

AWARE INC /MA/  
Form 10-Q  
October 27, 2011

---

UNITED STATES  
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 the quarter ended September 30, 2011

Commission file number 000-21129

AWARE, INC.  
(Exact Name of Registrant as Specified in Its Charter)

Massachusetts 04-2911026  
(State or (I.R.S.  
Other Employer  
Jurisdiction of Identification  
No.)  
Incorporation  
or Organization)

40 Middlesex Turnpike, Bedford, Massachusetts, 01730  
(Address of Principal Executive Offices)  
(Zip Code)

(781) 276-4000  
(Registrant's Telephone Number, Including Area Code)

Indicate by check 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 (§ 232.405 of this chapter) 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,

Edgar Filing: AWARE INC /MA/ - Form 10-Q

or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

Indicate the number of shares outstanding of the issuer's common stock as of October 21, 2011:

Class	Number of Shares Outstanding
Common Stock, par value \$0.01 per share	20,582,906 shares

AWARE, INC.

FORM 10-Q  
FOR THE QUARTER ENDED SEPTEMBER 30, 2011

TABLE OF CONTENTS

	Page
<b>PART I FINANCIAL INFORMATION</b>	
Item 1. Unaudited Consolidated Financial Statements	
Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010	3
Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2011 and September 30, 2010	4
Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2011 and September 30, 2010	5
Notes to Consolidated Financial Statements	6
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	10
Item 3. Quantitative and Qualitative Disclosures about Market Risk	16
Item 4. Controls and Procedures	16
<b>PART II OTHER INFORMATION</b>	
Item 1. Legal Proceedings	17
Item 1A. Risk Factors	17
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	18
Item 6. Exhibits	19
Signatures	19



PART 1. FINANCIAL INFORMATION  
ITEM 1: CONSOLIDATED FINANCIAL STATEMENTS  
AWARE, INC.  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except share data)  
(unaudited)

	September 30, 2011	December 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 45,525	\$ 39,949
Accounts receivable, net	3,580	4,968
Inventories	976	1,863
Prepaid expenses and other current assets	340	235
Total current assets	50,421	47,015
Property and equipment, net	6,133	6,360
Other assets, net	13	25
Total assets	\$ 56,567	\$ 53,400
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 542	\$ 565
Accrued expenses	107	118
Accrued compensation	590	1,143
Accrued professional	161	427
Deferred revenue	1,233	944
Total current liabilities	2,633	3,197
Long-term deferred revenue	589	320
Stockholders' equity:		
Preferred stock, \$1.00 par value; 1,000,000 shares authorized, none outstanding	-	-
Common stock, \$.01 par value; 70,000,000 shares authorized; issued and outstanding 20,582,906 as of September 30, 2011 and 20,041,863 as of December 31, 2010	206	200
Additional paid-in capital	79,222	77,373
Accumulated deficit	(26,083 )	(27,690 )
Total stockholders' equity	53,345	49,883

Total liabilities and stockholders' equity	\$ 56,567	\$ 53,400
--	-----------	-----------

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

3

---

AWARE, INC.  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 (in thousands, except per share data)  
 (unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Revenue:				
Product sales	\$4,902	\$5,026	\$13,977	\$13,588
Services	971	488	3,175	1,043
Royalties	549	637	1,542	2,107
Total revenue	6,422	6,151	18,694	16,738
Costs and expenses:				
Cost of product sales	777	1,236	3,085	3,112
Cost of services	414	206	1,221	352
Research and development	1,831			