

KEY TECHNOLOGY INC  
Form 8-K  
December 22, 2008

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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 Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 16, 2008

KEY TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

OREGON  
(State or other jurisdiction  
of incorporation)

0-21820  
(Commission File Number)

93-0822509  
(IRS Employer  
Identification No.)

150 Avery Street  
Walla Walla, Washington 99362  
(Address of principal executive offices) (Zip Code)

(509) 529-2161  
(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. 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 1.01 Entry into a Material Definitive Agreement.

The information set forth in Item 2.03 below regarding new financial obligations is incorporated by reference into this Item 1.01.

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

On December 16, 2008, Key Technology, Inc. (the “Company”) completed borrowing arrangements under a Loan Agreement with Bank of America, N.A. (“the Lender”). Under the Loan Agreement, the Lender will provide a revolving line of credit facility to the Company in the maximum principal amount of \$10,000,000 and a credit sub-facility of up to \$6,000,000 for standby letters of credit. The revolving line of credit facility matures on December 1, 2009. The credit facility bears interest, at the Company’s option, of either the Lender’s prime rate minus 1.75% or the British Bankers Association LIBOR Rate (“BBA LIBOR”) plus 1.0% per annum. The revolving line of credit is secured by all U.S. accounts receivable, inventory, equipment, and fixtures. At December 16, 2008, the Company had no outstanding borrowings under the revolving line of credit facility.

The Loan Agreement also provides for a 15-year term loan in the amount of \$6.4 million. The term loan provides for a mortgage on the Company’s Avery Street headquarters’ land and building located in Walla Walla, Washington. The term loan bears interest at the BBA LIBOR rate plus 1.4% and matures on January 2, 2024. The Company has also simultaneously entered into an interest rate swap agreement with the Lender to fix the interest rate at 4.27%, resulting in an initial quarterly interest expense of approximately \$68,000.

The credit facilities contain covenants which require the maintenance of a funded debt to EBITDA ratio, a fixed charge coverage ratio and minimum working capital levels. The Loan Agreement permits capital expenditures up to a certain level, and contains customary default and acceleration provisions. The credit facilities also restrict acquisitions, incurrence of additional indebtedness and lease expenditures above certain levels without the prior consent of the Lender.

The Company’s prior credit facility with a domestic lender is expected to be terminated prior to December 31, 2008.

The description set forth above is qualified in its entirety by reference to the Loan Agreement, a copy of which is filed as Exhibit 10.1 hereto and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

10.1 Loan Agreement dated December 10, 2008 between Registrant and Bank of America, N.A.



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.

KEY TECHNOLOGY, INC.

/s/ DAVID M.  
CAMP  
David M. Camp  
President and Chief Executive Officer

Dated: December 19, 2008

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