

BIO KEY INTERNATIONAL INC  
Form 10KSB/A  
April 11, 2006

# U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## FORM 10-KSB/A

Amendment No. 1

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2005

Commission File Number 1-13463

## BIO-KEY INTERNATIONAL, INC.

(Name of small business issuer in its charter)

**DELAWARE**  
(State or other jurisdiction of  
Incorporation or organization)

**41-1741861**  
(IRS Employer Identification Number)

**3349 HIGHWAY 138, BUILDING D, SUITE B, WALL, NJ 07719**

(Address of Principal Executive Offices) (Zip Code)

**(732) 359-1100**

Issuer's telephone number, including area code.

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

Title of Each Class	Name of Exchange on which Registered
Common Stock, \$0.0001 par value per share	None

Securities registered under Section 12(g) of the Exchange Act

None

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrants knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this form 10-KSB.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

State issuer's revenues for its most recent fiscal year: \$14,226,095

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant based on the closing sale price of the registrant's common stock as reported on the OTC Bulletin Board on March 15, 2006 was \$23,132,637. The information provided shall in no way be construed as an admission that any person whose holdings are excluded from the figure is an affiliate or that any person whose holdings are included in the figure is not an affiliate, and any such admission is hereby disclaimed. The information provided is solely for the record keeping purposes of the Securities and Exchange Commission.

As of March 15, 2006, 48,036,983 shares of the registrant's common stock were outstanding.

Transitional Small Business Disclosure Formats (check one):

Yes  No

**DOCUMENTS INCORPORATED BY REFERENCE NONE**

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**EXPLANATORY NOTE**

This Amendment on Form 10-KSB/A constitutes Amendment No. 1 to the registrant's Annual Report on Form 10-KSB for the period ended December 31, 2005, which was filed with the Securities and Exchange Commission on March 30, 2006 (the "Original Report"). The sole purpose of this Amendment No. 1 is to amend the exhibits to the Original Report to correct certain typographical errors and to add Certification exhibits for one of the registrant's Co-Chief Executive Officers, which exhibits were signed at the time the Original Report was filed, but were inadvertently excluded from that filing. Except as corrected hereby, this Form 10-KSB/A does not amend, update or change any other information contained in the Original Report.

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(1) Included herewith in Amendment No. 1 to 10-KSB previously filed on March 30, 2006.

**ITEM 13. EXHIBITS**

(a) The following documents are filed as part of this Report. Portions of Item 13 are submitted as separate sections of this Report:

(1) Financial statements filed as part of this Report:

Report of Independent Certified Public Accountants

Balance Sheets at December 31, 2005 and 2004 and 2003

Statements of Operations Years ended December 31, 2005, 2004 and 2003

Statement of Stockholders Equity (Deficit) Years ended December 31, 2005, 2004 and 2003

Statements of Cash Flows Years ended December 31, 2005, 2004 and 2003

Notes to Financial Statements December 31, 2005, 2004 and 2003

(2) The exhibits listed in the Exhibits Index immediately preceding such exhibits are filed as part of this Report.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 11, 2006

BIO-KEY INTERNATIONAL, INC.  
By: /s/ MICHAEL W.  
DEPASQUALE  
Michael W. DePasquale  
Co-CHIEF EXECUTIVE  
OFFICER

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ MICHAEL W. DEPASQUALE Michael W. DePasquale	Co-Chief Executive Officer and Director	April 11, 2006
/s/ FRANCIS J. CUSICK Francis J. Cusick	Chief Financial Officer, Principal Accounting Officer	April 11, 2006
/s/ THOMAS J. COLATOSTI Thomas J. Colatosti	Co-Chief Executive Officer and Chairman of the Board of Directors	April 11, 2006
/s/ JEFFREY J. MAY Jeffrey J. May	Director	April 11, 2006
/s/ CHARLES P. ROMEO Charles P. Romeo	Director	April 11, 2006
/s/ JOHN SCHOENHERR John Schoenherr	Director	April 11, 2006

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
2.1(1)	Agreement and Plan of Merger dated as of March 30, 2004 by and among BIO-key International, Inc., BIO-key Acquisition Corp., Public Safety Group, Inc. ( PSG ) and each of the shareholders of PSG
2.2(2)	Asset Purchase Agreement dated as of August 16, 2004 by and among BIO-key International, Inc., Aether Systems, Inc., Cerulean Technologies, Inc. and SunPro, Inc.
2.3(3)	Agreement and Plan of Merger dated as of December 30, 2004 by and among BIO-key International, Inc., a Delaware corporation, and BIO-key International, Inc., a Minnesota corporation
3.1(3)	Certificate of Incorporation of BIO-key International, Inc., a Delaware corporation
3.2(3)	Certificate of Designation of Series A 7% Convertible Preferred Stock of BIO-key International, Inc., a Delaware corporation
3.3(3)	By-Laws of BIO-key International, Inc., a Delaware corporation
3.4 (19)	Certificate of Amendment of Certificate of Incorporation of BIO-key International, Inc., a Delaware corporation
3.5 (16)	Certificate of Designation of the Series B Convertible Preferred Stock of the Company
4.1(4)	Specimen certificates for shares of BIO-key International, Inc. common stock
10.1(4)	SAC Technologies, Inc. 1996 Stock Option Plan
10.2(5)	Amendment No. 1 to the SAC Technologies, Inc. 1996 Stock Option Plan
10.3(5)	SAC Technologies, Inc. 1999 Stock Option Plan
10.4(6)	Warrant issued to The Shaar Fund Ltd.
10.5(6)	Security Interest Provisions
10.6(6)	Employment Agreement by and between BIO-key International, Inc. and Mira LaCous dated November 20, 2001
10.7(6)	Option to Purchase 140,000 Shares of Common Stock issued to Mira LaCous
10.8(9)	Option to Purchase 150,000 Shares of Common Stock issued to Thomas J. Colatosti
10.9(9)	Non-Qualified Stock Option Agreement under the registrant's 1999 Stock Incentive Plan to Purchase 200,000 Shares of Common Stock issued to Thomas J. Colatosti
10.10(9)	Employment Agreement by and between BIO-key International, Inc. and Michael W. DePasquale dated January 3, 2003
10.11(9)	Option to Purchase 580,000 Shares of Common Stock issued to Michael W. DePasquale
10.12(9)	Note Purchase Agreement dated January 27, 2003
10.13(9)	Secured Convertible Promissory due June 30, 2004
10.14(9)	Option to Purchase 200,000 Shares of Common Stock issued to Charles P. Romeo
10.15(7)	Amendment No. 1 to Note Purchase Agreement dated October 31, 2003 by and between BIO-key International, Inc. and The Shaar Fund Ltd.
10.16(7)	Securities Exchange Agreement dated March 3, 2004 by and between BIO-key International, Inc. and The Shaar Fund Ltd.
10.17(7)	Registration Rights Agreement dated March 3, 2004 by and between BIO-key International, Inc. and The Shaar Fund Ltd.
10.18(7)	Secured Convertible Promissory Note due October 31, 2005 in the principal amount of up to \$2,125,000
10.19(7)	Secured Convertible Promissory Note due October 31, 2005 in the principal amount of up to \$375,000
10.20(7)	Option to Purchase 500,000 Shares of Common Stock issued to Michael W. DePasquale
10.21(7)	Option to Purchase 150,000 Shares of Common Stock issued to Thomas J. Colatosti
10.22(7)	Option to Purchase 50,000 Shares of Common Stock issued to Thomas J. Colatosti
10.23(7)	Option to Purchase 50,000 Shares of Common Stock issued to Jeff May
10.24(7)	Option to Purchase 50,000 Shares of Common Stock issued to Charles Romeo
10.25(7)	Option to Purchase 300,000 Shares of Common Stock issued to Randy Fodero
10.26(10)	Amendment Agreement dated March 30, 2004 by and between BIO-key International, Inc. and The Shaar Fund Ltd.
10.27(11)	Securities Purchase Agreement dated as of March 31, 2004 (the March Securities Purchase Agreement ) by and among BIO-key International, Inc. and each of the Purchasers named therein
10.28(11)	Form of Warrant issued by BIO-key International, Inc. pursuant to the March Securities Purchase Agreement
10.29(2)	Securities Purchase Agreement dated as of September 29, 2004 (the Laurus Securities Purchase Agreement ) by and between BIO-key International, Inc., Laurus Master Fund, Ltd. and the other Purchasers party thereto
10.30(2)	Form of Secured Convertible Term Note issued by BIO-key International, Inc. pursuant to the Laurus Securities Purchase Agreement
10.31(2)	Form of Common Stock Purchase Warrant issued by BIO-key International, Inc. pursuant to the Laurus Securities Purchase Agreement
10.32(2)	Master Security Agreement dated as of September 29, 2004 by and between BIO-key International, Inc., Public Safety Group, Inc. and Laurus Master Fund, Ltd., as Collateral Agent
10.33(2)	Subsidiary Guaranty dated as of September 29, 2004 made by Public Safety Group, Inc. in favor of Laurus Master Fund, Ltd. and the other Purchasers party thereto



10.34(2) Stock Pledge Agreement dated as of September 29, 2004 by and between BIO-key International, Inc. and Laurus Master

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- Fund, Ltd. and the other Purchasers party thereto
- 10.35(2) Registration Rights Agreement dated as of September 29, 2004 by and between BIO-key International, Inc., Laurus Master Fund, Ltd. and the other Purchasers party thereto
- 10.36(2) Securities Purchase Agreement dated as of September 29, 2004 (the Shaar Securities Purchase Agreement ) by and between BIO-key International, Inc., The Shaar Fund, Ltd. and the other Purchasers party thereto
- 10.37(2) Form of Convertible Term Note issued by BIO-key International, Inc. pursuant to the Shaar Securities Purchase Agreement
- 10.38(2) Form of Common Stock Purchase Warrant issued by BIO-key International, Inc. pursuant to the Shaar Securities Purchase Agreement
- 10.39(2) Registration Rights Agreement dated as of September 29, 2004 by and between BIO-key International, Inc., The Shaar Fund, Ltd. and the other Purchasers party thereto
- 10.40(2) Intercreditor Agreement dated as of September 30, 2004 by and among Laurus Master Fund, Ltd., individually and as Collateral Agent, Aether Systems, Inc., Public Safety Group, Inc. and BIO-key International, Inc.
- 10.41(2) Subordination and Intercreditor Agreement dated as of September 30, 2004 by and among Laurus Master Fund, Ltd., as Collateral Agent, The Shaar Fund, Ltd., as Purchaser Agent, Aether Systems, Inc., Public Safety Group, Inc. and BIO-key International, Inc.
- 10.42(2) Subordinated Secured Promissory Note dated September 30, 2004 issued by BIO-key International, Inc. and Public Safety Group, Inc. in favor of Aether Systems, Inc.
- 10.45(12) Option to Purchase 300,000 shares of common stock issued to Kenneth Souza
- 10.46(12) Employment Agreement dated as of October 4, 2004 by and between BIO-key International, Inc. and Kenneth Souza
- 10.47(12) Option to Purchase 50,000 shares of common stock issued to Richard Gaddy
- 10.48(12) BIO-key International, Inc. 2004 Stock Incentive Plan
- 10.49(12) Warrant to purchase 10,000 shares of Common Stock issued to Krieger & Prager LLP on November 26, 2001
- 10.50(12) Warrant to purchase 100,000 shares of Common Stock issued to The November Group Ltd. on July 14, 2004
- 10.51(12) Warrant to purchase 230,000 shares of Common Stock issued to Jesup & Lamont Securities Corp. on March 31, 2004
- 10.52(12) Warrant to purchase 105,000 shares of Common Stock issued to Douglass Bermingham on March 31, 2004
- 10.53(12) Warrant to purchase 60,000 shares of Common Stock issued to Mason Sexton on March 31, 2004
- 10.54(12) Warrant to purchase 22,000 shares of Common Stock issued to David Moss on March 31, 2004
- 10.55(12) Warrant to purchase 22,000 shares of Common Stock issued to Patrick Gaynes on March 31, 2004
- 10.56(12) Warrant to purchase 5,000 shares of Common Stock issued to Tom DuHamel on March 31, 2004
- 10.57(13) Option to Purchase 155,000 shares of common stock issued to Francis J Cusick
- 10.58(13) Option to Purchase 50,000 shares of common stock issued to Charles P. Romeo
- 10.59(14) Securities Purchase Agreement, dated as of June 8, 2005, by and between the Company and Laurus Fund, Ltd.
- 10.60(14) Common Stock Purchase Warrant issued pursuant to the Securities Purchase Agreement, dated as of June 8, 2005, by and between the Company and the Laurus Master Fund, Ltd.
- 10.61(14) Secured Convertible Term Note issued pursuant to the Securities Purchase Agreement, dated as of June 8, 2005, by and between the Company and Laurus Master Fund, Ltd.
- 10.62(14) Registration Rights Agreement, dated as of June 8, 2005, by and between the Company and Laurus Fund, Ltd.
- 10.63(14) Securities Purchase Agreement, effective as of May 31, 2005, by and among the Company, The Shaar Fund, Ltd. and the other pursuant that are a party thereto
- 10.64(14) Form of Common Stock Purchase warrant issued pursuant to the Securities Purchase Agreement, effective as of May 31, 2005, by and among the Company, The Shaar Fund, Ltd. and the other purchasers that are a party thereto
- 10.65(14) Form of Convertible Term Note issued pursuant to the Securities Purchase Agreement, effective as of May 31, 2005, by and among the Company, The Shaar Fund, Ltd. and the other purchasers that are a party thereto
- 10.66(14) Registration Rights Agreement, effective as of May 31, 2005, by and among the Company, The Shaar Fund, Ltd., Jesup & Lamont and the other purchasers that are a party thereto
- 10.67(15) Amendment and Waiver, dated as of August 31, 2005, by and between the Company and Laurus Master Fund, Ltd.
- 10.68(15) Amendment and Waiver, dated as of August 31, 2005, by and between the Company and The Shaar Fund, Ltd.
- 10.69(15) Amendment and Waiver, dated as of August 31, 2005, by and between the Company and Longview Special Finance
- 10.70(15) Amendment and Waiver, dated as of August 31, 2005, by and between the Company and Etienne Des Roys
- 10.71(15) Amendment and Waiver, dated as of August 31, 2005, by and between the Company and Eric Haber
- 10.72(15) Amendment and Waiver, dated as of August 31, 2005, by and between the Company and Investors Management Corporation
- 10.73(15) Amendment and Waiver, dated as of August 31, 2005, by and between the Company and The Tocqueville Fund
- 10.74(15) Amendment and Waiver, dated as of August 31, 2005, by and between the Company and The Tocqueville Amerique Value Fund
- 10.75(15) Registration Rights Agreement, dated as of August 31, 2005, by and among the Company, Laurus Master Fund, Ltd., The Shaar Fund, Ltd., Longview Special Finance, Etienne Des Roys, Eric Haber, Investors Management Corporation, The Tocqueville Fund and The Tocqueville Amerique Value Fund.
- 10.76(16) Amendment and Waiver, dated as of January 23, 2006, by and between the Company and Laurus Master Fund, Ltd.

10.77(16) Registration Rights Agreement, dated as of January 23, 2006, by and between the Company and Laurus Master Fund, Ltd.

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- 10.78(16) Amendment and Waiver, dated as of January 23, 2006, by and among the Company and the holders of Subordinated Convertible Promissory Notes of the Company
- 10.79(16) Securities Purchase Agreement, dated as of January 23, 2006, by and among the Company, The Shaar Fund Ltd., Longview Fund, L.P. and Longview Special Finance
- 10.80(16) Form of Convertible Term Note issued pursuant to the Securities Purchase Agreement, dated as of January 23, 2006, by and among the Company, The Shaar Fund Ltd., Longview Fund, L.P. and Longview Special Finance
- 10.81(16) Form of Common Stock Purchase Warrant issued pursuant to the Securities Purchase Agreement, dated as of January 23, 2006, by and among the Company, The Shaar Fund Ltd., Longview Fund, L.P. and Longview Special Finance
- 10.82(16) Registration Rights Agreement, dated as of January 23, 2006 by and among the Company, The Shaar Fund, Ltd., Longview Fund, L.P. and Longview Special Finance
- 10.83(16) Amendment No. 1 to Subordinated Secured Promissory Note, dated as of January 23, 2006, by and between the Company and Aether Systems, Inc.
- 10.84(17) Compensation Agreement by and between the Company and Thomas J. Colatosti dated February 7, 2006
- 10.85(18) Employment Agreement by and between the Company and Michael DePasquale dated March 28, 2006
- 10.86(20) Form of Option Agreement used to grant a total of 400,000 options to Purchase common stock to Francis J. Cusick, Michael W. DePasquale, Randy Fodero, and Kenneth S. Saiza
- 21.1(12) List of subsidiaries of BIO-key International, Inc.
- 23.1(20) Consent of DS&B, Ltd.
- 31.1(8) Certificate of CO-CEO of Registrant required under Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended
- 31.2(8) Certificate of CO-CEO of Registrant required under Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended
- 31.3(8) Certificate of CFO of Registrant required under Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended
- 32.1(8) Certificate of CO-CEO of Registrant required under Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended
- 32.2(8) Certificate of CO-CEO of Registrant required under Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended
- 32.3(8) Certificate of CFO of Registrant required under Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended

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(1) Filed as an exhibit to the registrant's current report on Form 8-K filed with the Securities and Exchange Commission on April 14, 2004 and incorporated herein by reference.

(2) Filed as an exhibit to the registrant's current report on Form 8-K filed with the Securities and Exchange Commission on October 5, 2004 and incorporated herein by reference.

(3) Filed as an exhibit to the registrant's current report on Form 8-K filed with the Securities and Exchange Commission on January 5, 2005 and incorporated herein by reference.

(4) Filed as an exhibit to the registrant's registration statement on Form SB-2, File No. 333-16451 dated February 14, 1997 and incorporated herein by reference.

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- (5) Filed as an exhibit to the registrant's annual report on Form 10-KSB filed with the Securities and Exchange Commission on April 14, 2000 and incorporated herein by reference.
- (6) Filed as an exhibit to the registrant's current report on Form 8-K filed with the Securities and Exchange Commission on November 26, 2001 and incorporated herein by reference.
- (7) Filed as an exhibit to the registrant's annual report on Form 10-KSB filed with the Securities and Exchange Commission on March 26, 2004 and incorporated herein by reference.
- (8) Filed herewith.
- (9) Filed as an exhibit to the registrant's annual report on Form 10-KSB filed with the Securities and Exchange Commission on March 31, 2003 and incorporated herein by reference.
- (10) Filed as an exhibit to the registrant's registration statement on Form SB-2, File No. 333-115037 dated April 30, 2004 and incorporated herein by reference.
- (11) Filed as an exhibit to the registrant's current report on Form 8-K filed with the Securities and Exchange Commission on April 5, 2004 and incorporated herein by reference.
- (12) Filed as an exhibit to the registrant's registration statement on Form SB-2, File No. 333-120104 dated October 29, 2004 and incorporated herein by reference.
- (13) Filed as an exhibit to the registrant's current report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2005 and incorporated herein by reference.
- (14) Filed as an exhibit to the registrant's current report on Form 8-K filed with the Securities and Exchange Commission on June 14, 2005 and incorporated herein by reference.
- (15) Filed as an exhibit to the registrant's current report on Form 8-K filed with the Securities and Exchange Commission on September 7, 2005 and incorporated herein by reference.

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(16) Filed as an exhibit to the registrant's current report on Form 8-K filed with the Securities and Exchange Commission on January 25, 2006 and incorporated herein by reference.

(17) Filed as an exhibit to the registrant's current report on Form 8-K filed with the Securities and Exchange Commission on February 9, 2006 and incorporated herein by reference.

(18) Filed as an exhibit to the registrant's current report on Form 8-K filed with the Securities and Exchange Commission on March 29, 2006 and incorporated herein by reference.

(19) Filed as an exhibit to the registrant's proxy statement filed with the Securities and Exchange Commission on January 18, 2006 and incorporated herein by reference.

(20) Previously filed.