

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

BIO KEY INTERNATIONAL INC

Form: 8-K

Date Filed: 2013-03-04

Corporate Issuer CIK: 1019034

Symbol: BKYI

**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): February 26, 2013

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 1.01 Entry into a Material Definitive Agreement

On February 26, 2013, BIO-key International, Inc. (OTCBB: BKYI) (the "Company") entered into a number of agreements with affiliates of InterDigital, Inc. (NASDAQ: IDCC) ("InterDigital") relating to a research and development collaboration arrangement (the "R&D Collaboration"). In connection with this arrangement, affiliates of InterDigital have invested an aggregate of \$900,000 in return for newly issued shares of the Company's common stock (the "InterDigital Equity Investment") and the Company's issuance of a senior secured promissory note that will mature December 31, 2015 (the "InterDigital Note").

The InterDigital Equity Investment was made pursuant to a Securities Purchase Agreement dated February 26, 2013 by and between the Company and DRNC (the "InterDigital SPA"). Pursuant to the InterDigital SPA, the Company issued 4,026,935 shares of its common stock at a purchase price \$0.10 per share, for an aggregate purchase price of \$402,693.50. DRNC has anti-dilution rights under the InterDigital SPA that would require the Company to issue additional shares to DRNC on a full-ratchet basis if the Company, within the nine months following February 26, 2013, sells or issues any common stock or common stock equivalents (other than sales or issuances to directors, officers, employees or independent contractors in the ordinary course of business for compensation purposes and stock splits and stock dividends payable in respect of the Company's common stock) having a purchase, exercise or conversion price per share less than \$0.10.

The InterDigital Note was issued pursuant to a Note Purchase Agreement dated February 26, 2013 by and between the Company and DRNC (the "InterDigital NPA"). Pursuant to the InterDigital NPA, the InterDigital Note was issued in a principal amount of \$497,306.50 and bears interest at a rate of 7% per annum, with a default rate of 9% per annum while a nonpayment default is continuing. The InterDigital Note is secured by a security interest in all of the tangible and intangible assets of the Company, and is subject to acceleration upon an event of default. Under the InterDigital NPA, the Company agreed to comply with certain financial covenants, including a leverage ratio covenant and an annual limit on capital expenditures other than in the ordinary course of business. A portion of the proceeds from the sale of the InterDigital Note were used to repay the Colatosti Note (as defined in the Company's Annual Report on Form 10-K filed with the Commission on April 16, 2012) in full, with the remaining proceeds to be used for other general corporate purposes.

Concurrently with the closing of the InterDigital transactions described above, the Company closed an equity financing with a number of private investors (the "Private Investor Investment") pursuant to a Securities Purchase Agreement dated February 26, 2013 by and between the Company and such private investors (the "Private Investor SPA"). Pursuant to the Private Investor SPA, the Company issued 5,000,000 shares of its common stock at a purchase price \$0.10 per share, for an aggregate purchase price of \$500,000.

On February 26, 2013, the Company issued a press release related to the transactions described above. A copy of such press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference in its entirety.

Item 3.02 Unregistered Sales of Equity Securities.

The information disclosed in Item 1.01 hereof regarding the InterDigital Equity Investment and the Private Investor Investment is incorporated by reference in this Item 3.02.

The above securities issued pursuant to the InterDigital SPA and the Private Investor SPA were issued and sold pursuant to an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended, as transactions by an issuer not involving any public offering.

Disclosure is included in this report under Item 3.02 because the issuances on February 26, 2013 exceed 5% of the Company's outstanding shares of Common Stock based on the Company's most recent periodic report under the Exchange Act.

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

(d) Exhibits

99.1 Press Release, dated February 26, 2013, issued by the Company.

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: March 4, 2013

BIO-KEY INTERNATIONAL, INC.

By: /s/ Cecilia C. Welch

Cecilia C. Welch

Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
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99.1	Press Release, dated February 26, 2013, issued by the Company.
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NEWS RELEASE

Contacts: BIO-key International, Inc.
Scott Mahnken

732-359-1113

BIO-key[®] International, Inc. & InterDigital[®] Announce Research Collaboration

InterDigital makes investment in BIO-key to support Research in Advanced Cloud Security and Identity and Access Management Solutions for the Mobile Market

Wall, NJ, February 26, 2013 – BIO-key International, Inc. (OTCBB: BKYI), a global leader in fingerprint biometric identification solutions and advanced mobile credentialing and identity verification technologies, today reported that InterDigital Communications, Inc., a subsidiary of InterDigital, Inc. (NASDAQ: IDCC), a wireless research and development company, has entered into an R&D collaboration agreement with BIO-key.

The R&D collaboration will target advanced Cloud security and identity and access management solutions for the mobile market. The collaboration will bring together BIO-key's innovative research and product development capabilities in fingerprint biometrics with InterDigital's research efforts in developing identity and access management solutions for the mobile market. The efforts include user friendly authentication, end point security, and various other advanced mobile security research areas. InterDigital will provide funding for these efforts.

In addition, InterDigital will invest \$900,000 in return for newly issued shares in BIO-key and a Senior Secured Note that will mature December 31, 2015.

Concurrently, BIO-key has also raised an additional \$500,000 in equity from a number of strategic private and institutional investors on similar terms as the InterDigital investment. The total combination of debt, equity and R&D funding of \$1,425,000 at closing will be used to repay existing debt, fund growth initiatives and provide general working capital for the business. The Hickory Group, LLC is acting as BIO-key's financial adviser on the InterDigital investment.

“InterDigital, a pioneer and global leader in the mobile and wireless industry, will integrate its security technology with BIO-key’s state-of-the-art fingerprint biometric authentication solutions to create product offerings for the world’s mobile market. Rapidly growing requirements for secure access to data and services on mobile platforms is driving the demand for strong authentication and improved device and Cloud security. BIO-key’s biometric and transaction security systems significantly reduce risks associated with secure access to corporate data and services as well as potentially high value transactions in the Cloud. The collaborative development efforts, along with InterDigital’s position, will create market opportunities for BIO-key in the mobile field,” stated Mike DePasquale, BIO-key CEO. “The world is rapidly moving towards full and complete access to the Cloud using Smartphones, tablets and other devices. BIO-key’s unique device-agnostic technologies make us the ideal partner to develop a universal and global mobile authentication solution.”

“InterDigital is committed to driving disruptive innovation across the mobile ecosystem through in-house development, partnerships, collaborations and acquisitions. Our collaboration with BIO-key is consistent with InterDigital’s newly formed Innovation Partners group, which is focused on expanding InterDigital’s reach within the mobile ecosystem,” stated Scott McQuilkin, Senior Executive Vice President, Innovation.

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, 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, 2011 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.