

MERCURY SYSTEMS INC  
Form 8-K  
May 02, 2016

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): May 2, 2016

---

Mercury Systems, Inc.  
(Exact Name of Registrant as Specified in Charter)

---

Massachusetts                      000-23599      04-2741391  
(State or Other Jurisdiction    (Commission    (IRS Employer  
of Incorporation)                File Number) Identification No.)  
201 Riverneck Road, Chelmsford, Massachusetts 01824  
(Address of Principal Executive Offices) (Zip Code)  
Registrant's telephone number, including area code: (978) 256-1300  
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))

---

Item 1.01 Entry Into a Material Definitive Agreement

On May 2, 2016, Mercury Systems, Inc. (the "Company") and certain of the Company's subsidiaries, as guarantors, entered into a Credit Agreement (the "Credit Agreement") with a syndicate of commercial banks and Bank of America, N.A acting as the administrative agent. The Credit Agreement provides for a \$200 million term loan facility and a \$100 million revolving credit facility.

**Maturity**

The revolving credit facility will have a five year maturity. Subject to the amortization payments described below, the term loan facility will have a five year maturity.

**Interest Rates and Fees**

Borrowings under the Credit Agreement bear interest, at the Company's option, at floating rates tied to LIBOR or the prime rate plus an applicable percentage. The applicable percentage has initially been set at 2.00% and in future fiscal quarters will be established pursuant to a pricing grid based on the Company's total net leverage ratio.

In addition to interest on the aggregate outstanding principal amounts of any borrowings, the Company will also pay a quarterly commitment fee on the unutilized commitments under the revolving credit facility, which fee has initially been set at 0.30% per annum and in future fiscal quarters will be established pursuant to a pricing grid based on the Company's total net leverage ratio. The Company will also pay customary letter of credit and agency fees.

**Prepayments**

The Credit Agreement provides for quarterly amortization payments on the term loans, beginning with 5% per annum amortization and increasing to 12.5% per annum amortization over the five year term of the term loan facility. The Company is required to make mandatory prepayments of the term loans with the proceeds of certain non-ordinary course asset sales or the proceeds of certain debt issuances. Subject to minimum notice requirements, borrowings under the Credit Agreement may be voluntarily prepaid at any time without premium or penalty.

**Covenants and Events of Default**

The Credit Agreement provides for customary negative covenants, including, among other things and subject to certain significant exceptions, restrictions on the incurrence of debt or guarantees, the creation of liens, the making of certain investments, loans and acquisitions, mergers and dissolutions, the sale of assets including capital stock of subsidiaries, the payment of dividends, the repayment or amending of junior debt, altering the business conducted, engaging in transactions with affiliates and entering into agreements limiting subsidiary dividends and distributions. The Credit Agreement also requires the Company to comply with certain financial covenants, including a quarterly minimum consolidated cash interest charge ratio test and a quarterly maximum consolidated total net leverage ratio test.

The Credit Agreement also provides for customary representations and warranties, affirmative covenants and events of default (including, among others, the failure to make required payments of principal and interest, certain insolvency events an event of default upon a change of control). If an event of default occurs, the lenders under the Credit Agreement will be entitled to take various actions, including the acceleration of amounts due under the Credit Agreement and all actions permitted to be taken by a secured creditor.

#### Guarantees and Security

The Company's obligations under the Credit Agreement are guaranteed by certain of the Company's material domestic wholly-owned restricted subsidiaries (the "Guarantors"). The obligations of both the Company and the Guarantors are secured by a perfected security interest in substantially all of the assets of the Company and the Guarantors, in each case, now owned or later acquired, including a pledge of all of the capital stock of substantially all of the Company's domestic wholly-owned restricted subsidiaries and 65% of the capital stock of certain of its foreign restricted subsidiaries, subject in each case to the exclusion of certain assets and additional exceptions.

The foregoing description of the Credit Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Credit Agreement, a copy of which is filed as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated by reference into this Item 1.01.

#### Item 2.01 Completion of Acquisition or Disposition of Assets

As previously reported, on March 23, 2016, the Company and Microsemi Corporation ("Microsemi") entered into a Stock Purchase Agreement (the "Purchase Agreement"), pursuant to which, subject to the satisfaction or waiver of certain conditions, Microsemi agreed to sell all the membership interests in Microsemi LLC - RF Integrated Solutions ("RF LLC") to Mercury (the "Acquisition") for \$300 million in cash on a cash-free, debt-free basis, subject to a working capital adjustment. RF LLC, directly and through subsidiaries, operates embedded security, RF and microwave, and custom microelectronics businesses of Microsemi (the "Carve-Out Business"). On May 2, 2016, the transaction closed with the Company acquiring all of the membership interests in RF LLC from Mercury and the Carve-Out Business.

The Purchase Agreement was filed as Exhibit 10.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2016 and is 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

On May 2, 2016, Mercury Systems, Inc. (the "Company") and certain of the Company's subsidiaries entered into a Credit Agreement (the "Credit Agreement") with a syndicate of commercial banks and Bank of America, N.A acting as the administrative agent.

Reference is made to Item 1.01 of this Current Report on Form 8-K for a summary of the Credit Agreement.

#### Item 7.01 Regulation FD Disclosure

On May 2, 2016, Mercury issued a press release announcing the closing of the Acquisition and the financing. The press release is furnished as Exhibit 99.1 hereto. The information provided in Item 7.01 of this Current Report on Form 8-K and in the attached Exhibit 99.1 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

#### Item 9.01 Financial Statements and Exhibits.

(a), (b)

The Company filed the required historical financial information regarding RF LLC and the Carve-Out Business and required pro forma condensed consolidated financial information regarding the Company, giving pro forma effect to the Acquisition and certain related transactions, as Exhibits 99.2, 99.3 and 99.4 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2016.



Exhibits 99.2, 99.3 and 99.4 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2016 are incorporated herein by reference.

~~Description~~

Credit  
Agreement,  
dated  
May  
2,  
2016,  
among  
Mercury  
Systems,  
Inc.,  
the  
Guarantors  
party  
thereto,  
~~the~~  
Lenders  
party  
thereto  
and  
Bank  
of  
America,  
N.A.,  
as  
Administrative  
Agent  
and  
Collateral  
Agent.  
Press  
Release,  
dated  
May  
2,  
~~2016~~  
2016,  
of  
Mercury  
Systems,  
Inc.  
~~99.2~~  
99.2  
Business  
audited

consolidated  
balance  
sheets  
as  
of  
September  
27,  
2015  
and  
September  
28,  
2014,  
and  
the  
related  
consolidated  
statements  
of  
operations  
and  
comprehensive  
income,  
consolidated  
statements  
of  
changes  
of  
invested  
equity  
and  
consolidated  
statements  
of  
cash  
flows  
for  
the  
years  
ended  
September  
27,  
2015,  
September  
28,  
2014  
and  
September  
29,  
2013  
(incorporated  
by

reference  
to  
Exhibit  
99.2  
of  
the  
Registrant's  
Current  
Report  
on  
Form  
8-K  
filed  
with  
the  
Securities  
Exchange  
Commission  
on  
April  
4,  
2016).  
~~99.3~~ 99.3  
Pro-  
Out  
Business  
unaudited  
interim  
consolidated  
balance  
sheets  
as  
of  
January  
3,  
2016  
and December  
28,  
2014  
and  
the  
related  
unaudited  
consolidated  
statements  
of  
operations  
and  
comprehensive  
income  
and  
consolidated  
statements

of  
cash  
flows  
for  
three  
months  
ended  
January  
3,  
2016  
and  
December  
28,  
2014  
(incorporated  
by  
reference  
to  
Exhibit  
99.3  
of  
the  
Registrant's  
Current  
Report  
on  
Form  
8-K  
filed  
with  
the  
Securities  
Exchange  
Commission  
on  
April  
4,  
2016).  
~~Mer~~cury  
Systems,  
Inc.  
unaudited  
pro  
forma  
condensed  
consolidated  
balance  
sheet  
as  
of  
December



31,  
2015,  
the  
unaudited  
pro  
forma  
condensed  
consolidated  
statements  
of  
operations  
for  
the  
six  
months  
ended  
December  
31,  
2015  
and  
the  
unaudited  
pro  
forma  
condensed  
consolidated  
statement  
of  
operations  
for  
the  
year  
ended  
June  
30,  
2015  
(incorporated  
by  
reference  
to  
Exhibit  
99.4  
of  
the  
Registrant's  
Current  
Report  
on  
Form  
8-K  
filed

with  
the  
Securities  
Exchange  
Commission  
on  
April  
4,  
2016).

---

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 thereunto duly authorized.

Dated: May 2, 2016    MERCURY SYSTEMS, INC.

By: /s/ Gerald M. Haines II  
Gerald M. Haines II  
Executive Vice President, Chief Financial Officer and Treasurer

---

Exhibit Index

~~Exhibit~~  
Description

Credit  
Agreement,  
dated  
May  
2,  
2016,  
among  
Mercury  
Systems,  
Inc.,  
the  
Guarantors  
party  
thereto,  
~~file 1~~  
Lenders  
party  
thereto  
and  
Bank  
of  
America,  
N.A.,  
as  
Administrative  
Agent  
and  
Collateral  
Agent.  
Press  
Release,  
dated  
May  
2,  
~~2016~~  
2016,  
of  
Mercury  
Systems,  
Inc.  
~~2016~~  
2016  
Carve-Out  
Business  
audited  
consolidated  
balance  
sheets

as  
of  
September  
27,  
2015  
and  
September  
28,  
2014,  
and  
the  
related  
consolidated  
statements  
of  
operations  
and  
comprehensive  
income,  
consolidated  
statements  
of  
changes  
of  
invested  
equity  
and  
consolidated  
statements  
of  
cash  
flows  
for  
the  
years  
ended  
September  
27,  
2015,  
September  
28,  
2014  
and  
September  
29,  
2013  
(incorporated  
by  
reference  
to  
Exhibit

99.2  
of  
the  
Registrant's  
Current  
Report  
on  
Form  
8-K  
filed  
with  
the  
Securities  
Exchange  
Commission  
on  
April  
4,  
2016).  
~~99.3~~  
Drive-Out  
Business  
unaudited  
interim  
consolidated  
balance  
sheets  
as  
of  
January  
3,  
2016  
and December  
28,  
2014  
and  
the  
related  
unaudited  
consolidated  
statements  
of  
operations  
and  
comprehensive  
income  
and  
consolidated  
statements  
of  
cash  
flows

for  
three  
months  
ended  
January  
3,  
2016  
and  
December  
28,  
2014  
(incorporated  
by  
reference  
to  
Exhibit  
99.3  
of  
the  
Registrant's  
Current  
Report  
on  
Form  
8-K  
filed  
with  
the  
Securities  
Exchange  
Commission  
on  
April  
4,  
2016).  
~~Mercury~~  
Systems,  
Inc.  
unaudited  
pro  
forma  
condensed  
consolidated  
balance  
sheet  
as  
of  
December  
31,  
2015,  
the

unaudited  
pro  
forma  
condensed  
consolidated  
statements  
of  
operations  
for  
the  
six  
months  
ended  
December  
31,  
2015  
and  
the  
unaudited  
pro  
forma  
condensed  
consolidated  
statement  
of  
operations  
for  
the  
year  
ended  
June  
30,  
2015  
(incorporated  
by  
reference  
to  
Exhibit  
99.4  
of  
the  
Registrant's  
Current  
Report  
on  
Form  
8-K  
filed  
with  
the  
Securities



Exchange  
Commission  
on  
April  
4,  
2016).