S&P Global
Market Intelligence

Blonder Tongue Laboratories, Inc.
AMEX:BDR
FQ4 2019 Earnings Call Transcripts

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S&P Global Market Intelligence Estimates

	-FQ3 2018-
	ACTUAL
Revenue (mm)	5.63

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EXECUTIVES

Edward Rowland Grauch
President & CEO

Eric S. Skolnik
Senior VP, CFO, Treasurer & Secretary

ATTENDEES

Unknown Attendee

Presentation

Operator

Greetings. Welcome to the Blonder Tongue Fourth Quarter 2019 Earnings Call. [Operator Instructions]

I will now turn the conference over to your host, Ted Grauch. You may begin.

Edward Rowland Grauch
President & CEO

Great. Thank you. Good morning, everybody. Welcome to Blonder Tongue's 2019 Q4 and Full Year Financial Reporting Conference Call. Thank you for joining us this morning. And I'd like to take a moment to thank the entire Board of Directors and our management team for putting their trust in me in my new role as President and CEO since January 1 this year.

Before we begin our presentation, I'd like to remind all callers that my statements and those made by other Blonder Tongue representatives speaking today will contain forward-looking statements regarding future events, including the management's view of our prospects, financial performance, technology -- technological developments and the evolving trends in the marketplace.

As you know, the future is impossible to predict. So I caution you that actual results may differ from those that may be projected in our comments this morning. For additional information concerning factors that could cause actual results to differ from the information that we will be discussing this morning, I would ask you to refer to our prior SEC filings, including our 10-Q filings for the first, second and third quarters of 2019 as well as for prior years, our upcoming 10-K for 2019 and for past years 2018 and 2017 and our 8-Ks.

With me today are Steve Shea, Chairman of the Board of Blonder Tongue Laboratories; and Eric Skolnik, our Chief Financial Officer and Senior Vice President. Our remarks will follow in the same sequence. Following our presentations, all of us will be available to answer any questions you might have during the Q&A session.

Blonder Tongue completed 2019 with net sales of $19,842,000, which was a decrease of 8.6% below the $21.7 million we reported for 2018. These reduced sales resulted in a net loss of $742,000 contrasted with a net loss of $1.339 million in 2018. These losses were a direct result of reduced sales volumes in DOCSIS-compliant modem and CMTS products as well as declines in a particular line of digital video and coding products and traditional HFC distribution technology. Those losses were partially compensated for by an increase in sales in our NXG digital video signal processing platform and our new CPE set-top box systems initiative.

These results are in no way acceptable to the company, its management or to our Board of Directors. The company has already taken a number of measures to improve our future performance and are planning and currently implementing additional changes, some of which we will touch on during the call today. Although the overall results in 2019 were not acceptable, the company did have a number of specific positive accomplishments and successes during the year that we are building on for 2020 and that we consider significant towards achieving our short- and mid-term goals.

But before we get into specific actions taken as a result of our 2019 performance, I would like to cover details of the company's status and what we've been dealing with regarding the current COVID-19 situation. Blonder Tongue falls into an essential business category due to our U.S.- based manufacturing, engineering design and sales of telecommunications equipment. That equipment goes out to a large number of telephone, cable and municipal fiber optic service operators around the country, both large and small. The company has been able to remain open for business through the crisis.

Beginning in very early February, the company began implementing enhanced cleaning and disinfecting processes on a daily basis at our primary manufacturing and headquarters facility in Old Bridge, New Jersey. The team has been updating those cleaning and precautionary practices on a constant basis over the last 2 months, as additional information about the virus and its attributes have been better understood and reported.

Additionally, in early March, we moved all roles capable of being performed as work-from-home to be done from home company-wide and adapted our operational processes accordingly. I'd like to thank our Vice President of Operations and Head of Manufacturing, Allen Horvath for his foresight on these topics and to all his staff for all the proactive actions that they took while the pandemic was in its early stages in the U.S.

I would also like to specifically mention and say a special thanks to our manufacturing, warehouse and shipping staff, to their direct management and to our process and industrial engineers and our service and support teams for their extraordinary efforts during this difficult time, keeping our factory running and fulfilling orders. These are all clearly jobs and positions that cannot be accomplished working from home. And I'd like to thank those staff for adapting to the difficult situations imposed on them during this ongoing crisis. It's these critical staff who have allowed us to keep running.

Also, our thoughts and prayers go out to the families in New Jersey, in nearby New York and all around the country who have been directly impacted by this horrible disease.

As a result of our poor performance during 2019, the company began an active program in Q2 last year to identify and implement operational expense reductions and find ways to operate the business more efficiently. At the same time, we implemented significant sales team reorganizations and increased marketing efforts to support the range of new products and product features that we released during the year last year and preparing for those planned for 2020.

During the second half of the year last year, we incrementally reduced our OpEx by approximately $200,000 per month, and we have continued this work further in Q1 2020, ahead of the current COVID related situation. Although this work is not yet complete, we continue to develop further initiatives for balancing our OpEx with our projected revenue streams in 2020, and we are prepared to implement all possible actions towards ensuring the company returns to a predictable profitability as soon as the current market conditions allow.

As COVID-related business impacts go, it's been a daily and weekly developing situation over the last 2 months. And we begin to see a small but specific -- sorry, we began to see a small but specific attributable slowdown in sales during the last week of February. That small initial impact grew each week through March and ultimately yielded an approximate 30% to 35% reduction in revenues last month versus our forecast. We have immediately responded to that impact with a combination of short-term-oriented expense reductions, including voluntary compensation reductions by all the company's management team, and we've delayed investments and costs.

We've also begun a process of renegotiating several supplier agreements for the specific purpose of allowing us to preserve operating capital and maintaining higher liquidity in the short term to help us through the immediate health and social crisis.

On a positive note, the company has continued to be in very active and open and encouraging discussions with most of our service operator, distributor and integrator customers. By our last count, over 90% remained open for business and actively engaging with us on new purchases, new product and clinical discussions as well as prospective new programs, many of which are being planned -- are planned to deploy during the recovery period we expect.

Further to this, the company separately announced this morning about closing yesterday afternoon of an $800,000 financing round in the form of a subordinated debt, 100% of which has been committed by a combination of company management and Board members. We are also in the process of evaluating additional financing options. Our CFO, Eric Skolnik, will cover details of this raise and associated benefits we've gained with our senior lender and more precise details following my remarks.

The company has additionally been focused on understanding all potential government resources and programs recently made available for companies just like Blonder Tongue Labs dealing with the current crisis in the financial markets. We completed over last weekend and submitted an application this past Monday for the federal government's CARE (sic) [CARES] Act Paycheck Protection Program for a requested amount just over $1.7 million, that number being based upon -- calculated by us based on government guidelines. That application included a complete package of extensive supporting documentation.

I do need to caution that the Paycheck Protection Program details, rules and requirements and the individual bank underwriting policies have been fast-moving topics. Both the company and local banks who are administering the program on behalf of the federal government have been on a steep learning curve since early last week.

We can currently offer no assurances or guarantee to ourselves or our investors that Blonder Tongue will be supplied with any of these funds or any other government funds yet. Because of the material amounts involved in this program, we will be providing additional status and other information in the appropriate form: filings, press releases or both as we learn more. And I want to emphasize that we will be running the business now and going forward in the most conservative way possible under the assumption that we will not receive any additional funding sources.

During 2019, the company did accomplish a number of strategically important items, including expanded direct sales of our NXG digital signal processing platform to a number of large- and medium-sized service operators as well as product qualifications and significant progress in the sales process with additional Tier 1 and Tier 2 operators.

We also completed and began to ship at the end of Q4 our world-class ClearView line of IP video transcoders that deliver fantastic video quality, high reliability and digital television compatibility features at an extremely competitive price point. Those are being actively shipped into a number of headend facilities around the country, and we anticipate that the ClearView products have the potential to regain at least a portion of our diminished sales in that sector that we lost in 2019.

Our CPE program began shipping products to customers in February of 2019, and over the following 10 months, we secured direct business with over 45 different service operators. Although CPE has not yet contributed material profitability to the company, it has been important in repositioning the company more squarely as a provider of systems above and beyond our extremely high-quality and reliable transmission and signal processing equipment. We have since been in the process of promoting to those 45 new customers the wider range of Blonder Tongue equipment for managing their future video and high-speed data service delivery needs.

For 2020, we have begun programs aimed at streamlining and greatly improving our working relationships with all our major distribution channel and integration company customers. These are great companies that Blonder Tongue has, in some cases, multiple decade relationships with and who continue to be key partners in our potential future growth. These programs are in progress now with a fundamental goal of increasing the predictability of those portions of our revenue streams.

Now I would like to turn the call over to our Chief Financial Officer, Eric Skolnik. Eric?

Eric S. Skolnik
Senior VP, CFO, Treasurer & Secretary

Thank you, Ted. Net sales decreased $396,000 or 7.3% to $5,045,000 for the fourth quarter of 2019 from $5,441,000 for the comparable period in 2018. Net loss for the 3 months ended December 31, 2019, was a loss of $3,842,000 or a loss of $0.41 per share compared to a loss of $742,000 or $0.09 per share for the comparable period in 2018.

The decrease in sales is primarily attributed to a decrease in sales of DOCSIS data products, digital video headend products, HFC distribution products and analog video headend products, offset by an increase in sales of NXG IP video signal processing products and CPE products. Sales of DOCSIS data products were $828,000 and $1,017,000. Digital video headend products were $1,232,000 and $2,409,000. HFC distribution products were $637,000 and $872,000. Analog video headend products were $283,000 and $427,000. NXG products were $378,000 and $186,000. And CPE products were $1,286,000 and 0 in the fourth 3 months of 2019 and 2018, respectively.

During the fourth quarter of 2019, the company, in conjunction with the introduction of its new product lines, reevaluated its existing inventory levels. Accordingly, the company wrote $2,327,000 of inventory value, which reduced the gross margin to a gross margin loss of $1,196,000 in the fourth quarter.

For the year ended December 31, 2019, net sales decreased $1,865,000 or 8.6% to $19,842,000 in 2019 from $21,707,000 in 2018.

Net loss for the 12 months ended December 31, 2019, was a loss of $742,000 or an $0.08 loss per share compared to a loss of $1,339,000 or a loss of $0.15 per share for the comparable period in 2018. The decrease in sales is primarily attributed to a decrease in sales of DOCSIS data products and digital video headend products, offset by an increase in sales of NXG products and CPE products.

Sales of DOCSIS data products were $2,817,000 and $4,583,000. Digital video headend products were $6,714,000 and $10,308,000. NXG products were $913,000 and $186,000. And CPE products were $3,977,000 and 0 in the 12 months of 2019 and 2018, respectively.

As the company previously announced, it has delayed the filing of its annual report on Form 10-K for the year ended December 31, 2019, its annual report, in reliance on the extensive -- excuse me, on the reliance on the extension provided by the SEC in light of COVID-19 development. The company plans to file its annual report as soon as practicable. In the annual report, the company expects that the report of its independent registered public accounting firm will include a going-concern qualification.

Although the company has actively taken steps to address operating expenses and liquidity and announced today completion of a financing and a favorable modification to its agreement with its senior lender, there can be no assurance that those actions and others the company intends to take in the future will be sufficient to address the concerns related to the going-concern opinion.

Regarding the above-mentioned financing efforts and as Ted has mentioned, the company entered into a Senior Subordinated Convertible Loan and Security Agreement, the Loan Agreement, with certain investors, the lenders. Pursuant to the loan agreement, the lenders have agreed to provide the company with a term loan facility, the facility, including an initial aggregate Tranche A loan commitment of $800,000, of which $600,000 was advanced at closing on April 8, 2020, and $200,000 will be advanced at a later date.

The loan agreement allows for up to $700,000 of additional loans under the facility, subject to a maximum aggregate amount of $1,500,000 upon the mutual agreement of the parties. The lenders who are directors and executive officers of the company or their affiliates are not obligated to provide loans in excess of the $800,000 committed and/or advanced at closing. The loan agreement has a 3-year term. Interest on loans will accrue at 12% per annum compounded monthly and is payable monthly in kind by the automatic increase of the principal amount of the loans by the amount of the accrued interest payable for the month.

At maturity, the company is obligated to pay the lenders the accreted principal balance of the loans plus any other accrued unpaid interest. The lenders will have the option of converting the principal balance of the loan held by each of them in whole, unless otherwise agreed by the company, into shares of the company's common stock. The conversion price will be determined based upon the volume weighted average trading price of the company's common stock on the NYSE American during the 5 trading days preceding the date of the loan agreement.

A different conversion price may apply to amounts loaned under the facility following the date of the $800,000 initial tranche. The conversion rate is restricted to limit the number of shares issuable upon conversion until the company receives stockholder approval pursuant to applicable NYSE American rules. The company expects to obtain stockholder approval at its June 11, 2020, Annual Meeting of Stockholders.

The company also announced that it and its wholly owned subsidiary, R. L. Drake Holdings, LLC, entered into a consent and amendment to loan agreement and loan documents, the amendment, with MidCap Business Credit LLC, MidCap, the company's existing senior secured lender. The amendment amends the October 25, 2019, loan and security agreement between the parties and provides for the removal of a $400,000 availability block, subject to its reimposition at the rate of $6,666.66 per calendar month, commencing on June 1, 2020. Removal of the block is subject to certain conditions, including the company securing additional equity or debt financing with the financing under the facility described above meeting the requirements of such removal.

Also, we would like to report that the company has applied for a loan for approximately $1.7 million under the Paycheck Protection Program, PPP. The PPP authorizes up to $349 billion in forgivable loans to small businesses to pay their employees during the COVID-19 crisis. The loan or a portion thereof could be forgivable if the company uses the funds for qualified payroll and occupancy costs in the 8-week period succeeding the loan proceeds. The remaining balance of the loan will be payable over 2 years with the first 6 months deferred. The loan would be unsecured and bear interest at 1% per annum. There could be no assurances that the company will receive a loan nor can there be any assurances that any proceeds of the loan will be forgivable.
Now I'd like to open the call up to our question-and-answer session.

Question and Answer

Operator

[Operator Instructions] And our first question is from [Gregory Irvin].

Unknown Attendee

Wow, what a difficult time?

Edward Rowland Grauch
President & CEO

Yes. For everyone.

Unknown Attendee

Let's see, where to begin? Number one, I hope we can get the Paycheck Protection loan, given that it's forgivable? Have there been layoffs?

Edward Rowland Grauch
President & CEO

We've made a combination of operating expense reductions, including targeted efficiency-oriented layoffs last year, and we continued those in the early part of this year. They were very selective and very targeted towards our efficiency goals. And those all preceded us coming to understand the potential and now real impacts of the COVID situation. Since we recognized the impacts of the COVID situation, we've since taken very specific nonefficiency-oriented, but very specific targeted short-term layoffs and furloughs related to match the level of business that we continue to see through March that I mentioned earlier in my remarks. So yes, we have.

Unknown Attendee

Would the ability to get the loan from the Paycheck Protection Program, would that cover -- I guess it wouldn't cover the layoffs or reductions that may have occurred last year, but the ones that you may have to implement now?

Edward Rowland Grauch
President & CEO

So again, all the actions we took that were specific to the current COVID-related situation, we took them and they've been communicated to our employees and our staff and our management as very specific short-term actions. The PPP program is giving us the ability to potentially receive some relief in the short term to potentially get us through the, I think in theory, the bulk of the potential impact to the market. So at least I believe that's what the government's intentions are. So our planning revolves directly around that intention of the program. And it also wraps directly around what we will be committed to the government in doing if we receive those funds, and that is to run the business, reverse all of the short-term-related actions that we have on our current staff and run the business at full capacity for the period to help relieve the pressure on the economy and work towards the stated goal of trying to get the economy recovered as quickly as possible. That is our plan, and all the actions that we've done in the short term related to furloughs and short-term layoffs are reversible with very short notice.

Unknown Attendee

Well, that's good to hear. Have -- in the cutback of operating expenses, have -- has that -- have you had to cut into the R&D that may affect the ability to design and roll out products -- needed products in the market?

Edward Rowland Grauch
President & CEO

We've done some, but we've been extremely careful to ensure that the impacts are minimal, and we've done a lot of work talking to our employees related to those reductions. They've been taken with incredible care to ensure that the impact is exactly what it's intended to be, which is very short term, very targeted and that we can recover rapidly after we see the ramp. When we can better predict what we think the ramp is going to look like on the other side of this, we'll be able to recover that capability as quickly as possible. I don't want to go into specific details, but we've done it in the smallest way possible and in the most careful way possible.

Unknown Attendee

The -- do we -- relatedly, do we have the products to match customer needs now? I know there was some discussion of this on the last call. Given that change, the technology transition that I assume is still occurring, are we still able, in the feedback that you get from customers and potential customers, able to meet their needs with the current product lines and the lines under development?

Edward Rowland Grauch
President & CEO

Well, we believe we are meeting their needs, and we're finishing up what we believe are the final sort of straggling features and functions of our NXG product line right now. Those extend to the support of traditional analog television for output on our NXG. They extend to some other sort of affiliated. Frankly, I'd wrap a lot of them up into sort of loose-ends category. The -- we'll be coming out with that capability approximately midyear. We're working on an HD-SDI capability. So all the remaining features and functions of NXG in particular are all based on specific, both large- and medium-sized, customer requests. So we know there's an immediate market for every one of those features and functions we're developing now and we'll be able to ship those products as soon as they're finished in the R&D cycle. So if you fast forward to the Q3 time frame, we're roughly expecting -- I cannot foresee any additional features and functions of NXG that will remain on the road map after Q3 this year, at the current time. So that really gets us to a big milestone, which is not that we can't sell NXG today, but -- because we are, and we're making great sales progress with customers. We're making good actual sales progress with customers. But there are those couple of loose ends that are sort of check, checks and check boxes that qualify us for finishing some sales cycles that we're in the middle of right now. I think beyond that then, we're mostly focused on wrapping up the transcoding features and functions. We launched a great product line at the end of last year called ClearView. That's been -- we've had a great initial success with that. A bunch of customers have lined up current and potential sales. So that's all looking good. So did I answer your question fully?

Unknown Attendee

Yes. What did you think will be the major drivers going forward as far as product lines go? I ask this because it looks like we had a sort of a flattening in growth of the set-top box initiative, which I presume might have shown incremental growth over the quarter, but failed to do so. That's why I ask what are you banking on as far as product lines go for growth over the next, let's say, the remainder of the year?

Edward Rowland Grauch
President & CEO

Right. So I'll break apart banking on versus upside potential. So what the company is banking on is that our newest video and data transmission equipment in the form of our NXG, our ClearView product, our BIDA products, our CMTS products and some other products show good signs of growth this year, and those are the things we're currently banking on in the current internal company forecasts and planning. The other products, such as CPE, bring a lot of strategic value. They have the potential for being an interesting business on their own. And we're working on those actively, but we're not relying on reluctant those to happen in order to fund the business or fund the growth.

Unknown Attendee

Going -- as you mentioned, going to the CPE sales, there was one sentence in your paragraph today that -- let me read that. It's provided a material -- it hasn't yet provided the material impact that's expected, but it's better positioned the company for future system sales versus individual or function-by-function sales. Could you elaborate a little more on that?

Edward Rowland Grauch
President & CEO

Sure. I mean the history of the company -- put really simply, the history of the company has been to providing really high quality, high reliability, great value-oriented U.S.-built transmission equipment. And so when you're a systems operator like a big Tier 1 or Tier 2 cable or telco or municipal fiber company, you're delivering an entire system, you have to put a whole system together in order to deliver service to customers. And if you're delivering data services, you've got to look at how that data gets through either your HFC or your fiber optic network all the way to the customers' home, or in the case of wireless operators, they're doing that wirelessly in some cases. And if you're video -- if you're providing video services, you've got devices in the home. If you're providing data services, you've got some devices in the home as well. So they -- the operators who are the end users of our equipment, they think of their service offering as being delivered by a complete system. We've traditionally, as a company, picked -- choose -- chosen individual features and functions of that system that we believe we're particularly good at designing and building in mostly traditionally in the transmission side. And so it's in amplification and DOCSIS technology, and it's been encoding -- video encoding, MPEG encoding, audio encoding. We've picked different pieces, where we believe the higher value the company can bring to shareholders in the future is by positioning the company to have both the transmission side, the distribution side and some selective elements of the in-home side where there's a high value and a high sustainable business. So that way, when a customer looks at us -- a service operator customer looks at us, they see more of a company who is looking at the total picture and is more aware of the kind of challenges, technical challenges and financial and service operating challenges that, that customer has. So they tend to treat a systems provider with a little bit higher regard and a little bit closer relationship than they do individual companies who provide individual features and functions. So over the long term, that's where we're trying to do -- bring higher value and change the kind of relationships we have with the end decision-makers in the industry.

Unknown Attendee

I assume then that, that's meant some reorientation of marketing -- sales, marketing as well as manufacturing -- in-house manufacturing as you change your focus or your presentation to various customers?

Edward Rowland Grauch
President & CEO

It's -- quite frankly, it has not been a huge change within the company, and the costs that we took on when we took on that product have been counterbalanced by the margins that we got on that incremental revenue. So -- I mean I think what we have -- what's helped us in that transmissions we -- in that transition, I should say, which is not complete yet. But what helped us through that change was we have a number of staff that have backgrounds at the systems level. So we already kind of had some untapped resources to apply from a knowledge base perspective in that area. Incrementally, we only added a few staff.

Unknown Attendee

Final question, I think final for now, is the write-down in inventory. Could you comfortably say what that was? What lines that was or that -- those were, and whether you anticipate anything approaching the significance of this write-down in the future?

Edward Rowland Grauch
President & CEO

Well, I'll tell you first, but I want to hand part of this off to Eric, but I want to make sure you understand. We've done significant efforts since we recognized this issue last year to make sure it will not happen again at this kind of level. So I can't give any guarantees, but we've taken significant efforts to focus our attention to the problem, reduce it, work specifically at the kind of operational activities that will, in the future, lend themselves towards the possibility that we have higher numbers of inventory turns on a yearly basis. And that's fundamentally the kind of -- the same kind of activities that will reduce our risk of being in that situation in the future. But to answer your specific questions on product lines, Eric, do you have some data you feel like you can...

Eric S. Skolnik
Senior VP, CFO, Treasurer & Secretary

Yes. I would prefer not to move down to the actual details of that. But I agree with everything that Ted said from a prospective basis that we take in steps necessary to assure that this level will not occur in the future if we're able to succeed our goals.

Unknown Attendee

Right. Well, it was obvious to me or seemingly, like, it was going to have to happen at some time because the inventory was just climbing over the last 3, 4, 5 quarters. So it's no great surprise. Just hope don't have anything as large as that again. And as you said, get things down to where the turnover is a little greater.

Edward Rowland Grauch
President & CEO

It's a critical metric going forward, it really is.

Unknown Attendee

Yes. Well, you'll have to excuse my -- I feel somewhat handicapped by not having the Q or the 10-K, but -- so -- but I assume that will be out before you report again in 5 or 6 weeks?

Edward Rowland Grauch
President & CEO

Yes.

Unknown Attendee

Along with perhaps the proxy?

Edward Rowland Grauch
President & CEO

We're not sure of the timing of the proxy yet, but it will be -- the 10-K will be first and the proxy will be after that.

Operator

[Operator Instructions] And it seems there are no more further questions at the moment. So therefore, I will hand it back over to Ted Grauch. Actually, I'm sorry, we do have one more question. We have a question from [Lloyd Sim].

Unknown Attendee

A question on the sublease. Where do we stand on that?

Edward Rowland Grauch
President & CEO

The sublease was executed, and it started in March and it's a 2-year deal. And so far, our tenant has been -- it's been successful.

Unknown Attendee

Okay. Good. And just on the SBA loan, what was the total dollar amount? Was it $7 million?

Edward Rowland Grauch
President & CEO

No, no, no, $1.7 million, $1.7 million.

Unknown Attendee

$1.1 million?

Edward Rowland Grauch
President & CEO

$1.7 million, yes. It's a number just over $1.7 million, [Lloyd].

Unknown Attendee

Okay. And I guess, looking -- so the initial tranche on this loan, it's on a 5-day look-back. So does that assume that we're somewhere in that $0.50 to $0.60 conversion rate, I guess?

Edward Rowland Grauch
President & CEO

Well, yes. We're in the process of compiling the data. So we just got to -- we want to make sure that we have the correct data before we talk about the exact pricing, but yes.

Unknown Attendee

It'd be 5 days prior to April 8, correct?

Edward Rowland Grauch
President & CEO

That is correct. That's right, yes.

Unknown Attendee

Okay. And I'm just looking here. So did any of the management team participate in the loan, or is it just Board members?

Edward Rowland Grauch
President & CEO

Yes. They both did.

Eric S. Skolnik
Senior VP, CFO, Treasurer & Secretary

Yes -- go ahead, Ted.

Edward Rowland Grauch
President & CEO

I was just saying, both management and Board members, yes.

Unknown Attendee

Okay. Because I'm just looking at the 8-K here, I didn't see anyone on the management side. I don't know if it's under a different entity. I assume it is. Perhaps we can talk offline about that.

Eric S. Skolnik
Senior VP, CFO, Treasurer & Secretary

Yes. It's -- there are different vehicles that were used to make the investment.

Unknown Attendee

Okay. Great. The -- so total amount here, 12% per annum -- have you thought about doing a shareholders' rights offering?

Eric S. Skolnik
Senior VP, CFO, Treasurer & Secretary

No. We haven't.

Unknown Attendee

How come?

Eric S. Skolnik
Senior VP, CFO, Treasurer & Secretary

We have -- we had to raise the money fairly quickly. A rights offering is a very expensive endeavor, and it requires mailing the shareholders and printing out the legal documents. Probably have to do an S-1/2, that's $0.25 million. That wasn't in -- that's not in the cards right now.

Unknown Attendee

But you're going to be mailing out the proxy and the annual report anyway, so it could be contained as part of that, correct?

Eric S. Skolnik
Senior VP, CFO, Treasurer & Secretary

Yes. But an S-1 filing is a different story. There's all kinds of reps and warranties and legal work that goes in that. It's a minimum cost of $0.25 million to file an S-1, and that's what you'd have to do for a rights offering.

Unknown Attendee

In terms of allowing your shareholders to participate, I guess, in the upside without getting the dilution, any suggestions there or anything that you'd be looking at?

Eric S. Skolnik
Senior VP, CFO, Treasurer & Secretary

Well, accredited investors, we have an investment banking firm that is handling this for us. And if there's an accredited investor that meets the criteria of participating in a Reg D offering, that investment banker can contact that individual or that institution.

Unknown Attendee

Okay. Maybe you can supply that information?

Eric S. Skolnik
Senior VP, CFO, Treasurer & Secretary

I can, but I don't want to do it on this call.

Unknown Attendee

No. I understand.

Edward Rowland Grauch
President & CEO

So you can call us afterwards if you meet that criteria.

Operator

And it looks like we have reached the end of the question-and-answer session. And I will now turn the call back over to Ted Grauch.

Edward Rowland Grauch
President & CEO

Great. Thank you for the questions. And so I'll kind of wrap up here. As we have in prior years, myself and the whole management team and the Board would really like to thank all the dedicated Blonder Tongue Labs' team members for their continued efforts and accomplishments, especially for continuing to work through these very difficult current COVID-related circumstances that have been impacting everyone in the company in different ways. It is the Blonder Tongue people that are responsible for our fantastic product reputation, our product, high reliability, great technology and overall value.

Thank you all for participating in the Blonder Tongue financial reporting teleconference today. We look forward to speaking with you at the next teleconference. Thank you.

Operator

And this concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.

Eric S. Skolnik
Senior VP, CFO, Treasurer & Secretary
Thanks very much.