

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): **May 19, 2011**

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))

Item 8.01. Other Events.

On May 19, 2011, InterAct911 Mobile Systems, Inc. exercised its option to prepay the balance due of \$3,222,000 under the Note Receivable issued to BIO-key for the sale of the Law Enforcement division. The total purchase price paid by InterAct911 to BIO-key for their former Law Enforcement Division, after customary closing adjustments was approximately \$11.3 million. Of that amount, approximately \$7.3 million was received by BIO-key in cash at the closing in December 2009 and InterAct911 issued a guaranteed, secured three-year promissory note for the remaining \$4 million due by December 2012. In consideration for the early payment from InterAct911, BIO-key accepted a \$150,000 discount on the principal amount due. The Company's Secured Promissory Note holders have agreed to absorb \$50,000 of the discount with the remainder borne by the Company. The total amount received by the Company was \$3,113,654 which included principal and interest income net of the discount and legal fees incurred.

On May 20, 2011, BIO-key exercised its prepayment option and paid the outstanding balance owed to its principal investor on its Secured Promissory Note in the amount of \$3,157,759. The total amount paid by the Company was \$3,192,421 and included principal and interest less the principal investor's share of the discount described above.

On May 25, 2011, BIO-key International, Inc. (the "Company") issued a press release announcing its receipt of early payment on its Note Receivable and the company's plans to retire its Secured Promissory Note which is included as an exhibit to a Current Report on Form 8-K. A copy of the press release issued by the Company on May 25, 2011 is attached as Exhibit 99.

The information, including the exhibit 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 Exhibit.

(d) Exhibits

99.1 Press Release, dated May 25, 2011, issued by the Company.

2

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: May 25, 2011

BIO-KEY INTERNATIONAL, INC.

By: /s/ Cecilia C. Welch

Cecilia C. Welch

Chief Financial Officer

3

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release, dated May 25, 2011, issued by the Company.

4



NEWS RELEASE

Contacts: BIO-key International, Inc.
 Scott Mahnken
 732-359-1113

BIO-Key International® Receives Early Payment on its Note Receivable and Plans to Retire its Notes Payable

WALL, NJ, May 25, 2011 (GLOBE NEWSWIRE) — BIO-key International, Inc. (OTCBB: BKYI.OB), a global leader in finger biometric identification technology solutions, today announced that InterAct911 Mobile Systems, Inc. exercised its option to prepay the balance due of \$3,222,000 under the Note Receivable issued to BIO-key nearly twenty months ahead of the scheduled final maturity date in December 2012. As a result, BIO-key has exercised its prepayment option and has paid the outstanding debt owed to its principal investor on its Secured Promissory Note in the amount of \$3,157,759, and intends to prepay its other outstanding Secured Promissory Note in the amount of \$350,804 by the end of this quarter. In consideration for the early payment from InterAct911, BIO-key accepted a \$150,000 discount on the principal amount due on the Note Receivable and our Secured Promissory Note holders have agreed to absorb \$50,000 of the discount with the remainder borne by the Company.

“For the first time in our history, after our final outstanding Notes Payable is repaid BIO-key will have no preferred stock and will be debt free, leaving the company with only one class of common shares in our capital structure,” stated Mike DePasquale, BIO-key CEO. “By receiving payment almost two years ahead of the agreed upon schedule, we are in a position to redeem our outstanding Note Payable, which will in turn, enable us to use cash from operations to fund our growth strategy without the burden of non-operational expenses.”

The total purchase price paid by InterAct911 to BIO-key for their former Law Enforcement Division, after customary closing adjustments was approximately \$11.3 million. Of that amount, approximately \$7.3 million was received by BIO-key in cash at the closing in December 2009 and InterAct911 issued a guaranteed, secured three-year promissory note for the remaining \$4 million due by December 2012.

“Improving our balance sheet has been one of our prime objectives for the past few years and we are pleased to now focus entirely on operations and spearheading growth to enhance shareholder value,” concluded Mr. DePasquale.

About BIO-key

BIO-key International, Inc., headquartered in Wall, New Jersey, develops and delivers advanced identification solutions to commercial and government enterprises, integrators, and custom application developers. BIO-key’s award winning, high performance, scalable, cost-effective and easy-to-deploy biometric finger identification technology accurately identifies and authenticates users of wireless and enterprise applications. Our solutions are used in local embedded OEM products as well as some of the world’s largest identification deployments to improve security, guarantee identity, and help reduce identity theft. BIO-key’s technology is offered directly or by market leading partners around the world. (<http://www.bio-key.com>)

BIO-key Safe Harbor Statement

Certain statements contained in this press release may be construed as “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995 (the “Act”). The words “estimate,” “project,” “intends,” “expects,” “anticipates,” “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 Act. These statements are subject to certain risks and uncertainties that may cause actual results to differ materially from those projected on the basis of these statements. These risks and uncertainties include, without limitation, our history of losses and limited revenue, our ability to develop new products and evolve existing ones, the impact on our business of the recent financial crisis in the global capital markets and negative global economic trends, and our ability to attract and retain key personnel. For a more complete description of these and other risk factors that may affect the future performance of BIO-key International, Inc., see “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2010 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.

