

DIGITAL ANGEL CORP
Form SC 13D/A
August 14, 2007

OMB APPROVAL
OMB Number: 3235-0145
Expires: February 28, 2009
Estimated average burden
hours per response...14.5

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 13D

**Under the Securities Exchange Act of 1934
(Amendment No. 10)***

Digital Angel Corporation
(Name of Issuer)
Common Stock - \$0.005 par value
(Title of Class of Securities)

58449P 10 1

(CUSIP Number)

Michael Krawitz
Applied Digital Solutions, Inc.
1690 South Congress Avenue, Suite 200
Delray Beach, Florida 33445
(561) 805-8000
(561) 805-8001

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890-0001
Attention: Corporate Trust Administration
Tel: (302) 651-1000
Fax: (302) 636-4140

(Name, Address and Telephone Number of Person Authorized to
Receive Notices and Communications)

August 8, 2007

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. o

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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NAMES OF REPORTING PERSONS:

Applied Digital Solutions, Inc. ("ADS")

1

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY):

43-1641533

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS):

2

(a) ☐

(b) ☐

SEC USE ONLY:

3

SOURCE OF FUNDS (SEE INSTRUCTIONS):

4

N/A

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e):

5

☐

CITIZENSHIP OR PLACE OF ORGANIZATION:

6

Delaware

SOLE VOTING POWER:

7

NUMBER OF 23,573,788

SHARED VOTING POWER:

SHARES
BENEFICIALLY OWNED BY 8

1,000,000 (1)

EACH REPORTING PERSON	9	SOLE DISPOSITIVE POWER: 23,573,788
WITH	10	SHARED DISPOSITIVE POWER: 1,000,000 (1)

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

24,573,788

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS):

o

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11):

55.0%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS):

CO

(1) The voting and dispositive powers of these ADS-owned shares of Digital Angel Corporation common stock are shared with the Digital Angel Share Trust under the terms of an Amended and Restated Trust Agreement.

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NAMES OF REPORTING PERSONS:

Digital Angel Share Trust

1

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY):

45-6117433

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS):

2

(a) ☐

(b) ☐

SEC USE ONLY:

3

SOURCE OF FUNDS (SEE INSTRUCTIONS):

4

N/A

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e):

5

☐

CITIZENSHIP OR PLACE OF ORGANIZATION:

6

Delaware

SOLE VOTING POWER:

7

NUMBER OF 0

SHARED VOTING POWER:

SHARES
BENEFICIALLY OWNED BY 8

1,000,000

EACH REPORTING PERSON	9	SOLE DISPOSITIVE POWER:
		0

WITH	10	SHARED DISPOSITIVE POWER:
		1,000,000

11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:
	1,000,000

12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS):
	o

13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11):
	2.2%

14	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS):
	OO

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This Amendment No. 10 to Schedule 13D amends and supplements the Schedule 13D with respect to the shares of common stock, par value \$0.005 per share (the Shares), of Digital Angel Corporation (the Issuer). The Schedule 13D is hereby amended and supplemented as follows:

Item 3. Source and Amount of Funds or Other Consideration.

No payments were made by or on behalf of Applied Digital Solutions, Inc., a Delaware corporation (Applied Digital), in connection with the execution of the Merger Agreement, as such term is defined below. The source and amount of consideration under the terms of the Merger Agreement described in Item 4. Purpose of Transaction Applied Digital is herein incorporated by reference. The Merger Agreement is incorporated by reference herein by reference to Exhibit 2 attached hereto.

Item 4. Purpose of Transaction.

Digital Angel Share Trust

The Advisory Board of the Digital Angel Share Trust has instructed the Digital Angel Share Trust (the Trust) to release the remaining 1,000,000 Shares held in the Trust and to transfer the Shares to Applied Digital. Once the transfer is effected, the Advisory Board of the Trust plans to cause the dissolution of the Trust.

Applied Digital

On August 9, 2007, Applied Digital and the Issuer issued a joint press release announcing the signing of an Agreement and Plan of Reorganization (the Merger Agreement) by and among Applied Digital, the Issuer and Digital Angel Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of Applied Digital (the Acquisition Subsidiary), pursuant to which the Acquisition Subsidiary will be merged with and into the Issuer, with the Issuer surviving and becoming a wholly-owned subsidiary of Applied Digital (the Merger).

Upon the consummation of the Merger, each outstanding share of the Issuer s common stock not currently owned by Applied Digital (or its affiliates) will be converted into 1.4 shares of common stock of Applied Digital. This amount represents a premium for the Issuer s common stock of approximately 21% over the average closing price of Applied Digital and the Issuer s stock as of the previous twenty trading days ending on August 7, 2007.

Each of the boards of directors of Applied Digital and the Issuer unanimously approved the Merger Agreement, based on the unanimous recommendation of the special committee of independent directors of the applicable company. The special committees for Applied Digital and the Issuer each retained independent legal and financial advisors to advise its respective committee. The Issuer hired Seven Hills Partners LLC and Applied Digital hired Duff & Phelps, LLC to provide fairness opinions in connection with the transaction.

Consummation of the transaction remains subject to customary conditions, including the approval of the issuance of shares in connection with the merger by the stockholders of Applied Digital, approval of the agreement by a majority of the stockholders of the Issuer and by a majority of the minority stockholders of the Issuer, and a registration statement being declared effective by the Securities and Exchange Commission.

The parties have made customary representations and warranties in the Merger Agreement and agreed to certain customary covenants, including covenants regarding operation of the businesses of the companies and their subsidiaries prior to the closing.

The Merger Agreement contains certain termination rights for each of Applied Digital and the Issuer and further provides that, upon termination of the Merger Agreement under specified circumstances, either Applied Digital or the Issuer may be required to pay an expense reimbursement of up to \$750,000.

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A copy of the Merger Agreement is attached hereto as Exhibit 2. The description of certain terms of the Merger Agreement set forth herein does not purport to be complete and is qualified in its entirety by the provisions of the Merger Agreement.

Except as set forth in this Item 4, the Reporting Persons have no present plans or proposals that relate to or that would result in any of the actions specified in clauses (a) through (j) of Item 4 of Schedule 13D.

Item 5. Interest in Securities of the Issuer.

(a) and (b). As of August 13, 2007, Applied Digital is the beneficial owner of 24,573,788 shares of the Issuer's common stock, or approximately 55.0% of the Issuer's common stock outstanding. Applied Digital shares voting and dispositive power with the Trust over 1,000,000 of these shares, or 2.2% of the Issuer's common stock outstanding. Applied Digital has sole voting and dispositive power with respect to 23,573,788 of the shares, or 52.8% of the Issuer's common stock outstanding. Upon dissolution of the Trust, Applied Digital will have sole voting and dispositive power with respect to the 1,000,000 shares currently held in the Trust.

Currently, Applied Digital claims beneficial ownership with respect to all 24,573,788 shares for purposes of Section 13(d) of the Securities Exchange Act of 1934 or for any other purpose.

(c). Applied Digital and the Trust have not engaged in any transactions in the Issuer's common stock during the past 60 days.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.

The terms of the Merger Agreement described in Item 4. Purpose of Transaction Applied Digital is herein incorporated by reference.

Item 7. Material to be Filed as Exhibits.

All exhibits to the original Schedule 13D, as amended, are incorporated herein by reference. Attached hereto as exhibits are the following documents:

Exhibit 1 Joint Filing Agreement

Exhibit 2 Agreement and Plan of Reorganization dated August 8, 2007, among Applied Digital Solutions, Inc., Digital Angel Corporation, and Digital Angel Acquisition Corp.

SIGNATURE

After reasonable inquiry and to the best of our knowledge and belief, we certify that the information set forth in this statement is true, complete and correct.

Date: August 14, 2007

APPLIED DIGITAL SOLUTIONS,
INC.

By/s/ Lorraine M. Breece

Name: Lorraine M. Breece

Title: Senior Vice President and
Acting Chief Financial
Officer

DIGITAL ANGEL SHARE TRUST

By: Wilmington Trust Company,
trustee

By/s/ Lorraine M. Breece

Name: Lorraine M. Breece

Title: Attorney-in-Fact and
Authorized Agent

Appendix A

Name and Current Business Address	Present Principal Occupation or Employment:
Daniel E. Penni 1690 South Congress Avenue Suite 200 Delray Beach, Florida 33445	Mr. Penni, age 59, serves as chairman of the board of ADS, and is chairman of the compensation committee and serves as a member of the audit, nominating and compliance and governance committees of ADS' board of directors. Presently, he is a principal with the Endowment for the 21st Century. Mr. Penni is also a member of the board of directors of ADS' majority-owned subsidiary, VeriChip, and serves as chairman of VeriChip's compensation committee and as a member of VeriChip's audit committee.
J. Michael Norris 1690 South Congress Avenue Suite 200 Delray Beach, Florida 33445	Mr. Norris, age 60, is a director of ADS and serves as a member of the audit and nominating committees of ADS' board of directors. Mr. Norris currently operates his own consulting firm.
Dennis G. Rawan 1690 South Congress Avenue Suite 200 Delray Beach, Florida 33445	Mr. Rawan, age 64, is a director of ADS, and serves as chairman of the nominating committee and as chairman of the audit committee of ADS' board of directors.
Constance K. Weaver 1690 South Congress Avenue Suite 200 Delray Beach, Florida 33445	Ms. Weaver, age 54, Ms. Weaver is a director of ADS, serves as a member of the compensation and nominating committees and as chairman of the compliance and governance committee of ADS' board of directors. Since July 2005, Ms. Weaver has served as the executive vice president and chief marketing officer for BearingPoint, Inc.
Michael E. Krawitz 1690 South Congress Avenue Suite 200 Delray Beach, Florida 33445	Mr. Krawitz, age 37, is a director of ADS and serves as ADS' chief executive officer and president.
Lorraine M. Breece 1690 South Congress Avenue Suite 200 Delray Beach, Florida 33445	Ms. Breece, age 55, is ADS' chief financial officer, senior vice president, chief accounting officer, assistant secretary and treasurer.