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APPLIED BIOMETRICS INC
Form 10-Q
August 14, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For quarterly period ended June 30, 2001
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from ___ to ___

Commission File Number 0-22146

APPLIED BIOMETRICS, INC.
(Exact name of Registrant as specified in its charter)

State of Incorporation: Minnesota
I.R.S. Employer Identification No.: 41-1508112

Principal Executive Offices: P.O Box 3170
Burnsville, Minnesota 55337
Telephone Number: (612) 338-4722

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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

On August 13, 2001, there were 5,883,404 shares of the Registrant's common stock, par value \$.01 per share, outstanding.

ITEM 1. FINANCIAL STATEMENTS

APPLIED BIOMETRICS, INC.
STATEMENT OF NET ASSETS IN LIQUIDATION

June 30, December 31,

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	2001	2000
	-----	-----
ASSETS		
Cash and cash equivalents	\$1,023,649	\$1,109,537
Prepaid expenses and other current assets	34,699	85,726
Patents and other intangibles, net	--	23,000
	-----	-----
Total assets	\$1,058,348	\$1,218,263
	=====	=====
LIABILITIES		
Accounts payable	\$ 77,101	\$ 119,954
Other current liabilities	34,421	40,007
Reserve for estimated costs during period of liquidation	185,488	272,250
Short-term obligations	12,761	53,525
	-----	-----
Total liabilities	309,771	485,736
	-----	-----
Net assets in liquidation	\$ 748,577	\$ 732,527
	=====	=====

The accompanying notes are an integral part of the interim unaudited financial statements.

APPLIED BIOMETRICS, INC.
STATEMENT OF CHANGES IN NET ASSETS IN LIQUIDATION
JANUARY 1, 2001 THROUGH JUNE 30, 2001

Net assets in liquidation as of January 1, 2001	\$732,527
Change in net assets	16,050

Net assets in liquidation as of March 31, 2001	\$748,577
	=====

The accompanying notes are an integral part of the interim unaudited financial statements.

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APPLIED BIOMETRICS, INC.
 CONDENSED STATEMENT OF OPERATIONS FOR THE PERIOD ENDED JUNE 30, 2000
 (GOING CONCERN BASIS)

	SIX MONTHS ENDED JUNE 30, 2000

Operating expenses:	
Selling, general and administrative	\$ 671,079
Research and development	1,206,941

Operating loss	(1,878,020)
Other income, net	49,717

Net loss	(1,828,303)
	=====
Basic and diluted net loss per share:	(0.34)

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Weighted average common shares
outstanding

5,299,599
=====

The accompanying notes are an integral part of the interim unaudited financial statements.

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APPLIED BIOMETRICS, INC.
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND JUNE 30, 2000

	Six Months Ended June 30, 2001 -----
	(Liquidation Basis)
CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets in liquidation	\$ 16,050
Net loss	--
Adjustments to reconcile net loss from continuing operations to net cash used by operating activities:	
Depreciation and amortization of capital leases	--
Amortization of patents and other intangible assets	--
Value of common stock issued in lieu of cash compensation	--
Loss (Gain) on disposal of assets	2,300
Changes in operating assets and liabilities:	
Inventories	--
Prepaid expenses, other current assets and other assets	51,027

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Accounts payable and accrued expenses	(175,965)

Net cash used in operating activities	(106,588)

CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of intangible assets, net of sale expenses	20,700
Purchase of equipment and improvements	--
Investments in patents and trademarks	--

Net cash provided by (used in) investing activities	20,700

CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from the issuance of common stock, net of expenses	--
Proceeds from exercise of stock options	--
Proceeds from capital lease obligations, net of repayments	--

Net cash provided by financing activities	--

Net (increase) decrease in cash and cash equivalents	(85,888)
Cash and cash equivalents at beginning of year	1,109,537

CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,023,649
	=====

The accompanying notes are an integral part of the interim unaudited financial statements.

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APPLIED BIOMETRICS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION AND LIQUIDATION BASIS OF ACCOUNTING:

The accompanying unaudited condensed financial statements of Applied Biometrics, Inc. ("Applied Biometrics" or the "Company") have been prepared by the Company in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

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The Company adopted the liquidation basis of accounting as of September 1, 2000. This basis of accounting is considered when the liquidation of a company appears imminent and the net realizable value of its assets is reasonably determinable. Under this basis of accounting, assets and liabilities are stated at their net realizable value and estimated costs through the liquidation date are provided to the extent reasonably determinable.

(2) APRIL 2000 UNIT OFFERING.

During April 2000, the Company completed two private placements of 525,000 units at an aggregate price of \$1,706,250 or \$3.25 per unit, resulting in net proceeds of approximately \$1,500,000 after deducting agents' commissions of \$170,625 and other expenses. Each unit consisted of one share of our common stock and one five-year warrant to purchase one share of common at an exercise price of \$3.625. In connection with the private placement the Company also issued the placement agent five-year warrants to purchase 52,500 shares of Common Stock at an exercise price of \$3.25 per share.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CERTAIN STATEMENTS CONTAINED IN THIS FORM 10-Q INCLUDE "FORWARD LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE STATEMENTS MAY BE IDENTIFIED BY THE USE OF WORDS SUCH AS "EXPECT," "ANTICIPATE," "PLAN," "MAY," "ESTIMATE" OR OTHER SIMILAR EXPRESSIONS. SUCH STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULT TO DIFFER MATERIALLY FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED IN OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. SEE ITEM 6 "MANAGEMENT'S DISCUSSION AND ANALYSIS - CERTAIN FACTORS" IN THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2000 FOR IMPORTANT FACTORS KNOWN TO US THAT COULD CAUSE SUCH MATERIAL DIFFERENCES.

OVERVIEW

The Company ceased its ongoing business operations in August 2000 because the Company determined it would be unable to complete the development of its primary product, the Basis System, for market and sale. The company's Chief Executive Officer resigned and all other employees were terminated. The Company has wound down its business operations, eliminated expenses and negotiated the

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termination or satisfaction of all of its remaining obligations.

The Company adopted liquidation basis accounting as of September 1, 2000. This basis of accounting is considered appropriate when liquidation of a company appears imminent and the net realizable value of its assets are reasonably determinable. Under this basis of accounting, assets and liabilities are stated at their net realizable value and estimated costs through the liquidation date are provided to the extent reasonable determinable.

The Company has agreed to continue to retain Manchester Companies, Inc. ("Manchester"), a Minneapolis, Minnesota investment banking firm, to manage the Company's management and accounting functions and to explore further options available to liquidate the Company. As part of the engagement of Manchester, the Company appointed James D. Bonneville as the Acting Chief Executive Officer, Chief Financial Officer and Secretary of the Company.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2001, net assets in liquidation were \$748,577. Cash and cash equivalents were \$1,023,649 as compared to \$1,110,000 at December 31, 2000, a decrease of \$86,351.

Based on its expected rate of spending, the Company believes that its existing cash and cash equivalents will be more than sufficient to fund any further expenses. The Company is presently investigating liquidation options for the Company and its shareholders. There can be no assurance that the Company will be able to find a liquidation option for the Company or the shareholders on terms satisfactory to all parties.

RESULTS OF CONTINUING OPERATIONS COMPARISON OF THE SIX MONTHS ENDED JUNE 30, 2001 WITH THE SIX MONTHS ENDED JUNE 30, 2000

Selling, general and administrative expenses were \$77,167 for the first six months of 2001 compared with \$671,079 during the first six months of 2000. The Company incurred no selling costs during the first six months of 2001. The Company incurred administrative expenses for the first six months of 2001 that include payments of \$25,069 to Manchester, \$25,768 for insurance and other expenses and \$26,330 for legal expenses.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

APPLIED BIOMETRICS, INC. PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

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ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits. There are no exhibits on this quarterly report on Form 10-Q.

(b) Form 8-K. The Company filed no Current Reports on Form 8-K for the quarter ending June 30, 2001.

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SIGNATURES

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

APPLIED BIOMETRICS, INC.

Dated: August 13, 2001

/s/ James D. Bonneville

James D. Bonneville
Acting Chief Executive Officer
(Principal Executive Officer / Principal
Financial and Accounting Officer)

