

BioAuthorize Holdings, Inc.  
Form 10-Q  
May 15, 2009

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 Quarterly Period Ended March 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from N/A to N/A  
Commission File Number: 000-33073

BioAuthorize Holdings, Inc.  
(Name of small business issuer as specified in its charter)  
Nevada  
State of Incorporation  
20-2775009  
IRS Employer Identification No.

15849 N. 71st Street, Suite 216  
Scottsdale, AZ 85254  
(Address of principal executive offices)

Registrant's telephone number, including Area Code: (928) 300-5965

Securities registered under Section 12(b) of the Exchange Act:  
None

Securities registered under Section 12(g) of the Exchange Act:  
Common Stock, \$0.001 par value per share  
(Title of Class)

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Indicate by check mark whether the Registrant (1) has filed all reports required 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

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Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-Accelerated filer  Small Business Issuer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No   
Transitional Small Business Disclosure Format (check one): Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class                           | Outstanding at May 13, 2009 |
|---------------------------------|-----------------------------|
| Common stock, \$0.001 par value | 28,280,006                  |

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BIOAUTHORIZE HOLDINGS, INC.  
Form 10-Q Filing  
For The Three Months Ended March 31, 2009 and 2008

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## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

BIOAUTHORIZE HOLDINGS, INC.  
(A Development Stage Company)  
CONDENSED CONSOLIDATED BALANCE SHEET

| ASSETS:   | March 31<br>2009<br>(unaudited) | December<br>31<br>2008<br>(audited) |
|---|---------------------------------|-------------------------------------|
| <b>CURRENT ASSETS</b>   |                                 |                                     |
| Cash  | \$ 12,426                       | \$ 28,584                           |
| Total current assets  | 12,426                          | 28,584                              |
| <b>PROPERTY AND EQUIPMENT, net</b>  |                                 |                                     |
| Patent  | 7,788                           | 7,788                               |
| Deposits  | 850                             | 850                                 |
| <b>TOTAL ASSETS</b>   | <b>\$ 61,974</b>                | <b>\$ 85,933</b>                    |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>  |                                 |                                     |
| <b>CURRENT LIABILITIES:</b>   |                                 |                                     |
| Accounts payable and accrued liabilities  | \$ 16,536                       | \$ 15,171                           |
| Total current liabilities   | 16,536                          | 15,171                              |
| Total liabilities   | 16,536                          | 15,171                              |
| <b>COMMITMENTS AND CONTINGENCIES</b>  |                                 |                                     |
|   | -                               | -                                   |
| <b>STOCKHOLDERS' EQUITY:</b>  |                                 |                                     |
| Preferred stock, \$.001 par value, 1,000,000 shares authorized;<br>there are no issued or outstanding at March 31, 2009   | -                               | -                                   |
| Common stock, \$.001 par value, 100,000,000 shares authorized;<br>28,280,006 issued and outstanding as of March 31, 2009 and<br>December 31, 2008, respectively | 28,280                          | 28,280                              |
| Additional paid-in capital  | 2,189,220                       | 2,189,220                           |
| Accumulated deficit during this development stage   | (2,172,062)                     | (2,146,738)                         |
| Total stockholders' equity  | 45,438                          | 70,762                              |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>  | <b>\$ 61,974</b>                | <b>\$ 85,933</b>                    |

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

BIOAUTHORIZE HOLDINGS, INC.  
(A Development Stage Company)  
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008

|  | 2009               | 2008                | For the<br>Period<br>from<br>August 23,<br>2006<br>(inception)<br>through<br>March 31,<br>2009 |
|--|--------------------|---------------------|--|
| <b>REVENUES:</b>                               |                    |                     |  |
| Revenues                                       | \$ -               | \$ -                | \$ -   |
| <b>OPERATING EXPENSES:</b>                     |                    |                     |  |
| General and administrative expenses            | 17,523             | 414,302             | 2,293,793  |
| Sales and marketing expenses                   | -                  | 13,715              | 71,279   |
| Depreciation and amortization                  | 7,801              | 7,801               | 52,707   |
| Research and development                       | -                  | 6,661               | 61,376   |
| Total operating expenses                       | 25,324             | 442,479             | 2,479,155  |
| <b>OPERATING LOSS</b>                          | <b>(25,324)</b>    | <b>(442,479)</b>    | <b>(2,479,155)</b>   |
| <b>OTHER (INCOME) AND EXPENSES:</b>            |                    |                     |  |
| Interest expense                               | -                  | 193                 | 417  |
| Interest and dividend income                   | -                  | (2,319)             | (40,193)   |
| Other income                                   | -                  | -                   | 1,200  |
| Early extinguishment                           | -                  | -                   | (304,234)  |
| Loss on investments                            | -                  | -                   | 35,718   |
| Total other expense                            | -                  | (2,126)             | (307,092)  |
| <b>NET LOSS</b>                                | <b>\$ (25,324)</b> | <b>\$ (440,353)</b> | <b>\$ (2,172,063)</b>  |
| <b>NET LOSS PER SHARE:</b>                     |                    |                     |  |
| Basic and diluted:                             | \$ (0.00)          | \$ (0.02)           |  |
| <b>WEIGHTED AVERAGE OF SHARES OUTSTANDING:</b> |                    |                     |  |
| Basic and diluted                              | 28,280,000         | 23,725,000          |  |

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

BIOAUTHORIZE HOLDINGS, INC.  
(A Development Stage Company)  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008

|  | 2009             | 2008             | For the<br>Period<br>from<br>August 23,<br>2006<br>(inception)<br>to<br>March 31,<br>2009 |
|--|------------------|------------------|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                     |                  |                  |   |
| Net Loss   | \$ (25,324)      | \$ (440,353)     | \$ (2,172,063)  |
| Adjustments to reconcile net loss to net cash<br>(used in) operating activities: |                  |                  |   |
| Depreciation and amortization  | 7,801            | 7,801            | 52,707  |
| Common stock issued for compensation   | -                | -                | 137,500   |
| Changes in assets and liabilities:   |                  |                  |   |
| Accounts receivables   | 1,365            | 13,384           | 1,365   |
| Deposits   | -                | 2,304            | (8,638)   |
| Accrued payables and accrued liabilities   | -                | 25,638           | 15,171  |
| Net cash used in operating activities  | (16,158)         | (391,226)        | (1,973,958)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                     |                  |                  |   |
| Purchase of Intangible Asset   | -                | -                | (93,616)  |
| Net cash used in investing activities  | -                | -                | (98,138)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                     |                  |                  |   |
| Proceeds from the issuance of common stock                                       | -                | -                | 80,000  |
| Proceeds from the issuance of preferred stock                                    | -                | -                | 2,000,000   |
| Net cash provided by financing activities  | -                | -                | 2,080,000   |
|  |                  |                  | -   |
| <b>INCREASE IN CASH</b>  | <b>(16,158)</b>  | <b>(391,226)</b> | <b>12,426</b>   |
| <b>CASH, BEGINNING OF YEAR</b>   | <b>28,584</b>    | <b>484,937</b>   | <b>-</b>  |
| <b>CASH, END OF YEAR</b>   | <b>\$ 12,426</b> | <b>\$ 93,711</b> | <b>\$ 12,426</b>  |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>                                       |                  |                  |   |
| Income Taxes   | \$ -             | \$ -             | \$ -  |
| Interest Paid  | \$ -             | \$ 220           | \$ 220  |

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

BIOAUTHORIZE HOLDINGS, INC.

Notes to Consolidated Financial Statements

For The Three Months Ended March 31, 2009 and 2008

NOTE 1 – BACKGROUND

BioAuthorize Holdings, Inc. (“The Company”) was incorporated in the state of Nevada on May 25, 1999. The Company is a holding company for subsidiary acquisitions and through its wholly-owned subsidiary, BioAuthorize, Inc., is a hi-tech biometric technology company (i) which has developed a technology solution for e-commerce transactions related to the delivery of voice-enabled payment authorization services to merchants and their customers in processing payments for purchases made over the Internet and (ii) which is developing a line of application products for both the iPhone and the Blackberry handheld personal electronic devices under the yada™ line of products by utilizing and leveraging, directly and indirectly, its voice authentication technology.

NOTE 2 - BASIS OF PRESENTATION

Interim Consolidated Financial Statements

The accompanying interim unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months period ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. For further information, refer to the consolidated financial statements and footnotes thereto included in our Form 10-K Report for the fiscal year ended December 31, 2008.

NOTE 3 - GOING CONCERN

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which contemplate continuation of the Company as a going concern. However, the Company has year end losses from operations and had no revenues from operations in 2008 and 2007. From inception through the year ended March 31, 2009, the Company has accumulated net losses of \$2,172,063. Further, the Company has inadequate working capital to maintain or develop its operations, and to date has been dependent upon funds from private investors and the support of certain stockholders. The Company is seeking to support its operations with revenue generated from sales of downloadable applications for Apple’s iPhone and iTouch and RIM’s Blackberry handheld personal electronic devices. It is unclear as to whether such revenues will develop in sufficient quantities to support the Company’s operations.

These factors raise substantial doubt about the ability of the Company to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. In this regard, Management may also plan to raise any necessary additional funds through loans and additional sales of its common stock. There is no assurance that the Company will be successful in raising additional capital.

#### NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Significant accounting policies are as follows:

##### Basis of Presentation

The Company has produced no revenue from its principal business and is a development stage company as defined by the Statement of Financial Accounting Standards (SFAS) No. 7 "Accounting and Reporting by Development State Enterprises".

##### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. These estimates and assumptions also affect the reported amounts of revenues, costs and expenses during the reporting period. Management evaluates these estimates and assumptions on a regular basis. Actual results could differ from those estimates.

These estimates and assumptions also affect the reported amounts of revenues, costs and expenses during the reporting period. Management evaluates these estimates and assumptions on a regular basis. Actual results could differ from those estimates.

##### Revenue Recognition

Revenue includes product sales. The Company recognizes revenue from product sales in accordance with Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition in Financial Statement" which is at the time customers are invoiced at shipping point, provided title and risk of loss has passed to the customer, evidence of an arrangement exists, fees are contractually fixed or determinable, collection is reasonably assured through historical collection results and regular credit evaluations, and there are no uncertainties regarding customer acceptance.

##### Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At March 31, 2009, cash and cash equivalents include cash on hand and cash in the bank.

##### Property and Equipment

Property and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using principally the straight-line method. When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and proceeds realized. Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized.

The range of estimated useful lives used to calculated depreciation for principal items of property and equipment are as follow:





| Asset Category         | Depreciation/<br>Amortization Period |
|------------------------|--------------------------------------|
| Furniture and Fixture  | 3 Years                              |
| Office equipment       | 3 Years                              |
| Leasehold improvements | 5 Years                              |

#### Impairment of Long-Lived Assets

In accordance with SFAS No. 144, long-lived assets, such as property, plant, and equipment, and purchased intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill and other intangible assets are tested for impairment. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no events or changes in circumstances that necessitated an impairment of long lived assets.

#### Income Taxes

Deferred income taxes are provided based on the provisions of SFAS No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), to reflect the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

#### Concentration of Credit Risk

The Company maintains its operating cash balances in a bank in Scottsdale, Arizona. The Federal Depository Insurance Corporation (FDIC) insures accounts up to \$250,000.

#### Earnings Per Share

Basic earnings per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilution that could occur if stock options, warrants, and other commitments to issue common stock were exercised or equity awards vest resulting in the issuance of common stock that could share in the earnings of the Company.

#### Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced sale or liquidation.

The carrying amounts of the Company's financial instruments, including cash, accounts payable and accrued liabilities, income tax payable and related party payable approximate fair value due to their most maturities.

#### Reclassification

Certain prior period amounts have been reclassified to conform to the three months ended March 31, 2009 and 2008 presentations.

## Recent Accounting Pronouncements

Recent accounting pronouncements that the Company has adopted or that will be required to adopt in the future are summarized below.

### Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities

In December 2008, the FASB issued FSP FAS No. 140-4 and FIN No. 46(R) -8, "Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities." This FSP amends SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," to require public entities to provide additional disclosures about transfers of financial assets. FSP FAS No. 140-4 also amends FIN No. 46(R)-8, "Consolidation of Variable Interest Entities," to require public enterprises, including sponsors that have a variable interest entity, to provide additional disclosures about their involvement with a variable interest entity. FSP FAS No. 140-4 also requires certain additional disclosures, in regards to variable interest entities, to provide greater transparency to financial statement users. FSP FAS No. 140-4 is effective for the first reporting period (interim or annual) ending after December 15, 2008, with early application encouraged. The adoption of this pronouncement had no impact on the Company's condensed consolidated financial condition or results of operations.

### Accounting for an Instrument (or an Embedded Feature) with a Settlement Amount That is Based on the Stock of an Entity's Consolidated Subsidiary

In November 2008, the FASB issued FSP Emerging Issues Task Force ("EITF") Issue No. 08-8, "Accounting for an Instrument (or an Embedded Feature) with a Settlement Amount that is based on the Stock of an Entity's Consolidated Subsidiary." EITF No. 08-8 clarifies whether a financial instrument for which the payoff to the counterparty is based, in whole or in part, on the stock of an entity's consolidated subsidiary is indexed to the reporting entity's own stock. EITF No. 08-8 also clarifies whether or not stock should be precluded from qualifying for the scope exception of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," or from being within the scope of EITF No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock." EITF No. 08-8 is effective for fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years. The adoption of this pronouncement had no impact on the Company's condensed consolidated financial condition or results of operations.

### Accounting for Defensive Intangible Assets

In November 2008, the FASB issued EITF Issue No. 08-7, "Accounting for Defensive Intangible Assets." EITF No. 08-7 clarifies how to account for defensive intangible assets subsequent to initial measurement. EITF No. 08-7 applies to all defensive intangible assets except for intangible assets that are used in research and development activities. EITF No. 08-7 is effective for intangible assets acquired on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of this pronouncement had no impact on the Company's condensed consolidated financial condition or results of operations.

### Equity Method Investment Accounting Considerations

In November 2008, the FASB issued EITF Issue No. 08-6 ("EITF No. 08-6"), "Equity Method Investment Accounting Considerations." EITF No. 08-6 clarifies accounting for certain transactions and impairment considerations involving the equity method. Transactions and impairment dealt with are initial measurement, decrease in investment value, and change in level of ownership or degree of influence. EITF No. 08-6 is effective on a prospective basis for fiscal years beginning on or after December 15, 2008. The adoption of this pronouncement had no impact on the Company's

condensed consolidated financial condition or results of operations.

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#### Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active

In October 2008, the FASB issued FSP FAS No. 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active.” This FSP clarifies the application of SFAS No. 157, “Fair Value Measurements,” in a market that is not active. The FSP also provides examples for determining the fair value of a financial asset when the market for that financial asset is not active. FSP FAS No. 157-3 was effective upon issuance, including prior periods for which financial statements have not been issued. The impact of adoption was not material to the Company’s consolidated financial condition or results of operations.

#### Issuer’s Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement

In September 2008, the FASB issued EITF Issue No. 08-5 (“EITF No. 08-5”), “Issuer’s Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement.” This FSP determines an issuer’s unit of accounting for a liability issued with an inseparable third-party credit enhancement when it is measured or disclosed at fair value on a recurring basis. FSP EITF No. 08-5 is effective on a prospective basis in the first reporting period beginning on or after December 15, 2008. The adoption of this pronouncement had no impact on the Company’s condensed consolidated financial condition or results of operations.

#### Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161

In September 2008, the FASB issued FSP FAS No. 133-1, “Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161.” This FSP amends FASB Statement No. 133, “Accounting for Derivative Instruments and Hedging Activities,” to require disclosures by sellers of credit derivatives, including credit derivatives embedded in a hybrid instrument. The FSP also amends FASB Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others,” to require and additional disclosure about the current status of the payment/performance risk of a guarantee. Finally, this FSP clarifies the Board’s intent about the effective date of FASB Statement No. 161, “Disclosures about Derivative Instruments and Hedging Activities.” FSP FAS No. 133-1 is effective for fiscal years ending after November 15, 2008. The adoption of this pronouncement had no impact on the Company’s condensed consolidated financial condition or results of operations.

#### Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities

In June 2008, the FASB issued EITF Issue No. 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.” EITF No. 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method. The EITF 03-6-1 affects entities that accrue dividends on share-based payment awards during the awards’ service period when the dividends do not need to be returned if the employees forfeit the award. EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. The adoption of this pronouncement had no impact on the Company’s condensed consolidated financial condition or results of operations.

#### Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an entity's Own Stock

In June 2008, the FASB ratified EITF Issue No. 07-5, "Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock." EITF 07-5 provides that an entity should use a two step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. It also clarifies on the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. EITF 07-5 is effective for fiscal years beginning after December 15, 2008. The adoption of this pronouncement had no impact on the Company's condensed consolidated financial condition or results of operations.

#### Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)

In May 2008, the FASB issued FSP Accounting Principles Board ("APB") Opinion No. 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)." The FSP clarifies the accounting for convertible debt instruments that may be settled in cash (including partial cash settlement) upon conversion. The FSP requires issuers to account separately for the liability and equity components of certain convertible debt instruments in a manner that reflects the issuer's nonconvertible debt (unsecured debt) borrowing rate when interest cost is recognized. The FSP requires bifurcation of a component of the debt, classification of that component in equity and the accretion of the resulting discount on the debt to be recognized as part of interest expense in our consolidated statement of operations. The FSP requires retrospective application to the terms of instruments as they existed for all periods presented. The FSP is effective for fiscal years beginning after December 15, 2008 and early adoption is not permitted. The adoption of this pronouncement had no impact on the Company's condensed consolidated financial condition or results of operations.

#### The Hierarchy of Generally Accepted Accounting Principles

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles". The implementation of this standard is expected not to have a material impact on the Company's consolidated financial position and results of operations.

#### Determination of the Useful Life of Intangible Assets

In April 2008, the FASB issued FSP FAS No. 142-3, "Determination of the Useful Life of Intangible Assets", which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under SFAS No. 142 "Goodwill and Other Intangible Assets". The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of the expected cash flows used to measure the fair value of the asset under SFAS No. 141 (revised 2007) "Business Combinations" and other U.S. generally accepted accounting principles. The FSP is effective for fiscal year beginning after December 15, 2008 and early adoption is not permitted. The adoption of this pronouncement had no impact on the Company's condensed consolidated financial condition or results of operations.

#### Disclosure about Derivative Instruments and Hedging Activities

In March 2008, the FASB issued SFAS No. 161, "Disclosure about Derivative Instruments and Hedging Activities, an amendment of SFAS No. 133." This statement requires that objectives for using derivative instruments be disclosed in

terms of underlying risk and accounting designation. The Company is required to adopt SFAS No. 161 on January 1, 2009. The adoption of this pronouncement had no impact on the Company's condensed consolidated financial condition or results of operations.



#### Delay in Effective Date

In February 2008, the FASB issued FSP FAS No. 157-2, “Effective Date of FASB Statement No. 157”. This FSP delays the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The impact of adoption was not material to the Company’s consolidated financial condition or results of operations.

#### Business Combinations

In December 2007, the FASB issued SFAS No. 141(R) “Business Combinations.” This Statement replaces the original SFAS No. 141. This Statement retains the fundamental requirements in SFAS No. 141 that the acquisition method of accounting (which SFAS No. 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. The objective of SFAS No. 141(R) is to improve the relevance, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. To accomplish that, SFAS No. 141(R) establishes principles and requirements for how the acquirer:

- a. Recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree.
- b. Recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase.
- c. Determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 and may not be applied before that date. The adoption of this pronouncement had no impact on the Company’s condensed consolidated financial condition or results of operations.

#### Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51

In December 2007, the FASB issued SFAS No. 160 “Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51.” This Statement amends the original Accounting Review Board (ARB) No. 51 “Consolidated Financial Statements” to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This Statement is effective for fiscal years and interim periods within those fiscal years, beginning on or after December 15, 2008 and may not be applied before that date. The adoption of this pronouncement had no impact on the Company’s condensed consolidated financial condition or results of operations.

## Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of SFAS No. 115," which becomes effective for the Company on February 1, 2008, permits companies to choose to measure many financial instruments and certain other items at fair value and report unrealized gains and losses in earnings. Such accounting is optional and is generally to be applied instrument by instrument. The election of this fair-value option did not have a material effect on its consolidated financial condition, results of operations, cash flows or disclosures.

## NOTE 5 - PROPERTY AND EQUIPMENT

The Company has property and equipment as of March 31, 2009 and December 31, 2008 as follows:

|                          | March 31,<br>2009 | December 31,<br>2008 |
|--------------------------|-------------------|----------------------|
| Equipment                | \$ 93,617         | \$ 93,617            |
| Accumulated depreciation | (52,707)          | (44,906)             |
| Total                    | \$ 40,910         | \$ 48,711            |

Depreciation expense was 7,801 for the three months ended March 31, 2009 and \$31,206 for the year ended December 31, 2008.

## NOTE 6 – SHARE CAPITAL

BioAuthorize Holdings, Inc. F/K/A Genesis Holdings, Inc. was incorporated in Nevada on May 25, 1999 as part of the reorganization of Diagnostic International, Inc. which had filed under Chapter 11 of the United States Bankruptcy Code. The Company has authorized 100,000,000 shares of common stock, par value \$.001 per share, of which 28,280,006 are issued and outstanding and has authorized 1,000,000 shares of preferred stock, par value \$.001 per share, to be designated in series or classes with such voting powers, designations, preferences, limitations, restrictions, relative rights, and distinguishing designation as determined by our Board of Directors in its sole discretion. No shares of preferred stock are outstanding.

The Company has no options or warrants issued or outstanding as of March 31, 2009.

Effective June 5, 2008 the Company completed the corporate action required to amend its Articles of Incorporation to change its name to BioAuthorize Holdings, Inc., to increase the number of authorized shares of common stock from 25,000,000 to 100,000,000 and to authorize a total of 1,000,000 shares of preferred stock to be designated in series or classes with such voting powers, designations, preferences, limitations, restrictions, relative rights, and distinguishing designation as our Board of Directors shall determine in its sole discretion.

#### NOTE 7 - REVERSE MERGER

Effective February 18, 2008, the Company completed its acquisition of BioAuthorize, Inc. pursuant to a Share Exchange Agreement dated February 18, 2008. BioAuthorize, Inc. is a wholly owned subsidiary of the Company. In the share exchange, the former stockholders of BioAuthorize, Inc. received common shares in the Company.

Pursuant to the Share Exchange Agreement, 100% of the outstanding common stock of BioAuthorize, Inc. was exchanged for 80% of the Company's shares of common stock and no cash consideration or other consideration was issued or used in the share exchange. Immediately after the share exchange, the former BioAuthorize, Inc. shareholders owned a total of approximately 80% of the outstanding common stock of the Company. In addition, one of the BioAuthorize Inc. board members became a member of the Board of Directors of the Company and the management of BioAuthorize, Inc became the management team of the Company. At a later time, the other two board members of BioAuthorize, Inc. became members of the Board of Directors of the Company. In early October 2008, those two members resigned their board seats and their management positions with the Company and BioAuthorize, Inc.

The share exchange was accounted for as a reverse acquisition by BioAuthorize, Inc. The total fair value of this transaction is estimated to be approximately \$596,107. It was determined that a more appropriate value of the fair values exchanged, rather than the fair value of the securities traded in the market, was the fair values of the net assets acquired. There was no cash exchanged in the reverse merger. The issuance of shares of common stock of the Company was deemed to be an equivalent fair market value, for accounting purposes, to the shares of capital stock of BioAuthorize, Inc. received in the share exchange. The reasons for the share exchange are as follows:

- The share exchange allows for the shareholders of BioAuthorize, Inc. to receive shares of common stock with increased liquidity and stronger market value;
- The ability of the combined companies to utilize publicly-traded securities in capital raising transactions and as consideration in connection with future potential mergers or acquisitions.

#### NOTE 8 – SHARE EXCHANGE

Also as contemplated in the share exchange with BioAuthorize Inc. in March 2008, the Company and Bankston Third Family Trust LP agreed to surrender all of the outstanding common shares of Genesis Land, Inc. in exchange for the surrender of 16,780,226 common shares of the Company held by the Bankston Third Family L.P. The value of this exchange was based on the trading value of the Company's common stock surrendered which had a trading value of \$.55 on the day of the exchange. The exchange of the common stock of Genesis Land, Inc. for the surrender of 16,780,226 commons stock held by Bankston Third Family LP was accounted for as an equal exchange for value received and value given. There was no cash exchanged and no gain or loss recorded by either party. There was no gain or loss on the exchange of the two parties' common stock.

Pursuant to provisions of the Agreement, the Company was required to change its name to BioAuthorize Holdings, Inc. The name change was completed on June 5, 2008.

The consolidated financial statements include the operations of BioAuthorize, Inc. for the entirety of the periods presented, whereas, the historical financial statements of BioAuthorize, Inc. became the historical financial statements of the Company as required under the purchase method of accounting. See Note 6 for the financial information consolidated statements of operations as if the share exchange under the Agreement occurred on February 18, 2008.

## NOTE 9 - INCOME TAXES

The provision (benefit) for income taxes from continued operations for the three months ended March 31, 2009 and 2008 consist of the following:

|  | March 31,   |             |
|--|-------------|-------------|
|  | 2009        | 2008        |
| <b>Current:</b>                                  |             |             |
| Federal  | \$ -        | \$ -        |
| State  | -           | -           |
|  | -           | -           |
| <b>Deferred:</b>                                 |             |             |
| Federal  | \$ 8,610    | \$ 150,442  |
| State  | 2,279       | 39,631      |
|  | 10,889      | 190,073     |
| Benefit from the operating loss carryforward     | (10,889)    | (190,073)   |
| <b>(Benefit) provision for income taxes, net</b> | <b>\$ -</b> | <b>\$ -</b> |

The difference between income tax expense computed by applying the federal statutory corporate tax rate and actual income tax expense is as follows:

|                                   | March 31, |          |
|-----------------------------------|-----------|----------|
|                                   | 2009      | 2008     |
| Statutory federal income tax rate | 34.0%     | 34.0%    |
| State income taxes and other      | 8.9%      | 8.9%     |
| Valuation Allowance               | (42.9)%   | (42.9)%  |
| <b>Effective tax rate</b>         | <b>-</b>  | <b>-</b> |

Deferred income taxes result from temporary differences in the recognition of income and expenses for the financial reporting purposes and for tax purposes. The tax effect of these temporary differences representing deferred tax asset and liabilities result principally from the following:

|                                  | March 31,   |             |
|----------------------------------|-------------|-------------|
|                                  | 2009        | 2008        |
| Net operating loss carryforward  | 10,889      | 190,073     |
| Valuation allowance              | (10,889)    | (190,073)   |
| <b>Deferred income tax asset</b> | <b>\$ -</b> | <b>\$ -</b> |

The Company has a net operating loss carryforward of approximately \$2,200,000 available to offset future taxable income through 2029.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Company may enter into various consulting agreements with outside consultants. Certain of these agreements may include additional compensation on the basis of performance.

NOTE 11 - RELATED PARTY TRANSACTIONS

The Company is managed by its key shareholders.

NOTE 12 - NET LOSS PER SHARE

Restricted shares are included in the computation of the weighted average number of shares outstanding during the periods. The net loss per common share is calculated by dividing the consolidated loss by the weighted average number of shares outstanding during the periods.

NOTE 13 - EARLY EXTINGUISHMENT OF DEBT

The Company met the requirements of SFAS 140 paragraph 16. SFAS 140 paragraph 16 outlined below outlines the two requirements that are met to qualify for early extinguishment of debt.

The Company removed these debts at the written waiver of the debt holder. Two of our former officers and a current officer waived their right to repayment of deferred salary. Therefore it is a matter of law or “judicially” to remove the obligations to waive their rights to the deferred salaries.

Statement of Financial Accounting Standards No. 140  
Accounting for Transfers and Servicing of Financial  
Assets and Extinguishments of Liabilities  
Paragraph 16:

A debtor shall derecognize a liability if and only if it has been extinguished. A liability has been extinguished if either of the following conditions is met:

- a. The debtor pays the creditor and is relieved of its obligation for the liability. Paying the creditor includes delivery of cash, other financial assets, goods, or services or reacquisition by the debtor of its outstanding debt securities whether the securities are cancelled.
- b. The debtor is legally released from being the primary obligor under the liability, either judicially or by the creditor.

\* \* \* \* \*

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

Management's Discussion and Analysis and the Risk Factors set forth in this Report on Form 10-Q may contain various "forward looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, regarding future events or the future financial performance of the Company that involve risks and uncertainties. Certain statements included in this Form 10-Q, including, without limitation, statements related to anticipated cash flow sources and uses, and words including but not limited to "anticipates", "believes", "plans", "expects", "intends", "could", "might", "estimates", "future" and similar statements or expressions, identify forward looking statements. Forward-looking statements involve risks, uncertainties and other factors, which may cause our business, results of operations and financial position, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Any forward-looking statements herein are subject to certain risks and uncertainties in the Company's business, including but not limited to, the success or acceptance of our application offerings through Apple, Inc.'s App Store and Research in Motion Limited's App World, the completed development of our biometric technology, ongoing business strategies or prospects, difficulties of hiring or retaining key personnel, statements relating to future actions, trends in our businesses, prospective products, future performance or financial results and any changes in current accounting rules, all of which may be beyond the control of the Company. Additional, factors and risks that could affect our results and achievements and cause them to materially differ from those contained in the forward-looking statements include those identified in the section titled "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 as well as other factors that we are currently unable to identify or quantify, but that may exist in the future. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth herein. Forward-looking statements speak only as of the date the statement was made. We do not undertake and specifically decline any obligation to update any forward-looking statements.

### Overview

BioAuthorize Holdings, Inc. F/K/A Genesis Holdings, Inc. (the "Company") was incorporated in Nevada on May 25, 1999 as part of the reorganization of Diagnostic International, Inc. which had filed a petition under Chapter 11 of the United States Bankruptcy Code. At that time and until July 1, 2006, the Company had no operations and was considered a development stage company as defined in FASB No. 7. The Company was formed specifically to be a publicly held reporting corporation for the purpose of either merging with or acquiring an operating company with assets and some operating history. 980,226 shares of common stock of the Company were issued to certain and various creditors of Diagnostic International, Inc. pursuant to the Plan of Reorganization confirmed by the Bankruptcy Court on May 25, 1999. Genesis Holdings, Inc. was formerly known as AABB, Inc., and this name change took effect on September 5, 2006.

Larry Don Bankston, a former director of ours, is a partner of the Bankston Third Family Limited Partnership which was the sole member of Genesis Land Development, LLC ("Genesis Land") prior to the acquisition of Genesis Land by the Company on July 1, 2006. In that transaction the Company issued 19 million shares of its common stock to the Bankston Third Family Limited Partnership in exchange for 100% of the ownership interests of Genesis Land. As part of that transaction, Genesis Land Developments, LLC merged into AABB Acquisition Sub, Inc., a Nevada corporation that changed its name post-merger to Genesis Land, Inc.

Genesis Land Development, LLC was organized in Texas on September 8, 2003 for the purpose of developing a 55.509 acre tract of land within the Dallas, Texas metropolitan area. Genesis Land acquired the land from Larry Don Bankston whose family partnership was also a founding member of Genesis Land on September 30, 2003, at which time the land was valued at \$744,634. Genesis Land obtained a \$3,625,000 loan from a local bank and a promissory note in the original principal amount of \$417,000 to improve the land and develop it into 172 residential lots known as

Bankston Meadows. Genesis Land began selling finished lots on or around July, 2005.

In fiscal 2006 and 2007, the Company's sole operating company was from its wholly owned subsidiary Genesis Land. All income and expense of the Company were derived from operations of Genesis Land. We exited the real estate development business in 2008 with the disposition of Genesis Land effective March 31, 2008. We had no revenue or income to report in 2008.



### Payment Solution Process – The Initial Anticipated Business of BioAuthorize

With the acquisition of BioAuthorize and the disposition of Genesis Land, we expect to focus our business operations on the development and growth of the BioAuthorize business. BioAuthorize is a hi-tech biometric technology company which has developed a technology solution for e-commerce transactions related to the delivery of voice-enabled payment authorization services to merchants and their customers in processing payments for purchases made over the Internet. We recently completed a modification to our expected product offerings. One product offering is to provide e-commerce merchants the ability to use our voice biometric services to authenticate customer purchases using bank account, debit card or credit card payment methods while utilizing the merchant's existing merchant account and hardware, all without any need to add hardware cost to implement the service and helping to substantially reduce fraud (the "Payment Solution Process").

We have developed a payment solution that in essence will support the following commercial applications and transactions. By using the service, a customer who has enrolled, can make an online purchase of items or services offered by a merchant who accepts our Payment Solution Process and then use his voice over the telephone to authenticate his approval for payment of the purchased item or service without relying on the need to type in a user name or password and transmit that information over the Internet. Our Payment Solution Process is expected to give e-commerce merchants and their customers a wide array of new benefits including:

- Voice biometric authentication of purchases; by verification of his or her voice each customer has to be who he says he is or no purchase is allowed;
  - The voice authentication process eliminates the need for a customer to remember user names or passwords;
- No need for establishment or enrollment in another merchant account or change to existing technology infrastructure;
- Gives e-commerce customers the ability to complete purchases over the phone without any investment in new hardware or other infrastructure and greatly reduces, or may even eliminate, the chance of identity theft of a customer or unauthorized purchases;
- No need to submit sensitive credit card information over the Internet. Each consumer registers his voice and information one time on a secured land-based telephone line and thereafter uses the BioAuthorize Payment Solution Process with all merchants who have enrolled to participate;
  - No software, hardware or other infrastructure requirements for merchants or customers.
- No in-depth training required; using the BioAuthorize Payment Solution Process requires only an act similar to checking voicemail on your phone. A customer simply calls the BioAuthorize number from his or her registered telephone, speaks his or her name, enter the registered phone number, and follow the brief prompts to authorize or pre-authorize of the purchase transaction.

We also have planned telecom infrastructure changes by allowing for voice over internet protocol which should significantly reduced the company's operating costs at such time that the payment solution process is activated. The telecom infrastructure is needed to process telephone calls made by consumers during the authentication of each payment transaction. As a result of the new voice over internet protocol infrastructure, the company can now deliver its biometric authentication service offerings to any location without the necessity of a substantial telecom investment. This benefit should support the ability to explore business opportunities with a variety of merchants in both domestic and international markets.

Although the technology has been developed for the Payment Solution Process, all of the requirements for actually implementing the process are not yet completed for merchants and consumers to begin using the Payment Solution Process. No schedule has been finalized for when the Payment Solution Process will be made available to merchants and consumers. Although we expect that the Payment Solution Process will be made available to merchants and consumers, no assurances can be made that it will, in fact, be made available.



## iPhone App Store and Blackberry App World

We recently enrolled BioAuthorize in the iPhone Developer Program and also became an approved vendor for the recently introduced Blackberry App World by Research In Motion Limited (“RIM”). The purpose of seeking these approvals was to develop a line of application products for both the iPhone and the Blackberry handheld personal electronic devices under the yada™ line of products by utilizing and leveraging, directly and indirectly, our voice authentication technology. Both the iPhone App Store and the Blackberry App World include many categories of applications such as business, education, entertainment, games, lifestyle, medical, news, reference, networking, utilities and many others. We believe that an opportunity exists for adopting aspects of the voice enabled authentication and authorization technology to one or more applications within the utilities category. We expect the yada™ product line to encompass utilities type applications for both iPhone and Blackberry users. We have completed development of the first application which is known as yadaSay™, a simple, speedy and effective way to translate to both text and audio free form phrases between English and Spanish languages. yadaSay™ became available on March 24, 2009 under the Utilities category of the Apple, Inc. App Store for downloading on the iPhone and iPod at \$0.99 per download. We have not had sufficient time to gauge how popular yadaSay™ may be or the total number of downloads of the application we may anticipate. We expect to add additional languages for translation with the additional languages included in the same application. Existing users will simply download the updated version with the new languages while new users will receive the updated version with all languages at the time of purchase of the application.

On April 30, 2009, yadaTranslate™ a free-form text language translator application with 22 languages became available on the RIM Blackberry App World under the Reference and eBooks category for downloading on the Blackberry Curve, Pearl, Bold and Storm at \$2.99 per download. We have not had sufficient time to gauge how popular yadaTranslate™ may be or the total number of downloads of the application we may anticipate. In addition we have submitted to RIM for approval the application, yadaSay™ a free-form English and Spanish languages text and audio translator. As of the date of this Report on Form 10-Q the status of yadaSay™ is pending and the application is not available for downloading through the Blackberry App World. Although approval of yadaSay™ is expected in the near future, no assurances can be made that such approval will be received from RIM.

## RESULTS OF OPERATIONS

Three Months Ended March 31, 2009, Compared to Three Months Ended March 31, 2008

### Revenues

We are a development stage company and the BioAuthorize, Inc. business has not generated revenues since inception on August 23, 2006.

### Selling, General and Administrative Expense

General and administrative expenses for the three months ended March 31, 2009 was \$17,522 and \$414,302 in 2008, respectively. The decrease in the expenses for the three month period are related to the acquisition of BioAuthorize, Inc. in a share exchange and the related accounting and legal fees which occurred in February 2008 and the elimination of salaries that paid in the first quarter of 2008.

Sales and marketing expenses for the three months ended March 31, 2009 was \$0 and \$13,715 in 2008, respectively. The decrease in the expenses for the three month period are related to the elimination of all expenditures for sales and marketing activities.

Depreciation and amortization expenses for the three months ended March 31, 2009 was \$7,801 and \$7,801 in 2008, respectively. The expenses is related to the purchase of fixed assets such as computer equipment to implement our business plan.

Research and development expenses for the three months ended March 31, 2009 was \$0 and \$6,661 in 2008, respectively. The decrease in the expenses for the three month period are related to the elimination of all outsourced research and development functions.

Net loss for the three months ended March 31, 2009 was \$25,324 and \$440,353 in 2008, respectively and our accumulated loss from inception is \$2,172,063. The decrease for the three month period was due primarily to the elimination of some personnel and salaries during the second quarter of 2008, the elimination of some outsourced services for the Company and the expenses associated with the acquisition of BioAuthorize, Inc.

## LIQUIDITY AND CAPITAL RESOURCES

The Company has sought to maintain a minimum of two months of working capital in the bank. This figure was determined to allow for an adequate amount of time to secure additional funds from investors as needed. The Company has a balance of \$12,426 in its bank account at the end of March 2009. Currently, we have been unable to maintain a minimum of two months of working capital and have insufficient funds to meet all of our current obligations. We cannot make payment on our bills as they come due. Outside of the requirements for our professional service providers, our cash needs are minimal as we are not paying any salaries to our two employees. We anticipate that the Board will approve grants of stock awards under our recently adopted equity incentive plan to compensate these employees. Our resources and personnel are limited. Since the \$80,000 private placement in September 2008, we have not focused our limited resources on raising more capital through additional private placements of our securities. We are optimistic that sales of downloads of our initial application, yadaSay™, through Apple's App Store and yadaTranslate™ through RIM's Blackberry App World will generate sufficient revenues to cover our monthly expenses for the next several months. However, no assurances can be made that we will be successful in generating such revenue. The offering of additional applications through both the App Store and Blackberry App World that we expect to develop may provide additional revenue sources for our operations. In the event that sales of downloads of applications we develop fail to generate sufficient revenue to support our operations, we will need to secure additional capital by other means.

In such event, we believe we will have to rely on public and private equity and debt financings to fund our liquidity requirements over the intermediate term. We may be unable to obtain any required additional financings on terms favorable to us or at all. If adequate funds are not available on acceptable terms, and if cash and cash equivalents together with any income generated from operations fall short of our liquidity requirements, we may be unable to sustain operations. Continued negative cash flows could create substantial doubt regarding our ability to fully implement our business plan and could render us unable to expand our operations, successfully promote our brand, develop our products and respond to competitive pressures or take advantage of acquisition opportunities, any of which may have a material adverse effect on our business. If we raise additional funds through the issuance of equity securities, our stockholders may experience dilution of their ownership interest, and the newly issued securities may have rights superior to those of our common stock. If we raise additional funds by issuing debt, we may be subject to limitations on our operations, including limitations on the payments of dividends. Because we may continue to rely upon private investors for additional capital to sustain the business it is uncertain if it will be able to secure future capital for the Company.

The Company's operating activities used \$16,158, and \$391,226 for the three months ended March 31, 2009 and 2008 respectively. The decrease in operating activities is primarily due to a reduction in the salaries of two of our executives who resigned, and the waiver of accrued salaries for those same two executives and our CEO. In addition, several administrative staff personnel were terminated.



## Critical Accounting Policies

### Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Our management periodically evaluates the estimates and judgments made. Management bases its estimates and judgments on historical experience and on various factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates as a result of different assumptions or conditions. As such, in accordance with the use of accounting principles generally accepted in the United States of America, our actual realized results may differ from management's initial estimates as reported. A summary of significant accounting policies are detailed in notes to the consolidated financial statements which are an integral component of this filing.

### Revenues

The Company has adopted the Securities and Exchange Commission's Staff Accounting Bulletin (SAB) No. 104, which provides guidance on the recognition, presentation and disclosure of revenue in financial statements.

### Long-Lived Assets

Statement of Financial Accounting Standards No. 144. "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed," requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. This standard did not have a material effect on the Company's results of operations, cash flows or financial position.

### Additional Information

We files reports and other materials with the Securities and Exchange Commission. These documents may be inspected and copied at the Commission's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C., 20549. You can obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. You can also get copies of documents that the Company files with the Commission through the Commission's Internet site at [www.sec.gov](http://www.sec.gov).

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Smaller reporting companies are not required to provide the information required by this Item.

#### ITEM 4. CONTROLS AND PROCEDURES

##### (a) Evaluation of Disclosure Controls and Procedures

Based upon an evaluation of the effectiveness of the Company's disclosure controls and procedures performed by the Company's management, with participation of the Company's Chief Executive Officer, Chief Operating Officer, and its Chief Accounting Officer as of the end of the period covered by this report, the Company's Chief Executive Officer, Chief Operating Officer, and its Chief Accounting Officer concluded that the Company's disclosure controls and procedures have been effective in ensuring that material information relating to the Company, including its consolidated subsidiary, is made known to the certifying officers by others within the Company and the Bank during the period covered by this report.

As used herein, "disclosure controls and procedures" mean controls and other procedures of the Company that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

##### (b) Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) under the Securities Exchange Act of 1934. Under the supervision and with the participation of the Chief Executive Officer, the Chief Operating Officer and the Chief Accounting Officer, we conducted an evaluation of the effectiveness of our control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). It should be noted that any system of controls, however well designed and operated, can provide only reasonable and not absolute assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of certain events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Based on our evaluation under the framework, management has concluded that our internal control over financial reporting was effective as of March 31, 2009.

This quarterly report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this quarterly report.

##### (c) Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal controls or in other factors that occurred during the Company's last fiscal quarter ended March 31, 2009 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.





#### Lack Of Independent Board Of Directors And Audit Committee

Management is aware that an audit committee composed of the requisite number of independent members along with a qualified financial expert has not yet been established. Considering the costs associated with procuring and providing the infrastructure to support an independent audit committee and the limited number of transactions, Management has concluded that the risks associated with the lack of an independent audit committee are not justified. Management will periodically reevaluate this situation.

#### Lack of Segregation of Duties

Management is aware that there is a lack of segregation of duties at the Company due to the small number of employees dealing with general administrative and financial matters. However, at this time management has decided that considering the abilities of the employees now involved and the control procedures in place, the risks associated with such lack of segregation are low and the potential benefits of adding employees to clearly segregate duties do not justify the substantial expenses associated with such increases. Management will periodically reevaluate this situation.

## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The Company is not involved in any material pending legal proceedings that would not be considered ordinary routine litigation that is incidental to the business.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS SECURITIES

There were no sales of unregistered securities during the three months ended March 31, 2009.

### ITEM 3. DEFAULT UPON SENIOR SECURITIES

There were no defaults upon any senior securities of the Company during the three month period ended March 31, 2009.

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

No matter was submitted to a vote of securities holders of the Company during the three month period ended March 31, 2009.

### ITEM 5. OTHER INFORMATION

(a) None.

(b) None.

ITEM 6. EXHIBITS

| Exhibit # | Description   |
|-----------|---|
| 31.1      | Certification Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Executive Officer |
| 31.2      | Certification Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Financial Officer |
| 32.1      | Certification Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - Chief Executive Officer*                                  |
| 32.2      | Certification Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - Chief Financial Officer*                                  |

\* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

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

BioAuthorize Holdings, Inc.

Date: May 15, 2009

By: /s/ Yada Schneider

Yada Schneider  
President and Chief Executive Officer (Principal Executive Officer)

Date: May 15, 2009

By: /s/ Jeffrey Perry

Jeffrey Perry  
Vice-President and Chief Financial Officer (Principal Financial Officer)