

Edgar Filing: PATRON SYSTEMS INC - Form 10KSB/A

PATRON SYSTEMS INC
Form 10KSB/A
May 16, 2006

=====

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB/A

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the fiscal year ended December 31, 2005

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER 0-25675

PATRON SYSTEMS, INC.
(NAME OF SMALL BUSINESS ISSUER IN ITS CHARTER)

DELAWARE 74-3055158
(STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER IDENTIFICATION NO.)
INCORPORATION OR ORGANIZATION)

5775 FLATIRON PARKWAY, SUITE 230 80301
BOULDER, CO
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

(303) 541-1005
(ISSUER'S TELEPHONE NUMBER)

SECURITIES REGISTERED UNDER SECTION 12(B) OF THE EXCHANGE ACT: NONE
SECURITIES REGISTERED UNDER SECTION 12(G) OF THE EXCHANGE ACT:

COMMON STOCK, \$0.01 PAR VALUE PER SHARE
(TITLE OF CLASS)

Check whether the issuer is not required to file reports pursuant to Section 13
or 15(d) of the Exchange Act.

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

Check if there is no disclosure of delinquent filers in response to Item 405 of
Regulation S-B contained in this form, and no disclosure will be contained, to
the best of registrant's knowledge, in definitive proxy or information
statements incorporated by reference in Part III of this Form 10-KSB or any
amendment to this Form 10-KSB.

Indicate by check mark whether the registrant is a shell company (as defined in
Rule 12b-2 of the Exchange Act.) Yes No

The issuer's revenues for the fiscal year ended December 31, 2005 were \$641,740.

Edgar Filing: PATRON SYSTEMS INC - Form 10KSB/A

At March 21, 2006, the aggregate market value of the voting stock held by non-affiliates of the issuer was \$3,635,438.

At March 21, 2006, the issuer had 61,648,360 shares of Common Stock, \$0.01 par value, issued and outstanding.

Transitional Small Business Disclosure Format (Check One) Yes No

=====

AMENDMENT NO. 1
TO THE ANNUAL REPORT ON FORM 10-KSB FILED BY
PATRON SYSTEMS, INC. ON APRIL 3, 2006

The following Items amend the Annual Report on Form 10-KSB filed by Patron Systems, Inc. (the "Company") on April 3, 2006 (the "Form 10-KSB"), as permitted by the rules and regulations promulgated by the Securities and Exchange Commission. The Form 10-KSB is hereby amended to insert those Items as set forth herein. All capitalized terms used herein but not defined shall have the meanings ascribed to them in the Form 10-KSB.

2

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS;
COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

DIRECTORS AND EXECUTIVE OFFICERS OF PATRON SYSTEMS, INC. AS OF MARCH 21, 2006

ROBERT W. CROSS, CHIEF EXECUTIVE OFFICER & DIRECTOR; AGE 68

Robert Cross joined the Company on February 28, 2005 as its Chief Executive Officer. Mr. Cross has more than twenty years CEO-level experience in the development and marketing of information technologies, including secure systems for intelligence agencies and NATO markets. From 1984 through 2004, Mr. Cross was Chief Executive Officer of Cross Technologies, Inc., a business process outsourcing firm specializing in the structuring and commercialization of information technologies. From 1993 through 1998, Mr. Cross was President and CEO of Nanophase Technologies Corp. (NASDAQ: NANX). From 1984 through 1989, he was Chairman and CEO of Delta Data Systems Corp., a manufacturer of secure computers and peripherals for government intelligence agencies. From 1983 to 1984, Mr. Cross led the financial turnaround of Control Video Corporation, predecessor to America Online (AOL). Prior thereto, Mr. Cross was General Counsel of Electronic Data Systems. Prior thereto, Mr. Cross was a securities counsel with Winthrop Stimson Putnam & Roberts. Mr. Cross received his business and legal education at Washington University in St. Louis. He is a Marine Corps veteran, and is an active member of Business Executives for National Security and the Illinois Technology Development Alliance. Mr. Cross has served as a director since February 28, 2005 with a term expiring at the Company's 2006 Annual Meeting of Stockholders.

BRADEN WAVERLEY, CHIEF OPERATING OFFICER; AGE 39

Edgar Filing: PATRON SYSTEMS INC - Form 10KSB/A

Mr. Waverley joined the Company on February 17, 2006 as its Chief Operating Officer. Mr. Waverley has been an active advisor to start-up companies in technology services, distribution and software. Mr. Waverley was most recently President of Vsource, Inc., a publicly traded business process outsourcing (BPO) services firm from 2002 to 2004. While at Vsource, he was responsible for sales, marketing, solutions development, public and investor relations, and strategic planning. Under his leadership the Company expanded account acquisition, positioning the business for a successful sale to an Asian based investment group. From 1996 to 2001, Mr. Waverley was with Dell Inc., where he was Vice President and General Manager in the company's Canadian operations. With full P&L responsibility for the Consumer and Small Business Divisions, he grew the combined business unit to over \$500 million in sales and the top market share position in Canada. Previously, he held marketing and general management posts for Dell's business throughout the Asia-Pacific region, where he grew a new business unit over five-fold, with sales in excess of \$250 million. Prior to Dell, Mr. Waverley co-founded Paradigm Research, a successful management consulting firm specializing in business process automation and redesign strategies. Clients came from industries such as computer hardware, software and wireless technology. Earlier, Mr. Waverley held operations and marketing management positions at Motorola, Inc. Mr. Waverley holds a bachelors degree from the University of Wisconsin at Madison, and a masters of business administration from the J.L. Kellogg Graduate School of Management at Northwestern University.

BRETT NEWBOLD, PRESIDENT & CHIEF TECHNOLOGY OFFICER; AGE 53

Mr. Newbold rejoined the Company on February 28, 2005 as its President and Chief Technology Officer. From October 2002 until June 2003, Mr. Newbold was the Company's Chief Technology Officer and President, Technology Products Group. Mr. Newbold has more than twenty-five years of software development and technology company management experience. From 1989 through 1997, Mr. Newbold was Vice President/Research & Development, New Technologies for Oracle Corporation (NASDAQ: ORCL), where he held senior operating management responsibility for the selection, development and integration of new technologies, reporting directly to Oracle's Chief Executive Officer, Mr. Larry Ellison. Thereafter, Mr. Newbold was President and Chief Operating Officer of Open Text Corporation (NASDAQ: OTEX), a market leader of collaboration and knowledge management software. Since 1999, Mr. Newbold served as an Executive Consultant to various software development companies. Mr. Newbold received his undergraduate education in physics at the University of Washington.

MARTIN T. "TORK" JOHNSON, CHIEF FINANCIAL OFFICER; AGE 54

Mr. Johnson joined the Company on February 17, 2006 as its Chief Financial Officer. Mr. Johnson has served as an independent consultant providing financial, strategy and operations consulting services since 2002. From 2000 to 2001, he was Vice President - Planning and Business Development for Cabletron Systems, a provider of network hardware, network management software and consulting services. From 1999 to 2000, Mr. Johnson was Senior Vice

President, Chief Financial Officer for MessageMedia, Inc., a publicly-held e-mail messaging services and software company. From 1993 to 1999, he worked for Technology Solutions Company, a publicly-held management and information technology professional services firm. Initially, he led the business case consulting practice serving as Vice President, Business Case Consulting and from February 1994 was the firm's Senior Vice President and Chief Financial Officer. From 1990 to 1993, he was Corporate Controller for The Marmon Group, Inc., a \$4.5 billion autonomous association of over 70 independent member companies.

Edgar Filing: PATRON SYSTEMS INC - Form 10KSB/A

From 1987 to 1990, he was Vice President-Finance and Chief Financial Officer of COMNET Corporation, a publicly-held computer software and computer services firm and was also Vice President-Finance and Chief Financial Officer for its publicly-held subsidiary, Group 1 Software, Inc. Mr. Johnson holds a bachelor of science in electrical engineering degree from Lehigh University and a masters degree in management from the J.L. Kellogg Graduate School of Management at Northwestern University.

JAMES E. MORRISS, VICE PRESIDENT, ENGINEERING; AGE 51

Mr. Morriss joined the Company on March 31, 2005 as its Vice President, Engineering. Since 1999, Mr. Morriss has provided technology, product and strategic consulting services through Black Dog Research, and has focused on helping early stage hardware and software startups translate their visions into product concepts, specifications and go-to-market strategies. Mr. Morriss was VP Engineering & Products for vCIS Technology, Inc., where he managed an international team of developers to create next-generation anti-virus solutions that provide real time protection against known and unknown malicious code. Prior thereto, Mr. Morriss was a Director of Solution Design for Renaissance Worldwide, where he delivered strategic consulting and implementation support services to a diverse client base including Fortune 100 telecommunication companies. Prior thereto, Mr. Morriss was General Manager, Application Business Unit and Director, Marketing and Product Research for PictureTel Corporation. Mr. Morriss led marketing and product development efforts that established the company's leadership positioning in the video conferencing market. Mr. Morriss' product concepts and marketing strategy helped PictureTel grow from start-up to \$225 million of annual revenue and achieve market domination. Prior thereto, Mr. Morriss was a National Account Sales/Product Manager for AT&T Communications. Mr. Morriss managed sales and product development teams to establish new communication services and capture new market opportunities. During his tenure, Mr. Morriss managed the deployment of high-speed switch digital services across the United States and established an entrepreneurial team that developed, deployed, and marketed new digital satellite services and resulted in the establishment of a satellite business unit. Mr. Morriss received his undergraduate and graduate education in Management Engineering from Rensselaer Polytechnic Institute.

HEIDI B. NEWTON, VICE PRESIDENT FINANCE AND ADMINISTRATION; AGE 44

Ms. Newton most recently was Vice President of Finance and CFO for IDK/NETdelivery, having joined IDK/NETdelivery in June 2001. Prior to that, she was CFO for both ENSICON Corporation and American Pharmaceutical Services (APS). In both roles, Ms. Newton was responsible for reengineering and development of all areas of finance and administration with a focus on customer service. With APS, she was responsible for over 20 acquisitions and joint ventures, assisting in growing the business from \$50M to more than \$330M in five years. She has participated with a variety of institutional and private investors to market companies and business segments. Ms. Newton is a CPA, holds a BS in Accounting and an MBA from California Polytechnic University.

ROBERT E. YAW II, CHAIRMAN OF THE BOARD OF DIRECTORS; AGE 59

Mr. Yaw started his career with Citicorp International and later joined the Investment Banking Department of Salomon Brothers in 1973. In 1975, at the request of William R. Salomon, Mr. Yaw created its Global Telecommunications Group. In 1980, Mr. Yaw and Mr. Lewis Ranieri created mortgage securitization through a partnership with AT&T and Bank of America. Also in 1980, Mr. Yaw became Chairman of Salomon Brothers' New Products Group--formally coordinating Salomon Brothers' public offering origination and distribution processes. In 1981, Mr. Yaw assumed senior responsibility for Salomon Brothers' Private Placement Group--the leading U.S. private placement agent throughout his tenure. Thereafter, he has been an advisor, founder, and Director of private and public

Edgar Filing: PATRON SYSTEMS INC - Form 10KSB/A

companies, including partnerships with Prudential Insurance Company of America and New York Life Insurance Company and he has held staff positions with the United States Senate Foreign Relations Committee, United States Senate Republican Policy Committee, and the Presidential Commission on the Causes and Prevention of Violent Crime. Mr. Yaw completed his undergraduate education at Bowdoin College and Clare College (Cambridge University) in 1968, and his graduate legal education at Georgetown University and the University of London in 1973. Mr. Yaw has served as a director since October 10, 2002 with a term expiring at the Company's 2006 Annual Meeting of Stockholders.

4

GEORGE M. MIDDLEMAS, DIRECTOR; AGE 59

Mr. Middlemas is Managing General Partner of Apex Investment Partners. Prior to joining Apex in 1991, Mr. Middlemas was a Senior Vice President and Principal of Inco Venture Capital Management. Prior thereto, he was Vice President and a member of the investment commitment committee of Citicorp Venture Capital. Mr. Middlemas was a founder of both America Online (AOL) and RSA Security (NASDAQ: RSAS). Mr. Middlemas holds a B.A. in history and political science from Pennsylvania State University; an M.A. in political science from the University of Pittsburgh; and an M.B.A. from the Harvard Graduate School of Business Administration. Mr. Middlemas has served as a director since February 28, 2005 with a term expiring at the Company's 2006 Annual Meeting of Stockholders. Mr. Middlemas also serves on the board of directors and the compensation committee of the board of directors of Pure Cycle Corporation.

AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that we do not have an audit committee financial expert serving on the Board of Directors. Our Board of Directors performs the functions of the audit committee. We are in the process of finding an audit committee financial expert to fill this position.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based upon its review of Forms 3, 4 and 5 submitted to us, we are aware that the following individuals failed to file on a timely basis, as disclosed in the forms above, reports required by Section 16(a) of the Exchange Act: Robert Cross, our Chief Executive Officer, failed to timely file one report reporting one transaction; Brett Newbold, our President and Chief Technology Officer failed to file one report reporting one transaction; Heidi B. Newton, our Vice President-Finance and Administration, failed to timely file one report reporting one transaction; James E. Morriss, our Vice President-Engineering, failed to timely file one report reporting one transaction; and J. William Hammon, our former Chief Marketing Officer failed to timely file one report reporting one transaction.

CODE OF ETHICS DISCLOSURE

Our Board of Directors has adopted a Code of Ethical Conduct (the "Code of Conduct"). We require all employees, directors and officers, including our Chief Executive Officer and Chief Financial Officer, to adhere to the Code of Conduct in addressing legal and ethical issues encountered in conducting their work. The Code of Conduct requires that these individuals avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in our best interest. The Code of Conduct contains additional provisions that apply specifically to our Chief Financial Officer and other financial officers with respect to full

Edgar Filing: PATRON SYSTEMS INC - Form 10KSB/A

and accurate reporting.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding beneficial ownership of our common stock as of March 21, 2006, by (i) each person (or group of affiliated persons) who is known by us to beneficially own more than 5% of the outstanding shares of our common stock, (ii) each of our directors and executive officers, and (iii) all of our executive officers and directors as a group. Under Rule 13d-3, certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of common stock actually outstanding at March 21, 2006. As of March 21, 2006, there were 61,648,360 shares of common stock outstanding and to-be-issued, not including vested, un-issued stock options totaling 8,906,108 shares. Except as otherwise indicated, the address of each of the executive officers, directors and more than 5% stockholders named below is c/o Patron Systems, Inc., 5775 Flatiron Parkway, Suite 230, Boulder, CO 80301.

5

CERTAIN BENEFICIAL OWNERS	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS
DIRECTORS AND EXECUTIVE OFFICERS		
Robert W. Cross(1)	1,066,667	1.7%
Braden Waverley(2)	550,279	*
Brett Newbold(3)	4,075,000	6.6%
J. William Hammon(4)	2,150,000	3.5%
Martin T. Johnson(5)	196,529	*
James E. Morriss(6)	272,000	*
Heidi B. Newton	202,114	*
Robert E. Yaw II(7)	2,950,000	4.8%
George M. Middlemas	22,751	*
ALL DIRECTORS AND EXECUTIVE OFFICERS AS A GROUP(8)	11,260,340	18.3%
5% STOCKHOLDERS		
Apex Investment Fund V, L.P.(9) 225 West Washington St., Ste. 1500 Chicago, Illinois 60606	6,339,500	9.3%

* Less than 1%

(1) Consists of 1,000,000 shares of common stock that may be acquired from the Company within 60 days of March 21, 2006 upon the exercise of outstanding stock options.

Edgar Filing: PATRON SYSTEMS INC - Form 10KSB/A

- (2) Consists of 550,279 shares of common stock that may be acquired from the Company within 60 days of March 21, 2006 upon the exercise of outstanding stock options.
- (3) Consists of 1,475,000 shares of common stock that are directly owned by Mr. Newbold, and 2,600,000 shares of common stock owned by Newbold, Inc., a corporation of which Mr. Newbold is the sole stockholder.
- (4) Consists of 1,550,000 share of common stock that may be acquired from the Company within 60 days of March 21, 2006 upon the exercise of outstanding stock options.
- (5) Consists of 196,529 shares of common stock that may be acquired from the Company within 60 days of March 21, 2006 upon the exercise of outstanding stock options.
- (6) Consists of 225,000 shares of common stock that may be acquired from the Company within 60 days of March 21, 2006 upon the exercise of outstanding stock options.
- (7) Consists of 950,000 shares of common stock that are directly owned by Mr. Yaw, and 2,000,000 shares of common stock owned by Mr. Yaw's spouse.
- (8) Consists of 3,296,808 shares of common stock that may be acquired from the Company within 60 days of March 21, 2006 upon the exercise of outstanding stock options.
- (9) Consists of 6,339,500 shares of common stock that may be acquired from the Company within 60 days of March 21, 2006 upon the exercise of outstanding warrants.

The following table sets forth certain information regarding beneficial ownership of our Series A-1 Preferred Stock as of March 21, 2006, by (i) each person (or group of affiliated persons) who is known by us to beneficially own more than 5% of the outstanding shares of Series A-1 Preferred Stock, (ii) each of our directors and executive officers, and (iii) all of our executive officers and directors as a group, as applicable. Under Rule 13d-3, certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if

6

the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of Series A-1 Preferred Stock actually outstanding at March 21, 2006. As of March 21, 2006, there were 4,277,261 shares of Series A-1 Preferred Stock outstanding.

CERTAIN BENEFICIAL OWNERS	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS
---------------------------	---	---------------------

Edgar Filing: PATRON SYSTEMS INC - Form 10KSB/A

5% HOLDERS

Patrick J. Allin 311 Belle Foret Drive Lake Bluff, IL 60044	1,875,000	43.8%
Richard Linting 830 Temple Hills Drive Laguna Beach, CA 92651	1,777,261	41.6%
The Allin Dynastic Trust c/o Patrick J. Allin 311 Belle Foret Drive Lake Bluff, IL 60044	625,000	14.6%

CHANGES IN CONTROL

On January 12, 2006, we issued a Stock Subscription Agreement & Mutual Release to each of our creditors and claimants pursuant to which we would sell to such creditors and/or claimants shares of our Series A-1 Preferred Stock in exchange for a final and binding settlement with respect to any and all claims, liabilities, demands, causes of action, costs, expenses, attorneys fees, damages, indemnities, and obligations of every kind and nature that such creditors and/or claimants may have with the Company. If all creditors and/or claimants accept the Company's offer, the Company will issue an aggregate of approximately 39,963,000 shares of Series A-1 Preferred Stock. The shares of Series A-1 Preferred Stock will automatically convert into 390,963,000 shares of the Company's common stock at such time that the Company amends its Certificate of Incorporation, as amended, to provide for the conversion of all shares of Series A-1 Preferred Stock. Based on 61,648,360 shares of the Company's common stock outstanding and to-be-issued as of March 21, 2006, if the automatic conversion of the maximum number of shares of Series A-1 preferred stock were to occur on such date, the creditors and/or claimants would own approximately 86.4% of the issued and outstanding shares of the Company's common stock.

On March 27, 2006, pursuant to the consummation of the Series A Preferred Financing for aggregate proceeds of \$4,820,501, the Company issued to the purchasers of Series A Preferred Stock an aggregate of 964.1 shares of Series A Preferred Stock and warrants to purchase an aggregate of 20,085,417 shares of common stock. The 964.1 shares of Series A Preferred Stock are, subject to certain conditions, convertible at the option of the holders thereof, into 60,256,250 shares of the Company's common stock. Based on 61,648,360 shares of the Company's common stock outstanding as of March 21, 2006, if all holders of Series A Preferred Stock elected to convert all of their shares of Series A Preferred Stock and to exercise all of their warrants issued in connection with the Series A Preferred Financing on such date, such holders of Series A Preferred Stock and warrants would own approximately 56.6% of the issued and outstanding shares of the Company's common stock.

7

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information concerning our equity compensation plans as of December 31, 2005.

NUMBER OF SECURITIES
TO BE ISSUED UPON

WEIGHTED-AVERAGE

NUMBER OF S
AVAILABLE

Edgar Filing: PATRON SYSTEMS INC - Form 10KSB/A

PLAN CATEGORY	EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (a)	EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (b)	UNDER EQ PLANS (EX REFLECTE
Equity compensation plans approved by security holders	--	--	
Equity compensation plans not approved by security holders[1]	12,840,000	\$0.70	
TOTAL	12,840,000	\$0.70	

[1] Represents options granted pursuant to individual option agreements.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

TRANSACTIONS WITH EXECUTIVE OFFICERS AND STOCKHOLDERS

In 2002 we, through our then Chief Executive Officer, Patrick J. Allin, agreed to reimburse recurring office expenses of the non-executive Chairman of the Board in the aggregate of \$142,500. The monthly recurring amount of \$9,500 continued through June of 2003 at which time the office was relocated and the amount increased to \$15,000 per month. The aggregate office expense in 2003 and 2004 was \$147,000 and \$180,000, respectively. This accrual continued through May 31, 2005, at which time the monthly office expense of \$15,000 ceased to accrue.

From April 30, 2002 (Inception) to December 31, 2004, J. William Hammon, our Chief Marketing Officer, and his spouse, have advanced \$345,712 in the aggregate to us. For \$119,000 of this total amount, we issued two notes, payable on demand and accruing interest at a rate of 10% per annum. In an effort to secure legal counsel and pay certain reimbursable expenses, we completed two Private Placements of restricted securities for \$200,000 in the aggregate, which funds were deposited into the personal bank account of Mr. Hammon. From this account, he paid certain of our outstanding obligations, including legal retainers and fees and reimbursable expenses of officers and stockholders. The \$200,000 in private placement funds were netted against the total he advanced to us.

Beginning on July 1, 2005, and continuing through December 31, 2005, we completed, through 12 separate fundings, a \$5,234,000 financing (the "Interim Bridge Financing III") through the issuance of (i) 10% Junior Convertible Promissory Notes (the "Bridge III Notes") and (ii) warrants to purchase up to 2,617,000 shares of common stock (the "Bridge III Warrants") to, among other existing investors, Apex Investment Fund V, L.P. ("Apex"). The Bridge III Warrants have a term of 5 years and an exercise price of \$0.60 per share.

The Bridge III Notes had an initial term of 120 days (due on various dates beginning October 28, 2005) with interest at 10% per annum and featured an option for the Company to extend the term for an additional 60 days to various dates beginning December 28, 2005. Upon the extension of the maturity date of the Bridge III Notes, the contractual interest rate would increase to 12% per annum, and the Company would be required to issue warrants (the "Bridge III Extension Warrants") to purchase such number of shares of the Company's common stock equal to one-half of a share for each \$1.00 of principal then outstanding. The Bridge III Extension Warrants issuable upon extension of the maturity date of the Bridge III Notes feature a term of 5 years and an exercise price of \$0.60 per share. The Company has agreed to file with the SEC, a registration statement for the resale of the restricted shares of its common stock issuable upon exercise of the conversion option that would be issuable in this transaction, on a best efforts basis.

Edgar Filing: PATRON SYSTEMS INC - Form 10KSB/A

Beginning on October 29, 2005, the Company elected to extend the contractual maturity date of the various Bridge III Notes for an additional 60 days to various dates beginning December 28, 2005, which caused the contractual interest rate to increase to 12% per annum. In addition, the Company was required to issue the 1,200,000 Bridge III

8

Extension Warrants to purchase such number of shares of common stock equal to 1/2 of a share for each \$1.00 of principal amount outstanding. All of the Bridge III Notes have been redeemed in exchange for the issuance of shares of Series A-1 Preferred Stock.

On July 1, 2005, the Company issued a Bridge III Note in the principal amount of \$1,650,000 and Bridge III Warrants to purchase 825,000 shares of Common Stock to Apex. The aggregate fair value of these Bridge III Warrants amounted to \$415,891.

On August 19, 2005, the Company issued a Bridge III Note in the principal amount of \$450,000 and Bridge III Warrants to purchase 225,000 shares of Common Stock to Apex. The fair value of these Bridge III Warrants amounted to \$55,263.

On September 30, 2005, the Company issued a Bridge III Note in the principal amount of \$1,200,000 and Bridge III Warrants to purchase 600,000 shares of Common Stock to Apex. The fair value of these Bridge III Warrants amounted to \$57,143.

On October 16, 2005, the Company issued a Bridge III Note in the principal amount of \$360,000 and Bridge III Warrants to purchase 180,000 shares of Common Stock to Apex. The fair value of these Bridge III Warrants amounted to \$9,018.

On October 24, 2005, the Company issued a Bridge III Note in the principal amount of \$75,000 and Bridge III Warrants to purchase 37,500 shares of Common Stock to Apex. The fair value of these Bridge III Warrants amounted to \$1,879.

On October 29, 2005, the Company issued Bridge III Extension Warrants to purchase 825,000 shares of Common Stock to Apex. The fair value of these Bridge III Extension Warrants amounted to \$42,394.

On October 31, 2005, the Company issued a Bridge III Note in the principal amount of \$385,000 and Bridge III Warrants to purchase 192,500 shares of Common Stock to Apex. The fair value of these Bridge III Warrants amounted to \$9,644.

On November 16, 2005, the Company issued a Bridge III Note in the principal amount of \$225,000 and Bridge III Warrants to purchase 112,500 shares of Common Stock to Apex. The fair value of these Bridge III Warrants amounted to \$4,431.

On November 21, 2005, the Company issued a Bridge III Note in the principal amount of \$150,000 and Bridge III Warrants to purchase 75,000 shares of Common Stock to Apex. The fair value of these Bridge III Warrants amounted to \$2,954.

On November 29, 2005, the Company issued a Bridge III Note in the principal amount of \$210,000 and Bridge III Warrants to purchase 105,000 shares of Common Stock to Apex. The fair value of these Bridge III Warrants amounted to \$4,135.

On December 8, 2005, the Company issued a Bridge III Note in the principal amount of \$229,000 and Bridge III Warrants to purchase 114,500 shares of Common Stock to Apex. The fair value of these Bridge III Warrants amounted to \$4,757.

Edgar Filing: PATRON SYSTEMS INC - Form 10KSB/A

On December 17, 2005, the Company issued Bridge III Extension Warrants to purchase 225,000 shares of Common Stock to Apex. The fair value of these Bridge III Extension Warrants amounted to \$9,544.

We also have employment agreements with certain of our executive officers. The terms of those employment agreements are discussed in Item 10 and Note 23 to the financial statements.

ITEM 13. EXHIBITS

SEE ATTACHED EXHIBIT INDEX.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Company caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PATRON SYSTEMS, INC.

By: /S/ ROBERT CROSS

Robert Cross

Its: Chief Executive Officer

Date: May 15, 2006

POWER OF ATTORNEY

The undersigned directors and officers of Patron Systems, Inc. do hereby constitute and appoint each of Robert Cross and Heidi Newton with full power of substitution and resubstitution, as their true and lawful attorney and agent, to do any and all acts and things in our name and on our behalf in our capacities as directors and officers and to execute any and all instruments for us and in our names in the capacities indicated below, which said attorney and agent may deem necessary or advisable to enable said corporation to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this Annual Report on Form 10-KSB, including specifically, but without limitation, power and authority to sign for us or any of us in our names in the capacities indicated below, any and all amendments (including post-effective amendments) hereto, and we do hereby ratify and confirm all that said attorney and agent shall do or cause to be done by virtue hereof.

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
-----	-----	----
/S/ ROBERT CROSS ----- Robert Cross	Chief Executive Officer & Director	May 15, 2006

Edgar Filing: PATRON SYSTEMS INC - Form 10KSB/A

/S/ MARTIN T. JOHNSON ----- Martin T. Johnson	Chief Financial Officer	May 15, 2006
/S/ HEIDI B. NEWTON ----- Heidi B. Newton	Vice President-Finance and Administration (Principal Accounting Officer)	May 15, 2006
/S/ ROBERT E. YAW, II ----- Robert E. Yaw, II	Chairman of the Board	May 15, 2006
/S/ GEORGE MIDDLEMAS ----- George Middlemas	Director	May 15, 2006

10

EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBIT -----
2.1	Agreement and Plan of Merger dated as of November 24, 2002, among Patron Systems, Inc., ESC Acquisition, Inc. and Entelagent Software Corp. Incorporated by reference to Exhibit 2.3 to the Current Report on Form 8-K filed November 27, 2002.
2.2	Supplemental Agreement dated as of November 24, 2002, among Patron Systems, Inc., ESC Acquisition, Inc. and Entelagent Software Corp. Incorporated by reference to Exhibit 2.4 to the Current Report on Form 8-K filed November 27, 2002.
2.3	Agreement and Plan of Merger dated as of March 26, 2003, between Patron Systems, Inc. and Patron Holdings, Inc. Incorporated by reference to Exhibit A to the Definitive Information Statement on Schedule 14C filed on March 7, 2003.
2.4	Supplemental Agreement dated February 24, 2005, among Patron Systems, Inc., LL Acquisition I Corp. and LucidLine, Inc. Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed March 2, 2005.
2.5	Agreement and Plan of Merger dated February 24, 2005, among Patron Systems, Inc., LL Acquisition I Corp. and LucidLine, Inc. Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed March 2, 2005.
2.6	Supplemental Agreement dated February 24, 2005, among Patron Systems, Inc., CSSI Acquisition Co. I, Inc. and Complete Security Solutions, Inc. Incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed March 2, 2005.
2.7	Agreement and Plan of Merger dated February 24, 2005, among Patron Systems, Inc., CSSI Acquisition Co. I, Inc. and Complete Security Solutions, Inc. Incorporated by reference to Exhibit

Edgar Filing: PATRON SYSTEMS INC - Form 10KSB/A

- 10.6 to the Current Report on Form 8-K filed March 2, 2005.
- 2.8 Amended and Restated Supplemental Agreement dated as of February 24, 2005, by and among Patron Systems, Inc., ESC Acquisition, Inc. and Entelagent Software Corp. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed March 2, 2005.
- 2.9 Amended and Restated Agreement and Plan of Merger dated March 30, 2005, by and among Patron Systems Inc., ESC Acquisition, Inc. and Entelagent Software Corp. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed April 5, 2005.
- 3.1.1 Second Amended and Restated Certificate of Incorporation of Patron Systems, Inc. dated as of March 7, 2003. Incorporated by reference to Exhibit B to the Definitive Information Statement on Schedule 14C filed on March 7, 2003.
- 3.1.2 Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock and Series A-1 Convertible Preferred Stock of Patron Systems, Inc. dated as of March 1, 2006. Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on March 31, 2006.
- 3.2 Amended and Restated By-laws of Patron Systems, Inc., dated as of March 7, 2003. Incorporated by reference to Exhibit C to the Definitive Information Statement on Schedule 14C filed with the SEC on March 7, 2003.
- 10.1 Registration Rights Agreement dated February 24, 2005, among Patron Systems, Inc. and each of the former LucidLine, Inc. shareholders signatory thereto. Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed March 2, 2005.
- 10.2 Registration Rights Agreement dated February 24, 2005, among Patron Systems, Inc. and each of the former Complete Security Solutions, Inc. stockholders signatory thereto. Incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K filed March 2, 2005.
- 10.3 Form of Subordinated Promissory Note issued to the former preferred stockholders of Complete Security Solutions, Inc. Incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K filed March 2, 2005.

11

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBIT -----
10.4	Form of Common Stock Purchase Warrant issued by Patron Systems, Inc. in favor of the former preferred stockholders of Complete Security Solutions, Inc. Incorporated by reference to Exhibit 10.9 to the Current Report on Form 8-K filed March 2, 2005.
10.5	Form of Subscription Agreement dated February 28, 2005, among Patron Systems, Inc. and each of the investors in Interim Bridge

Edgar Filing: PATRON SYSTEMS INC - Form 10KSB/A

- Financing I. Incorporated by reference to Exhibit 10.10 to the Current Report on Form 8-K filed March 2, 2005.
- 10.6 Registration Rights Agreement dated February 28, 2005, among Patron Systems, Inc. and each of the investors in Interim Bridge Financing I. Incorporated by reference to Exhibit 10.11 to the Current Report on Form 8-K filed March 2, 2005.
- 10.7 Form of 10% Senior Convertible Promissory Note issued by Patron Systems, Inc. in favor of investors in Interim Bridge Financing I. Incorporated by reference to Exhibit 10.12 to the Current Report on Form 8-K filed March 2, 2005.
- 10.8 Form of Common Stock Purchase Warrant issued by Patron Systems, Inc. in favor of investors in Interim Bridge Financing I. Incorporated by reference to Exhibit 10.13 to the Current Report on Form 8-K filed March 2, 2005.
- 10.9 Registration Rights Agreement dated February 28, 2005, among Patron Systems, Inc. and Laidlaw & Company (UK) Ltd. Incorporated by reference to Exhibit 10.14 to the Current Report on Form 8-K filed March 2, 2005.
- 10.10 Form of Common Stock Purchase Warrant issued by Patron Systems, Inc. in favor of Laidlaw & Company (UK) Ltd. in connection with placement agent services. Incorporated by reference to Exhibit 10.15 to the Current Report on Form 8-K filed March 2, 2005.
- 10.11 Form of Common Stock Purchase Warrant issued by Patron Systems, Inc. in favor of Laidlaw & Company (UK) Ltd in connection with advisory services. Incorporated by reference to Exhibit 10.16 to the Current Report on Form 8-K filed March 2, 2005.
- 10.12 Executive Employment Agreement dated February 28, 2005, between Brett Newbold and Patron Systems, Inc.* +
- 10.13 Executive Employment Agreement dated February 28, 2005, between J. William Hammon and Patron Systems, Inc.* +
- 10.14 Registration Rights Agreement dated March 30, 2005, among Patron Systems, Inc. and each of the former Entelagent Software Corp. shareholders signatory thereto. Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed April 5, 2005.
- 10.15 Form of Promissory Note issued to certain creditors of Entelagent Software Corp. Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed April 5, 2005.
- 10.16 Settlement Agreement and Mutual Release dated June 2, 2005, among Patrick J. Allin, The Allin Dynastic Trust and Patron Systems, Inc. +
- 10.17 Form of Subscription Agreement between Patron Systems, Inc. and each of the investors in Interim Bridge Financing II. Incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-QSB filed August 22, 2005.
- 10.18 Registration Rights Agreement among Patron Systems, Inc. and each of the investors in Interim Bridge Financing II. +
- 10.19 Form of 10% Junior Convertible Promissory Note issued by Patron

Edgar Filing: PATRON SYSTEMS INC - Form 10KSB/A

Systems, Inc. in favor of investors in Interim Bridge Financing II. +

- 10.20 Form of Common Stock Purchase Warrant issued by Patron Systems, Inc. in favor of the Placement Agent for, and investors in, Interim Bridge Financing II. +
- 10.21 Option Agreement dated July 1, 2005, between Robert Cross and Patron Systems, Inc. Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-QSB filed August 22, 2005.*

12

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBIT -----
10.22	Employment Agreement dated July 1, 2005, between Robert Cross and Patron Systems, Inc. Incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-QSB filed August 22, 2005.*
10.23	Form of Subscription Agreement between Patron Systems, Inc. and each of the investors in Interim Bridge Financing III. +
10.24	Registration Rights Agreement among Patron Systems, Inc. and each of the investors in Interim Bridge Financing III. +
10.25	Form of 10% Junior Convertible Promissory Note issued by Patron Systems, Inc. in favor of each of the investors in Interim Bridge Financing III. +
10.26	Form of Common Stock Purchase Warrant issued by Patron Systems, Inc. in favor of each of the investors in, Interim Bridge Financing III. +
10.27	Lease Agreement dated August 31, 2005, between Flatiron Boulder Office, Inc. and Patron Systems, Inc. Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-QSB filed November 21, 2005.
10.28	Employment Agreement dated February 17, 2006, between Patron Systems, Inc. and Braden Waverley. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed February 23, 2006.
10.29	Employment Agreement dated February 17, 2006, between Patron Systems, Inc. and Martin Johnson. Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed February 23, 2006.
10.30	Option Agreement dated February 17, 2006, between Patron Systems, Inc. and Braden Waverley. Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed February 23, 2006.
10.31	Option Agreement dated February 17, 2006, between Patron Systems, Inc. and Martin Johnson. Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed February 23, 2006.
10.32	Form of Subscription Agreement between Patron Systems, Inc. and

Edgar Filing: PATRON SYSTEMS INC - Form 10KSB/A

each of the purchasers of shares of the Series A Preferred Stock of Patron Systems, Inc. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on March 31, 2006.

- 10.33 Form of Common Stock Purchase Warrant issued by Patron Systems, Inc. in favor of each of the purchasers of shares of the Series A Preferred Stock of Patron Systems, Inc. Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on March 31, 2006.
- 10.34 Registration Rights Agreement dated March 27, 2006, among Patron Systems, Inc. and each of the purchasers of shares of the Series A Preferred Stock of Patron Systems, Inc. Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed on March 31, 2006.
- 10.35 Form of Stock Subscription Agreement and Mutual Release issued by Patron Systems, Inc. in favor of each of the Creditors and/or Claimants exchanging claims for shares of the Series A-1 Preferred Stock of Patron Systems, Inc. Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed on March 31, 2006.
- 10.36 Post Closing Escrow Agreement dated March 27, 2006, between Stubbs Alderton & Markiles, LLP and Patron Systems, Inc. Incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed on March 31, 2006.
- 14.1 Code of Ethics.+
- 21.1 Subsidiaries of the Company. +
- 24.1 Power of Attorney (included as part of the signature page of this Annual Report on Form 10-KSB).
- 31.1 Certification of Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBIT -----
31.2	Certification of Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Indicates a management contract or compensatory plan.

+ Previously filed on Form 10-KSB.

