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PATRON SYSTEMS INC
Form 8-K
June 13, 2005

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): June 6, 2005

PATRON SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	000-25675	74-3055158
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

500 NORTH MICHIGAN AVENUE, SUITE 300
CHICAGO, ILLINOIS 60611
(Address of Principal Executive Offices/Zip Code)

(312) 396-4031
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(B))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

- ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.
- ITEM 2.03. CREATION OF A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AN OFF-BALANCE SHEET ARRANGEMENT OF A REGISTRANT.
- ITEM 3.02. UNREGISTERED SALES OF EQUITY SECURITIES.

On June 6, 2005, Patron Systems, Inc. (the "Registrant") completed a \$2.543 million financing (the "Bridge Financing") through the issuance of (i) 10% Junior Convertible Promissory Notes and (ii) Warrants to purchase up to 1,271,500 shares of the Registrant's Common Stock. The Warrants have a term of 5 years and an exercise price of \$0.60 per share. Prior to maturity, the Junior Convertible Promissory Notes may be converted into the securities offered by the Company at the first closing of a subsequent financing for the Registrant, for such number

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of offered securities as could be purchased for the principal amount being converted. The Junior Convertible Promissory Notes have an initial term of 120 days, with an option for the Registrant to extend the term for an additional 60 days, and pay interest at a rate of 10% per annum. Upon the extension of the maturity date of the Junior Convertible Promissory Notes, the interest payable thereunder will be increased to 12% per annum, and the Registrant will be required to issue warrants to purchase such number of shares of the Registrant's Common Stock equal to of a share for each \$1.00 of principal amount outstanding. The warrants issuable upon extension of the maturity date of the Junior Convertible Promissory notes will have a term of 5 years and an exercise price of \$0.60 per share. In addition, if the Junior Convertible Promissory Notes are not paid in full on or before the extended maturity date, each noteholder will be issued a warrant entitling the holder to purchase 3.84 shares of the Registrant's Common Stock for each \$1.00 of principal amount then outstanding. The warrants issuable in connection with the non-payment of the Junior Convertible Promissory Notes may only be exercised by a holder's delivery of its Senior Convertible Promissory Note in payment of the exercise price, the delivery of which will result in the full satisfaction of all amounts of principal and interest due and payable under such Junior Convertible Promissory Note. The Registrant has agreed to file with the Securities and Exchange Commission, a registration statement for the resale of the restricted shares of its Common Stock issuable upon exercise of the Warrants.

We sold these securities to seven accredited investors introduced by Laidlaw & Company (UK) Ltd. ("Laidlaw"). Laidlaw acted as a broker in the Bridge Financing. For its services as a broker, the Registrant paid Laidlaw a cash fee of \$305,160, including the reimbursement of costs, and issued to Laidlaw and/or its designees warrants to purchase up to 152,580 shares of the Registrant's Common Stock at an exercise price of \$0.60 per share.

The issuance and sale of the securities issued or issuable in connection with the Bridge Financing were exempt from the registration and prospectus delivery requirements of the Securities Act of 1933, as amended (the "Securities Act") pursuant to Section 4(2) of the Securities Act as transactions not involving any public offering.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PATRON SYSTEMS, INC.

Date: June 10, 2005

By: /s/ Robert Cross

Robert Cross
Chief Executive Officer