

VIISAGE TECHNOLOGY INC  
Form S-3/A  
January 11, 2005  
Table of Contents

As filed with the Securities and Exchange Commission on January 11, 2005

Registration No. 333-121214

---

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

---

## AMENDMENT NO. 1

TO

## FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

# Viisage Technology, Inc.

*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State of incorporation)*

**04-3320515**  
*(I.R.S. Employer Identification No.)*

**296 Concord Road, Third Floor, Billerica, MA 01821, (978) 932-2200**

*(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)*

**Bernard C. Bailey**

**Chief Executive Officer**

**Viisage Technology, Inc., 296 Concord Road, Third Floor, Billerica, MA 01821, (978) 932-2200**

*(Name, address, including zip code, and telephone number, including area code, and address of agent for service)*

*Copy to:*

**Elliot J. Mark, Esq.**

**Viisage Technology, Inc.**

**296 Concord Road**

**Third Floor**

**Billerica, MA 01821**

**Telephone: (978) 932-2200**

**Telecopy: (978) 932-2218**

---

**Approximate date of commencement of proposed sale to public:** From time to time, after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. "

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, or the Securities Act, other than securities offered only in connection with dividend or interest reinvestment plans check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. "

---

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in**

accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.

---

**Table of Contents**

**The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**Subject to completion, dated January 11, 2005**

PROSPECTUS

**3,908,387 Shares**

**Viisage Technology, Inc.**

**Common Stock**

We are registering up to 3,908,387 shares of our common stock for offer or sale by the selling stockholders named in this prospectus. Of the shares being registered, 795,530 are being held in escrow and may not be offered or sold by the selling stockholders until the escrow is released. The selling stockholders identified in this prospectus or their donees, pledgees, transferees, or other successors in interest may offer or sell their shares publicly or through private transactions at prevailing market prices or at negotiated prices. We will not receive any proceeds from the shares being registered for offer and sale by the selling stockholders. We have concurrently filed a registration statement for an unrelated selling stockholder covering the potential resale of 5,717,873 shares of our common stock.

**Investing in our common stock involves risks. See Risk Factors beginning on page 1.**

Our shares are quoted on the Nasdaq National Market under the symbol **VISG**. The last reported sale price of our shares on January 10, 2005 was \$8.22 per share.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**



**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>RISK FACTORS</u>	1
<u>FORWARD LOOKING STATEMENTS</u>	10
<u>USE OF PROCEEDS</u>	10
<u>THE COMPANY</u>	11
<u>PLAN OF DISTRIBUTION</u>	12
<u>SELLING STOCKHOLDERS</u>	15
<u>LEGAL MATTERS</u>	18
<u>EXPERTS</u>	18
<u>WHERE YOU CAN FIND ADDITIONAL INFORMATION</u>	18
<u>INCORPORATION OF DOCUMENTS BY REFERENCE</u>	19

You should rely only on the information contained in this prospectus or other information to which we have referred you. We have not authorized anyone to provide you with information that is different. This prospectus may only be used where it is legal to sell these securities. The information in this prospectus may only be accurate on the date of this prospectus.

(i)

**Table of Contents**

**RISK FACTORS**

*If you purchase shares of our common stock, you will take on financial risk. In deciding whether to invest, you should carefully consider the risk factors set forth below, as well as the risk factors contained in our filings with the Securities and Exchange Commission and the other information to which we have referred you.*

**We have a history of operating losses.**

We have a history of operating losses. Although we recorded net income of \$198,000 for the three months ended September 26, 2004, our business operations began in 1993 and, except for fiscal years 1996 and 2000, have resulted in net losses in each fiscal year. At September 26, 2004, we had an accumulated deficit of approximately \$44.0 million. We will continue to invest in the development of our secure credential and biometric technologies. Accordingly, we cannot predict when or if we will ever achieve profitability on an annual basis.

**We may be unable to obtain additional capital required to fund our operations and finance our growth.**

The installation of our secure identification systems requires significant capital expenditures. While we have been successful in the past in obtaining financing for working capital and capital expenditures, we will have ongoing capital needs as we expand our business. We may be unable to obtain additional funds in a timely manner or on acceptable terms, which would render us unable to fund our operations or expand our business. If we are unable to obtain capital when needed, we may have to restructure our business or delay or abandon our development and expansion plans.

**We derive over 90% of our revenue from government contracts, which are often non-standard, involve competitive bidding, may be subject to cancellation with or without penalty and may produce volatility in earnings and revenue.**

More than 90% of our business involves providing products and services under contracts with U.S. federal, state, local and foreign government agencies. Obtaining contracts from government agencies is challenging, and government contracts often include provisions that are not standard in private commercial transactions. For example, government contracts may:

include provisions that allow the government agency to terminate the contract without penalty under some circumstances;

be subject to purchasing decisions of agencies that are subject to political influence;

contain onerous procurement procedures; and

be subject to cancellation if government funding become unavailable.

Foreign government contracts generally include comparable provisions relating to termination for the convenience of the relevant foreign government. Securing government contracts can be a protracted process involving competitive bidding. In many cases, unsuccessful bidders may challenge contract awards, which can lead to increased costs, delays and possible loss of the contract for the winning bidder.

**We derive a significant portion of our revenue from a few customers, the loss of which could have an adverse effect on our revenues.**

For the nine-month period ended September 26, 2004, two customers, Telos Corporation (U.S. Department of Defense) and U.S. Department of State each accounted for over 10% of our revenue and an aggregate of 29.6% of our revenue. For the year ended December 31, 2003, two customers, Pennsylvania Department of Transportation and Illinois Secretary of State, each accounted for over 10% of our revenues and an aggregate of 26% of our revenue. For 2002, two customers, Connecticut Department of Information Technology and Mississippi Department of Information Technology Services, each accounted for over 10% of our revenues and an aggregate of 22% of our revenue. For 2001, four customers, Illinois Secretary of State, Unisys Corporation (Florida Department of Safety and Motor Vehicles), Kentucky Transportation Cabinet and Pennsylvania Department of Transportation, each



## **Table of Contents**

accounted for over 10% of our revenue and an aggregate of 49% of our revenue. Since a small number of customers in our secure credentials segment account for a substantial portion of our revenues, the loss of any of our significant customers would cause revenue to decline and could have a material adverse effect on our business.

**We derive revenue from only a limited number of products and services and we do not have a diversified product or service base.**

Substantially all of our revenues are derived from the sale of products and services comprising our identity solutions. We anticipate that substantially all of the growth in our revenue, if any, will also be derived from these sources. If for any reason our sale of these products or services is impeded, and we have not diversified our product and service offerings, our business and results from operations could be harmed.

**Loss of limited source suppliers may result in delays or additional expenses.**

We obtain certain hardware components and complete products from a limited group of suppliers. Our reliance on these suppliers involves significant risks, including reduced control over quality and delivery schedules. Moreover, any financial instability of our manufacturers or contractors could result in our having to find new suppliers. We may experience significant delays in manufacturing and shipping our products to customers if we lose these sources or if supplies from these sources are delayed. As a result, we may be required to incur additional development, manufacturing and other costs to establish alternative sources of supply. It may take several months to locate alternative suppliers, if required, or to re-tool our products to accommodate components from different suppliers. We cannot predict if we will be able to obtain replacement components within the time frames we require at an affordable cost, or at all. Any delays resulting from suppliers failing to deliver components or products on a timely basis, in sufficient quantities and of sufficient quality or any significant increase in the price of components from existing or alternative suppliers could have a severe negative impact on our business, financial condition and results of operations.

In particular, we obtain all of the printers and consumables for the U.S. Department of State passport contract and the Department of Defense, or DoD, common access card, or CAC, contract from Toppan Printing Co. Ltd., or Toppan. On July 19, 2004, Fargo Electronics, Inc. initiated a patent infringement action in the U.S. District Court for the Eastern District of Virginia against Toppan and TDT. The complaint alleges that Toppan's and TDT's use, offer to sell and/or importation of certain personalized identification card printers, including Toppan's CP400 card printers, and associated laminators in the United States constitutes direct and indirect infringement of four patents allegedly owned by Fargo. The complaint seeks unspecified compensatory damages, permanent injunctive relief, trebling of damages for willful infringement and fees and costs. We are currently evaluating the claims in this lawsuit and intend to vigorously defend against them. We believe that the only products at issue are Toppan CP400 printers that were or are sold, used or imported as part of the CAC program. To date, we have received purchase orders of \$10.2 million for Toppan CP400 printers for the CAC program, which are expected to be delivered by the end of the first quarter of 2005. There can be no assurance that we will prevail in this litigation. The litigation, with or without merit, could be time consuming and expensive to litigate or settle and could divert management's attention from our business.

**Termination of our contract with Georgia could cause us to lose \$19.7 million in projected revenues over the next five and one-half years and could negatively affect our earnings.**

In December 2004, a Georgia court granted summary judgment in favor of Georgia's Department of Motor Vehicle Safety, or DMVS, in connection with litigation brought by one of our competitors in March 2003 alleging that DMVS did not comply with its own bid process when it selected a vendor for its new digital drivers' license program. In July 2003, the court had issued a preliminary injunction prohibiting DMVS from continuing to work with us to install the State's new drivers' license system. In July 2004, we reached a settlement agreement with the State pursuant to which DMVS terminated the contract for convenience and agreed to pay us \$2.0 million in cash and the State agreed to purchase

## Edgar Filing: VIISAGE TECHNOLOGY INC - Form S-3/A

certain equipment from us for \$500,000. While the Georgia court has authorized DMVS to issue a new request for proposals for a digital drivers license system, the court has disallowed the \$2.0 million cash payment described above. Without this payment, we believe that either the settlement agreement with DMVS is not effective and that our contract with DMVS remains in place, or that our initial claim for an \$8.2 million settlement payment is revived. As a result of the termination of the contract, we will lose up to \$19.7 million in revenue

## **Table of Contents**

that we expected to recognize over the next five and one-half years, which was included in our \$176 million of backlog at March 28, 2004, unless we are able to win the new contract for the digital drivers license system and the revenues from such new contract are substantially similar to the terminated contract. While we believe we can utilize the remaining \$5.3 million in assets being retained by us from the Georgia contract either in Georgia, if we win the contract based on the new request for proposals, or on alternative projects, to the extent that we are unable to utilize these assets or realize value through a sale of these assets, we would be required to take a charge to earnings.

### **Our strategy of expanding our face recognition business could adversely affect our business operations and financial condition.**

Part of our strategy is to enhance our leadership in face recognition technology and to expand our operations within our face recognition business segment. Pursuing this strategy involves risks. For instance, to date, face recognition security solutions have not gained widespread commercial acceptance. Some of the obstacles to widespread acceptance of face recognition security solutions include a perceived loss of privacy and public perceptions as to the usefulness of face recognition technologies. Whether the market for face recognition security solutions will expand will be dependent upon factors such as:

the success of our marketing efforts and publicity campaigns and those of our competitors; and

customer satisfaction with our products and services, as well as those of our competitors.

We do not know when, if ever, face recognition security solutions will gain widespread commercial acceptance. In addition, our face recognition business segment has not achieved profitability, and it may never achieve profitability.

### **We face intense competition, which could result in lower revenues and higher research and development expenditures and could adversely affect our results of operations.**

The events of September 11, 2001 have heightened interest in the use of biometric security solutions, and we expect competition in this field, which is already substantial, to intensify. Competitors are developing and bringing to market biometric security solutions that use face recognition as well as eye, fingerprint and other forms of biometric verification. Our products also will compete with non-biometric technologies such as certificate authorities and traditional keys, cards, surveillance systems and passwords. Widespread adoption of one or more of these technologies or approaches in the markets we intend to target could significantly reduce the potential market for our systems and products. Many of our competitors have significantly more cash and resources than we have. Our competitors may introduce products that are competitively priced, have increased performance or functionality or incorporate technological advances that we have not yet developed or implemented. To remain competitive, we must continue to develop, market and sell new and enhanced systems and products at competitive prices, which will require significant research and development expenditures. If we do not develop new and enhanced products or if we are not able to invest adequately in our research and development activities, our business, financial condition and results of operations could be negatively impacted .

### **Unless we keep pace with changing technologies, we could lose customers and fail to win new customers.**

Our future success will depend upon our ability to develop and introduce a variety of new products and services and enhancements to these new products and services in order to address the changing needs of the marketplace. We may not be able to accurately predict which technologies customers will support. If we do not introduce new products, services and enhancements in a timely manner, if we fail to choose correctly

among technical alternatives or if we fail to offer innovative products and services at competitive prices, customers may forego purchases of our products and services and purchase those of our competitors.

**Security breaches in systems that we sell or maintain could result in the disclosure of sensitive government information or private personal information that could result in the loss of clients and negative publicity.**

Many of the systems we sell manage private personal information and protect information involved in sensitive government functions. A security breach in one of these systems could cause serious harm to our business as a result of negative publicity and could prevent us from having further access to such systems or other similarly

## **Table of Contents**

sensitive areas for other governmental clients. Our systems may also be affected by outages, delays and other difficulties. Our insurance coverage in certain circumstances may be insufficient to cover losses and liabilities that may result from such events.

**The market for our solutions is still developing and if the industry adopts standards or a platform different from our platform, then our competitive position would be negatively affected.**

The market for identity solutions is still emerging. The evolution of this market is in a constant state of flux that may result in the development of different technologies and industry standards that are not compatible with our current products or technologies. In particular, the face recognition market lacks industry-wide standards. Several organizations, such as the International Civil Aviation Organization, which sets standards for travel documents that its member states then put into effect, and the National Institute for Standards and Testing, which is part of the U.S. Department of Commerce, have recently selected face recognition as the biometric to be used in identification documentation. It is possible, however, that these standards may change and that any standards eventually adopted could prove disadvantageous to or incompatible with our business model and product lines.

**The adoption of EITF 00-21 resulted in a non-cash adjustment of \$12.1 million and may have an adverse effect on our results of operations in the near term, which may depress the market price of our common stock.**

During the third quarter of 2003, we adopted the provisions of Emerging Issues Task Force 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables*, or EITF 00-21, on a cumulative basis as of January 1, 2003. After discussions with the Securities and Exchange Commission staff regarding the effect of EITF 00-21 on revenue recognition on our secure credentials contracts, we decided to adopt EITF 00-21 via cumulative catch-up as of January 1, 2003 rather than prospectively as reflected in the previously filed Form 10-Q for the quarter ended September 28, 2003. The adoption of EITF 00-21 resulted in a non-cash adjustment reported as a cumulative effect of a change in accounting principle of \$12.1 million. The adoption of EITF 00-21 affects the timing of revenue recognition under our secure credentials contracts and as a result we may report reduced revenue and an increased net loss for one or more of our fiscal quarters in 2004. This effect on our results of operations could cause our stock price to decline.

## **Table of Contents**

**Legal claims regarding infringement by us or our suppliers of third party intellectual property rights could result in substantial costs, diversion of managerial resources and harm to our reputation.**

Although we believe that our products and services do not infringe the intellectual property rights of others, we might not be able to defend successfully against a third-party infringement claim. A successful infringement claim against us or our suppliers could subject us to:

liability for damages and litigation costs, including attorneys' fees;

lawsuits that prevent us from further use of the intellectual property;

having to license the intellectual property from a third party, which could include significant licensing fees;

having to develop a non-infringing alternative, which could be costly and delay projects;

having to indemnify clients with respect to losses they incurred as a result of the alleged infringement; and

having to establish alternative sources for products supplied to us by third parties, as discussed above in the risk factor regarding our dependence on limited source suppliers.

Even if we are not found liable in a claim for intellectual property infringement, such a claim could result in substantial costs, diversion of resources and management attention, termination of customer contracts and harm to our reputation.

**Uncertainties in global economic markets could cause delays in customer purchases.**

Many customers and potential customers have delayed purchase intentions as a result of uncertainties in global economic markets. Government budgets, particularly at state and regional levels, have been or are expected to be reduced notably. Government contracts result from purchasing decisions made by public sector agencies that are particularly sensitive to budget changes and cutbacks during economic downturns, and variations in appropriations cycles. Many U.S. state customers are facing budget cuts, and some international customers are facing debt crises, introducing added uncertainty. Any shift in the government procurement process, which is outside of our control and may not be predictable, could impact the predictability of our quarterly results and may potentially have a material negative effect on our financial position, results of operation or cash flows.

**If we do not successfully expand our direct sales and services organizations and partnering arrangements, we may not be able to increase our sales or support our customers.**

In the fiscal years ended December 31, 2002 and 2003, and nine month periods ended September 26, 2004 and September 28, 2003, we sold substantially all of our services and licensed substantially all of our products through our direct sales organization. Our future success depends on substantially increasing the size and scope of our direct sales force and partnering arrangements, both domestically and internationally. We

will face intense competition for personnel, and we cannot guarantee that we will be able to attract, assimilate or retain additional qualified sales personnel on a timely basis. Moreover, given the large-scale deployment required by some of our customers, we will need to hire and retain a number of highly trained customer service and support personnel. We cannot guarantee that we will be able to increase the size of our customer service and support organization on a timely basis to provide the high quality of support required by our customers. Failure to add additional sales and customer service representatives could result in our inability to increase our sales and support our customers.

**Integration of acquired businesses may be difficult and will consume significant financial and managerial resources, which could have an adverse effect on our results of operations.**

On January 23, 2004, we completed the acquisition of ZN Vision Technologies AG, or ZN, a leading German provider of face recognition and computer vision products and services. On February 14, 2004, we completed the acquisition of TDT. On October 5, 2004, we completed the acquisition of Imaging Automation, Inc., a market leader in identity document authentication. The integration of the products and services of these acquired companies with ours will be challenging and will consume significant financial and managerial resources. The challenges involved with this integration include, among others:

challenges related to technology innovation;

**Table of Contents**

possible difficulty implementing uniform standards, controls, procedures and policies; and

possible loss of key employees.

In addition, the differences between U.S. and German business cultures and the geographic distance between the companies could present significant obstacles to our timely, cost-effective integration of ZN.

**The significant direct and indirect costs of our acquisition and integration of ZN, TDT and Imaging Automation could adversely affect our financial performance.**

To date, we have incurred approximately \$3.7 million of costs in connection with the acquisitions of ZN, TDT and Imaging Automation, including:

costs associated with integrating personnel, products and services;

financial advisory fees; and

costs and expenses for services provided by our lawyers and accountants.

The transaction costs and expenses attributable to financial advisory, legal and accounting services that we incurred will be capitalized as a component of the purchase price. Goodwill associated with the acquisition will be required to be tested at least annually for impairment, and we will be required to record a charge to earnings if there is an impairment in the value of such goodwill at a later date. Other intangible assets acquired in connection with these acquisitions will be amortized over their estimated useful lives.

**The acquisitions of ZN, TDT and Imaging Automation could result in future impairment charges which could adversely affect our results of operations.**

As a result of our acquisitions of ZN, TDT and Imaging Automation, goodwill and other intangible assets have been created. The values we may record for goodwill and other intangible assets will represent fair values calculated by independent third-party appraisers. Such valuations require us to provide significant estimates and assumptions, which are derived from information obtained from the management of the acquired businesses and our business plans for the acquired businesses or intellectual property. If estimates and assumptions used to initially value goodwill and intangible assets prove to be inaccurate, ongoing reviews of the carrying values of such goodwill and intangible assets may indicate impairments which will require us to record an impairment charge in the period in which we identify the impairments.

**If we do not achieve the expected benefits of our acquisitions of ZN, TDT and Imaging Automation, the price of our common stock could decline.**



## Edgar Filing: VIISAGE TECHNOLOGY INC - Form S-3/A

We expect that the acquisition of ZN will enhance our leadership in face recognition technology through the combination of our technologies with those of ZN. Although the results of the initial tests of our combined technologies have been positive, the combination of such technologies might not meet the demands of the marketplace. If our technologies fail to meet such demand, customer acceptance of our face recognition solutions could decline, which would have an adverse effect on our results of operations and financial condition. In addition, we expect that the acquisition of ZN will enable us to market our systems and products on a global scale. Our face recognition customers are primarily located in the United States, and ZN's customers are primarily located in Europe. We might not be able to market successfully our products and services to ZN's customers or ZN's products and services to our customers. We expect that the acquisition of TDT will enhance our position in the market for secure credentials, particularly the U.S. government. We expect that the acquisition of Imaging Automation will provide us with a market leadership position in identity document authentication and will complement our core competencies in secure credentials and biometrics. We expect that this addition to our product portfolio will extend our reach into our current markets and provide a critical component to our comprehensive offering for new markets

## **Table of Contents**

in need of identity solutions. However, there can be no assurance that our current customers or customers in new markets will be receptive to these additional offerings. If our product offerings and services fail to meet the demands of this marketplace, our results of operations and financial condition could be adversely affected. There is also a risk that we will not achieve the anticipated benefits of the acquisitions as rapidly as, or to the extent, anticipated by financial or industry analysts, or that such analysts will not perceive the same benefits to the acquisitions as we do. If these risks materialize, our stock price could be adversely affected.

### **The success of our strategic plan to grow sales and develop relationships in Europe may be limited by risks related to conducting business in European markets.**

Although ZN has experience marketing and distributing its products and developing strategic relationships in Europe, part of our strategy will be to increase sales and build additional relationships in European markets. Risks inherent in marketing, selling and developing relationships in European markets include those associated with;

economic conditions in European markets, including fluctuations in the relative values of the U.S. dollar and the Euro;

taxes and fees imposed by European governments that may increase the cost of products and services; and

laws and regulations imposed by individual countries and by the European Union.

In addition, European intellectual property laws are different than U.S. intellectual property laws and we will have to ensure that our intellectual property is adequately protected in foreign jurisdictions and that ZN's intellectual property is adequately protected in the United States. If we do not adequately protect our intellectual property rights, competitors could use our proprietary technologies in non-protected jurisdictions and put us at a competitive disadvantage.

### **Our business may be impacted by changes in the local marketplace of our foreign operations and fluctuations in currency exchange rates.**

As a result of our acquisitions of ZN, TDT and Imaging Automation, we expect that we will have increased exposure to foreign currency fluctuations. Net revenue and related expenses generated from our international location in Germany is denominated in euros. The results of operations and certain of our inter-company balances associated with this international location are exposed to foreign exchange rate fluctuations. In addition to our German operation, we will have increased transactions with Japanese vendors supplying hardware and consumables for the delivery of the TDT contracts. These transactions will increase our exposure to foreign currency fluctuations with the yen. To the extent the U.S. dollar weakens against these foreign currencies, the translation of these foreign currencies denominated transactions results in increased net revenue, operating expenses and net income. Similarly, our net revenue, operating expenses and net income will decrease when the U.S. dollar strengthens against these foreign currencies.

### **If our systems and products do not perform as promised, we could experience increased costs, lower margins, liquidated damage payment obligations and harm to our reputation.**

We will be required to provide complex systems that will be required to operate on an as needed basis. Although we will deploy back-up systems, the failure of our products to perform as promised could result in increased costs, lower margins, liquidated damage payment obligations and harm to our reputation. This could result in contract terminations and have a material adverse effect on our business and financial results.

**Misappropriation of our intellectual property could harm our reputation, affect our competitive position and cost us money.**

We believe that our intellectual property, including our methodologies, will be critical to our success and competitive position. If we are unable to protect this intellectual property against unauthorized use by third parties, our reputation among existing and potential customers could be damaged and our competitive position adversely affected. Our strategies to deter misappropriation could be undermined if:

the proprietary nature or protection of our methodologies is not recognized in the United States or foreign countries;

**Table of Contents**

third parties misappropriate our proprietary methodologies and such misappropriation is not detected; and

competitors create applications similar to ours but which do not technically infringe on our legally protected rights.

If these risks materialize, we could be required to spend significant amounts to defend our rights and divert critical managerial resources. In addition, our proprietary methodologies may decline in value or our rights to them may become unenforceable.

**If we fail to adequately manage our resources, it could have a severe negative impact on our financial results or stock price.**

We could be subject to fluctuations in technology spending by existing and potential customers. Accordingly, we will have to actively manage expenses in a rapidly changing economic environment. This could require reducing costs during economic downturns and selectively growing in periods of economic expansion. If we do not properly manage our resources in response to these conditions, our results of operations could be negatively impacted.

**Future acquisitions of companies or technologies may result in disruptions to our business.**

Beyond the acquisitions of ZN, TDT and Imaging Automation, our growth strategy could include additional acquisitions of companies or technologies that complement ours. Future acquisitions could involve risks inherent in acquisitions, such as:

challenges associated with integrating acquired technologies and the business and operations of acquired companies;

exposure to unknown liabilities;

diversion of managerial resources from day-to-day operations;

possible loss of key employees, customers and suppliers;

higher than expected transaction costs; and

additional dilution to our existing stockholders if we use our common stock as consideration.

If we fail to manage these challenges adequately, our results of operations and stock price could be adversely affected.

**The loss of key personnel could adversely affect our ability to remain competitive.**

We believe that the continued service of our executive officers will be important to our future growth and competitiveness. We have entered into employment agreements with Bernard C. Bailey, our Chief Executive Officer, William K. Aulet, our Chief Financial Officer, Iftikhar Ahmad, our Senior Vice President of Secure Identification Products and Services, Kenneth Scheflen, our Senior Vice President, Federal Solutions, and James P. Ebzery, our Senior Vice President, Sales and Services. These agreements are intended to provide the executives with incentives to remain employed by us. However, we cannot assure you that they will remain employed by us. In addition, we believe that the continued employment of key members of our technical and sales staff is important to us. Most of our employees are entitled to voluntarily terminate their relationship with us, typically without any, or with only minimal, advance notice. The process of finding additional trained personnel to carry out our strategy could be lengthy, costly and disruptive. We might not be able to retain the services of all of our key employees or a

## **Table of Contents**

sufficient number of them to execute our plans. In addition, we might not be able to continue to attract new employees as required.

### **Our quarterly results could be volatile and may cause our stock price to fluctuate.**

We have experienced fluctuations in quarterly operating results and we expect those fluctuations to continue. We expect that our quarterly results will continue to be affected by, among other things, factors such as:

the size and timing of contract awards;

the timing of our contract performance;

variations in the mix of our products and services; and

contract losses and changes in management estimates inherent in accounting for contracts.

### **Certain of our stockholders have significant relationships with us, which could result in us taking actions that are not supported by unaffiliated stockholders.**

Lau Technologies, or Lau, and Mr. Buddy Beck, the former sole stockholder of TDT who is now a director and Vice Chairman of our Board of Directors, beneficially own approximately 11.9% and 12.1%, respectively, of our outstanding common stock. As a result, both Lau and Mr. Beck have a strong influence on matters requiring approval by our stockholders, including the election of directors and most corporate actions, including mergers and acquisitions. In addition, we have significant relationships with each of Lau and Mr. Beck, including:

we acquired significant intellectual property, contracts and distribution channels through a transaction with Lau under which we agreed to pay Lau a 3.1% royalty on our face recognition revenues for a period of twelve and one half years, up to a maximum of \$27.5 million;

the spouse of the Chairman of our Board of Directors owns a majority of Lau's voting stock;

in connection with the acquisition of TDT, Mr. Beck was elected a member of our Board of Directors and appointed Vice Chairman;

in connection with the acquisition of TDT, we entered into a consulting agreement with Mr. Beck under which we will pay Mr. Beck \$300,000 per year for two years, provided that Mr. Beck devotes his full business time to developing business opportunities for us; and

an additional purchase price adjustment of \$2.6 million, payable to Mr. Beck, was incurred upon TDT's selection by the U.S. Department of Defense for the production of smart cards as part of the agency's CAC program. This amount has been paid in full.

**Future sales of our common stock by Lau or Mr. Buddy Beck could depress the market price of our common stock.**

As of January 6, 2005, there were 47,724,928 shares of our common stock outstanding. Lau and Mr. Buddy Beck own approximately 11.6% and 12.0%, respectively, of our common stock. If either of these stockholders sell a significant number of shares of our common stock in the open market, our stock price could decline.

**Table of Contents**

**FORWARD LOOKING STATEMENTS**

This prospectus contains or incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The words anticipate, believe, estimate, will, may, future, plan, intend and expect and similar expressions generally identify forward-looking statements. Although we believe that our plans, intentions and expectations reflected in the forward-looking statements are reasonable, we cannot be sure that they will be achieved. Actual results may differ materially due to a number of factors. Actual results may differ materially from the forward-looking statements contained in this prospectus or that may be set forth in other documents that we subsequently incorporate by reference into this prospectus. These factors are not intended to represent a complete list of the general or specific factors that may affect us. It should be recognized that other factors, including general economic factors and business strategies, may be significant, presently or in the future. Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

**USE OF PROCEEDS**

The shares are being registered hereunder for resale by the selling stockholders. We will not receive any proceeds from the sale of the shares by the selling stockholders.



**Table of Contents**

**THE COMPANY**

We are a leading provider of advanced technology identity solutions that enable governments, law enforcement agencies and businesses to enhance security, reduce identity theft, and protect personal privacy. Our identity solutions include secure credential provisioning systems, biometric software and systems and real time identity databases, as well as systems design, development, integration and support services. These solutions enable our customers to manage the entire life cycle of an individual's identity for a variety of applications including civil identification, criminal identification and border management. Our customers use our identity solutions to help solve the following four critical problems:

*assurance* that an identification document is authentic;

*assurance* that the document has been issued to the correct person;

*confidence* that the person holding the identification document is uniquely tied to and authorized to use the document and

*verification* of the privileges the individual is entitled to at a particular point in time.

Our solutions annually produce more than 30 million secure government-issued credentials at more than 2,000 locations. We are the second largest provider of U.S. drivers' licenses with a 30% market share, and we are the sole source provider of passport production capability to the U.S. Department of State. We also are a recognized leader in biometrics in the field of face recognition. Our customers include governments, law enforcement agencies and businesses in more than 15 countries.

Our business involves two related segments: secure credentials (formerly called secure identification or SIPS) and biometrics (formerly called facial recognition).

On January 23, 2004, we completed the acquisition of ZN Vision Technologies AG, on February 14, 2004, we completed the acquisition of Trans Digital Technologies Corporation, and on October 5, 2004, we completed the acquisition of Imaging Automation, Inc. As a result of these acquisitions, we now have more than 350 customers on a global basis deploying our identity verification solutions.

Our principal executive offices are located at 296 Concord Road, Third Floor, Billerica, Massachusetts 01821. Our telephone number is (978) 932-2200. Our website address is [www.viisage.com](http://www.viisage.com). **Information contained on our website does not constitute part of this prospectus.**

**Table of Contents**

**PLAN OF DISTRIBUTION**

**Overview**

On October 5, 2004, we acquired all of the outstanding capital stock of Imaging Automation, Inc., or iA, through the merger of iA into a wholly-owned subsidiary of Viisage. iA is a leading provider of identity document authentication solutions. The merger was completed in accordance with the terms of an agreement and plan of merger that we entered into on October 5, 2004 with iA and a wholly-owned subsidiary of Viisage. Pursuant to the merger agreement, in exchange for the outstanding capital stock of iA, we issued 3,908,387 shares of our common stock to the selling stockholders, paid approximately \$5.0 million in cash to satisfy certain obligations of iA, and assumed approximately \$2.9 million of debt of iA, which has subsequently been repaid in full. In addition, we assumed iA's stock option plans and we reserved 565,270 shares of our common stock for issuance upon the exercise of options previously granted under such plans.

This prospectus relates to the resale of the 3,908,387 shares of our common stock acquired by the selling stockholders in connection with the acquisition.

**Restrictions on Transfer of the Shares**

The shares of our common stock that were issued to the selling stockholders upon the closing of the merger were issued pursuant to exemptions from the registration requirements of the Securities Act. However, we agreed in a registration rights agreement with the selling stockholders to file with the Securities and Exchange Commission a Form S-3 registration statement, of which this prospectus is a part, to register the shares of our common stock received by the selling stockholders for sale on the public market, and to use its best efforts to keep such registration statement effective until the earlier of the date on which all such shares have been sold and October 5, 2006.

The selling stockholders have agreed in the registration rights agreement to restrictions on resale of the shares of our common stock that were issued to them in the merger, provided that these sale restrictions will be released as to 25% of such shares every 90 days over the 360-day period following the closing of the merger.

Under an escrow agreement by and among Viisage, the representatives of the selling stockholders and Mellon Trust of New England, N.A., as escrow agent, 795,530 of the 3,908,387 shares of common stock issued to the selling stockholders are being held in escrow for a period of one year, commencing on October 5, 2004, to secure potential indemnification claims against the selling stockholders and certain other obligations of the selling stockholders under the merger agreement. Unless we make a claim against the escrowed shares in accordance with the merger agreement, they may be sold by the selling stockholders upon the expiration of the one-year period. However, if at the end of the one-year period we have any unresolved claims against the escrowed shares under the merger agreement, a number of shares equal to the value of the claims would be retained by the escrow agent until the claims are resolved. Any shares so retained by the escrow agent may not be sold by the selling stockholders until the claims are resolved and the shares are released to the selling stockholders in accordance with the escrow agreement.

**Distribution of the Shares**

## Edgar Filing: VIISAGE TECHNOLOGY INC - Form S-3/A

Neither we nor the selling stockholders have any agreements or understandings, directly or indirectly, with any person to distribute the shares being offered by the selling stockholders.

The shares of our common stock being offered hereby may be sold or distributed from time to time by the selling stockholders, or by pledgees, donees or transferees of, or other successors in interest to, the selling stockholders, directly to one or more purchasers (including pledgees) or through brokers, dealers or underwriters who may act solely as agents or may acquire shares as principals, at the market prices prevailing at the time of sale, at prices related to the prevailing market prices, at negotiated prices or at fixed prices, which may be changed. The selling stockholders also may resell all or a portion of the shares in open market transactions in reliance upon Rule 144 under the Securities Act, provided such resale meets the criteria and conforms to the requirements of such rule. The shares may be sold in one or more of the following methods:

ordinary brokers transactions, which may include long sales or short sales effected after the effective date of the registration statement of which this prospectus is a part;

**Table of Contents**

transactions involving cross or block trades or otherwise on The Nasdaq National Market, any other exchange upon which our shares may be traded in the future, in the over-the-counter market or otherwise;

purchases by brokers, dealers or underwriters as principal and resale by the purchasers for their own accounts pursuant to this prospectus;

at the market to or through market makers or into an existing market for the shares;

in other ways not involving market makers or established trading markets, including direct sales to purchasers or sales effected through agents;

through transactions in options, swaps or other derivatives (whether exchange-listed or otherwise); or

any combination of the foregoing, or by any other legally available means.

The selling stockholders, or their successors in interest, may also enter into option or other transactions with broker-dealers that require the delivery by these broker-dealers of the shares, which shares may be resold thereafter pursuant to this prospectus as amended or supplemented to reflect such transactions. In addition, from time to time, the selling stockholders may pledge its shares to broker-dealers or other financial institutions. Upon a default by the selling stockholders, the broker-dealer or financial institution may offer and sell the pledged shares from time to time.

Brokers, dealers, underwriters or agents participating in the distribution of the shares as agents may receive compensation in the form of discounts, commissions or concessions from the selling stockholders and/or purchasers of the shares for whom they may act as agent, or to whom they may sell as principal, or both. The selling stockholders and any broker-dealers who act in connection with the sale of shares of our common stock offered by this prospectus may be deemed to be underwriters within the meaning of the Securities Act, and any discounts, commissions or concessions they receive and proceeds of any sale of shares may be deemed to be underwriting discounts and commissions under the Securities Act. If a selling stockholder or broker-dealer qualifies as an underwriter, it will be subject to the prospectus delivery requirements of Section 5(b)(2) of the Securities Act. Neither we nor the selling stockholders can presently estimate the amount of this compensation. We know of no existing arrangements between the selling stockholders, any other stockholder, broker, dealer, underwriter or agent relating to the sale or distribution of the shares. Moreover, the selling stockholders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares against some liabilities, including liabilities arising under the Securities Act.

Furthermore, in the event of a distribution of shares by the selling stockholders, it or any selling broker or dealer and any affiliated purchasers may be subject to Regulation M under the Exchange Act which would generally prohibit these persons from bidding for or purchasing any security that is the subject of the distribution until his or her participation in that distribution is completed. In addition, Regulation M generally prohibits any stabilizing bid or stabilizing purchase for the purpose of pegging, fixing or stabilizing the price of common stock in connection with this offering.

We will pay substantially all of the expenses incident to the registration, offering and sale of the shares to the public other than commissions or discounts of brokers, dealers, underwriters or agents and fees of legal counsel engaged by the selling stockholders. We have also agreed to indemnify the selling stockholders and related persons against liabilities under the Securities Act.

## Edgar Filing: VIISAGE TECHNOLOGY INC - Form S-3/A

In order to comply with the securities laws of certain states, if applicable, the shares will be sold in certain jurisdictions only through registered or licensed brokers or dealers. In addition, in certain states the shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with by us and the selling stockholders.

**Table of Contents**

Except as described above, the selling stockholders are not restricted as to the price or prices at which they may sell their shares. Sales of these shares may have an adverse effect on the market price of our common stock. Moreover, except as described above, the selling stockholders are not restricted as to the number of shares that may be sold at any time and it is possible that a significant number of shares could be sold at the same time which may also have an adverse effect on the market price of our common stock.

There is no assurance that the selling stockholders will sell all or any portion of the shares of common stock offered hereby. The selling stockholders will be subject to the prospectus delivery requirements of the Securities Act.

Upon our being notified by the selling stockholders that any material arrangement has been entered into with a broker-dealer for the sale of shares through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer, a supplement to this prospectus will be filed, if required, pursuant to Rule 424(b) under the Securities Act, disclosing:

the selling stockholder's name and the name of the participating broker-dealer(s);

the number of shares involved;

the price at which such shares were sold;

the commissions paid or discounts or concessions allowed to such broker-dealer(s) where applicable;

that such broker-dealer(s) did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus; and

other facts material to the transaction. In addition, upon our being notified by the selling stockholders that a donee or pledgee intends to sell more than 500 shares, a supplement to this prospectus will be filed.

**Table of Contents****SELLING STOCKHOLDERS**

We are registering for resale shares of our common stock issued to the selling stockholders identified below. The following table sets forth:

the name of each selling stockholder;

the nature of any material relationship between any selling stockholder and Viisage or any of our affiliates during the past three years; and

the number and percent of shares of our common stock beneficially owned by each selling stockholder prior to this offering.

Each of the selling stockholders is offering for sale with this prospectus all of the shares beneficially owned by such selling stockholder, subject to the limitations described in the section of this prospectus entitled "Plan of Distribution". Beneficial ownership is determined in accordance with the rules and regulations of the Securities and Exchange Commission. Except as indicated in the footnotes to this table and subject to applicable community property laws, each of the selling stockholders named in this table has sole voting power with respect to all shares of common stock listed as beneficially owned by such selling stockholder.

The applicable percentages of beneficial ownership are based on an aggregate of 47,724,928 shares of our common stock issued and outstanding on January 6, 2005.

<b>Selling Stockholders(1)</b>	<b>Shares Beneficially Owned Prior to Offering(2)</b>		<b>Number of Shares Being Offered</b>	<b>Shares Beneficially Owned After Offering</b>	
	<b>Number</b>	<b>Percent</b>		<b>Number</b>	<b>Percent</b>
Zero Stage Capital V Limited Partnership(3)	641,445	1.34%	641,445	0	*
Zero Stage Capital VII, L.P.(4)	697,844	1.46%	697,844	0	*
Zero Stage Capital (Cayman) VII, L.P.(5)	251,232	*	251,232	0	*
Zero Stage Capital SBIC VII, L.P.(6)	134,902	*	134,902	0	*
NeoCarta Scout Fund, L.L.C.(7)	166,885	*	166,885	0	*
NeoCarta Ventures, L.P.(8)	1,501,968	3.15%	1,501,968	0	*
Keystone Venture IV, L.P.(9)	227,589	*	227,589	0	*
Green Mountain Capital, L.P.(10)	40,604	*	40,604	0	*
Liberty Ventures I, L.P.(11)	758	*	758	0	*
Liberty Ventures II, L.P.(12)	1,517	*	1,517	0	*
LVIR Investor Group(13)	50,993	*	50,993	0	*
MerchantBanc Venture Partners, L.P.(14)	25,496	*	25,496	8	*
Novo Vita, L.P.(15)	16,150	*	16,150	0	*
S&S Investments(16)	39,512	*	39,512	0	*
Jeffrey Setrin(17)	91,753	*	14,572	77,181	*
William Thalheimer(18)	297,663	*	60,328	237,335	*
John Thompson(19)	39,433	*	9,767	29,666	*
Ron van Os(20)	44,078	*	14,412	29,666	*
Morton Goulder(21)	10,492	*	10,492	0	*

## Edgar Filing: VIISAGE TECHNOLOGY INC - Form S-3/A

<u>Evan Scott Allenson</u>	2,859	*	1,921	938	*
----------------------------	-------	---	-------	-----	---

\* Less than one percent (1%).

- (1) The names of the selling stockholders and the numbers of securities held by the selling stockholders may be amended subsequent to the date of this prospectus pursuant to Rule 424(b)(3) of the Securities Act.
- (2) The number of shares indicated in the table above as being beneficially owned by a selling stockholder (a) includes shares such selling stockholder may sell upon release of the escrow and (b) such shares as are deemed to be beneficially owned by such selling stockholder pursuant to Rule 13d-3 of the Exchange Act. Under such rule, beneficial ownership



**Table of Contents**

- includes any shares as to which the person has sole or shared voting power or investment power and also any shares which the person has the right to acquire within 60 days of the date set forth above through the exercise of an option, warrant or other right.
- (3) Zero Stage Capital V Limited Partnership beneficially owned 14.72% of the fully-diluted capital stock of iA prior to the acquisition. Includes 144,869 shares that may become available for resale by the selling stockholder upon release of the escrow.
  - (4) Zero Stage Capital VII, L.P. beneficially owned 15.73% of the fully-diluted capital stock of iA prior to the acquisition. Includes 157,606 shares that may become available for resale by the selling stockholder upon release of the escrow.
  - (5) Zero Stage Capital (Cayman) VII, L.P. beneficially owned 5.66% of the fully-diluted capital stock of iA prior to the acquisition. Includes 56,740 shares that may become available for resale by the selling stockholder upon release of the escrow.
  - (6) Zero Stage Capital SBIC VII, L.P. beneficially owned 3.04% of the fully-diluted capital stock of iA prior to the acquisition. Includes 30,468 shares that may become available for resale by the selling stockholder upon release of the escrow.
  - (7) NeoCarta Scout Fund, L.L.C. beneficially owned 3.76% of the fully-diluted capital stock of iA prior to the acquisition. Includes 37,691 shares that may become available for resale by the selling stockholder upon release of the escrow.
  - (8) NeoCarta Ventures, L.P. beneficially owned 33.87% of the fully-diluted capital stock of iA prior to the acquisition. Includes 339,216 shares that may become available for resale by the selling stockholder upon release of the escrow.
  - (9) Includes 1,845 shares that may become available for resale by the selling stockholder upon release of the escrow.
  - (10) Includes 5,566 shares that may become available for resale by the selling stockholder upon release of the escrow.
  - (11) Includes 171 shares that may become available for resale by the selling stockholder upon release of the escrow.
  - (12) Includes 343 shares that may become available for resale by the selling stockholder upon release of the escrow.
  - (13) Includes 704 shares that may become available for resale by the selling stockholder upon release of the escrow.
  - (14) Includes 352 shares that may become available for resale by the selling stockholder upon release of the escrow.
  - (15) Includes 3,648 shares that may become available for resale by the selling stockholder upon release of the escrow.
  - (16) Includes 8,924 shares that may become available for resale by the selling stockholder upon release of the escrow.
  - (17) Mr. Setrin served as the Chief Technical Officer and as a member of the Board of Directors of iA immediately prior to the merger, and currently serves as our Vice President of Engineering Documetrics. Includes 36 shares that may become available for resale by Mr. Setrin upon release of the escrow.

## Edgar Filing: VIISAGE TECHNOLOGY INC - Form S-3/A

- (18) Mr. Thalheimer served as the President and Chief Executive Officer and as a member of the Board of Directors of iA immediately prior to the merger, and currently serves as a consultant to Viisage. Includes 2,775 shares that may become available for resale by Mr. Thalheimer upon release of the escrow.
  
- (19) Mr. Thompson served as the Chief Financial Officer of iA immediately prior to the merger. Includes 2,206 shares that may become available for resale by Mr. Thompson upon release of the escrow.
  
- (20) Mr. van Os served as the Executive Vice President, Sales and Marketing of iA immediately prior to the merger, and currently serves as our Vice President of Sales. Includes 29,666 shares of common stock issuable pursuant to stock options exercisable within 60 days of January 6, 2005.
  
- (21) Includes 2,370 shares that may become available for resale by the selling stockholder upon release of the escrow.

**Table of Contents**

Set forth below are the names of natural persons with voting and investment control over the common stock we are registering for the selling stockholders listed below. The following has been prepared solely based on information supplied to us by the listed selling stockholders.

<b><u>Selling Security Holders</u></b>	<b><u>Names of Natural Persons with Voting and Investment Control Over Common Stock</u></b>
Zero Stage Capital V Limited Partnership	(1)
Zero Stage Capital VII, L.P.	(2)
Zero Stage Capital (Cayman) VII, L.P.	(3)
Zero Stage Capital SBIC VII, L.P.	(4)
NeoCarta Scout Fund, L.L.C.	(4)
NeoCarta Ventures, L.P.	(4)
Keystone Venture IV, L.P.	John Regan and Peter Ligeti
Green Mountain Capital, L.P.	Michael Sweatman
Liberty Ventures I, L.P.	Thomas R. Morse
Liberty Ventures II, L.P.	Thomas R. Morse
LVIR Investor Group	Keith Vallachi
MerchantBanc Venture Partners, L.P.	Jeffrey M. Pollock, James E. Mann and William E. Wetzel, Jr.
Novo Vita, L.P.	Brian K. Adamsky, Donald R. Caldwell, Richard M. Fox,
S&S Investments	Gerry McCrory and Frederick C. Tecce
Jeffrey Setrin	Richard Sakakeeny and Jack Swartz
William Thalheimer	Jeffrey Setrin
John Thompson	William Thalheimer
Ron van Os	John Thompson
Morton Goulder	Ron van Os
Evan Scott Allenson	Morton Goulder
	Evan Scott Allenson
(1) Paul Kelley and Gordon Baty, as general partners of Zero Stage Capital Associates, L.P., the general partner of Zero Stage Capital V Limited Partnership, exercise investment and voting control over the shares of our common stock owned by Zero Stage Capital V Limited Partnership. Messrs. Kelley and Baty disclaim beneficial ownership of the shares of our common stock owned by Zero Stage Capital V Limited Partnership.	
(2) Paul Kelley and Bic Stevens, as the stockholders of Zero Stage Capital G.P. VII Inc., the general partner of Zero Stage Capital Associates VII, L.P., which is the general partner of Zero Stage VII, L.P. and Zero Stage Capital (Cayman) VII, L.P., exercise investment and voting control over the shares of our common stock owned by Zero Stage VII, L.P. and Zero Stage Capital (Cayman) VII, L.P. Messrs. Kelley and Stevens disclaim beneficial ownership of the shares of our common stock owned by Zero Stage VII, L.P. and Zero Stage Capital (Cayman) VII, L.P.	
(3) Paul Kelley and Bic Stevens, as the stockholders of Zero Stage Capital G.P. VII Inc., the general partner of Zero Stage Capital SBIC VII Associates, L.P., which is the general partner of Zero Stage Capital SBIC VII, L.P., exercise investment and voting control over the shares of our common stock owned by Zero Stage Capital SBIC VII, L.P. Messrs. Kelley and Stevens disclaim beneficial ownership of the shares of our common stock owned by Zero Stage Capital SBIC VII, L.P.	
(4) D. Jarrett Collins, Thomas W. Naughton, Andre Turenne, Tony Pantuso and Margaret Jackson, as Managing Directors of NeoCarta Associates LLC, the General Partner of NeoCarta Ventures, L.P. and the General Partner of the manager of NeoCarta Scout Fund, L.L.C., exercise investment and voting control over the shares of our common stock owned by NeoCarta Ventures, L.P. and NeoCarta Scout Fund, L.L.C. Messrs. Collins, Naughton, Turenne and Pantuso and Ms. Jackson disclaim beneficial ownership of the shares of our common stock owned by NeoCarta Ventures, L.P. and NeoCarta Scout Fund, L.L.C.	



**Table of Contents**

**LEGAL MATTERS**

The validity of the common stock being offered by this prospectus will be passed upon by Elliot J. Mark, Esq., General Counsel of Viisage.

**EXPERTS**

Our financial statements as of December 31, 2002 and 2003 and for each of the three years in the period ended December 31, 2003, included in our annual report on Form 10-K for the year ended December 31, 2003, which is incorporated by reference in this prospectus, have been audited by BDO Seidman, LLP, an independent registered public accounting firm as indicated in their report with respect thereto, and are incorporated by reference herein in reliance upon the authority of said firm as experts in auditing and accounting.

The financial statements of Trans Digital Technologies Corporation as of December 31, 2003 and 2002 and for each of the years then ended, which are incorporated in this prospectus by reference to our current report on Form 8-K/A filed on April 29, 2004 in connection with our acquisition of TDT, have been audited by BDO Seidman, LLP, an independent registered public accounting firm as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in auditing and accounting.

The financial statements of ZN Vision Technologies AG as of December 31, 2003 and 2002 and for each of the years then ended, which are incorporated in this prospectus by reference to our current report on Form 8-K/A filed on May 21, 2004 and amended on June 18, 2004, have been audited by BDO Deutsche Warentreuhand AG, an independent registered accounting firm, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in auditing and accounting.

The financial statements of Imaging Automation, Inc. as of September 30, 2004 and for the year then ended, which are incorporated in this prospectus by reference to our current report on Form 8-K/A filed on January 10, 2005 in connection with our acquisition of Imaging Automation, have been audited by Carlin, Charron & Rosen, LLP, independent certified public accountants as indicated in their report with respect thereto, and are incorporated by reference herein in reliance upon the authority of said firm as experts in auditing and accounting.

**WHERE YOU CAN FIND ADDITIONAL INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission under the Exchange Act. Such reports and other information may be inspected and copied at the Securities and Exchange Commission's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the Public Reference Room. The Securities and Exchange Commission also maintains an Internet site that contains reports, proxy and information statements and other information about issuers, like us, that file electronically with the Securities and Exchange Commission. The address of the Securities and Exchange Commission's web site is <http://www.sec.gov>.

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission. The registration statement contains more information than this prospectus regarding us and our common stock, including certain exhibits. You can obtain a copy from the

Edgar Filing: VIISAGE TECHNOLOGY INC - Form S-3/A

Securities and Exchange Commission at the address provided above or on the Securities and Exchange Commission's web site.

**Table of Contents**

**INCORPORATION OF DOCUMENTS BY REFERENCE**

The Securities and Exchange Commission allows us to incorporate by reference information into this prospectus, which means that we may disclose important information to you by referring you to another document filed separately with the Securities and Exchange Commission. The information incorporated by reference is deemed to be part of this prospectus, except for any information superseded by information in this prospectus.

The documents listed below are incorporated by reference herein:

our Annual Report on Form 10-K for the year ended December 31, 2003;

our Quarterly Reports on Form 10-Q for the three-month periods ended March 28, 2004, June 27, 2004 and September 26, 2004;

our Current Reports on Form 8-K filed on January 30, 2004 (as amended on June 18, 2004), February 19, 2004, February 25, 2004, February 27, 2004 (as amended on April 29, 2004), May 4, 2004, May 21, 2004 (as amended on June 18, 2004), June 23, 2004, July 21, 2004, July 22, 2004, October 8, 2004 (as amended on January 10, 2005) and October 26, 2004;

the description of our common stock contained in our registration statement No. 000-21559 on Form 8-A filed with the Securities and Exchange Commission pursuant to Section 12 of the Exchange Act on October 15, 1996; and

all reports pursuant to Section 13(a) or 15(d) of the Exchange Act made after the initial date of filing the registration statement of which this prospectus is part, but before the effective date of such registration statement.

All reports and other documents that we file after the effective date of this registration statement of which this prospectus is a part pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold, or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this prospectus and to be a part of this prospectus from the date of the filing of such report or document.

We will provide you a copy of any or all of the information that has been incorporated by reference herein but not delivered with this prospectus, upon your written or oral request at no cost. Please contact Elliot J. Mark, our General Counsel, at our principal executive offices located at 296 Concord Road, Third Floor, Billerica, Massachusetts 01821. Our telephone number is (978) 932-2200.

**Table of Contents****PART II****INFORMATION NOT REQUIRED IN THE PROSPECTUS****Item 14. Other Expenses of Issuance and Distribution.**

The following table sets forth the various expenses in connection with the securities being registered. All amounts shown are estimates, except the Securities and Exchange Commission registration fee.

<b>Item</b>	<b>Amount</b>
Securities and Exchange Commission registration fee	\$ 3,599.63
Printing and EDGAR formatting fees and expenses	\$ 1,500
Accounting fees and expenses	\$ 54,000
Transfer agent's fees and expenses	\$ 1,000
Legal fees and expenses	\$ 5,000
Total	\$ 65,099.63

Viisage will bear all expenses shown above, and the selling stockholders will not bear any portion of these expenses.

**Item 15. Indemnification of Directors and Officers.**

As permitted by the Delaware General Corporation law, as amended (the "DGCL"), the registrant's Restated Certificate of Incorporation, as amended, provides that the registrant's directors shall not be liable to the registrant or its stockholders for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted by the DGCL as it now exists or as it may be amended. As of the date of this prospectus, the DGCL permits limitations on liability for a director's breach of fiduciary duty other than liability (i) for any breach of the director's duty of loyalty to the registrant or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. In addition, the registrant's bylaws provide that the registrant shall indemnify all directors, officers, employees and agents of the registrant for acts performed on behalf of the registrant in such capacity to the fullest extent permitted by law.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

In addition, the registrant has purchased directors and officers liability insurance.



**Item 16. Exhibits.**

The Exhibit Index immediately preceding the exhibits is incorporated herein by reference.

**Item 17. Undertakings.**

(a) The registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment of this registration statement (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933; (ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of such securities would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the

**Table of Contents**

Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement; provided however, that paragraphs (a)(1)(i) and (a)(1)(ii) of this section do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Securities and Exchange Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement;

(2) for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and

(3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Table of Contents**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, hereunto duly authorized in Billerica, Massachusetts on January 11, 2005.

**VIISAGE TECHNOLOGY, INC.**

By: */s/* BERNARD C. BAILEY  
**Bernard C. Bailey**  
**Chief Executive Officer**  
*(Principal Executive Officer)*

**Signatures**

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<i>/s/</i> BERNARD C. BAILEY	Chief Executive Officer and Director	January 11, 2005
<b>Bernard C. Bailey</b>	<i>(Principal Executive Officer)</i>	
*	Chief Financial Officer	January 11, 2005
<b>William K. Aulet</b>	<i>(Principal Financial and Accounting Officer)</i>	
*	Director	January 11, 2005
<b>Denis K. Berube</b>		
*	Director	January 11, 2005
<b>Harriet Mouchly-Weiss</b>		
*	Director	January 11, 2005
<b>Paul T. Principato</b>		
*	Director	January 11, 2005
<b>Charles E. Levine</b>		

Edgar Filing: VIISAGE TECHNOLOGY INC - Form S-3/A

*	Director	January 11, 2005
<hr/>		
<b>Peter Nessen</b>		
*	Director	January 11, 2005
<hr/>		
<b>Thomas J. Reilly</b>		
*	Director	January 11, 2005
<hr/>		
<b>B.G. Beck</b>		
*	Director	January 11, 2005
<hr/>		
<b>Marcel Yon</b>		

\*By: /s/ ELLIOT J. MARK

---

**Elliot J. Mark,**  
**Attorney-in-Fact**

**Table of Contents**

**EXHIBIT INDEX**

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
2.1*	Agreement and Plan of Merger dated as of October 5, 2004 by and among Viisage Technology, Inc., Imaging Automation, Inc. and Ireland Acquisition Corp.
10.1*	Registration Rights Agreement dated as of October 5, 2004 by and among Viisage Technology, Inc. and the shareholders named therein.
4.1**	Specimen certificates for shares of Viisage Technology, Inc. common stock.
5.1***	Opinion of Elliot J. Mark, Esq.
23.1#	Consent of BDO Seidman, LLP.
23.2#	Consent of BDO Seidman, LLP.
23.3#	Consent of BDO Deutsche Warentreuhand AG.
23.4***	Consent of Elliot J. Mark, Esq. (Included in Exhibit 5.1)
23.5#	Consent of Carlin, Charron & Rosen, LLP.
24.1***	Power of Attorney.

\* Filed as an exhibit to the registrant's current report on Form 8-K filed with the Securities and Exchange Commission on October 8, 2004.

\*\* Filed as an exhibit to the registrant's registration statement on Form S-1 (Registration No. 333-10649) dated November 4, 1996.

\*\*\* Previously filed.

# Filed herewith.