

BIO KEY INTERNATIONAL INC
Form 10-Q
May 16, 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 March 31, 2016

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 (IRS Employer
Incorporation of Organization) Identification Number)

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

(Address of Principal Executive Offices)

(732) 359-1100

(Registrant's telephone number, including area code)

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 May 13, 2016 was 66,339,656.

BIO-KEY INTERNATIONAL, INC.

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PART I — FINANCIAL INFORMATION**BIO-KEY International, Inc. and Subsidiary
CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Cash and cash equivalents	\$3,474,648	\$4,321,078
Accounts receivable, net of allowance for doubtful accounts of \$13,785 at March 31, 2016 and December 31, 2015	2,223,647	3,391,405
Due from factor	147,102	37,421
Inventory	458,853	348,645
Software license rights	5,000,000	5,000,000
Prepaid expenses and other	100,727	97,203
Total current assets	11,404,977	13,195,752
Software license rights, less current portion	7,000,000	7,000,000
Equipment and leasehold improvements, net	71,646	63,877
Deposits and other assets	8,712	8,712
Intangible assets—less accumulated amortization	144,337	147,738
Total non-current assets	7,224,695	7,220,327
TOTAL ASSETS	\$18,629,672	\$20,416,079
LIABILITIES		
Accounts payable	\$628,631	\$1,158,555
Accrued liabilities	312,066	493,067
Dividends payable	200,625	133,851
Deferred revenue	455,291	376,405
Warrant liabilities	104,322	104,284
Total current liabilities	1,700,935	2,266,162
TOTAL LIABILITIES	1,700,935	2,266,162
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; 66,198,482 and 66,098,482 of \$.0001 par value at March 31, 2016 and December 31, 2015, respectively	6,620	6,610
Additional paid-in capital	76,696,761	76,754,737
Accumulated deficit	(59,774,664)	(58,611,450)
TOTAL STOCKHOLDERS' EQUITY	16,928,737	18,149,917
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$18,629,672	\$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)

	Three months ended March 31,	
	2016	2015
Revenues		
Services	\$284,726	\$250,353
License fees and other	145,866	398,473
	430,592	648,826
Costs and other expenses		
Cost of services	55,782	67,063
Cost of license fees and other	56,066	72,293
	111,848	139,356
Gross Profit	318,744	509,470
Operating Expenses		