) Notes to the Unaudited Pro Forma Consolidated Financial Statements

(d) *Exhibits*

Exhibit No.

Exhibits

99.1 Unaudited Pro Forma Consolidated Balance Sheet as of July 30, 2011, Unaudited Pro Forma Consolidated Statements of Operations for the Fiscal Years Ended July 30, 2011, July 31, 2010 and August 1, 2009, and Notes to the Unaudited Pro Forma Consolidated Financial Statements.

99.2 Press Release dated November 3, 2011 (announcing consummation of the sale of Villa Sistemi Medicali S.p.A.)

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**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.

**DGT HOLDINGS CORP.**

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(Registrant)

Date: November 8, 2011

By: /s/ Mark A. Zorko

Mark A. Zorko

Chief Financial Officer

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## EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibits</u>
99.1	Unaudited Pro Forma Consolidated Balance Sheet as of July 30, 2011, Unaudited Pro Forma Consolidated Statements of Operations for the Fiscal Years Ended July 30, 2011, July 31, 2010 and August 1, 2009, and Notes to the Unaudited Pro Forma Consolidated Financial Statements.
99.2	Press Release dated November 3, 2011 (announcing consummation of the sale of Villa Sistemi Medicali S.p.A.)

## DGT HOLDINGS CORP.

## UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma consolidated balance sheet as of July 30, 2011 and the unaudited pro forma consolidated statements of operations for the fiscal years ended July 30, 2011, July 31, 2010 and August 1, 2009 are based on the historical financial statements of DGT Holdings Corp. (the "Company") after giving effect to the Company's disposition of its Villa Sistemi Medicali S.p.A. ("Villa") subsidiary on November 3, 2011, as more fully described at Item 2.01 of this Current Report on Form 8-K, and applying the assumptions and adjustments described in the accompanying notes to the unaudited pro forma consolidated financial statements.

The unaudited pro forma consolidated balance sheet as of July 30, 2011, is presented as if the disposition of Villa had occurred on July 30, 2011.

The unaudited pro forma consolidated statements of operations for the fiscal years ended July 30, 2011, July 31, 2010 and August 1, 2009 are presented as if the Villa disposition had occurred on August 2, 2008 and were carried through each of the respective periods.

The unaudited pro forma consolidated financial statements have been prepared by management for illustrative purposes only in accordance with Article 11 of SEC Regulation S-X and are not necessarily indicative of the consolidated financial position or results of operations in future periods or the results that actually would have been realized had the Company and Villa not been a combined company during the specified periods. The unaudited pro forma consolidated financial statements, including notes thereto, are qualified in their entirety by reference to, and should be read in conjunction with, the Company's historical consolidated financial statements included in its Annual Report on Form 10-K for the year ended July 30, 2011.

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## DGT HOLDINGS CORP.

PRO FORMA BALANCE SHEET (UNAUDITED)  
(DOLLARS IN THOUSANDS EXCEPT PAR VALUE)

	July 30, 2011		
	As Reported	Pro Forma Adjustments	Pro Forma
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 23,629	\$ 22,875(a) (c)	\$ 46,504
Trade receivables	15,763	(14,194)(b)	1,569
Inventories (net of allowance for excess and obsolete)	10,730	(9,022)(b)	1,708
Prepaid expenses and other current assets	2,723	(1,777)(a) (b)	946
<b>Total current assets</b>	<b>52,845</b>	<b>(2,118)</b>	<b>50,727</b>
<b>NON-CURRENT ASSETS:</b>			
Property plant and equipment, net	5,232	(580)(b)	4,652
Deferred income taxes	578	(578)(b)	-
Goodwill	4,526	(4,526)(b)	-
Other assets	120	(25)(a) (b)	95
<b>Total non-current assets</b>	<b>10,456</b>	<b>(5,709)</b>	<b>4,747</b>
<b>TOTAL ASSETS</b>	<b>\$ 63,301</b>	<b>\$ (7,827)</b>	<b>\$ 55,474</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Current portion of long-term debt	193	(111)(b)	82
Accounts payable – trade	7,125	(6,395)(b)	730
Accrued expenses	7,380	(5,919)(a) (b) (d)	1,461
<b>Total current liabilities</b>	<b>14,698</b>	<b>(12,425)</b>	<b>2,273</b>
<b>NON-CURRENT LIABILITIES:</b>			
Long-term debt, less current portion	2,355	-	2,355
Other long-term liabilities	1,950	(1,950)(b)	-
<b>Total non-current liabilities</b>	<b>1,950</b>	<b>(1,950)</b>	<b>2,355</b>
<b>Total liabilities</b>	<b>19,003</b>	<b>(14,375)</b>	<b>4,628</b>
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>SHAREHOLDERS' EQUITY:</b>			
Common stock -- \$.10 par value*	404	-	404
Additional paid-in capital *	97,646	-	97,646
Treasury shares, at cost *	(7,176)	(861)(c)	(8,037)
Accumulated other comprehensive income	2,596	(1,764)(b)	832
Accumulated deficit	(49,172)	9,173(a)	(39,999)
<b>Total shareholders' equity</b>	<b>44,298</b>	<b>6,548</b>	<b>50,846</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 63,301</b>	<b>\$ (7,827)</b>	<b>\$ 55,474</b>

\* Adjusted for 1 for 50 and 4 for 1 stock splits effective January 6, 2011.



## DGT HOLDINGS CORP.

PRO FORMA STATEMENTS OF OPERATIONS (UNAUDITED)  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Year Ended July 30, 2011		
	As Reported	Pro Forma Adjustments	Pro Forma
NET SALES	\$ 67,921	\$ 57,138(e)	\$ 10,783
COST OF SALES	52,734	44,769(e)	7,965
GROSS MARGIN	15,187	12,369	2,818
Selling, general and administrative	10,191	5,865(e)	4,326
Research and development	2,076	1,973(e)	103
Total operating expenses	12,267	7,838	4,429
OPERATING INCOME (LOSS)	2,920	4,531	(1,611)
Interest expense (net of interest income)	(167)	(77)(e)	(90)
Other income	256	(201)(e)	457
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	3,009	4,253	(1,244)
Income tax provision	1,879	1,696(e)	183
INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ 1,130	\$ 2,557	\$ (1,427)
NET INCOME (LOSS) PER BASIC SHARE	\$ 0.37		\$ (0.47)
Weighted average shares outstanding*	3,045,923		3,017,819
NET INCOME (LOSS) PER DILUTED SHARE	\$ 0.37		\$ (0.47)
Weighted average shares outstanding*	3,046,770		3,018,666

\* Adjusted for 1 for 50 and 4 for 1 stock splits effective January 6, 2011.

## DGT HOLDINGS CORP.

PRO FORMA STATEMENTS OF OPERATIONS (UNAUDITED)  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Year Ended July 31, 2010		
	As Reported	Pro Forma Adjustments	Pro Forma
NET SALES	\$ 56,168	\$ 43,695(e)	\$ 12,473
COST OF SALES	42,118	33,911(e)	8,207
GROSS MARGIN	14,050	9,784	4,266
Selling, general and administrative	8,577	4,873(e)	3,704
Research and development	2,054	1,952(e)	102
Total operating expenses	10,631	6,825	3,806
OPERATING INCOME	3,419	2,959	460
Interest expense (net of interest income)	(418)	(83)(e)	(335)
Other income	444	(161)(e)	605
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	3,445	2,715	730
Income tax provision	1,100	1,145(e)	(45)
INCOME FROM CONTINUING OPERATIONS	\$ 2,345	\$ 1,570	\$ 775
NET INCOME PER BASIC SHARE	\$ 1.29		\$ 0.44
Weighted average shares outstanding*	1,817,464		1,761,264
NET INCOME PER DILUTED SHARE	\$ 1.29		\$ 0.44
Weighted average shares outstanding*	1,817,464		1,761,264

\* Adjusted for 1 for 50 and 4 for 1 stock splits effective January 6, 2011.

## DGT HOLDINGS CORP.

PRO FORMA STATEMENTS OF OPERATIONS (UNAUDITED)  
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Year Ended August 1, 2009		
	As Reported	Pro Forma Adjustments	Pro Forma
NET SALES	\$ 52,885	\$ 40,933(e)	\$ 11,952
COST OF SALES	39,239	31,852(e)	7,387
GROSS MARGIN	13,646	9,081	4,565
Selling, general and administrative	8,078	4,505(e)	3,573
Research and development	1,992	1,935(e)	57
Litigation settlement costs	2,536	-	2,536
Total operating expenses	12,606	6,440	6,166
OPERATING INCOME (LOSS)	1,040	2,641(e)	(1,601)
Interest expense (net of interest income)	(294)	(85)(e)	(209)
Other income	265	(188)(e)	453
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1,011	2,368	(1,357)
Income tax provision	995	1,079(e)	(84)
INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ 16	\$ 1,289	\$ (1,273)
NET INCOME (LOSS) PER BASIC SHARE	\$ 0.01		\$ (0.70)
Weighted average shares outstanding*	1,862,856		1,806,656
NET INCOME (LOSS) PER DILUTED SHARE	\$ 0.01		\$ (0.70)
Weighted average shares outstanding*	1,862,856		1,806,656

\* Adjusted for 1 for 50 and 4 for 1 stock splits effective January 6, 2011.

DGT HOLDINGS CORP.

Notes to Unaudited Pro Forma Consolidated Financial Statements  
Dollars in thousands

On August 3, 2011, the Board of Directors of the Company approved the sale of Villa and on September 12, 2011, the Company entered into a share purchase agreement (the "Share Purchase Agreement") with VIV s.r.l., a limited liability company incorporated under Italian law ("VIV") pursuant to which the Company agreed to sell all of its shares in Villa to VIV. The sale price is 16,500,000 Euro (approximately \$23,800 using the translation rates at July 30, 2011) in cash and an unsecured subordinated promissory note of 500,000 euro. The promissory note has a term of 5 years, with interest accruing at a rate of 6% per annum, beginning eighteen months after issuance. The note may be prepaid at any time, but if prepayment in full occurs during the first eighteen months, the total principal will be reduced to 400,000 euro. The consummation of the Villa sale occurred on November 3, 2011. The Company retains the real estate from which Villa operates, which is subject to a twelve year lease with VIV.

The accompanying unaudited pro forma consolidated financial statements include all material adjustments necessary to reflect, on a pro forma basis, the impact of such disposition on the historical financial information of the Company. The adjustments, which include the results of operations and assets and liabilities of the Company's Villa business, are described in the notes to the unaudited pro forma consolidated financial statements and are set forth in the "Pro Forma Adjustments" column. The pro forma adjustments are based upon information and assumptions available at the time of the filing of this Current Report on Form 8-K.

### Pro Forma Adjustments

The following pro forma adjustments to the unaudited consolidated statements of operations and consolidated balance sheet have been prepared to reflect the following:

- (a) The pro forma adjustment reflects the 16,500,000 euro proceeds to be received and the 500,000 promissory note at the US dollar value as of July 30, 2011.
- (b) The pro forma consolidated balance sheet reflects the effects of the sale of the Company's Villa business as if it had been consummated on July 30, 2011, which includes pro forma adjustments for the transfer of all related assets, assumed liabilities, transaction costs and related gain on disposition of \$9,676, net of taxes of \$503.
- (c) The pro forma consolidated balance sheet reflects the repurchase of 28,104 shares of the Company's common stock in accordance with a Share Repurchase Agreement. The repurchase price was approximately 0.6 million Euro, or approximately \$861 as of July 30, 2011.
- (d) The pro forma adjustment reflects the estimated transaction costs of \$80 to be paid for commissions and legal and accounting fees related to the sale of the Company's Villa subsidiary.
- (e) The pro forma statements of operations for fiscal years ended July 30, 2011, July 31, 2010 and August 1, 2009, assume the sale of the Company's Villa subsidiary had been consummated on August 2, 2008. The pro forma adjustments eliminate the net revenues and expenses which are directly attributable to Villa and will not continue after the completion of the sale of the business. These pro forma adjustments also assume that the lease of the building to VIV by the Company commenced on August 2, 2008.

**DGT Holdings Announces Completion of the Sale of Its Villa Sistemi Medicali S.p.A. Subsidiary**

BAY SHORE, N.Y., Nov. 3, 2011 -- **DGT Holdings Corp.** (OTCBB: DGTC.OB ) (the "Company") today announced that it has completed the previously announced sale of its Italian subsidiary, Villa Sistemi Medicali S.p.A. ("Villa") to VIV s.r.l., a limited liability company incorporated under Italian law ("VIV").

In consideration for the sale of Villa, the Company received \$21.8 million in cash of net proceeds and an unsecured subordinated promissory note (the "Note") made by VIV in the amount of Euro 500,000. The Note has a term of 5 years with interest accruing at a rate of 6% per annum beginning 18 months after issuance. The Note may be prepaid at any time and if prepayment in full occurs during the first 18 months following the date of issuance, the total principal amount will be reduced to Euro 400,000. Payment of the Note is subordinated to the repayment of the loan extended to VIV by Banca Intesa to provide financing for the Villa sale. In addition, the Company is retaining the facility from which Villa operates and entered into a long term lease with VIV.

The Company also received, as part of the transaction, a dividend of cash held by Villa as of the closing date in the amount of \$4.5 million.

**ABOUT DGT HOLDINGS CORP.**

DGT Holdings Corp. is engaged in the manufacturing of proprietary high-voltage power conversion subsystems including electronic filters, high voltage capacitors, pulse modulators, transformers and reactors, and a variety of other products designed for industrial, medical, military and other commercial applications through its RFI subsidiary. The Company's web site is [www.dgtholdings.com](http://www.dgtholdings.com).

The DGT Holdings Corp. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=8578>

**Contact:**

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