

BIO KEY INTERNATIONAL INC

Form 10-Q

August 15, 2016

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

**FORM 10-Q**

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

**For the quarterly period ended June 30, 2016**

**or**

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

**For the Transition Period from                      to**

**Commission file number 1-13463**

**BIO-KEY INTERNATIONAL, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**DELAWARE**

**41-1741861**

(State or Other Jurisdiction of Incorporation of Organization) (IRS Employer Identification Number)

**3349 HIGHWAY 138, BUILDING A, SUITE E, WALL, NJ 07719**

(Address of Principal Executive Offices)

**(732) 359-1100**

(Issuer's Telephone Number)

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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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

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

Number of shares of Common Stock, \$.0001 par value per share, outstanding as of August 12, 2016 is 66,377,157.

**BIO-KEY INTERNATIONAL, INC.**

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**PART I -- FINANCIAL INFORMATION****BIO-KEY INTERNATIONAL, INC. AND SUBSIDIARY****CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>June 30, 2016 (Unaudited)</b>	<b>December 31, 2015</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$2,006,665	\$4,321,078
Accounts receivable, net of allowance for doubtful accounts of \$13,785 at June 30, 2016 and December 31, 2015	2,298,744	3,391,405
Due from factor	2,323	37,421
Inventory	480,039	348,645
Software license rights	5,000,000	5,000,000
Prepaid expenses and other	92,855	97,203
Total current assets	9,880,626	13,195,752
Software license rights, less current portion	7,000,000	7,000,000
Equipment and leasehold improvements, net	91,083	63,877
Deposits and other assets	8,712	8,712
Intangible assets—less accumulated amortization	140,935	147,738
Total non-current assets	7,240,730	7,220,327
<b>TOTAL ASSETS</b>	<b>\$17,121,356</b>	<b>\$20,416,079</b>
<b>LIABILITIES</b>		
Accounts payable	\$696,419	\$1,158,555
Accrued liabilities	350,833	493,067
Dividends payable	200,625	133,851
Deferred revenue	318,046	376,405
Warrant liabilities	153,790	104,284
Total current liabilities	1,719,713	2,266,162
<b>TOTAL LIABILITIES</b>	<b>1,719,713</b>	<b>2,266,162</b>

Commitments and contingencies

**STOCKHOLDERS' EQUITY**

Series A-1 convertible preferred stock: authorized, 100,000 (liquidation preference of \$100 per share); issued and outstanding 90,000 of \$.0001 par value	9	9
Series B-1 convertible preferred stock; authorized, 105,000 (liquidation preference of \$100 per share); issued and outstanding 105,000 of \$.0001 par value	11	11

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Common stock: authorized, 170,000,000 shares; issued and outstanding; 66,339,655 and 66,098,482 of \$.0001 par value at June 30, 2016 and December 31, 2015, respectively	6,634	6,610
Additional paid-in capital	76,545,142	76,754,737
Accumulated deficit	(61,150,153)	(58,611,450)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	15,401,643	18,149,917
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	\$17,121,356	\$20,416,079

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.

**BIO-KEY INTERNATIONAL, INC. AND SUBSIDIARY**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(Unaudited)**

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Revenues				
Services	\$220,926	\$255,269	\$505,652	\$505,622
License fees and other	194,888	2,017,535	340,754	2,416,008
	415,814	2,272,804	846,406	2,921,630
Costs and other expenses				
Cost of services	66,597	56,905	122,379	123,968
Cost of license fees and other	69,893	88,489		