

KEY TECHNOLOGY INC
Form SC 13D
April 07, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 13D
THE SECURITIES EXCHANGE ACT OF 1934
(Amendment No.)*

Key Technology, Inc.
(Name of Issuer)

Common Stock, no par value
(Title of Class of Securities)

493143101
(CUSIP Number)

Kevin A. McGovern, Esq.
c/o Harbert Discovery Fund, LP
2100 Third Avenue North
Suite 600
Birmingham, AL 35203
Telephone Number 205-987-5500
(Name, Address and Telephone Number of Person Authorized to Receive
Notices and Communications)

March 28, 2017
(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
ss.240.13d-1(e),
240.13d 1(f) or
240.13d-1(g),
check the
following box
[].

* 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.

CUSIP No. 493143101

1. NAME OF REPORTING PERSONS

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

Harbert Discovery Fund, LP

CHECK THE
APPROPRIATE

2. BOX IF A (a)

MEMBER OF A
GROUP

(b)

3. SEC USE ONLY

4. SOURCE OF FUNDS

WC

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

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON

7. SOLE VOTING POWER

0

8. SHARED VOTING POWER

337,495

SOLE
9. DISPOSITIVE
POWER

0

10. SHARED DISPOSITIVE POWER

337,495

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

337,495

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

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

5.3%

14. TYPE OF REPORTING PERSON

PN

CUSIP No. 493143101

1. NAME OF REPORTING PERSONS

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

Harbert Discovery Fund GP, LLC

CHECK THE
APPROPRIATE

2. BOX IF A (a)

MEMBER OF A
GROUP

(b)

3. SEC USE ONLY

4. SOURCE OF FUNDS

AF

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

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON

7. SOLE VOTING POWER

0

8. SHARED VOTING POWER

337,495

9. DISPOSITIVE
POWER

0

10. SHARED DISPOSITIVE POWER

337,495

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

337,495

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

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

5.3%

14. TYPE OF REPORTING PERSON

OO

CUSIP No. 493143101

1. NAME OF REPORTING PERSONS

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

Harbert Fund Advisors, Inc.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)

(b)

3. SEC USE ONLY

4. SOURCE OF FUNDS

AF

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

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Alabama

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON

7. SOLE VOTING POWER

0

8. SHARED VOTING POWER

337,495

SOLE
9. DISPOSITIVE
POWER

0

10. SHARED DISPOSITIVE POWER

337,495

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

337,495

12.

CHECK BOX IF THE AGGREGATE
AMOUNT IN ROW (11) EXCLUDES
CERTAIN SHARES

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

5.3%

14. TYPE OF REPORTING PERSON

IA, CO

CUSIP No. 493143101

1. NAME OF REPORTING PERSONS

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

Harbert Management Corporation

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)

(b)

3. SEC USE ONLY

4. SOURCE OF FUNDS

AF

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

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Alabama

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON

7. SOLE VOTING POWER

0

8. SHARED VOTING POWER

337,495

SOLE
9. DISPOSITIVE
POWER

0

10. SHARED DISPOSITIVE POWER

337,495

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

337,495

12.

CHECK BOX IF THE AGGREGATE
AMOUNT IN ROW (11) EXCLUDES
CERTAIN SHARES

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

5.3%

14. TYPE OF REPORTING PERSON

CO

CUSIP No. 493143101

1. NAME OF REPORTING PERSONS

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

Jack Bryant

CHECK THE
APPROPRIATE

2. BOX IF A (a)
MEMBER OF A
GROUP

(b)

3. SEC USE ONLY

4. SOURCE OF FUNDS

AF

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

6. CITIZENSHIP OR PLACE OF ORGANIZATION

United States of America

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON

7. SOLE VOTING POWER

0

8. SHARED VOTING POWER

337,495

SOLE
9. DISPOSITIVE
POWER

0

10. SHARED DISPOSITIVE POWER

337,495

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

337,495

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

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

5.3%

14. TYPE OF REPORTING PERSON

IN

CUSIP No. 493143101

1. NAME OF REPORTING PERSONS

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

Kenan Lucas

CHECK THE
APPROPRIATE

2. BOX IF A MEMBER OF A
GROUP (a)

(b)

3. SEC USE ONLY

4. SOURCE OF FUNDS

AF

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

6. CITIZENSHIP OR PLACE OF ORGANIZATION

United States of America

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON

7. SOLE VOTING POWER

0

8. SHARED VOTING POWER

337,495

SOLE
9. DISPOSITIVE
POWER

0

10. SHARED DISPOSITIVE POWER

337,495

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

337,495

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

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

5.3%

14. TYPE OF REPORTING PERSON

IN

CUSIP No. 493143101

1. NAME OF REPORTING PERSONS

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

Raymond Harbert

CHECK THE
APPROPRIATE

2. BOX IF A MEMBER OF A
GROUP (a)

(b)

3. SEC USE ONLY

4. SOURCE OF FUNDS

AF

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

6. CITIZENSHIP OR PLACE OF ORGANIZATION

United States of America

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON

7. SOLE VOTING POWER

0

8. SHARED VOTING POWER

337,495

SOLE
9. DISPOSITIVE
POWER

0

10. SHARED DISPOSITIVE POWER

337,495

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

337,495

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

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

5.3%

14. TYPE OF REPORTING PERSON

IN

CUSIP No. 493143101

Item 1. Security and Issuer.

The name of the issuer is Key Technology, Inc., an Oregon corporation (the "Issuer"). The address of the Issuer's principal executive offices is 150 Avery Street, Walla Walla, Washington 99362, United States of America. This Schedule 13D relates to the Issuer's common stock, no par value (the "Shares").

Item 2. Identity and Background.

- (a), (f) This Schedule 13D is being filed jointly by (i) Harbert Discovery Fund, LP, a Delaware limited partnership (the "Fund"), (ii) Harbert Discovery Fund GP, LLC, a Delaware limited liability company (the "Fund GP"), (iii) Harbert Fund Advisors, Inc., an Alabama corporation ("HFA"), (iv) Harbert Management Corporation, an Alabama corporation ("HMC"), (v) Jack Bryant, a United States citizen, (vi) Kenan Lucas, a United States citizen, and (vii) Raymond Harbert, a United States citizen (collectively, the "Reporting Persons").
- (b) The principal business address for each of the Reporting Persons is 2100 Third Avenue North, Suite 600, Birmingham, Alabama 35203.
- (c) Jack Bryant and Kenan Lucas, are directors and co-portfolio managers of the Fund GP, which serves as general partner of the Fund. Raymond Harbert is the controlling shareholder, Chairman and Chief Executive Officer of HMC, an alternative asset investment management firm that is the managing member of the Fund GP. Mr. Harbert also serves as the Chairman, Chief Executive Officer and Director of HFA, an indirect, wholly owned subsidiary of HMC, which provides the Fund with certain operational and administrative services. The principal business of the

Fund is purchasing, holding and selling securities for investment purposes.

- (d) None of the Reporting Persons have, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

- (e) Prior to March 2009, HMC was affiliated with the Harbinger Capital Partners Funds ("Harbinger") managed by Philip Falcone. On June 27, 2012, the Securities and Exchange Commission (the "SEC") filed civil fraud charges against Mr. Falcone and Harbinger related to, among other things, their trading in the bonds of a small company known as MAAX Holdings in 2006-2008 that the SEC alleges to have been "manipulative" in violation of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"). The SEC also sought to hold HMC derivatively liable as a "control person" under Section 20(A) of the Exchange Act. Section 20(A) is a derivative liability provision that does not prohibit any specified conduct and cannot be independently violated by one's own conduct, but imposes joint and several liability on certain persons who control another to the extent that such "controlled person" is independently liable for its own violations of the securities laws. Except as set forth in this Item 2(e) none of the Reporting Persons have, during the last five years, been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding were or are subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

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

The funds for the purchase of the Shares by the Fund came from the working capital of the Fund, over which HFA, HMC, the Fund GP, Jack Bryant, Kenan Lucas and Raymond Harbert, through their roles described above in Item 2(c), exercise investment discretion. No borrowed funds were used to purchase the Shares, other than borrowed funds used for working capital purposes in the ordinary course of business. The total costs of the Shares directly owned by Harbert Discovery Fund, LP is approximately \$3,728,810.

Item 4. Purpose of Transaction.

The Reporting Persons purchased the securities of the Issuer reported herein based on their belief that the securities were undervalued and represented an attractive investment opportunity.

The Reporting Persons have had and anticipate having further conversations with members of the Issuer's management and board of directors regarding possible ways to enhance shareholder value. The topics of these conversations will cover a range of issues, including those relating to the business of the Issuer, management, board composition (which may include possibly adding a candidate or candidates supported by the Reporting Persons to the Issuer's board of directors), operations, capital allocation, asset allocation, capitalization, dividend policy, financial condition, mergers and acquisitions strategy, overall business strategy, executive compensation, and corporate governance. The Reporting Persons may also have similar conversations with other stockholders of the Issuer and other interested parties, such as industry analysts, existing or potential strategic partners or competitors, investment professionals, and other investors. The Reporting Persons may at any time reconsider and change their intentions relating to the foregoing.

No Reporting Person has any present plan or proposal which would relate to or would result in any of the matters set forth in subparagraphs (a)- (j) of Item 4 of Schedule 13D except as set forth herein or such as would occur upon completion of any of the actions discussed herein. The Reporting Persons may in the future take one or more of the actions described in subsections (a) through (j) of Item 4 of Schedule 13D and may discuss such actions with the Issuer's management and the board of directors, other stockholders of the Issuer, and other interested parties, such as those set out above.

The Reporting Persons intend to review their investments in the Issuer on a continuing basis. Depending on various factors, including, without limitation, the Issuer's financial position and strategic direction, the outcome of the discussions and actions referenced above, actions taken by the Issuer's board of directors, price levels of the Common Stock, other investment opportunities available to the Reporting Persons, conditions in the securities market and general economic and industry conditions, the Reporting Persons may in the future take actions with respect to its investment position in the Issuer as it deems appropriate, including, without limitation, purchasing additional Common Stock or selling some or all of its Common Stock, and/or engaging in hedging or similar transactions with respect to the Common Stock.

Item 5. Interest in Securities of the Issuer.

- (a) - As of the date hereof, (i) HFA, HMC, the Fund GP, the Fund, Jack Bryant, Kenan Lucas and Raymond
- (e) Harbert may be deemed to be the beneficial owners of 337,495 Shares, constituting 5.3% of the Shares, based upon *6,402,725 Shares outstanding.

HFA has the sole power to vote or direct the vote of 0 Shares; has the shared power to vote or direct the vote of 337,495 Shares; has the sole power to dispose or direct the disposition of 0 Shares; and has the shared power to dispose or direct the disposition of 337,495 Shares.

HMC has the sole power to vote or direct the vote of 0 Shares; has the shared power to vote or direct the vote of 337,495 Shares; has the sole power to dispose or direct the disposition of 0 Shares; and has the shared power to dispose or direct the disposition of 337,495 Shares.

The Fund GP has the sole power to vote or direct the vote of 0 Shares; has the shared power to vote or direct the vote of 337,495 Shares; has the sole power to dispose or direct the disposition of 0 Shares; and has the

shared power to dispose or direct the disposition of 337,495 Shares.

The Fund has the sole power to vote or direct the vote of 0 Shares; has the shared power to vote or direct the vote of 337,495 Shares; has the sole power to dispose or direct the disposition of 0 Shares; and has the shared power to dispose or direct the disposition of 337,495 Shares.

Jack Bryant has the sole power to vote or direct the vote of 0 Shares; has the shared power to vote or direct the vote of 337,495 Shares; has the sole power to dispose or direct the disposition of 0 Shares; and has the shared power to dispose or direct the disposition of 337,495 Shares.

Kenan Lucas has the sole power to vote or direct the vote of 0 Shares; has the shared power to vote or direct the vote of 337,495 Shares; has the sole power to dispose or direct the disposition of 0 Shares; and has the shared power to dispose or direct the disposition of 337,495 Shares.

Raymond Harbert has the sole power to vote or direct the vote of 0 Shares; has the shared power to vote or direct the vote of 337,495 Shares; has the sole power to dispose or direct the disposition of 0 Shares; and has the shared power to dispose or direct the disposition of 337,495 Shares.

The transactions by the Reporting Persons in the securities of the Issuer during the past sixty days are set forth in Exhibit B. All such transactions were carried out in open market transactions.

*This outstanding Shares figure reflects the number of outstanding Shares at January 31, 2017, as reported in the Issuer's Form 10-Q, filed on February 3, 2017

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

Not Applicable.

Item 7. Material to be Filed as Exhibits.

Exhibit A:
Joint Filing
Agreement
Exhibit B:
Schedule of
Transactions
in Shares

SIGNATURE

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

April 6, 2017
(Date)

Harbert Discovery
Fund, LP

By: Harbert
Discovery Fund GP,
LLC,
its General Partner

By: Harbert
Management
Corporation,
its Managing
Member

By: /s/ John
McCullough
Executive Vice
President and
General Counsel

Harbert Discovery
Fund GP, LLC*

By: Harbert
Management
Corporation,
its Managing
Member

By: /s/ John
McCullough
Executive Vice
President and
General Counsel

Harbert Fund
Advisors, Inc.*

By: /s/ John
McCullough
Executive Vice
President and
General Counsel

Harbert Management
Corporation*

By: /s/ John
McCullough
Executive Vice
President and
General Counsel

/s/ Jack
Bryant*
Jack Bryant

/s/ Kenan
Lucas*
Kenan Lucas

/s/ Raymond
Harbert*
Raymond Harbert

* This reporting person disclaims beneficial ownership of these reported securities except to the extent of its pecuniary interest therein, and this report shall not be deemed an admission that any such person is the beneficial owner of these securities for purposes of Section 16 of the U.S. Securities Exchange Act of 1934, as amended, or for any other purpose.

Attention: Intentional misstatements or omissions of fact constitute Federal criminal violations (see 18 U.S.C. 1001).

Exhibit A

AGREEMENT

The undersigned agree that this Schedule 13D, dated April 6, 2017, relating to the Common Stock, no par value of Key Technology, Inc. shall be filed on behalf of the undersigned.

April 6, 2017
(Date)

Harbert Discovery
Fund, LP

By: Harbert
Discovery Fund
GP, LLC,
its General Partner

By: Harbert
Management
Corporation,
its Managing
Member

By: /s/ John
McCullough
Executive Vice
President and
General Counsel

Harbert Discovery
Fund GP, LLC

By: Harbert
Management
Corporation,
its Managing
Member

By: /s/ John
McCullough
Executive Vice
President and
General Counsel

Harbert Fund
Advisors, Inc.

By: /s/ John
McCullough
Executive Vice
President and
General Counsel

Harbert
Management
Corporation

By: /s/ John
McCullough
Executive Vice
President and
General Counsel

/s/ Jack
Bryant
Jack Bryant

/s/ Kenan
Lucas
Kenan Lucas

/s/ Raymond
Harbert
Raymond Harbert

Exhibit B

Schedule of Transactions in Shares

<u>Date of Transaction</u>	<u>Title of Class</u>	<u>Number of Shares Acquired</u>	<u>Number of Shares Disposed</u>	<u>Price Per Share</u>
03/02/2017	Common Stock, no par value	50		12.7500
03/03/2017	Common Stock, no par value	2,296		12.9892
03/06/2017	Common Stock, no par value	200		13.0000
03/07/2017	Common Stock, no par value	1,401		12.8021
03/07/2017	Common Stock, no par value	4,057		12.7500
03/08/2017	Common Stock, no par value	700		12.7500
03/10/2017	Common Stock, no par value	2,606		12.8448
03/13/2017	Common Stock, no par value	134		12.8400
03/16/2017	Common Stock, no par value	7,109		13.0290
03/16/2017	Common Stock, no par value	1,046		13.1100
03/16/2017	Common Stock, no par value	1,313		12.9348
03/17/2017	Common Stock, no par value	9,799		13.2389
03/27/2017	Common Stock, no par value	2,500		13.1000
03/28/2017	Common Stock, no par value	49,937		13.1000

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