

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

BIO KEY INTERNATIONAL INC

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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 16, 2004

BIO-key International, Inc.

(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction
of incorporation)

1-13463
(Commission File Number)

41-1741861
(I.R.S. Employer
Identification No.)

**1285 Corporate Center Drive, Suite 175
Eagan, MN 55121**

(Address of principal executive offices)

(651) 687-0414
(Registrant's telephone number, including area code)

Item 5. Other Events.

On August 16, 2004, BIO-key International, Inc. (the "Company") entered into a definitive agreement with Aether Systems, Inc. ("Aether") to purchase its Mobile Government Division for \$10 million in cash. It is anticipated that \$4.5 million in net working capital will be included in the assets and liabilities being conveyed, and that the acquisition will be financed using the Company's existing cash resources and new debt. In addition to the cash purchase price, the Company will either replace or secure the release of up to \$10.75 million of credit support arrangements that Aether currently has in place for its Mobile Government Division. Aether has agreed to accept a subordinated, secured note from the Company for up to \$8 million of this credit support if the Company cannot arrange to replace or release all of it by closing. The closing is expected to occur on or about September 30, 2004, and is subject to customary closing conditions.

On August 16, 2003, the Company issued a press release announcing the signing of the agreement, a copy of which is included as Exhibit 99.1 to this report.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(c) Exhibits

99.1 Press release, dated August 16, 2004, issued by BIO-key International, Inc.

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.

BIO-KEY INTERNATIONAL, INC.

Date: August 16, 2004

By: /s/ MICHAEL W. DEPASQUALE

Michael W. DePasquale
Chief Executive Officer

EXHIBIT INDEX

Exhibit No.

Description

| | |
|------|---|
| 99.1 | Press release, dated August 16, 2004, issued by BIO-key International, Inc. |
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From BIO-key.com

BIO-KEY NEWS

BIO-key Signs Agreement to Acquire Aether Mobile Government Division

By Albert Maruggi

Aug 16, 2004, 09:44

BIO-key Signs Agreement to Acquire Aether Mobile Government Division

Combined Companies Will Be The Largest U.S. Provider Of Wireless Information Solutions For Law Enforcement And Public Safety Markets

MINNEAPOLIS, Aug. 16 /PRNewswire-FirstCall/—BIO-key International, Inc. (OTC Bulletin Board:[BKYI—News](#)), a leader in finger-based biometric identification and wireless public safety solutions, today announced that that it has signed a definitive agreement to buy Aether's Mobile Government Division (Nasdaq: [AETH—News](#)) for \$10 million in cash. Completion of the sale is subject to customary closing conditions.

"Aether's Mobile Government Division's (AMG) revenues based on the last two quarters performance have an annualized run rate of approximately \$19 million, making it the market leader of wireless data services in the United States," said Tom Colatosti, BIO-key's Chairman. "The market and technology fit between BIO-key and Aether is extraordinary—we could not imagine a better match between any two companies. We are thrilled with the opportunity to service their more than 2500 loyal customers and work with them to continue to help them cost effectively meet their security needs with new wireless and biometric applications."

AMG solutions are currently deployed in state and local police, fire and rescue and emergency medical services organizations and are fully integrated into 47 different state information databases, as well as local and federal databases. AMG focuses its products in law enforcement areas around mobile data collection and reporting, cross agency data sharing on federal, state and local levels. The estimated potential includes nearly one million officers, supported by hundreds of thousands of vehicles across 18,000 agencies in the United States alone. Additionally the market opportunity for fire departments and EMS services is approximately 31,000 agencies and 75,000 vehicles.

BIO-key's strategic partnerships with HP, Oracle, ChoicePoint, AutoDesk and Netegrity powerfully extend the market reach of the combined companies.

Included in the acquisition is net working capital of \$4.5 million and the assumption of \$10.75 million of certain customer performance guarantees backed by letters of credits and performance bonds. BIO-key believes all these guarantees can be replaced with less than one million dollars of cash from the company. The transaction will be financed with the company's existing cash resources and new debt.

Mike DePasquale, BIO-key CEO, added, "AMG has a great tradition of innovation and excellence, with roots from Cerulean and Sunpro both industry leaders, respectively, in law enforcement and fire services markets. We believe we can achieve significant short and long term growth from the base of this combined \$25-\$30 million annualized run-rate business because of the synergies we have combining our existing strategic partnerships, our combined professional and talented employees and the huge available market for security and biometrics products and services. With the acquisition of AMG, we have the opportunity to more cost effectively and creatively develop technology and products and more effectively integrate and deploy our sales and marketing resources."

In a joint statement, Colatosti and DePasquale said that they believe the acquisition will be accretive to revenues and earnings beginning in the fourth quarter of 2004. Further, they added their belief that the combined company would be cash flow positive one quarter after the first full quarter following the closing.

About BIO-key

BIO-key develops and delivers advanced identification solutions and information services to law enforcement departments, public safety agencies, governments and private sector customers. BIO-key's mobile wireless technology provides first responders with critical, reliable real time data and images from local, state and national databases. BIO-key's high performance, scalable, cost effective and easy to deploy biometric finger identification technology accurately identifies and authenticates users of wireless and enterprise data to improve security, convenience and privacy as well as reducing identity theft. (<http://www.bio-key.com>)

About Aether Systems

Aether Systems provides mobile and wireless data services to businesses in the transportation industry and to government agencies and departments through its two operating units, Transportation and Mobile Government. Aether has agreed to sell both of these operations and implement a new business strategy in which it will focus on building and managing a leveraged portfolio of residential mortgage-backed securities. (<http://www.aethersystems.com>)

BIO-key Safe Harbor Statement

This news release contains forward-looking statements that are subject to certain risks and uncertainties that may cause actual results to differ materially from those projected on the basis of these statements. The words "estimate," "project," "intends," "expects," "believes" and similar expressions are intended to identify forward-looking statements. Such forward-looking statements are made based on management's beliefs, as well as assumptions made by, and information currently available to, management pursuant to the "safe-harbor" provisions of the Private Securities Litigation Reform Act of 1995. For a more complete description of these and other risk factors that may affect the future performance of BIO-key International, see "Risk Factors" in the Company's Annual Report on Form 10-KSB and its other filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. The Company also undertakes no obligation to disclose any revision to these forward-looking statements to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

For more information contact:
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QuickLinks

[Exhibit 99.1](#)