

DOT HILL SYSTEMS CORP

Form 8-K

August 05, 2008

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**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  
Date of Report (Date of earliest event reported): August 1, 2008**

**Dot Hill Systems Corp.**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation)

**1-13317**  
(Commission File Number)

**13-3460176**  
(I.R.S. Employer  
Identification No.)

**2200 Faraday Avenue, Suite 100, Carlsbad, CA**  
(Address of principal executive offices)

**92008**  
(Zip Code)

Registrant's telephone number, including area code: **(760) 931-5500**

**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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EXHIBIT 10.1

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On August 1, 2008, Dot Hill entered into a credit agreement with Silicon Valley Bank to provide for a revolving credit facility for cash advances and letters of credit of up to an aggregate of \$30 million based upon an advance rate of 85% of eligible accounts receivable. Borrowings under the credit facility bear interest at the prime rate and are secured by substantially all of Dot Hill's accounts receivable, deposit and securities accounts. The agreement provides for a negative pledge on Dot Hill's inventory and intellectual property, subject to certain exceptions, and contains usual and customary covenants for an arrangement of its type, including an obligation of Dot Hill to maintain at all times a net worth of \$55 million (subject to certain increases). The agreement also includes provisions to increase the financing facility by \$20 million subject to Dot Hill meeting certain requirements, including \$40 million in borrowing base for the immediately preceding 90 days, and Silicon Valley Bank locating a lender willing to finance the additional facility. In addition, if Dot Hill's cash and cash equivalents net of the total amount outstanding under the credit facility fall below \$20 million (measured on a rolling three-month basis), the interest rate will increase to prime plus 1% and additional restrictions will apply. The credit agreement is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

**Item 1.02 Termination of a Material Definitive Agreement.**

On August 4, 2008, Dot Hill terminated its credit agreement dated July 1, 2004, as amended, with Wells Fargo Bank, National Association, effective as of August 6, 2008. The material terms and conditions of the credit agreement are described in Dot Hill's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. The credit agreement was terminated as it was no longer necessary given the establishment of Dot Hill's revolving credit facility with Silicon Valley Bank. There were no early termination penalties associated with the termination of the credit agreement and no outstanding borrowings under the credit line established by the credit agreement at the time of its termination.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

**Exhibit**

<b>Number</b>	<b>Exhibit Description</b>
10.1	Loan and Security Agreement dated August 1, 2008 by and between Dot Hill Systems Corp. and Silicon Valley Bank.

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**SIGNATURE**

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.

**DOT HILL SYSTEMS CORP.**

By: /s/ Hanif I. Jamal  
Hanif I. Jamal  
*Senior Vice President, Chief Financial  
Officer and Secretary*

Date: August 5, 2008

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