

BIO KEY INTERNATIONAL INC  
Form 10QSB  
August 17, 2005

**U.S. SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-QSB**



ý **QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT  
OF 1934**

**For the quarterly period ended June 30, 2005**



**o TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE EXCHANGE ACT**

**For the Transition Period from                      to**

Commission file number **1-13463**



# BIO-KEY INTERNATIONAL, INC.

(Exact Name of Small Business Issuer as Specified in Its Charter)

**DELAWARE**  
(State or Other Jurisdiction of  
Incorporation of Organization)

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

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

(Address of Principal Executive Offices)

**(732) 359-1100**

(Issuer's Telephone Number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
BANKRUPTCY PROCEEDINGS DURING THE  
PRECEDING FIVE YEARS**

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date : There were 45,430,717 issued and outstanding shares of the registrant's common stock, par value \$.0001 per share, as of August 15, 2005.



Transitional Small Business Disclosure Format (check one): Yes  No

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**BIO-KEY INTERNATIONAL, INC.**

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**PART I**  
**FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**BIO-key International, Inc. and Subsidiary**

**CONSOLIDATED BALANCE SHEETS**

## ASSETS

	June 30, 2005 (Unaudited)	December 31, 2004
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,972,453	\$ 956,230
Marketable securities		1,000,000
Receivables		
Billed, less allowance for doubtful receivables of \$166,853 and \$422,393, respectively	1,842,283	1,698,144
Unbilled	676,682	310,523
Due from selling stockholders	60,342	60,793
Costs and earnings in excess of billings on uncompleted contracts	6,724,902	6,292,603
Inventory	31,301	29,599
Prepaid expenses and other	476,899	190,027
<b>Total current assets</b>	<b>11,784,862</b>	<b>10,537,919</b>
<b>EQUIPMENT AND LEASEHOLD IMPROVEMENTS - AT COST, less accumulated depreciation</b>		
	649,468	644,101
<b>OTHER ASSETS</b>		
Costs and earnings in excess of billings on uncompleted contracts		657,000
Deposits	2,260,065	2,761,134
Intangible assets less accumulated amortization	4,090,313	4,177,279
Goodwill	11,182,681	12,067,248
	17,533,059	19,662,661
	\$ 29,967,389	\$ 30,844,681

See accompanying notes to the consolidated financial statements

BIO-key International, Inc. and Subsidiary

**CONSOLIDATED BALANCE SHEETS**

## LIABILITIES AND STOCKHOLDERS EQUITY

	June 30, 2005 (Unaudited)	December 31, 2004
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term obligations	\$ 3,327,417	\$ 3,255,182
Advances from stockholders		12,753
Accounts payable	947,523	1,325,282
Billings in excess of costs and earnings on uncompleted contracts	1,152,126	760,807
Accrued liabilities	5,151,042	4,639,619
Deferred rent	417,895	393,676
Deferred revenue	3,050,907	3,166,356
Total current liabilities	14,046,910	13,553,675
LONG-TERM OBLIGATIONS, less discounts and current maturities	5,347,335	5,286,951
DEFERRED RENT	1,096,271	1,311,454
DEFERRED REVENUE	53,317	71,203
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS EQUITY</b>		
Preferred stock authorized, 5,000,000 shares of \$.0001 par value (liquidation preference of \$100 per share)		
Series A 7% Convertible; issued and outstanding 47,557 shares of \$.0001 par value	5	
Series C 7% Convertible; issued and outstanding 62,182 shares of \$.01 par value		622
Common stock authorized, 85,000,000 shares; issued and outstanding 44,952,217 shares of \$.0001 par value and 40,680,691 shares of \$.01 par value, respectively	4,495	406,807
Additional contributed capital	50,261,385	45,325,173
Accumulated deficit	(40,842,329)	(35,111,204)
	9,423,556	10,621,398
	\$ 29,967,389	\$ 30,844,681

See accompanying notes to the consolidated financial statements.



**BIO-key International, Inc. and Subsidiary**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

		<b>Three months ended</b>		<b>Six months ended</b>	
		<b>June 30,</b>		<b>June 30,</b>	
		<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Revenues					
Services	\$	2,761,887			