

TIDEL TECHNOLOGIES INC
Form 8-K
January 06, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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): December 30, 2005

TIDEL TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

000-17288
(Commission File Number)

75-2193593
(IRS Employer Identification No.)

2900 Wilcrest Drive, Suite 205, Houston, Texas
(Address of principal executive offices)

77042
(zip code)

Registrant's telephone number, including area code: (713) 783-8200

N/A
(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))
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Item 1.01. Entry into a Material Definitive Agreement.

On December 30, 2005, Tidel Technologies, Inc. (the "Company"), Tidel Engineering, L.P. ("Engineering" and together with the Company, the "Sellers"), NCR EasyPoint LLC f/k/a/ NCR Texas LLC ("NCR EasyPoint") and NCR Corporation entered into a letter agreement (the "Letter Agreement") pursuant to which the parties agreed to change to January 1, 2006 the date of the closing of the transactions contemplated in the Asset Purchase Agreement, dated February 19, 2005 (the "Asset Purchase Agreement"), by and among the Sellers, NCR EasyPoint and NCR Corporation. Under the Letter Agreement, the parties also agreed that, subject to the terms of the Letter Agreement, NCR EasyPoint would deliver the purchase price to the Sellers on or before Tuesday, January 3, 2006 and that this extension of the closing date under the Asset Purchase Agreement would not cause the Asset Purchase Agreement to terminate. The foregoing summary of the Letter Agreement does not purport to be complete and is subject to and qualified in its entirety by reference to the actual text of such Letter Agreement, a copy of which is attached hereto as Exhibit 10.26 and incorporated herein by reference.

Item 2.01. Completion of Acquisition or Disposition of Assets.

On January 1, 2006, the Company completed the sale of substantially all of the assets of its automated teller machine (ATM) business division to NCR EasyPoint pursuant to that Asset Purchase Agreement (the "ATM Sale") for an initial purchase price of \$9,940,000, plus a \$500,000 holdback post closing net asset value adjustment. The Company applied approximately \$8,200,000 of the ATM Sale proceeds towards the repayment of outstanding indebtedness held by Laurus Master Fund, Ltd. On December 28, 2005, a majority of holders of the shares of the Company's outstanding common stock approved the ATM Sale.

Item 9.01 Financial Statements and Exhibits.

(b) Pro Forma Financial Information

Unaudited Pro Forma Financial Statements

The following unaudited pro forma financial statements give effect to the sale of substantially all of the assets relating to the Company's ATM business division. The unaudited pro forma consolidated balance sheet and statements of earnings set forth herein are presented for illustrative purposes only. The pro forma balance sheet as of June 30, 2005 has been prepared to reflect the sale of substantially all of the assets of the Company's ATM business division to NCR EasyPoint as if such sale had taken place on June 30, 2005. The unaudited pro forma statements of earnings (operations) for the nine months ended June 30, 2005 and the fiscal years ended September 30, 2004, 2003 and 2002, have been prepared excluding the Company's ATM business division, and are not necessarily indicative of the results of operations for future periods or the results that actually would have been realized without the Company's ATM business division as of those dates. The pro forma financial statements should be read in conjunction with the unaudited financial statements filed in the Company's Form 10-Q for the quarter ended June 30, 2005.

Costs and expenses attributed to the ATM business division include direct costs primarily associated with that business as well as interest and certain shared expenses, including treasury, legal and human resources, based upon estimated usage. Certain items are maintained at Tidel's corporate headquarters (Corporate) and are not allocated to the ATM business division. They primarily include costs associated with accounting and certain executive officer salaries and bonuses and certain items including investment securities, equity investments, deferred income taxes, certain portions of excess cost over fair value of assets acquired, jointly-used fixed assets and debt. The jointly-used fixed assets are Tidel's management information systems, which is jointly used by the ATM business division and Corporate. A portion of the management information systems costs, including depreciation and amortization expense, are allocated to the segments based upon estimates made by management. As such, these financial statements do not reflect other non-direct cost savings that may occur as a result of focusing the Company's efforts on just its cash

security business going forward.

TIDEL TECHNOLOGIES, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET
(UNAUDITED)

| ASSETS | As Reported 2005 | As of June 30, 2005 Pro Forma Adjustments | Pro Forma 2005 |
|--|---------------------|---|-------------------|
| Current Assets: | | | |
| Cash and cash equivalents | \$ 3,332,201(1) | \$ 4,686,655 | \$ 8,018,856 |
| Trade accounts receivable, net of allowances | 250,000 | - | 250,000 |
| Notes and other receivables | 14,171 | - | 14,171 |
| Prepaid expenses and other | 18,112 | - | 18,112 |
| Assets held for sale | 10,292,585(2) | (7,191,052) | 3,101,533 |
| Total current assets | 13,907,069 | (2,504,397) | 11,402,672 |
| Property, plant and equipment, at cost | 55,641 | - | 55,641 |
| Accumulated depreciation | (41,463) | - | (41,463) |
| Net property, plant and equipment | 14,178 | - | 14,178 |
| Other assets | 685,211 | - | 685,211 |
| Total assets | \$ 14,606,458 | \$ (2,504,397) | \$ 12,102,061 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current Liabilities: | | | |
| Current maturities of long term debt | \$ 2,550,000(3) | \$ (2,550,000) | \$ - |
| Accounts payable | 287,081 | - | 287,081 |
| Accrued interest payable | 2,106,311(4) | (2,106,311) | - |
| Other accrued liabilities | 386,715 | - | 386,715 |
| Liabilities held for sale | 5,950,314(5) | (2,163,771) | 3,786,543 |
| Total current liabilities | 11,280,421 | (6,820,082) | 4,460,339 |
| Long-term debt, net of current maturities and debt discount | 1,170,152(6) | (1,170,152) | - |
| Total liabilities | 12,450,573 | (7,990,234) | 4,460,339 |
| Commitments and contingencies | | | |
| Shareholders' Equity (Deficit): | | | |
| Common stock, \$.01 par value, authorized 100,000,000 shares; issued and outstanding 17,426,210 shares | 206,772 | - | 206,772 |
| Additional paid-in capital | 30,962,187 | - | 30,962,187 |
| Accumulated deficit | (29,020,232) | 5,485,837 | (23,534,395) |
| Receivable from officer | - | - | - |
| Accumulated other comprehensive loss | 7,158 | - | 7,158 |
| Total shareholders' equity (deficit) | 2,155,885 | 5,485,837 | 7,641,722 |
| Total liabilities and shareholders' equity (deficit) | \$ 14,606,458 | \$ (2,504,397) | \$ 12,102,061 |

Notes to Unaudited Pro Forma Consolidated Balance Sheet:

- (1) Adjust cash to reflect the remaining proceeds of approximately \$10.7 million after paying \$6.0 million to retire the 6% Subordinated Convertible Debentures.
- (2) Remove the ATM Business which is classified as assets held for sale resulting in only the Cash Security Business classified as assets held for sale.
- (3) Remove the current maturities of the long-term debt with Laurus.
- (4) Remove the accrued interest payable related to the Laurus debt.
- (5)

Remove the ATM Business classified as liabilities held for sale resulting in only the Cash Security Business classified as liabilities held for sale.

- (6) Remove interest payable related to the outstanding debt facility with Laurus.
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TIDEL TECHNOLOGIES, INC. AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

For the Nine Months Ended June 30, 2005

| | As Reported | Pro Forma Adjustments | Pro Forma |
|--|----------------|--------------------------|----------------|
| Revenues | \$ - | \$ - | \$ - |
| Cost of sales | - | - | - |
| Gross profit | - | - | - |
| Selling, general and administrative | 1,334,541 | - | 1,334,541 |
| Depreciation and amortization | 3,592 | - | 3,592 |
| Operating loss | (1,338,133) | - | (1,338,133) |
| Other expense: | | | |
| Interest expense, net | (5,399,974) | - | (5,399,974) |
| Total other expense | (5,399,974) | - | (5,399,974) |
| Loss before taxes | (6,738,107) | - | (6,738,107) |
| Income tax expense | -(1) | - | - |
| Net loss from continuing operations | (6,738,107) | - | (6,738,107) |
| Net loss from discontinued operations | 3,337,763(2) | 1,062,607 | 4,400,370 |
| Net loss | \$ (3,400,344) | \$ 1,062,607 | \$ (2,337,737) |
| Basic loss per share: | | | |
| Net loss from continuing operations | \$ (0.33) | | \$ (0.33) |
| Net income from discontinuing operations | 0.17 | | 0.22 |
| Net loss | \$ (0.16) | | \$ (0.11) |
| Weighted average common shares outstanding | 20,163,250 | | 20,163,250 |

Notes to Unaudited Pro Forma Statements of Operations:

(1) No tax adjustment due to NOL carryforwards.

(2) Adjust discontinued operation by removing the ATM Business. The corporate division is reported as continuing operations, and the remaining TACC business is reported as income (loss) from discontinued operations.

TIDEL TECHNOLOGIES, INC. AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

For the Fiscal Year Ended September 30, 2004

| | As Reported | Pro Forma Adjustments | Pro Forma |
|---|--------------------|----------------------------------|------------------|
| Revenues | \$ 22,514,486(1) | \$ (15,047,292) | \$ 7,467,194 |
| Cost of sales | 17,055,179(2) | (11,762,082) | 5,293,097 |
| Gross profit | 5,459,307 | (3,285,210) | 2,174,097 |
| Selling, general and administrative | 10,195,095(3) | (4,709,478) | 5,485,617 |
| Depreciation and amortization | 513,839(4) | (425,685) | 88,154 |
| Operating income (loss) | (5,249,627) | 1,849,953 | (3,399,674) |
| Other income (expense): | | | |
| Gain on extinguishment of debt | 18,823,000 | - | 18,823,000 |
| Gain on sale of securities | 1,918,012 | - | 1,918,012 |
| Interest expense, net | (4,255,042) | - | (4,255,042) |
| Total other income | 16,485,970 | - | 16,485,970 |
| Income before taxes | 11,236,343 | 1,849,953 | 13,086,296 |
| Income tax benefit | (81,229)(5) | - | (81,229) |
| Net income from continuing operations | \$ 11,317,572 | \$ 1,849,953 | \$ 13,167,525 |
| Basic income per share: | | | |
| Net income from continuing operations | \$ 0.65 | | \$ 0.76 |
| Weighted average common shares outstanding | 17,426,210 | | 17,426,210 |
| Diluted income per share: | | | |
| Net income | \$ 11,317,572 | | \$ 13,167,525 |
| Interest expense on convertible debt | 2,898,225 | | 2,898,225 |
| Adjusted net income for diluted shares | \$ 14,215,797 | | \$ 16,065,750 |
| Net income | \$ 0.37 | | \$ 0.42 |
| Weighted average common and dilutive shares outstanding | 38,576,763 | | 38,576,763 |

Notes to Unaudited Pro Forma Statements of Operations:

- (1) Remove revenues related to ATM Business.
- (2) Remove cost of sales related to ATM Business.
- (3) Remove selling, general and administrative expenses related to ATM Business.
- (4) Remove depreciation and amortization related to the ATM Business.
- (5) No tax adjustment due to NOL carryforwards.

TIDEL TECHNOLOGIES, INC. AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

For the Fiscal Year Ended September 30, 2003

| | As Reported | Pro Forma Adjustments | Pro Forma |
|---|--------------------|----------------------------------|------------------|
| Revenues | \$ 17,794,299(1) | \$ (10,435,118) | \$ 7,359,181 |
| Cost of sales | 14,612,447(2) | (9,675,580) | 4,936,867 |
| Gross profit | 3,181,852 | (759,538) | 2,422,314 |
| Selling, general and administrative | 9,019,016(3) | (3,944,795) | 5,074,221 |
| Depreciation and amortization | 799,855(4) | (647,640) | 152,215 |
| Operating income (loss) | (6,637,019) | 3,832,897 | (2,804,122) |
| Other expense: | | | |
| Interest expense, net | (2,599,698) | - | (2,599,698) |
| Total other expense | (2,599,698) | - | (2,599,698) |
| Income (loss) before taxes | (9,236,717) | 3,832,897 | (5,403,820) |
| Income tax benefit | -(5) | - | - |
| Net income (loss) from continuing operations | \$ (9,236,717) | \$ 3,832,897 | \$ (5,403,820) |
| Basic loss per share: | | | |
| Net loss from continuing operations | \$ (0.53) | | \$ (0.31) |
| Weighted average common shares outstanding | 17,426,210 | | 17,426,210 |
| Diluted loss per share: | | | |
| Net loss from continuing operations | \$ (0.53) | | \$ (0.31) |
| Weighted average common and dilutive shares outstanding | 17,426,210 | | 17,426,210 |

Notes to Unaudited Pro Forma Statements of Operations:

- (1) Remove revenues related to ATM Business.
- (2) Remove cost of sales related to ATM Business.
- (3) Remove selling, general and administrative expenses related to ATM Business.
- (4) Remove depreciation and amortization related to the ATM Business.
- (5) No tax adjustment due to NOL carryforwards.

TIDEL TECHNOLOGIES, INC. AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

For the Fiscal Year Ended September 30, 2002

| | As Reported | Pro Forma Adjustments | Pro Forma |
|---|--------------------|----------------------------------|------------------|
| Revenues | \$ 19,442,224(1) | \$ (11,946,724) | \$ 7,495,500 |
| Cost of sales | 15,051,784(2) | (10,410,264) | 4,641,520 |
| Gross profit | 4,390,440 | (1,536,460) | 2,853,980 |
| Selling, general and administrative | 12,755,981(3) | (5,507,958) | 7,248,023 |
| Provision for settlement of class action litigation | 1,564,490 | - | 1,564,490 |
| Depreciation and amortization | 1,158,742(4) | (950,259) | 208,483 |
| Impairment of goodwill and other intangible assets | 463,590 | - | 463,590 |
| Operating income (loss) | (11,552,363) | 4,921,757 | (6,630,606) |
| Other expense: | | | |
| Interest expense, net | (2,530,971) | - | (2,530,971) |
| Write-down of investment in 3CI | (288,326) | - | (288,326) |
| Total other expense | (2,819,297) | - | (2,819,297) |
| Income (loss) before taxes | (14,371,660) | 4,921,757 | (9,449,903) |
| Income tax benefit | (293,982)(5) | - | (293,982) |
| Net income (loss) from continuing operations | \$ (14,077,678) | \$ 4,921,757 | \$ (9,155,921) |
| Basic loss per share: | | | |
| Net loss from continuing operations | \$ (0.81) | | \$ (0.53) |
| Weighted average common shares outstanding | 17,426,210 | | 17,426,210 |
| Diluted loss per share: | | | |
| Net loss from continuing operations | \$ (0.81) | | \$ (0.53) |
| Weighted average common and dilutive shares outstanding | 17,426,210 | | 17,426,210 |

Notes to Unaudited Pro Forma Statements of Operations:

- (1) Remove revenues related to ATM Business.
- (2) Remove cost of sales related to ATM Business.
- (3) Remove selling, general and administrative expenses related to ATM Business.
- (4) Remove depreciation and amortization related to the ATM Business.
- (5) No tax adjustment due to NOL carryforwards.

(d)

Exhibits

Exhibit

No. Exhibit

10.26 Letter Agreement, dated December 30, 2005, among Tidel Technologies, Inc., Tidel Engineering, L.P., NCR EasyPoint LLC f/k/a/ NCR Texas LLC and NCR Corporation.

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.

TIDEL TECHNOLOGIES, INC.

Dated: January 6, 2006

By:

/s/ MARK K. LEVENICK

Name: Mark K. Levenick

Title: Interim Chief Executive Officer
