

DIGITAL IMPACT INC /DE/
Form 8-K
March 07, 2005

**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

March 7, 2005 (March 4, 2005)

Date of Report (Date of earliest event reported)

DIGITAL IMPACT, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-27787
(Commission File Number)

94-3286913
(IRS Employer
Identification No.)

177 Bovet Road
San Mateo, California
(Address of principal executive offices)

94402
(Zip Code)

(650) 356-3400
(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 (see General Instruction A.2 below):

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01

Entry into a Material Definitive Agreement.

On March 4, 2005, pursuant to a Preferred Stock Rights Agreement (the *Rights Agreement*) between Digital Impact, Inc. (the *Company*) and Computershare Investor Services LLC, as Rights Agent (the *Rights Agent*), the Company's Board of Directors declared a dividend of one right (a *Right*) to purchase one one-thousandth share of the Company's Series A Participating Preferred Stock (*Series A Preferred*) for each outstanding share of Common Stock, par value \$0.001 per share (*Common Shares*), of the Company. The dividend is payable on March 16, 2005 (the *Record Date*) to stockholders of record as of the close of business on that date. Each *Right* entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Preferred at an exercise price of \$10.00 (the *Purchase Price*), subject to adjustment.

The following summary of the principal terms of the *Rights Agreement* is a general description only and is subject to the detailed terms and conditions of the *Rights Agreement*. A copy of the *Rights Agreement* is attached as Exhibit 4.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Rights Evidenced by Common Share Certificates

The *Rights* will not be exercisable until the *Distribution Date* (defined below). Certificates for the *Rights* (*Rights Certificates*) will not be sent to stockholders and the *Rights* will attach to and trade only together with the *Common Shares*. Accordingly, *Common Share* certificates outstanding on the *Record Date* will evidence the *Rights* related thereto, and *Common Share* certificates issued after the *Record Date* will contain a notation incorporating the *Rights Agreement* by reference. Until the *Distribution Date* (or earlier redemption or expiration of the *Rights*), the surrender or transfer of any certificates for *Common Shares*, outstanding as of the *Record Date*, even without notation or a copy of the Summary of *Rights* being attached thereto, also will constitute the transfer of the *Rights* associated with the *Common Shares* represented by such certificate.

Distribution Date

The *Rights* will be separate from the *Common Shares*, *Rights Certificates* will be issued and the *Rights* will become exercisable upon the earlier of (a) the tenth day after a person or group of affiliated or associated persons (*Acquiring Person*) has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the *Common Shares* then outstanding, or (b) the tenth business day (or such later date as may be determined by the Company's Board of Directors) after a person or group announces a tender or exchange offer, the consummation of which would result in ownership by a person or group of 15% or more of the Company's then outstanding *Common Shares*. The earlier of such dates is referred to as the *Distribution Date*.

On March 4, 2005, the Board of Directors of the Company resolved to delay the Distribution Date with respect to the tender offer for the Company's common stock made by DII Acquisition Corp., a wholly owned subsidiary of InfoUSA Inc. first made February 24, 2004, and any modification or amendment to such tender offer until that time that is immediately preceding consummation of any transaction or series of related transactions in which a person becomes, or will likely become (as determined by the Company's Board of Directors), an Acquiring Person.

Issuance of Rights Certificates; Expiration of Rights

As soon as practicable following the Distribution Date, a Rights Certificate will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date and such separate Rights Certificate alone will evidence the Rights from and after the Distribution Date. The Rights will expire on the earliest of (i) March 16, 2015, (the Final Expiration Date), or (ii) redemption or exchange of the Rights as described below.

Initial Exercise of the Rights

Following the Distribution Date, and until one of the further events described below, holders of the Rights will be entitled to receive, upon exercise and the payment of the Purchase Price, one one-thousandth share of the Series A Preferred. In the event that the Company does not have sufficient Series A Preferred available for all Rights to be exercised, or the Board decides that such action is necessary and not contrary to the interests of Rights holders, the Company may instead substitute cash, assets or other securities for the Series A Preferred for which the Rights would have been exercisable under this provision or as described below.

Right to Buy Company Common Shares

Unless the Rights are earlier redeemed, in the event that an Acquiring Person obtains 15% or more of the Company's then outstanding Common Shares, then each holder of a Right which has not theretofore been exercised (other than Rights beneficially owned by the Acquiring Person, which will thereafter be void) will thereafter have the right to receive, upon exercise, Common Shares having a value equal to two times the Purchase Price. Rights are not exercisable following the occurrence of an event as described above until such time as the Rights are no longer redeemable by the Company as set forth below.

Right to Buy Acquiring Company Shares

Similarly, unless the Rights are earlier redeemed, in the event that, after an Acquiring Person obtains 15% or more of the Company's then outstanding Common Shares, (i) the Company is acquired in a merger or other business combination transaction, or (ii) 50% or more of the Company's consolidated assets or earning power are sold (other than in transactions in the ordinary course of business), proper provision must be made so that each holder of a Right which has not theretofore been exercised (other than Rights beneficially owned by the Acquiring Person, which will thereafter be void) will thereafter have the right to receive, upon exercise, shares of common stock of the acquiring company having a value equal to two times the Purchase Price.

Exchange Provision

At any time after an Acquiring Person obtains 15% or more of the Company's then outstanding Common Shares and prior to the acquisition by such Acquiring Person of 50% or more of the Company's outstanding Common Shares, the Board of Directors of the Company may exchange the Rights (other than Rights owned by the Acquiring Person), in whole or in part, at an exchange ratio of one Common Share per Right.

Redemption

At any time on or prior to the Close of Business on the earlier of (i) the date of attainment of 15% or more of the Company's then outstanding Common Shares by an Acquiring Person or (ii) the Final Expiration Date, the Company may redeem the Rights in whole, but not in part, at a price of \$0.001 per Right.

Adjustments to Prevent Dilution

The Purchase Price payable, the number of Rights, and the number of Series A Preferred or Common Shares or other securities or property issuable upon exercise of the Rights are subject to adjustment from time to time in connection with the dilutive issuances by the Company as set forth in the Rights Agreement. With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price.

Cash Paid Instead of Issuing Fractional Shares

No fractional Common Shares will be issued upon exercise of a Right and, in lieu thereof, an adjustment in cash will be made based on the market price of the Common Shares on the last trading date prior to the date of exercise.

No Stockholders' Rights Prior to Exercise

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company (other than any rights resulting from such holder's ownership of Common Shares), including, without limitation, the right to vote or to receive dividends.

Amendment of Rights Agreement

The terms of the Rights and the Rights Agreement may be amended in any respect without the consent of the Rights holders on or prior to the Distribution Date; thereafter, the terms of the Rights and the Rights Agreement may be amended without the consent of the Rights holders in order to cure any ambiguities or to make changes which do not adversely affect the interests of Rights holders (other than the Acquiring Person).

Rights and Preferences of the Series A Preferred

Each one one-thousandth of a share of Series A Preferred has rights and preferences substantially equivalent to those of one Common Share.

No Voting Rights

Rights will not have any voting rights.

Certain Anti-Takeover Effects

The Rights approved by the Board of Directors are designed to protect and maximize the value of the outstanding equity interests in the Company in the event of an unsolicited attempt by an acquirer to take over the Company in a manner or on terms not approved by the Board of Directors. Takeover attempts frequently include coercive tactics to deprive the Company's Board of Directors and its stockholders of any real opportunity to determine the destiny of the Company. The Rights have been declared by the Board in order to deter such tactics, including a gradual accumulation of shares in the open market of 15% or greater position to be followed by a merger or a partial or two-tier tender offer that does not treat all stockholders equally. These tactics unfairly pressure stockholders, squeeze them out of their investment without giving them any real choice and deprive them of the full value of their shares.

The Rights may have the effect of rendering more difficult or discouraging an acquisition of the Company deemed undesirable by the Board of

Item 8.01 Other Events.

The Company issued a press release, dated March 7, 2005 (the Press Release), which is attached as Exhibit 99.1 hereto and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

- 3.1 Amended and Restated Certificate of Incorporation of the Registrant, as filed with the Secretary of State of the State of Delaware on November 22, 1999.
- 3.2 Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Preferred Stock of the Registrant, as filed with the Secretary of State of the State of Delaware on March 7, 2005.
- 4.1 Preferred Stock Rights Agreement, dated as of March 4, 2005, by and between the Registrant and Computershare Investor Services LLC, including the form of Certificate of Designation, the form of Rights Certificate and the Summary of Rights attached thereto as Exhibits A, B and C, respectively.
- 99.1 Press Release.

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.

DIGITAL IMPACT, INC.

Date: March 7, 2005

By: /S/ DAVID OPPENHEIMER
David Oppenheimer
Senior Vice President, Chief Financial
Officer and Treasurer

Exhibit Index

Exhibit Number	Description
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99.1	Press Release.