

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): July 15, 2022

SCHMITT INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Oregon
(State or other jurisdiction
of incorporation or organization)

001-38964
(Commission
File Number)

93-1151989
(I.R.S. Employer
Identification Number)

2765 N.W. Nicolai Street
Portland, Oregon
(Address of principal executive offices)

97210-1818
(Zip Code)

Registrant's telephone number, including area code: (503) 227-7908

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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock – no par value	SMIT	NASDAQ Capital Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.01 Completion of Acquisition or Disposition of Assets.

As previously disclosed, on June 2, 2022, Schmitt Industries, Inc. (“Schmitt” or the “Company”) entered into a Real Estate Purchase and Sale Agreement (“Sale Agreement”), whereby Tofte Farms, LLC (“Tofte”) agreed to purchase the 2765 NW Nicolai Street, Portland, Oregon property (the “Property”) of Schmitt for a purchase price of \$3,500,000. On July 15, 2022, Schmitt completed the sale of the Property to Tofte for \$3,500,000.

The foregoing description of the Sale Agreement does not purport to be complete and is subject to and qualified in its entirety by reference to the Sale Agreement, a copy of which is filed as Exhibit 10.1 to the Current Report on Form 8-K filed with Securities and Exchange Commission on June 7, 2022, incorporated by reference herein.

Item 8.01 Other Events.

On July 18, 2022, Schmitt issued a press release in connection with the foregoing. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(b) *Pro forma financial information.*

The unaudited pro forma balance sheet of Schmitt, giving effect to the sale of the Property, as of February 28, 2022 and for the nine months then ended is filed as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated herein by reference.

(d) Exhibits

<u>Exhibit</u>	<u>Description</u>
99.1	Press release entitled “Schmitt Industries Closes Sale Agreement for Nicolai Street Property”
99.2	Unaudited Pro Forma Financial Information
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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.

July 21, 2022

SCHMITT INDUSTRIES, INC.

By: /s/ Michael R. Zapata

Name: Michael R. Zapata

Title: Chief Executive Officer and President



IMMEDIATE NEWS RELEASE

SCHMITT INDUSTRIES CLOSES SALE AGREEMENT FOR NICOLAI STREET PROPERTY

PORTLAND, OR, July 18, 2022 – Schmitt Industries, Inc. (NASDAQ: SMIT) (the “Company” or “Schmitt”) announces that it has closed the Real Estate Purchase and Sale Agreement (the “Sale Agreement”) with Tofte Farms, LLC (“Tofte”) to purchase the 2765 NW Nicolai Street, Portland, Oregon property (the “Property”) of Schmitt for a purchase price of \$3,500,000. Net proceeds are estimated to be \$3,200,000 for Schmitt.

About Schmitt Industries

Schmitt Industries, Inc., founded in 1987, designs, manufactures and sells high precision test and measurement products, solutions and services through its Acuity® and Xact® product lines. Acuity provides laser and white light sensor distance measurement and dimensional sizing products, and our Xact line provides ultrasonic-based remote tank monitoring products and related monitoring revenues for markets in the Internet of Things environment. The Company also owns and operates Ample Hills Creamery, a beloved ice cream manufacturer and retailer based in Brooklyn, NY.

Safe Harbor Statement

This document may contain forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous factors. A complete discussion of the risks and uncertainties that may affect Schmitt's business, including the business of its subsidiary, is included in "Risk Factors" in the Company's most recent Annual Report on Form 10-K as filed by the Company with the Securities and Exchange Commission.

For more information contact:

Michael R. Zapata, President and CEO
Phillip Bosco, CFO and Treasurer
(503) 227-7908

As of February 28, 2022

	Historical As Reported	Transaction Accounting Adjustments	Pro Forma
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,999,241	\$ 3,268,537 (a)	\$ 5,267,778
Accounts receivable, net	936,809	—	936,809
Inventories	2,191,844	—	2,191,844
Prepaid expenses	30,867	—	30,867
Income tax receivable	17,730	—	17,730
Total current assets	5,176,491	3,268,537	8,445,028
Leasehold assets	11,423,035	837,023 (b)	12,260,058
Property and equipment, net	2,248,500	—	2,248,500
Property and equipment held for sale, net	433,410	(433,410) (c)	—
Leasehold, utilities, and ERP deposits	829,001	—	829,001
Other assets			
Intangible assets, net	242,088	—	242,088
TOTAL ASSETS	\$ 20,352,525	\$ 3,672,150	\$ 24,024,675
LIABILITIES & STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable	\$ 555,974	\$ —	\$ 555,974
Accrued commissions	59,208	—	59,208
Accrued payroll liabilities	505,248	—	505,248
Accrued liabilities	329,492	—	329,492
Customer deposits and prepayments	112,791	—	112,791
Other accrued liabilities	424,799	—	424,799
Current portion of long-term lease liabilities	1,417,386	140,108 (b)	1,557,494
Current portion of long-term debt	472,431	—	472,431
Total current liabilities	3,877,329	140,108	4,017,437
Long-term debt	1,527,569	—	1,527,569
Long-term leasehold liabilities	10,833,399	696,915 (b)	11,530,314
Long-term deferred tax liability	—	—	—
Total liabilities	16,238,297	837,023	17,075,320
Stockholders' equity			
Common stock, no par value, 20,000,000 shares authorized, 4,236,821 and 3,818,770 shares issued and outstanding at February 28, 2022, respectively; and 4,204,553 and 3,786,502 shares issued and outstanding at May 31, 2021, respectively	12,318,375	—	12,318,375
Accumulated deficit	(8,204,147)	2,835,127 (d)	(5,369,020)
Total stockholders' equity	4,114,228	2,835,127	6,949,355
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 20,352,525	\$ 3,672,150	\$ 24,024,675

(a) Adjustment to reflect cash consideration received in the transaction.

(b) Adjustment to recognize operating lease right-of-use asset and operating lease liability for leaseback executed as part of the transaction.

(c) Adjustment to derecognize the net assets sold in the transaction.

(d) Adjustment to reflect the impact of the gain on sale and transaction costs.

	Year Ended May 31, 2021		
	Historical As Reported	Transaction Accounting Adjustments	Pro Forma
Net sales	\$ 7,864,350	\$ —	\$ 7,864,350
Cost of revenue	4,593,588	—	4,593,588
Gross profit	<u>3,270,762</u>	<u>—</u>	<u>3,270,762</u>
Operating expenses			
General, administrative and sales	12,045,174	150,414 (a)	12,195,588
Impairment of intangible assets	903,422		903,422
Transaction costs	125,167		125,167
Research & development	83,130		83,130
Total operating expenses	<u>13,156,893</u>	<u>150,414</u>	<u>13,307,307</u>
Operating loss	(9,886,131)	(150,414)	(10,036,545)
Gain on sale of property and equipment	—		—
Bargain purchase gain	1,138,808		1,138,808
Forgiveness of PPP loans	—		—
Interest income (expense), net	(19,038)		(19,038)
Other income (expense), net	273,023	(17,671) (b)	255,352
Income (loss) before income taxes	(8,493,338)	(168,085)	(8,661,423)
Income tax provision (benefit) from continuing operations	(403,666)	(46,423) (c)	(450,089)
Net income (loss)	<u>\$ (8,089,672)</u>	<u>\$ (121,661)</u>	<u>\$ (8,211,333)</u>
Net income (loss) per common share:			
Basic	\$ (2.15)		\$ (2.18)
Weighted average number of common shares, basic	<u>3,765,783</u>		<u>3,765,783</u>
Diluted	(2.15)		\$ (2.18)
Weighted average number of common shares, diluted	<u>3,765,783</u>		<u>3,765,783</u>

(a) Adjustment to remove historical depreciation expense recognized on disposed assets and add operating lease expense under the leaseback.

(b) Adjustment to remove historical lease income recognized.

(c) Adjustment to reflect the tax effect of pro forma adjustments to income (loss) before taxes, at the estimated statutory rate of 27.6%.

Nine Months Ended February 28, 2022

	Historical As Reported	Transaction Accounting Adjustments	Pro Forma
Net sales	\$ 8,570,053	\$ —	\$ 8,570,053
Cost of revenue	3,618,925	—	3,618,925
Gross profit	<u>4,951,128</u>	<u>—</u>	<u>4,951,128</u>
Operating expenses			
General, administrative and sales	11,604,964	124,075 (a)	11,729,039
Impairment of intangible assets	—	—	—
Transaction costs	—	—	—
Research & development	25,616	—	25,616
Total operating expenses	<u>11,630,580</u>	<u>124,075</u>	<u>11,754,655</u>
Operating loss	(6,679,452)	(124,075)	(6,803,527)
Gain on sale of property and equipment	4,598,095	—	4,598,095
Bargain purchase gain	—	—	—
Forgiveness of PPP loans	2,059,826	—	2,059,826
Interest income (expense), net	(37,811)	—	(37,811)
Other income (expense), net	323,589	(29,098) (b)	294,491
Income (loss) before income taxes	264,247	(153,173)	111,074
Income tax provision (benefit) from continuing operations	14,618	(42,305) (c)	(27,687)
Net income (loss)	<u>\$ 249,629</u>	<u>\$ (110,868)</u>	<u>\$ 138,761</u>
Net income (loss) per common share:			
Basic	\$ 0.07		\$ 0.04
Weighted average number of common shares, basic	<u>3,790,022</u>		<u>3,790,022</u>
Diluted	0.07		\$ 0.04
Weighted average number of common shares, diluted	<u>3,813,675</u>		<u>3,813,675</u>

(a) Adjustment to remove historical depreciation expense recognized on disposed assets and add operating lease expense under the leaseback.

(b) Adjustment to remove historical lease income recognized.

(c) Adjustment to reflect the tax effect of pro forma adjustments to income (loss) before taxes, at the estimated statutory rate of 27.6%.