

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## BIO KEY INTERNATIONAL INC

**Form: 8-K**

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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): **November 15, 2005**

**BIO-key International, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**1-13463**  
(Commission File Number)

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

**3349 Highway 138, Building D, Suite B  
Wall, NJ 07719**

(Address of principal executive offices)

**(732) 359-1100**

(Registrant's telephone number, including area code)

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):

- 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 Exchange Act (17 CFR 240.13e-4(c))

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**Item 2.02. Results of Operations and Financial Condition.**

On November 15, 2005, BIO-key International, Inc. (the "Registrant") issued a press release announcing its financial results for the quarter ended September 30, 2005 and subsequently issued a second press release to correct two statements made in the earlier release. On the same date, the Registrant held a conference call to discuss these financial results. Copies of the press releases and the transcript of the conference call are attached as Exhibit 99.1, Exhibit 99.2 and Exhibit 99.3, respectively, to this Current Report on Form 8-K and are incorporated herein by reference in their entirety.

The information, including the exhibits attached hereto, in this Current Report on Form 8-K shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise expressly stated in such filing.

**Item 9.01. Financial Statements, Pro Forma Financial Information and Exhibits.**

- (c) Exhibits
- 99.1 Press Release announcing third quarter 2005 financial results, dated November 15, 2005, issued by the Registrant.
- 99.2 Press Release with corrections, dated November 15, 2005, issued by the Registrant.
- 99.3 Transcript of conference call conducted by the Registrant on November 15, 2005.

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**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.

Date: November 15, 2005

BIO-KEY INTERNATIONAL, INC.

By:           /s/ Francis J. Cusick            
Francis J. Cusick  
Chief Financial Officer

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**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
99.1	Press Release announcing third quarter 2005 financial results, dated November 15, 2005, issued by the Registrant.
99.2	Press Release with corrections, dated November 15, 2005, issued by the Registrant.
99.3	Transcript of conference call conducted by the Registrant on November 15, 2005.

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## BIO-key International Announces Third Quarter 2005 Financial Results

**Wall, N.J. — November 15, 2005** — BIO-key International Inc. (OTC Bulletin Board: BKYI), a leader in finger-based biometric identification and wireless public safety solutions, today reported its financial results for its third quarter ended September 30, 2005.

Revenue for the third quarter of 2005 was \$3.2 million, compared to \$309,000 for the third quarter of 2004 and \$3.7 million for the second quarter of 2005. BIO-key reported an operating loss \$1.7 million for the third quarter of 2005, a 27% improvement over the \$2.4 million loss the second quarter of 2005.

Commenting on the third quarter results, Mike DePasquale, BIO-Key President and CEO, said, "While third quarter revenues were lower than Q2, our pipe line of sales activity grew dramatically. As a result, we enter the fourth quarter with a strong backlog as 70% of state and local government agencies start their new fiscal year."

"In September, too late for third quarter revenue, we closed one of our largest biometric contracts, valued at \$400,000. This is an important win with a major well known information provider that we believe is the beginning of very visible and replicable application," continued DePasquale.

In October the company announced it completed a major restructuring of its business operations to better focus on growth and profitability. The company created three new Business Unit divisions aligned by its major business verticals: Biometrics, Law Enforcement and Fire Safety. These units are managed on a "P & L" basis. Each Business Unit is organized to quickly respond to sales opportunities and market needs as well as driving down costs to achieve Unit profitability.

The lean and agile Business Units are poised to maximize revenue in their individual vertical spaces and to allocate and size their resources based on market need and affordability. As a result of the restructuring, third quarter run rate costs have been reduced by more than 30%, reducing EBITDA break-even and putting the company on the path to near-term profitability.

Notable events during the third quarter were:

- Award by South San Francisco for FireRMS, a full suite of fire service applications that manage enterprise records management
- BIO-key received BiometriTech Magazine's "Product of the Year" Award
- Hudson, MA becomes first customer to deploy BIO-key's new VirtualCop technology

- Cingular Wireless and BIO-key partner to provide field officers with wireless capability to access NCIC data (National Crime Information Center)
- BIO-key awarded contract from Pennsylvania Department of Health (PADOH) to integrate communication systems with Pennsylvania Emergency Management Agency (PEMA)

After the close of the quarter, BIO-key announced a contract award from Weymouth, MA Police Department, in partnership with Cyber Communications, to launch a regional data-sharing system with three contiguous towns.

Commenting on the business outlook, DePasquale, said, "We expect sequential revenue growth in the fourth <sup>th</sup> quarter. Along with our significant cost reductions, we believe we will substantially reduce our operating loss putting us on the road to sustained operating profitability"

BIO-key will hold a conference call to discuss financial results 9:00 AM EST on Tuesday November 15<sup>th</sup>. The meeting will be webcast live at <http://www.wsw.com/webcast/biok8>

### About BIO-key

BIO-key develops and delivers advanced identification solutions and information services to law enforcement departments, public safety agencies, government 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 and to reduce identity theft. Over 2,500 police, fire and emergency services departments in North America use BIO-key solutions, making BIO-key the leading supplier of mobile and wireless solutions for public safety worldwide. (<http://www.bio-key.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

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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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TO BUSINESS EDITOR:

/C O R R E C T I O N —BIO-key International Inc./

In the news release, BIO-key International Announces Third Quarter 2005 Financial Results, issued earlier today byBIO-key International Inc. over PR Newswire, we are advised by the company that the second paragraph should read, "Revenue for the third quarter of 2005 was \$3.2 million, compared to \$309,000 for the second quarter of 2004 and \$3.7 million for the second quarter of 2005. BIO-key reported an operating loss of \$2.1 million for the third quarter of 2005, a 12.5% improvement over the \$2.4 million loss for the second quarter of 2005." Rather than ""Revenue for the third quarter of 2005 was \$3.2 million, compared to \$309,000 for the second quarter of 2004 and \$3.7 million for the second quarter of 2005. BIO-key reported an operating loss of \$1.7 million for the third quarter of 2005, a 27% improvement over the \$2.4 million loss for the second quarter of 2005" as originally issued inadvertently.

Also, the fourth paragraph, first sentence should read, "we closed one of our largest biometric contracts, valued at \$131,000, with an anticipated value of \$400,000. The balance of the contract is expected to be signed in November," rather than "we closed one of our largest biometric contracts, valued at \$400,000" as originally issued inadvertently.

SOURCE BIO-key International Inc.

-0- 11/15/2005 C NYTU129

/PRNewswire — Nov. 15/

/First Call Analyst: /

/FCMN Contact: /

(BKYI)

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## BioKey International 3<sup>rd</sup> Quarter Financial Results Conference Call — 11/15/05

At this time I would like to welcome everyone to the BioKey international third-quarter financial results conference call. On the call today Tom Colatosti chairman of Biokey international, Mike DePasquale CEO of BioKey international, and Frank Cusik CFO of BioKey international. All lines have been placed a mute to prevent any background noise. After the speaker's remarks there will be a question and answer period. If you'd like to ask a question during this time simply press start of the number one on your telephone keypad. If we would like to withdraw your question press #. Thank you. Mr. DePasquale you may begin your conference.

Thank you. Welcome to BioKey's third-quarter fiscal year 2005 earning conference call. Joining me today are Tom Colatosti our chairman and Frank Cusick our CFO. We appreciate the opportunity to update our investors and other interested parties on the results from operations for our recent quarter. After my brief review of the quarter we will open the lines for live questions. First Frank could you read our safe harbor clause?

Thank you. I'm Frank Cusick BioKey's CFO. Before we begin the call let me bring your attention to the SEC's safe harbor provisions. This webcast may contain 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.

Thank you Frank. While third quarter revenues were lower than Q2, our pipeline of sales activity grew significantly in the third quarter. As a result we enter the fourth quarter with a strong backlog as 70% of state and local gov't agencies start their new fiscal year in the 3<sup>rd</sup> and 4<sup>th</sup> quarters. Our refocused field representatives are focused at positioning BIO-key products in the budgeting and procurement cycle process in our installed base as well as new named accounts. In September, we closed one of our largest biometric contracts, valued at \$400,000. This important win is with a major well known information provider and we believe is the beginning of a very visible and replicable application ... The order closed late in day on September 30<sup>th</sup>. and revenue for that particular contract will be recorded in our current or fiscal 4<sup>th</sup> quarter.

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We also made significant progress in delivering many of the milestones to complete components in a number of our large project based contracts. This led to over \$2M in collections in Q3 and what will result in over \$2M in collections once again in Q4. The more than \$8M unbilled receivable that we came into the quarter with is now beginning to turn to cash for the company Along with that, we have been able to reduce our expenses by nearly 30%, positioning BIO-key to a lower break-even point. This is in addition to reducing our expenses on average 12% each of the preceding 3 quarters. As a result, our operating loss in Q3 of \$1.7M was reduced by 27% from the 2.4M loss reported in Q2 of 2005. Our complete financial reports will be filed with the SEC within the next few days as soon as the auditors complete their concurring work.

The integration and consolidation of both Public Safety and Aether Mobile Government is now complete and all aspects of our business from engineering to marketing and customer support are operating in unison. It has been our vision to create a company focused on the homeland security and commercial authentication and identification markets that could be profitable in the short term and we believe we are coming closer to that objective.

Since our acquisition of AMG 4 fiscal quarters ago we have re-invigorated our installed base, staffed out our sales and marketing infrastructure and introduced a number of new and innovative solutions in all 3 of our vertical business lines. We also believe that a "growth accelerator" is focus and vertical expertise from top to bottom. In early October we announced that we were aligning the company around the 3 markets that we serve.....Fire Safety, Law Enforcement and Biometrics. At the same we will continue to leverage our biometrics technology and expertise across all of our business units as advanced authentication solutions are will becoming a necessity when accessing critical information on mobile and wireless devices. The new vertical business units are led by seasoned managers with industry experience and they will have P/L responsibility for their specific business. We believe that the market and investors will value companies that can be profitable and more importantly cash self sustaining - that has been our top priority in the past quarter. With an EBIDTA break-even of approx 4.5M, upgrades and enhancements being sold in our installed base and new named accounts being contracted on a frequent basis we are very optimistic about continued improvements in the current and future quarters .

Let me update you on some of the exciting opportunities that we are currently involved. Law enforcement: We have spent significant time and energy updating and enhancing the robust and large installed AMG Packetcluster customer base by integrating the best of our more advanced PSG mobile data solution; creating the most flexible open information access technology in the marketplace. We began shipping our new VirtualCOP System which offers our installed base customers as well as new Law Enforcement agencies the best of the best solution available. BIO-key is one of, if not, THE largest provider of mobile data solutions for the Law Enforcement Market and we plan on maintaining our leadership by offering our more than 1200 active customers a clear and concise upgrade path as well as new and innovative solutions such as AVL (Automatic Vehicle Locator), Automatic Activity Logging capability and support for various handheld devices and networks. This capability is supported for use in over 47

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states with interfaces to more than 30 CAD/RMS software providers, including Intergraph, Motorola, and Northrop Grumman PRC BIO\_key's renewed focus on sales Channels including data/vars and large integration partners is again gaining mindshare and attention from these companies and the urban and larger cities that they serve. We are also working very closely with the hardware providers such as CrossMatch and Panasonic that are now offering hardened devices that can run our public safety and biometric technology in a mobile and wireless environment.

It's been our goal and vision to utilize innovative and cost effective techniques to address the market and sell our public safety and biometric product offerings using a combination of direct sales resources for the larger complicated opportunities, inside sales, integrators as well as regional and local VAR's to extend our reach into the market. This is now bearing fruit as these partners no longer consider us a threat but rather a "best of class " solution provider for a component of the overall solution that they may be providing their customers.

In Q3 we were awarded a number of contracts and upgrades for our mobile data software including Bellevue Wa., Kentucky State Police, Franklin Cty Kentucky, Richmond KY. Boone Cty MO

After the close of the 3<sup>rd</sup> quarter we were awarded a landmark contract with a large city school district to deploy handheld units to the sworn officers that patrol the city's public schools.

This is a validation of the initial premise behind the PSG and AMG acquisitions. Handheld and mobile data solutions for first responders and specialty patrol units is a huge untapped market and with our expertise and marketing relationships with the large communications carriers will represent a significant revenue opportunity for our collective companies. The carriers such as Verizon and singular and Sprint want to expand their footprint to the public safety market by selling subscriptions on the public network. Our application accesses the critical information and biometrics is a driver in critical value for the law enforcement agency that we both serve.

Our vision for the company also includes integrating our biometric solutions for secure and convenient access for critical information for first responders as well as providing the ability to identify individuals in a mobile and wireless environment right in the field. Earlier in the year we announced IdentityMatch, a complete solution that enables law enforcement agencies to do real-time ID using their locally collected prints including also allowing the cataloging and inclusion of rolled cards that are currently sitting in the file cabinets and police departments around the country. We began to install the solution in a number of agencies that will be using it in the current quarter and after the first quarter of next fiscal year. It is our goal to market this product to every one of our 1200 plus law enforcement customers in the coming year.

Let me move now to fire safety. In the third quarter we announced and began to ship the most significant enhancements in recent history to our fire RMS system. We introduced a new fire RMS mobile and untethered remote version of our award winning pervasively installed core technology. Over 1800 fire safety and EMS agencies use our products on a daily basis. The upgrade and upsell potential for the mobile product alone is significant.

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We are the largest provider of fire records management solutions in North America and are once again proving that we can and will continue to offer the best of the best in software technology and functionality. Last week we held the most widely attended User conference in the history of the company. We had 165 customers representing 96 fire and EMS agencies attend a three day paid for training and education event all based around the BioKey solution set. In the third quarter we closed a number of new accounts and upgrades in existing accounts including Asbury Park New Jersey, Osceola Florida., Madison City Kentucky (also a Law Enforcement customer) and Oakland City Michigan.



We have also reached another milestone in our turnaround of the AMG mobile government business. After nearly 2 1/2 years without selling one new named accounts in fire we have closed six new named accounts in the past 60 days. You'll be hearing more about them in the coming weeks.

Moving to biometrics. During third quarter we have seen measurable progress within the biometric market. We've seen significant interest in international opportunities in areas such as healthcare banking government and national ID registration programs through our network of key partners around the world. These types of activities validate the adoption of biometrics and the increase in our addressable market on a worldwide basis. We've made significant progress with key clear one integrators in the federal government and commercial marketplace including such premier companies as the CSC and Bearing Point. These large system integrators are interested in including our patented large-scale index in identification solutions in the number of their large domestic and international projects. In the financial service industry the reason governments issued by the Federal Financial Institutions Examination Council mandating that banks and financial institutions provide multifactor Strong authentication specifically listing biometrics as an option to all online banking customers by the end of 2006 has caught most institutions completely by surprise. In providing a compelling event to consider biometrics authentication as an alternative to what you have devices. This is fueling increased activity with key banks as a software provider that service them. Additionally we received an award from an international bank to provide their employees with biometric access to secure networks and applications throughout the bank. We feel that commercial banking will be fertile ground for biometrics. While the consumer device availability namely scanning appliances that are integrated into laptop and notebook computers continues to mature. In the recent Unisys global authentication study, launched to pulse the general public regarding the use of technology to fight identity theft and fraud, Biometrics is the preferred method to fight fraud and identity theft cited by 64% of US consumers. Followed by smart cards at 36% token for 23% and additional passwords at 17%. Clearly biometric is on the verge of becoming the security solution standard. We are reaching an inflection point in our industry. This past quarter HP and Panasonic have joined the ranks of computer hardware manufacturers that are now offering a finger ID device as part of their products, joining IBM, Gateway Sony Samsung SBC and others. Some of our recent contract awards this quarter were through our partners in the educational marketplace for several school districts to provide students with a safer and more convenient way to identify themselves to pay for student lunches, check out books out of the library, and dispense medication at the nursing office. We

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also had a significant new project win with our existing customer, ChoicePoint, the largest provider of identity verification in the background check services to provide strong authentication of identification solutions several of their largest customers. This will result in over 6 million new enrollees into our technology in the next two years.

The transaction I spoke of in my opening remarks reflects revenue from just one of the customer wins that we've spoken about and demonstrates the potential of our technology across the board. Within the healthcare market we signed a partner agreement with Allscripts, a 100 million-dollar provider of clinical software conductivity and information solutions for more than 20,000 physicians across the country to provide strong and convenient access to all of their health-care data. This joint BioKey- Allscripts solution meets the guidelines required by HIPPA for secure convenient access to patient record information by health-care providers and insurers.

In summary biometrics' secure access from mobile and wireless information will be a standard part of our lives. As the result BioKey has substantial business opportunity. We are operating at a large and growing market. Sharing critical information between public safety agencies and state and local and federal authorities is increasing and it's becoming a mandated requirement. We build the technology and create the solutions to address these two pressing needs. Our management team has experience in turnarounds as well as building new businesses and at this stage of our evolution believed that we have made the right investments and have made the prudent decisions that are going to lead to sequential revenue growth in the fourth quarter. Coupled with significant cost reduction that we've implemented in the past three quarters we believe we will continue to make operational progress putting us on the road to sustain operating profitability.

With that operator could you please open the lines for live questions?

Thank you operator. With that once again I would like to thank everyone for joining us on the call this morning. Again we look forward to our next quarter and all of those significant and bright opportunities that we have ahead of us. Enjoy the day and thank you again very much for joining us.

This concludes today's BioKey international third-quarter financial results conference call.

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