

Emrise CORP
Form 8-K
December 31, 2009

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**

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Date of Report (Date of earliest event reported): December 30, 2009

EMRISE CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation)

001-10346
(Commission File Number)

77-0226211
(IRS Employer Identification
No.)

611 Industrial Way, Eatontown, NJ
(Address of principal executive offices)

07224
(Zip Code)

(732) 389-0355

(Registrant's telephone number, including area code)

Not Applicable

(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 November 30, 2007, EMRISE Corporation (the Company) and certain of its subsidiaries (collectively with the Company's subsidiaries that later became party to the agreement pursuant to that certain Amendment Number 1 to Loan Documents dated August 20, 2008, the Borrowers) entered into a Credit Agreement with GVEC Resource IV Inc. (the Lender), an affiliate of Private Equity Management Group LLC, which Credit Agreement has been amended by that certain Amendment Number 1 to Loan Documents, dated August 20, 2008, that certain Amendment Number 2 to Loan Documents, dated February 12, 2009, that certain Forbearance Agreement and Amendment Number 3 to Loan Documents, dated March 20, 2009 and amended by that certain Amendment to Forbearance Agreement and Amendment Number 3 to Loan Documents dated April 9, 2009, that certain Amendment Number 4 to Loan Documents, dated April 14, 2009, that certain Amendment Number 5 to Loan Documents, dated August 14, 2009, that certain Amendment Number 6 to Loan Documents, dated November 3, 2009, and that certain Amendment Number 7 to Loan Documents, dated November 13, 2009 (as amended, the Credit Agreement). As of December 31, 2009, the Borrowers would have been in default of certain financial covenants under the Credit Agreement, including the requirement to raise \$3 million in equity by December 31, 2009.

On December 30, 2009, the Borrowers and the Lender entered into a short-term forbearance agreement, whereby the Lender has agreed, among other things, to not exercise remedies with respect to any default of the financial covenants as currently in effect under the Credit Agreement until and through January 15, 2010. In addition, the Lender has agreed to accept a reduced monthly principal payment from the Borrowers under the Credit Agreement in the amount of \$150,000 (reduced from \$287,000) for the month of January 2010, due January 2, 2010. This short-term forbearance is contingent upon no additional events of default occurring under the Credit Agreement. The parties have agreed that they will continue to negotiate the terms of a longer forbearance period. There can be no assurance that the parties will reach a satisfactory agreement.

Item 8.01 **Other Events.**

Previously, the Company had indicated in reports filed with the Securities and Exchange Commission its intention to pursue negotiations for the sale of substantially all of the assets of RO Associates Incorporated (RO), a wholly-owned subsidiary of the Company that operates within the Company's electronic devices segment, with the expectation of consummating such sale by December 31, 2009. The Company continues to pursue the possible sale of RO and now believes that a transaction could be completed during the first quarter of 2010, but as of the date hereof, EMRISE has not entered into any definitive agreements regarding such a sale. There can be no assurance that the Company will be able to sell substantially all of the assets of RO.

SIGNATURE

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Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: December 31, 2009

EMRISE CORPORATION

By: /s/ D. John Donovan
D. John Donovan
Chief Financial Officer

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