

PORTA SYSTEMS CORP
Form 8-K
October 06, 2006

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549-1004**

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):
October 3, 2006**

Porta Systems Corp.
(Exact name of registrant as specified in its charter)

Commission File Number: 1-8191

Delaware
(State or other jurisdiction of
incorporation or organization)

11-2203988
(IRS Employer Identification No.)

6851 Jericho Turnpike, Syosset, New York
(Address of principal executive offices)

11791
(Zip Code)

516-364-9300
(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:

- 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 October 3, 2006, the Company entered into an agreement with SHF IX, LLC, which amended its Amended and Restated Loan and Security Agreement, dated as of November 28, 1994, as amended, to extend the maturity of the Company's senior debt to November 30, 2006, subject to the Company's reaching an agreement with the senior debt holder and attaining certain milestones discussed in the following paragraph. The agreement provides for monthly payments of \$112,500 to the senior debt and provides for the Company to pay the legal expenses and certain other expenses of the senior debt holder. As part of the extension, the senior debt holder agreed to continue the current deferral of interest on most of the senior debt.

As a condition to the extension, the Company agreed to continue to take steps to effect a restructuring of the senior debt in a manner which results in a reduction of a significant portion of the senior debt and the issuance of equity to the senior debt holder. Additionally, the Company would attempt to achieve a restructuring of debt which is junior to the senior debt. The agreement requires that the Company reach an agreement with the senior debt holder for such restructuring by October 31, 2006 and to meet certain other milestones directed at effecting such restructuring. If the Company does not reach an agreement with the senior debt holder by October 31, 2006 or otherwise fails to achieve the milestones, the senior debt holder has the right to immediately accelerate the maturity date.

As previously announced, the Company has retained an investment banker and is actively seeking an investor. Company cannot give any assurance that it will be able to obtain an investor on terms that are acceptable to the senior debt holder or otherwise reach an agreement with the senior debt holder regarding a restructuring of the senior debt. In the event that the Company is successful in negotiating an agreement with an investor and the senior debt holder, it is likely that the Company will be required to issue a significant number of shares of common stock or convertible securities which would result in very significant dilution to the Company's present stockholders. However, the Company cannot give any assurance that any such restructuring will be consummated outside of bankruptcy reorganization.

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.

Porta Systems Corp.

Date: October 6, 2006

By: /s/ Edward B. Kornfeld
Edward B. Kornfeld
Chief Executive Officer
Chief Financial Officer