

AWARE INC /MA/  
Form 10-Q  
October 24, 2008

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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, 2008

Commission file number 000-21129

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

Massachusetts  
(State or Other Jurisdiction of  
Incorporation or Organization)

04-2911026  
(I.R.S. Employer Identification  
No.)

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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):

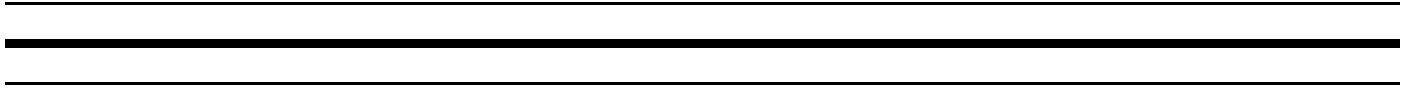
Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

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, 2008:

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Class	Number of Shares Outstanding
Common Stock, par value \$0.01 per share	23,307,742 shares



AWARE, INC.

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FOR THE QUARTER ENDED SEPTEMBER 30, 2008

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

	September 30, 2008	December 31, 2007
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 37,809	\$ 1,806
Short-term investments	-	36,249
Accounts receivable, net	4,366	7,661
Inventories	1,776	1,424
Prepaid expenses and other current assets	631	708
Total current assets	44,582	47,848
Property and equipment, net	7,621	7,872
Investments	-	494
Other assets, net	118	169
Total assets	\$ 52,321	\$ 56,383
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 645	\$ 939
Accrued expenses	149	174
Accrued compensation	1,384	1,135
Accrued professional	321	156
Deferred revenue	274	413
Total current liabilities	2,773	2,817
Long-term deferred revenue	330	330
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, 23,307,742 as of September 30, 2008 and 23,854,708 as of December 31, 2007	233	239
Additional paid-in capital	82,816	83,626
Accumulated deficit	(33,831)	(30,629)
Total stockholders' equity	49,218	53,236
Total liabilities and stockholders' equity	\$ 52,321	\$ 56,383

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Revenue:				
Product sales	\$ 3,939	\$ 5,097	\$ 11,811	\$ 12,333
Contract revenue	2,014	1,851	5,313	5,260
Royalties	437	508	1,310	2,092
Total revenue	6,390	7,456		