

BioMETRX  
Form 10KSB  
April 11, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-KSB

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-15807

BIOMETRX, INC.

(Name of small business issuer in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

31-1190725

(I.R.S. Employer Identification No.)

500 North Broadway, Suite 204, Jericho, New York  
(Address of principal executive offices)

11753  
(Zip Code)

(516) 937-2828

Securities registered under Section 12(b) of the Exchange Act:

Title of each class

Name of each exchange on which registered

None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock Par Value \$.001

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(Title of class)

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

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

Yes  No

State issuer's revenues for its most recent fiscal year. \$0

The aggregate market value of the Company's common stock held by non-affiliates was approximately \$8,572,793 based upon the average bid and asked price of \$1.85 as reported by the OTC Bulletin Board as of April 2, 2007.

The Company has 9,543,117 shares of common stock outstanding, as of April 2, 2007.

DOCUMENTS INCORPORATED BY REFERENCE

None

Transitional Small Business Disclosure Format (Check one): Yes  No

PART I

INTRODUCTORY COMMENT

Throughout this Annual Report on Form 10-KSB the terms “we,” “us,” “our,” “bioMETRX” and “our company” refer to bioMETRX, Inc., a Delaware corporation, and, unless the context indicates otherwise, includes our wholly owned subsidiaries.

FORWARD-LOOKING STATEMENTS

The discussion in this report on Form 10-KSB contains forward-looking statements that involve risks and uncertainties. The statements contained in this Report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding our expectations, beliefs, intentions or strategies regarding the future. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Our actual results could differ materially from those described in our forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, our unproven business model and a limited operating history in a new and rapidly evolving industry; our ability to implement our business plan; and our ability to manage our growth, retain and grow our customer base and expand our service offerings.

We make forward-looking statements in the “Management’s Discussion and Analysis of Financial Condition and, Results of Operations” below. These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations, intentions and assumptions and other statements that are not historical facts. We generally intend the words “expect”, “anticipate”, “intend”, “plan”, “believe”, “seek”, “estimate” and similar expressions to identify forward-looking statements.

This Report contains certain estimates and plans related to us and the industry in which we operate, which assumes certain events, trends and activities will occur and the projected information based on those assumptions. We do not know that all of our assumptions are accurate. In particular, we do not know what level of growth will exist in our industry, if any, and particularly in the foreign markets in which we operate, have devoted resources and in which we shall seek to expand. If our assumptions are wrong about any events, trends and activities, then our estimates for future growth for our business may also be wrong. There can be no assurances that any of our estimates as to our business growth will be achieved.

The following discussion and analysis should be read in conjunction with our financial statements and the notes associated with them contained elsewhere in this Report. This discussion should not be construed to imply that the results discussed in this quarterly report will necessarily continue into the future or that any conclusion reached in this quarterly report will necessarily be indicative of actual operating results in the future. The discussion represents only the best present assessment of management.

ITEM 1. DESCRIPTION OF BUSINESS.

Background

The Company was incorporated on March 13, 1985, under the laws of the State of Utah with the name Univenture Capital Corp. The Company was organized to engage in any lawful business and had no specific business plan except the investigation, analysis, and possible acquisition of business opportunities.

On August 29, 1986, the Company acquired all of the outstanding stock of Health & Leisure Inc., a Delaware corporation which subsequently changed its name to Entre Vest, Inc. ("Entre Vest"), in a transaction in which a subsidiary of the Company merged with and into Entre Vest and the former stockholders of Entre Vest obtained a controlling interest in the Company. The Company subsequently changed its own name from Univenture Capital Corp. to Health & Leisure, Inc. and changed its state of incorporation from Utah to Delaware. Entre Vest was incorporated on June 6, 1985, under the laws of the State of Delaware.

Pursuant to an Acquisition Agreement and Plan of Merger dated June 13, 2003 (the "Merger Agreement"), by and among Health & Leisure, Inc (the "Registrant"); Venture Sum, Inc., a Delaware corporation and a wholly owned subsidiary of Registrant ("Mergerco"); and MarketShare Recovery, Inc., a New York corporation, ("MKSR"), Mergerco merged with and into MKSR, and MKSR became a wholly-owned subsidiary of the Registrant. The merger became effective June 13, 2003, (the "Effective Date,") however closing of the Agreement occurred on July 15, 2003. Subsequently, Health & Leisure, Inc. filed an amendment to its certificate of incorporation and thereby changed its name to MarketShare Recovery, Inc.

Our former subsidiary similarly named MarketShare Recovery, Inc. was incorporated in New York in November 2000. The subsidiary, MarketShare Recovery, Inc. was a provider of online direct marketing solutions for enterprises. The solutions enabled corporations to create and deliver online direct marketing programs that drive revenue, influence behavior and deepen customer relationships. Our solutions provided customer insight and powerful program execution through a combination of hosted applications and technology infrastructure. As a result of new technology, the Company found it harder to maintain and grow this business and at the end of 2004 this business was discontinued.

On October 7, 2004, we entered into an Asset Purchase Agreement with Palomar Enterprises, Inc. (the "Agreement"). Pursuant to the Agreement, we agreed to purchase certain assets, including certain automotive notes and contracts, a business plan and model for an automotive financial services company and a data base of potential customers and \$150,000 in cash from Palomar in exchange for a controlling interest in us.

On November 2, 2004, by mutual agreement, Palomar and us terminated the Agreement.

In 2004, we entered into a database license agreement with 110 Media Group to use and to sublicense the use of its database for a term of ten years for a total license fee of \$45,567. For financial reporting, revenue is recognized using the straight-line method, based upon the economic useful life of three years. At December 31, 2004, our remaining deferred revenue of \$30,378 was recognized as revenue due to the Company completing its obligations under the agreement and we are no longer required to perform any further services nor incur any costs related to this agreement.

On May 27, 2005, we completed a merger (“Merger”) of MarketShare Merger Sub, Inc. a wholly owned subsidiary of the Company (“Merger Sub”) with bioMetrx Technologies, Inc., a Delaware corporation (“bioMetrx Technologies”) pursuant to the Agreement and Plan of Merger dated April 27, 2005, by and among the Company, Merger Sub and bioMetrx Technologies (“Merger Agreement”). bioMetrx Technologies, a development stage company, is engaged in the development of biometrics-based products for the home security and electronics market, including biometrically enabled residential door locks, central station alarm keypads, thermostats and garage/gate openers.

On June 1, 2005 (the “Effective Date”), Merger Sub filed a Merger Certificate completing the acquisition of bioMetrx Technologies. The consideration for the Merger was 3,554,606 restricted shares of our common stock and the issuance of 45,507 Common Stock Purchase Warrants to the holders of corresponding instruments of bioMetrx Technologies. The Merger was completed according to the terms of the Merger Agreement. Simultaneously with the Merger, certain stockholders of the Company surrendered 552,130 shares of the Company’s common stock which was cancelled and returned to the status of authorized and unissued. In addition, 75,000 shares of the Company’s common stock were deposited by these stockholders into escrow to cover contingent liabilities, if any. As a result of the Merger, bioMetrx Technologies was merged into the Merger Sub and became our wholly owned subsidiary.

Since the Company had no meaningful operations immediately prior to the Merger, the Merger is being treated as a reorganization of bioMetrx Technologies via a reverse merger with the Company for accounting purposes.

The 3,554,606 shares and the shares issuable upon the exercise of 45,507 warrants issued as part of Merger to the former bioMetrx Technologies stockholders represented approximately 90% of the total outstanding post-merger stock.

On October 10, 2005, the Company amended its Certificate of Incorporation to change its name to bioMETRX, Inc., as a result, the Company’s trading symbol was changed to “BMTX”.

On March 14, 2006, the Company filed an amendment to its Certificate of Incorporation to effect a reverse split of all of the outstanding shares of its Common Stock at a ratio of one-for-four and increase the number of authorized shares of its Common Stock to 25,000,000 shares and decrease the par value of the Company’s common stock to \$.001 per share. Our certificate of incorporation amendment authorized the issuance of up to 10,000,000 shares of \$.01 par value preferred stock, with such designation rights and preferences as may be determined from time to time by the Board of Directors. The Company’s trading symbol was changed to “BMRX.” The combined companies are hereinafter referred to as the “Company” or “bioMETRX.”

## Operations

The Company, through its wholly owned subsidiaries, designs, develops, engineers and markets biometrics-based products for the consumer home security, consumer electronics, medical records and medical products markets. The Company's executive offices are located in Jericho, New York.

Originally founded in 2001, bioMETRX is focused on developing simple-to-use, cost-efficient, finger-activated, lifestyle products under the trade name smartTOUCH. The Company's product line includes biometrically enabled residential locks, central station alarm keypads, thermostats, garage/gate openers, medical crash carts and industrial medicine cabinets. Our products utilize finger recognition technology designed to augment or replace conventional security methods such as keys, keypads, and PIN numbers.

The Company operates its business through three (3) wholly owned subsidiaries, bioMETRX Technologies Inc., which conducts the product engineering and design, smartTOUCH Consumer Products, Inc., the consumer-based marketing and sales group and smartTOUCH Medical, Inc. which is designing and will market medical industry products.

The home security industry consists of garage door manufacturers, key and lock manufacturers and central station alarm monitoring companies, representing a \$25 billion global market. bioMETRX develops market-specific products in this area which are being sold through retailers, dealers and direct to consumers in the United States. The company's first product, the Garage Door Opener, also known as the MasterLock™ GDO powered by SmartTOUCH, will be available through the Home Depot this summer.

The Company has also developed a finger-activated thermostat (smartSTAT) that will be marketed to the general public as well as small box retailers, restaurant chains and small business owners. The Company's smartSTAT thermostat allows only authorized users the ability to access and change the HVAC settings, after they have been authenticated by placing their finger on a sensor built into the device. This provides consumers and small business owners complete control over the heating and cooling settings within their homes or business establishments by preventing unwanted tampering and hence offers direct energy and cost savings benefits, without the need to install a cumbersome, ineffective security box around the thermostat.

The Company is presently completing some software enhancements on its smartSTIK product and will soon commence distribution and fulfillment of on-line orders. At this point we cannot offer a specific date or assurances that the release of the product will result in any meaningful revenues.

The Company is also developing technology for the medical products market. Currently, devices such as medical crash carts, rolling medicine drawers and cabinets and medical tool supply bins are either accessible in a hallway of a hospital or require medical personnel to enter a 4-digit PIN code to unlock these products. The Company is developing technology to secure these items while simplifying the procedure so that the proper medical personnel can access them quickly when necessary.

bioMETRX, to date, has introduced its products and services commercially and is considered an entry level market vendor of consumer-based biometric products. bioMETRX has limited assets, significant liabilities and limited business operations. To date, activities have been limited to organizational matters, development of its products and services and capital raising.

Management's plan of operations for the next twelve months is to raise additional capital, complete further development of its product line and commence marketing the Company's products and services through its disparate distribution channels. The Company has recently executed a licensing agreement as well as a co-marketing/co-development agreement with MasterLock™ for its garage door opener and other products whereby the garage door opener will be marketed under the MasterLock™ brand and the companies will jointly undertake development of new products. The Company expects it will require \$8,000,000 - \$10,000,000 over the next 12 months to accomplish these goals and expects to be financed by the private sale of its securities and lines of credit with commercial banks for continuous manufacturing output of its products. The Company has initiated production of its garage door openers and it is estimated that delivery will commence incrementally in mid to late first quarter though exact delivery dates are still uncertain. As the Company has no lines of credit with its contract manufacturer at this point, it will necessitate the requirement for advance purchase of components. Further as Company will replenish orders and maintain inventories, it will require additional financing until it is internally generating positive cash flow. Although the Company has retained the services of an investment banker, there are no firm commitments on anyone's part to invest in the Company and if it is unable to obtain financing through the sale of its securities or other financing, the Company's products and services may never be commercially sold. The Company though expecting to receive revenues within the first quarter of 2007 does not expect to be profitable in 2007 and cannot reasonably insure that it will be cash flow positive during this period. The Company's balance sheet continues to reflect negative shareholder equity and for the foreseeable year will be solely reliant on the attraction of additional equity in order for it to reflect shareholder equity unless revenues should exceed expectations for the current market ready products or other products planned for release during this fiscal year 2007. Should the Company prevail in its efforts to attract capital and fulfill its delivery requirements of its initial orders, it will require strict budget adherence in order to manage the many demands for capital.

#### **Current Market Outlook - Target Markets/Applications**

There is a unique opportunity in the consumer electronics market for the incorporation of biometrics technology in multiple devices, requiring personal identification or key access. Two current examples are biometrically secured laptops (IBM-Lenovo Thinkpad) and cell phones (Samsung SCH370). Prospective home/office security and electronics devices includes the introduction of "biometric" access controls on anything that presently requires a key, keypad or Personal Identification Number ("PIN"). bioMETRX is the first company to offer biometric security and electronics products for the home consumer market at any significant level.



We are focused on developing simple to use, cost efficient, finger activated consumer electronics products principally under the trade name “smartTOUCHÔ”. Our current and prospective consumer products include biometrically enabled and secure residential garage/gate door openers/locks, central station alarm pads and thermostats.

## **Product Offerings**

smartTOUCHÔ products allow a person to open a door, or set an alarm or thermostat simply by placing a finger upon a sensor chip, the size of a postage stamp. smartTOUCHÔ products are designed to simplify access, while substantially increasing the security level of the systems used for such purposes. Our smartTOUCHÔ products use one-to-one biometrics matching authenticated systems embodied in its products. The bioMETRX patent-pending system includes a hand held universal programmer designed to control access to the administrative functions of each smartTOUCHÔ device. All smartTOUCHÔ products are designed to work with this universal programmer, and permit up to twenty (20) authorized users to be enrolled. Our system allows two types of users, an access user who can only operate the smartTOUCHÔ device, and an administrative user who can operate and also add or delete other users.

## **Consumer Products**

### smartTOUCHÔ Garage Door Opener

As a result of the licensing agreement with the MasterLock™, the smartTOUCHÔ Garage Door Opener (GDO) will be marketed as MasterLock™ Garage Door Opener powered by smartTOUCH. The GDO is a weatherproof, shockproof, tamper resistant, garage door opener switch that allows a homeowner to control the opening of a garage door with a touch of a finger. The garage door opener originally a hardwired unit, has been redesigned to be wireless and works universally with any manufacturer’s opener mechanism. The GDO is designed specifically to withstand the elements for years of reliable service and dependability. The homeowner’s finger is used to activate the garage door opening mechanism.

The GDO unit is programmed using a proprietary handheld programmer that was designed by the Company to program the complete range of smartTOUCH products. The programmer simply plugs into the main Sensor Unit and initiates a series of simple prompts on the menu screen, allowing the GDO to be programmed quickly and easily.

In developing a wireless biometric version of the smartTOUCH GDO unit, thus removing the need for a hard-wired connection between the Sensor unit and Relay, we have made the GDO system easier to install and more secure, as the unit transmits data using die code hopping encryption . In addition, future versions of the wireless GDO will allow the unit to communicate with a device such as a cell phone or other alternative wireless remote. The need for biometric authentication to operate the GDO will eliminate the possibility of a criminal using a frequency descrambler to open the garage door. Our wireless technology is being designed to actually transmit the user’s information that is authenticated at the remote device first, then transmitted to the receiver located on the garage door frame for re-authentication. We call this feature our “Failsafe Authentication Process” (“FAP”).

Although market data on the use of automatic garage door openers is limited, management estimates that there are 30 million homes in the United States equipped with automatic garage doors. For many families, the automatic garage door opener has made the garage door the most frequently used door for entering and exiting the home. Consequently, there is a large potential market for the smartTOUCHÔ Garage Door Opener which meets the consumer need for security and convenience combined. We have filed our initial patent for this device with the United States Patents and Trademark Office in March 2004 and the patent was granted in January 2007 for the design of the biometric electronic garage door opener device.

During the quarter ended March 31, 2006 we received an initial purchase order for our smartTOUCHÔ Garage Door Opener and purchase orders were subsequently modified in January 2007 in the amount of 17,340 units from The Home Depot. Delivery of the order is scheduled for late spring 2007. As a result of its co-marketing agreement with MasterLock™, the GDO will be marketed under the name of MasterLock™ GDO powered by smartTOUCH™. The company has received numerous inquiries from other home improvement and consumer electronic retailers and is making every effort to meet with these other retailers.

The Company has had discussions with garage door manufacturers with the objective of providing the Company's product as an additional option to their standard garage door openers. In addition, following numerous inquiries, we have begun to establish a National Dealer Network, with the introduction of our proTOUCH Dealer Program. Our products are also available on the Company's website. To date, the Company has received approximately 1,200 on-line orders for its garage door opener unit.

We are currently initiating manufacturing of the garage door opener unit with a third party contract manufacturer located in the United States with manufacturing operations in China, who will be providing turn-key manufacturing services. We have also established a credit facility with our major component supplier.

#### smartSTATÔ Thermostat

Every residential, commercial and industrial building is equipped with at least one thermostat. Typically, thermostats can be adjusted by children, housekeepers, employees, guests and even strangers, which can cost the homeowner or business owner hundreds, if not thousands, of dollars per year in lost energy costs due to unauthorized operations. Currently, the only security device available for thermostats is a clear plastic "lockbox" that fits over the thermostat. These boxes are used in a number of different buildings, including, but not limited to, shopping malls, apartment buildings office buildings, restaurants and factories. They are cumbersome and ineffective deterrents. In fact, these lockboxes are usually broken or simply ripped off the wall.

The smartSTATÔ Thermostat allows business owners/homeowners complete and secure control of the building's heating and cooling system without having to invest tens of thousands of dollars in computer-based HVAC systems. By programming the smartSTATÔ Thermostat, only those individuals with authority to change the temperature can access the thermostat menus and functions. The Company, in its continuing efforts to protect its intellectual property, has acquired the rights to a patent protecting the biometric application of an electronic thermostat.

smartSTATÔ Thermostats are designed to the same operational standards as currently available electronic programmable thermostats. The smartSTATÔ Thermostat is the Company's second product to market. The smartSTATÔ Thermostat will have a suggested retail price of \$189.00.

Management estimates that approximately 10 million thermostats are sold in the United States annually, 45% of which are electronic models, either programmable or non-programmable. Management expects that there will be an increase in the sale of electronic thermostats as several states enact laws addressing the sale and disposal of mercury-based thermostats, some are even offering rebate programs to consumers that replace mercury thermostats with new energy-efficient programmable models.

The Company intends to manufacture approximately one thousand (1,000) thermostat units for two programs. One program will be designed for commercial applications and the Company has had several discussions with a number of restaurant chains who have expressed interest in participating in the program. The second program will be designed for residential use. The Company anticipates that these programs will commence within the next six months.

#### smartSTIK™ USB Flash Drive

USB flash drives are compact and easy-to-use flash memory data storage devices integrated with a USB interface. USB devices are utilized for personal data storage and portable desktop computing. Rather than carrying bulky disks that may not be read by certain devices or trusting email to transfer important or confidential files or pictures, a USB flash drive offers a simple, portable means of securely storing data. Common applications range from consumers using USB flash drives to transport digital music, pictures and videos, to the transportation of sensitive data such as banking information, personal PIN numbers, and corporate documents.

The common problem with current USB flash devices is that, if lost or stolen, the data on the device is not protected and can be accessed by unauthorized users. bioMETRX has developed smartSTIK™, a secure USB flash drive that has the capacity to securely store 1 to 2 GB of data. All files saved on the drive are protected by a biometric finger sensor embedded in the flash drive, which requires a recognized finger swipe from an authorized user to access the data stored. None of the data stored on the smartSTIK™ can be viewed or edited until biometric recognition is achieved through successful finger scanning. This protects the integrity and confidentiality of the information stored in the drive, while still offering the convenience and ease of use of traditional USB flash drives. We expect that our smartSTIK USB flash drive will retail for approximately \$69.95.

### smartGATEÔ Automatic Gate Opener

The smartGATEÔ Automatic Gate Opener serves a similar function as our garage door opener, as it allows homeowners and employees who gain access to their premises or place of business through either drive-through or walk-through security gates, easy, simple to use access with just a touch of a finger. Automatic gates work on the same principles as mechanized overhead garage door units. Many residences and businesses that use security gates use some sort of digital keypad, or universal “clicker” to open the gate from outside the premises.

The smartGATEÔ Automatic Gate Opener is designed similarly to our garage door opener, except that it is housed in a weatherproof box that is usually an aftermarket product, purchased through gate installation companies. Our automatic gate opener is designed to fit conveniently into most vendors weatherproof containers designed for automatic gate opener units. While presently targeted for high-end residential installations, this unit will be re-engineered to meet the prospective needs of gated communities and moderate traffic commercial users.

Although market data is not readily available for this product, our own market analysis and information gathered through membership in industry organizations indicates large potential for the sale of this product for both residential and commercial use. These products will be marketed through traditional retail channels, as well as through contractor/installer channels.

### Other smartTOUCHÔ Consumer Products

The smartTOUCHÔ line of products under development includes a biometric deadbolt, smartLOCKÔ for use on residential doors, a biometric vehicle access and ignition system and a biometrically enabled home alarm/central station alarm keypad smartALARMÔ that will be designed to communicate directly with home monitoring systems.

### **smartTOUCH™ Medical**

We are also developing products for the healthcare industry. Government legislation surrounding the integrity, confidentiality and privacy of patient data was enacted under HIPAA. HIPAA requires the healthcare industry to restructure current information technology (“IT”) infrastructures and methods. We are developing biometrics products and solutions for end users, as well as enabling biometric technology for original equipment manufacturers (“OEMs”) and application developers to incorporate into their offerings, to assist healthcare organizations working towards meeting these legislative demands, while increasing efficiencies and user convenience and lowering overall administrative costs and risks associated with passwords, PINs and keys. To that end, the Company is working on a number of prospective medical products, some of which are expected to be available by late 2007. These products, which will incorporate biometric protection, include a series of medical crash carts, rolling medicine carts, fixed medicine and supply cabinets and a portable patient medical record system that integrates digital medical records with biometrics-based technology. In January 2007 the Company acquired a patent for the biometric storage and retrieval of an electronic medical record.

## Intellectual Property

The Company currently owns three patents and has one patent pending, all of which incorporate the biometric design and/or architecture used within our smartTOUCH products. The Company's design patent, application number 29/252,518 for our biometric keypad was recently granted and we are awaiting the issuance of a patent number from the USPTO. In December the Company acquired patent number 6,042, 005 for a Personal Identification System incorporating biometric authentication for Personal and Medical Information. In March 2007, the Company acquired patent number 6,644,557 for a biometric access controlled thermostat system. In addition, the Company is seeking patents on its system that utilizes a combination of software and hardware into an architecture that allows the offloading of all of the administrative functionality for any biometric device. By off loading the administrative functionality, the Company's products can be smaller and hence more compatible with multiple consumer applications. In addition, this function enables the products to comply with and connect to any OEM's equipment specifications.

The Company also seeks to protect its trademarks and branding and consequently has filed with the USPTO for the following marks: "powered by smartTOUCH", "smartALARM", "smartGDO", "smartCART", "smartGATE", "smartLOCK", "smartSTART", "smartSTAT" and "smartSTIK".

Wherever possible we seek to protect our inventions through filing U.S. patents and foreign counterpart applications in selected other countries. Because patent applications in the U.S. are maintained in secrecy for at least eighteen months after the applications are filed and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, we cannot be certain that we were the first to make the inventions covered by each of our issued or pending patent applications or that we were the first to file for protection of inventions set forth in such patent applications. Our planned or potential products may be covered by third-party patents or other intellectual property rights, in which case continued development and marketing of the products would require a license. Required licenses may not be available to us on commercially acceptable terms, if at all. If we do not obtain these licenses, we could encounter delays in product introductions while we attempt to design around the patents, or could find that the development, manufacture or sale of products requiring these licenses is foreclosed.

We may rely on trade secrets to protect our technology. Trade secrets are difficult to protect. We seek to protect our proprietary technology and processes by confidentiality agreements with our employees and certain consultants and contractors. These agreements may be breached, we may not have adequate remedies for any breach and our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our employees or our consultants or contractors use intellectual property owned by others in their work for us, disputes may also arise as to the rights in related or resulting know-how and inventions.

## **Manufacturing**

We do not own any manufacturing facilities and have been negotiating with, and are now working with a third party contract manufacturer, RDI, Inc. (“RDI”), to manufacture our garage door opening units. RDI is located in the United States and has overseas capabilities which mitigate the production costs,. As the need arises, we plan to either contract additional contract manufacturers or license our technology to third party manufacturers to incorporate into their products. Each decision will depend on demand, our available cash resources and our ability to access expertise.

## **Marketing**

The primary target market for our marketing effort of our home security and electronics products will be consumers and hardware security and device manufacturers. bioMETRX has established marketing initiatives by developing channel distribution through retailers, development partner's, authorized dealers and original equipment manufacturers and solutions-based companies.

An initial pilot program was implemented to test the consumer market for response as to the acceptance and use of the smartTOUCH™ line of home security products. Feedback from the “test” families demonstrates that our products are consumer friendly and competitively priced. The first product tested was our garage door opener. The reports indicate that most every family member enrolled into the devices now use the garage as their main access point to their homes. The families seem to end up relying on our product since it is easy to operate. The units have had no material operational problems and have been subjected to temperatures well below zero and various snow and ice storms with no problems.

The Company will market its products through three (3) distinct sales channels, (i) vendors/installers, (ii) Retailers, and (iii) direct internet sales. The Company’s first product to be introduced to the public will be its garage door opener. The Company, through its membership in the Door Access Systems Manufacturing Association (“DASMA”) and the International Door Association (IDA) has access to most garage door vendors/installers. The Company has commenced an e-mail campaign to recruit these installers, has begun taking pre-orders and in the near future will begin a training program for each vendor/installer. The Company offers three levels of participation in this program, corresponding to the level of sales volume generated by each vendor/installer.

The Company has entered into a development and co-marketing agreement with MasterLock™ which will also allow the Company to access their distribution channels and co-brand with the trusted name of MasterLock™.

The Company will also market its products to large do-it-yourself retail chains. To date, the Company has received an initial purchase order from The Home Depot for 17,340 units. The Company also intends on private labeling its products for large retail chains.

The Company also offers its products through direct Internet sales. The Company's garage door opener was recently featured on a home improvement television show, which has generated approximately 1,100 Internet orders. The Company will seek other forms of media coverage to market its products directly to the consumer.

### **Competition**

The markets for our products and solutions are extremely competitive and are characterized by rapid technological change as a result of technical developments exploited by competitors, the changing technical needs of the customers, and frequent introductions of new features. We expect competition to increase as other companies introduce products that are competitively priced, that may have increased performance or functionality, or that incorporate technological advances not yet developed or implemented by us. In order to compete effectively in this environment, we must continually develop and market new and enhanced products at competitive prices, and have the resources to invest in significant research and development activities. There is a risk that we may not be able to make the technological advances necessary to compete successfully. Existing and new competitors may enter or expand their efforts into our markets, or develop new products to compete against ours. Our competitors may develop new technologies or enhancements to existing products or introduce new products that will offer superior price or performance features. New products or technologies may render our products obsolete.

### **Employees**

As of December 31, 2006, the Company has 8 full time employees and no part time employees. The Company expects that it will hire at least 4 more key people over the next 6 months. We believe our employee relations are satisfactory.

### **ITEM 2. PROPERTIES**

We operate our business in leased facilities. We occupy two offices with approximately 3,900 square feet in an office building in Jericho, New York. Our rent for this space is \$8,900, plus utilities, per month. The Company's lease for this space expires on January 31, 2009. The Company believes this space is adequate for its needs.

### **ITEM 3. LEGAL PROCEEDINGS**

On November 16, 2006, the Company was the subject of a complaint filed in the Supreme Court of New York State, County of Nassau (Index No. 019475-06) by Intellicon seeking final payment of \$20,000 plus accrued interest for engineering design services performed for the Company. The Company answered and counter-claimed on January 5, 2007 asserting damages of \$25,000 incurred then and continuing to incur to remedy design defects performed by Intellicon. The Company intends to vigorously defend its position in this claim.

On March 7, 2007 the Company's subsidiary, bioMETRX Technologies Inc. became the subject of a complaint filed by Frank Giannuzzi, the former Chief Financial Officer and Sante Santopadre, a former consultant with whom it had previously had severed its business relationship. The complaint was filed in the Supreme Court of the State of New York, County of Nassau (Index No. 07-004088). The plaintiffs allege damages arising from certain inducements which were relied upon to their detriment.

The Company considers these allegations to be baseless and without merit and expects to file a Motion to Dismiss both claims of both plaintiffs and intends to vigorously pursue damages in the course of its defense of this complaint and other previous acts of the plaintiffs.

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

There were no matters submitted to the Company's security holders for a vote during the course of the fourth quarter of this fiscal year.



## PART II

## ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

**Market Information**

Our common stock has been quoted on the OTCBB under the symbol BMRX since March 16, 2006. Prior to that, the Company traded under the symbol BMTX and prior to that the Company's common stock traded under the symbol MKSH. The following table sets forth, for the periods indicated, the high and low sales prices per share of common stock as reported on the OTCBB. These quotations reflect interdealer prices, without retail markup, markdown or commission and may not necessarily represent actual transactions:

	<b>2004</b>	
	High	Low
<u>COMMON STOCK</u>		
First quarter	\$ 12.00	\$ 3.36
Second quarter	\$ 9.60	\$ 1.49
Third quarter	\$ 2.64	\$ 1.20
Fourth quarter	\$ 1.39	\$ 0.06
	<b>2005</b>	
	High	Low
<u>COMMON STOCK</u>		
First quarter	\$ 1.28	\$ 0.60
Second quarter	\$ 15.40	\$ 0.60
Third quarter	\$ 15.80	\$ 2.20
Fourth quarter	\$ 8.00	\$ 2.40
	<b>2006</b>	
	High	Low
<u>COMMON STOCK</u>		
First quarter	\$ 6.80	\$ 2.40
Second quarter	\$ 3.75	\$ 1.35
Third quarter	\$ 1.80	\$ 0.60
Fourth quarter	\$ 2.95	\$ 1.05

All prices for fiscal 2004, 2005 and 2006 are split-adjusted to reflect a reverse 1:12 stock split which occurred on December 20, 2004 and also reflect a reverse 1:4 stock split which occurred March 14, 2006.

On March 27, 2007, the last sale price of our common stock reported by the OTCBB was \$1.90 per share.

## Shareholders

Records of our stock transfer agent indicate that as of March 31, 2007, we had 699 record holders of our common stock. The Company estimates there are nearly 500 holders of lots of 100 or more shares. Since a significant number of our shares are held by financial institutions in “street name,” it is likely that we have significantly more stockholders than indicated above. We estimate that we have approximately 1,000 beneficial holders, including such shares held in “street name.” As of March 31, 2007 we had 9,543,117 outstanding shares of common stock.

## Dividend Policy

Our board of directors determines any payment of dividends. We have never declared or paid any cash dividends, and we do not anticipate or contemplate paying cash dividends in the foreseeable future. It is our Board of Directors intention to utilize all available funds for working capital of bioMETRX.

## Unregistered Sales of Equity Securities

### **All number of shares and other securities described here reflect a 1:4 reverse stock split effective March 14, 2006**

On June 2, 2005 we filed a merger certificate completing the acquisition of bioMetrx Technologies, Inc., a previously unaffiliated Delaware corporation. In connection with the merger, we issued an aggregate of 3,554,606 restricted shares of our common stock and 45,507 warrants to the holders of corresponding instruments in bioMetrx Technologies, Inc. The Shares were issued in reliance upon Section 4(2) and 4(6) of the Securities Act of 1933, as amended (the “Act”).

On July 5, 2005, the Company consummated the private sale of its Securities to Russell Kuhn. The securities sold were 233,334 shares of the Company’s common stock and warrants to purchase an additional 46,667 shares of the Company’s common stock. The aggregate purchase price for the securities was \$700,000 or \$3.00 per share without allocating any part of the purchase price for the warrants. At the closing the Registrant delivered 233,334 shares and 46,667 warrants to Kuhn.

The warrants entitle Kuhn to purchase shares of the Company’s common stock reserved for issuance thereunder for a period of five years from the date of issuance. Twenty percent of the warrants are exercisable per year on a cumulative basis at varying prices as set forth below:

Date(s) of Exercise	Amount	Exercise Price
7/5/07 - Expiration Date	9,333	\$ 3.20
7/5/08 - Expiration Date	9,334	\$ 3.60
7/5/09 - Expiration Date	9,334	\$ 4.00
TOTAL:	28,001	

Pursuant to the Subscription Agreement, the Company agreed to file with the Securities and Exchange Commission (“SEC”) a Registration Statement covering the Shares. Such Registration Statement has not been filed by the Company and the Company has delivered to Kuhn an additional 75,000 shares and the Company has recorded an additional 50,000 shares penalty which have yet to be issued of the Company’s Common Stock.

The Company will utilize the proceeds from this offering for general working capital.

In April 2005 the Company entered into a consulting agreement with Steven Horowitz and Arnold Kling, for general financial consulting services in connection with potential merger and fund raising activities. In connection with this agreement, the Company issued 125,000 shares of common stock valued at \$4.00 per share.

On July 5, 2005 the Company issued to Mr. Steven Kang, the Company's Chief Technology Officer and Secretary, 125,000 shares of its common stock as compensation. In addition, the Company agreed to issue Mr. Kang an additional 62,500 shares on the second anniversary of his employment agreement (January 1, 2006).

On July 5, 2005, the Company issued an aggregate of 375,000 stock options to Mark Basile (187,500), the Company's President and CEO, and Steven Kang (187,500), the Company's Chief Technology Officer and Secretary. Each option is exercisable for a term of five years at \$2.00 per share.

The securities discussed above were offered and sold in reliance upon exemptions from the registration requirements of Section 5 of the Act, pursuant to Section 4(2) of the Act and Rule 506 promulgated thereunder.

On October 28, 2005 the Company consummated the private sale of its securities to Kuhn. The securities sold were 562,500 shares of the Registrant's common stock and warrants to purchase an additional 562,500 shares at an aggregate purchase price of \$450,000 or \$.80 per share without allocating any part of the purchase price for the warrants.

The warrant entitled the holder to purchase shares of the Company's common stock reserved for issuance thereunder for a period commencing on the date of issuance and expiring on December 15, 2005 at an exercise price of \$.80 per share.

Pursuant to the Subscription Agreement between the Company and Kuhn, the Company represented that it intends to file a Registration Statement with the Securities and Exchange Commission within 45 days from the closing date and granted Kuhn "piggy-back" registration rights for the Shares with respect to such Registration Statement.

The Company will utilize the proceeds from this offering for general working capital.

The securities discussed above were offered and sold in reliance upon exemptions from the registration requirements of Section 5 of the Act, pursuant to Section 4(2) of the Act and Rule 506 promulgated thereunder. Such securities were sold exclusively to accredited investors as defined by Rule 501(a) under the Act.

On November 7, 2005, the Company issued 62,500 shares of its common stock to Ms. Wendy Borow-Johnson pursuant to a consulting agreement. In addition, upon the one (1) year anniversary of the consulting agreement, bioMetrX will issue Ms. Borow-Johnson an additional 62,500 shares of its common stock. These shares were issued in reliance upon exemptions from registration requirements pursuant to Section 4(2) of the Act.

On November 23, 2005, in connection with the funding transactions in July and October 2005 between the Company and Russell Kuhn, the Company issued as a finder's fee an aggregate of 164,925 shares to the Harbor View Group, Inc. ("Harbor View").

On November 30, 2005, the Company issued 6,250 restricted shares of its common stock to Mr. Clifford Zsevc in connection with the exercise of a stock option in such amount. The exercise price of the option was \$.40 per share.

On November 30, 2005, the Company issued 6,250 restricted shares of its common stock to Ms. Lorraine Yarde in connection with the exercise of a stock option in such amount. The exercise price of the option was \$.40 per share.

On November 30, 2005, the Company issued 6,250 restricted shares of its common stock to Mr. Frank Giannuzzi in connection with the exercise of a stock option in such amount. The exercise price of the option was \$.40 per share.

On December 22, 2005, the Company issued 17,500 restricted shares of its common stock to Mr. Jerome Schwartz for services rendered on behalf of the Company.

On January 4, 2006, the Company issued 12,500 restricted shares of its common stock to Ms. Lorraine Yarde in connection with the exercise of a stock option in such amount. The exercise price of the option was \$.40 per share.

In December 2005, the Company issued 100,000 restricted shares of its common stock to US Security & Protection Systems, Inc. ("US Security") in connection with the termination of an exclusive distribution and sales agreement between the Company and US. Security.

From December 2005 to February 2006, the Company sold an aggregate of 746,250 shares to Kuhn for an aggregate purchase price of \$597,000 or \$.80 per share. As part of this transaction, Kuhn exercised 562,500 warrants, which were issued to him on October 28, 2005 in connection with a previously reported financing. In addition to the exercise of the warrants, Kuhn provided the Company with an additional \$147,000 and the Company agreed to issue him the shares at the same purchase price (\$.80 per share) as the warrants.

On February 14, 2006, the Company issued 250,000 shares of its common stock to Russell Kuhn pursuant to a Consulting Agreement entered into between the Company and Mr. Kuhn.

In connection with this transaction, the Company paid a finder's fee to Harbor View of \$70,950 and issued to Harbor View 102,300 shares of its common stock.

The Company will utilize the proceeds from this transaction for general working capital.

On February 27, 2006, the Company issued 25,000 restricted shares of its common stock to Empire Relations Group, Inc. pursuant to a consulting agreement between the Company and Empire Relations Group.

On March 21, 2006, Mr. Basile exercised 250,000 stock options at \$1.00 per share pursuant to his amended employment agreement dated February 6, 2006. Mr. Basile exercised the options via "cash-less exercise" and was issued 179,578 shares of common stock.

On March 21, 2006, the Company received debt financing in the aggregate amount of \$100,000 from Jane Petri and Joseph Panico. The principal and interest of 12% per annum is due on June 21, 2006. The note carries a default rate of 18% per annum. In addition, the Company issued an aggregate of 25,000 restricted shares common stock to Petri and Panico as debt issuance costs.

On May 4, 2006, the Company issued 20,000 restricted shares of its common stock to Pasadena Capital Partners, LLC pursuant to a Letter of Engagement entered into between the parties on March 17, 2006.

On May 3, 2006, the Company issued 180,000 restricted shares of its common stock to New Castle Consulting, LLC pursuant to a Consulting Agreement entered into between the parties on April 10, 2006.

On May 11, 2006, the Company issued 125,000 restricted shares of its common stock to Santo Santopadre as a settlement of a dispute between Mr. Santopadre and the Company.

On June 29, 2006, the Company entered into a Securities Purchase Agreement dated as of June 29, 2006, with four investors relating to the issuance and sale, in a private placement exempt from the registration requirements of the Securities Act of 1933, as amended, of units (the "Units") consisting of 8% Convertible Notes in the principal amount of \$950,000 ("Notes"), Series A Common Stock Purchase Warrants ("A Warrants") and Series B Common Stock Purchase Warrants ("B Warrants"). In addition, the company entered into an Exchange Agreement with the two investors who purchased \$650,000 of the Preferred Stock Units, previously reported on Form 8-K dated April 28, 2006 whereby the Company agreed to issue the Units in exchange for the return and cancellation of the previously issued Preferred Stock Units. Accordingly, at closing the Company issued its 8% Convertible Notes in the aggregate principal amount of \$1,600,000, 1,600,000 A Warrants and 800,000 B Warrants to the Investors. The Company also issued an aggregate of 128,000 shares of its common stock to the investors representing one year's of prepaid interest on the Notes.

The Notes mature 24 months from the closing. The Notes are convertible at the option of the holder into the Company's common stock at the rate of \$1.00 per share. The Notes are mandatorily convertible into the Company's common stock if the closing bid price of the Company's common stock is above \$2.50 per share for ten (10) consecutive trading days and if the daily volume for the same period exceeds 100,000 shares per day. The Company may redeem the Notes for 125% of the principal amount of the Note together with all accrued and unpaid interest provided that (i) an event of default has not occurred, and (ii) an effective registration statement covering the shares underlying the Note exists.

Each A Warrant entitles the holder to purchase one share of the Company's common stock at an exercise price of \$1.75 per share commencing on the date of issuance and expiring at the close of business on the fifth anniversary of the issuance date. Each B Warrant entitles the holder to purchase one share of the Company's common stock at an exercise price of \$.10 per share commencing 181 days after issuance and expiring at the close of business on the fifth anniversary of the initial exercise date. Notwithstanding the foregoing if the Company provides the holder of a B Warrant with validation and acknowledgement, in the form of bona fide purchase order demonstrating that at least \$1,000,000 of the Company's products have been ordered, other than its initial order from a national retailer in the amount of approximately 23,000 garage door opening units, within 181 days after the date of the Securities Purchase Agreement, the B Warrants shall automatically terminate. Both the A and B Warrants contain provisions that protect the holder against dilution by adjustment of the exercise price in certain events including, but not limited to, stock dividends, stock splits, reclassifications, or mergers.

Pursuant to the Selling Agent Letter Agreement between the Company and the Selling Agent, the Selling Agent was paid a cash fee of \$95,000 (10% of the aggregate purchase price of the Units sold to the subscribers) in addition to the \$75,000 it received on April 28, 2006, inclusive of \$10,000 in expenses. The Company also issued the Selling Agent a warrant to purchase 160,000 shares of its common stock on the same terms as the A Warrants. In addition, the Company paid \$15,000 to the Selling Agent's counsel and \$32,500 to its counsel.

As part of the Private Placement, the Company entered into a registration rights agreement (the "Registration Rights Agreement") with each subscriber who purchased Units in the Private Placement. Under the Registration Rights Agreement, the Company is obligated to file a registration statement (the "Registration Statement") on Form SB-2, relating to the resale by the holders of the Common Stock underlying the Notes, Warrants and Selling Agent Warrant. If such Registration Statement was not filed by July 14, 2006, or does not become effective within 90 days after closing, the Company has agreed to pay to the investors 1.5% of the gross proceeds of the offering for each month in which the Company fails to comply with such requirements. The Company did not file the Registration Statement by July 14, 2006 and therefore is accruing 1.5% (\$24,000) of the gross proceeds for each month the Company fails to file the Registration Statement. (See Note 11 on "Forebearance Notes").

On October 10, 2006 the Company amended the exercise price of the 1,600,000 Class A Warrants from \$1.75 to \$1.00.

On June 5, 2006 the Company issued 54,201 restricted shares of its common stock to Mark Basile in lieu of indebtedness to Mr. Basile by the Company.

On July 17, 2006, the Company issued 2,827 shares to Mr. Dennis Rutowicz. These shares were issued to Mr. Rutowicz to correct a mistake whereby Mr. Rutowicz was accidentally omitted from a list of investors in the Company.

On July 19, 2006, the Company issued an aggregate of 20,000 restricted shares of its common stock to Jane Petri (10,000) and Joseph Panico (10,000) as an incentive for them extending the maturity dates of their respective loans.

On August 4, 2006, the Company granted J. Richard Iler 400,000 options to purchase shares of its common stock and issued 100,000 shares of its common stock to Mr. Iler as a bonus. 200,000 of the options are exercisable at \$1.05 per share and 200,000 options are exercisable at \$1.10 per share. The 200,000 options exercisable at \$1.05 were issued under the Company's 2005 Incentive Equity Plan (the "Plan") and the other 200,000 options were issued outside the Plan. The securities were issued to Mr. Iler pursuant to his employment agreement. On October 19, 2006, Mr. Iler returned 100,000 options issued under the Plan in exchange for 100,000 options issued outside of the Plan.

On August 14, 2006, the Company granted Lorraine Yarde 600,000 options to purchase shares of its common stock issued 150,000 shares of its common stock to Ms. Yarde as a bonus. 200,000 of the options are exercisable at \$1.00 per share, 200,000 options are exercisable at \$1.25 per share and 200,000 options are exercisable at \$1.50 per share. The 200,000 options exercisable at \$1.00 were issued under the Plan and the other 400,000 options were issued outside the Plan. On October 19, 2006, Ms. Yarde returned 100,000 options issued under the Plan in exchange for 100,000 options issued outside of the Plan.

On September 21, 2006, the Company issued Jay Pitlake 50,000 shares of its common stock as a finder's fee in connection with the sale of the units described above.

The Company entered into a Securities Purchase Agreement dated September 18, 2006, with Jane Petri and Joseph Panico relating to the issuance and sale, in a private placement exempt from the registration requirements of the Securities Act of the Company's 10% Promissory Notes due March 15, 2007 in the aggregate principal amount of \$400,000, 400,000 Common Stock Purchase Warrants and 160,000 Shares of the Company's Common Stock. In connection with this transaction the two investors provided the Company with \$300,000 and exchanged \$100,000 in Notes, described above, that were previously issued by the Company to the investors.

Each Warrant entitles the holder to purchase one share of the Company's Common Stock at an exercise price of \$1.00 per share commencing on the date of issuance and expiring at the close of business on September 15, 2011.

As part of the Private Placement, the Company agreed to register the 400,000 shares of Common Stock underlying the Warrants and the 160,000 shares of the Common Stock issued as part of this Private Placement.

The Company entered into a Securities Purchase Agreement in September 2006, with Dorothy Christofides (\$30,000) and Barry and Marci Mainzer (\$25,000) relating to the issuance and sale, in a private placement exempt from the registration requirements of the Securities Act of the Company's 10% Promissory Notes due March 30, 2007 in the aggregate principal amount of \$55,000, 55,000 Common Stock Purchase Warrants and 22,000 Shares of the Company's Common Stock.

Each Warrant entitles the holder to purchase one share of the Company's Common Stock at an exercise price of \$1.00 per share commencing on the date of issuance and expiring at the close of business on September 15, 2011.

As part of the Private Placement, the Company agreed to register the 55,000 shares of Common Stock underlying the Warrants and the 22,000 shares of the Common Stock issued as part of this Private Placement.

On October 23, 2006 the Company issued 25,000 shares of its common stock to Brendan Hopkins ("Hopkins") pursuant to a consulting agreement between the Company and Hopkins. These shares were issued pursuant to the Company's Plan.

On November 17, 2006, the Company entered into a Securities Purchase Agreement with Jane Petri and Joseph Panico relating to the issuance and sale in a private placement exempt from the registration requirements of the Securities Act of the Company's 10% Promissory Notes due March 15, 2007 in the aggregate principal amount of \$300,000, 99,000 Common Stock Purchase Warrants and 300,000 shares of the Company's Common Stock. In connection with this transaction, the two investors provided the Company with \$300,000.

Each Warrant entitles the holder to purchase one share of the Company's common stock at an exercise price of \$1.25 per share commencing on the date of issuance and expiring at the close of business on September 14, 2011.

As part of the Private Placement, the Company agreed to register the 99,000 shares of common stock underlying the Warrants and the 300,000 shares of the common stock issued as part of this private placement.

On October 20, 2006 the Company entered into a Consulting Agreement with Interactive Resources Group, Inc. ("IRG"). IRG was hired to provide the Company with corporate consulting services in connection with the Company's corporate finance relations, investor relations to enhance the Company's visibility in the financial community. The term of the agreement is six months. As compensation, the Company agreed to issue IRG an aggregate of 225,000 shares of its common stock, payable 75,000 on November 1, 2006, 75,000 payable on January 1, 2007 and 75,000 payable on March 1, 2007. The Company has issued the first 75,000 shares. In addition, the Company agreed to issue three hundred thousand (300,000) common stock purchase warrants which vest on or about January 20, 2007, ninety-one (91) days from the date of the Agreement.



The warrants are exercisable for four years at the following exercise prices:

100,000 at \$1.50 per share

100,000 at \$2.00 per share

100,000 at \$4.00 per share

The Company entered into a Securities Purchase Agreement dated as of December 28, 2006, with three investors relating to the issuance and sale, in a private placement (“Private Placement”) exempt from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”), of units (the “Units”) consisting of Senior Convertible Debentures in the principal amount of \$1,500,000 (“Debentures”), 1,500,000 Series A Common Stock Purchase Warrants (“A Warrants”) and 750,000 Series B Common Stock Purchase Warrants (“B Warrants”). The closing occurred on January 5, 2007.

The Debentures mature on June 29, 2008. The Debentures are convertible at the option of the holder into the Company’s common stock at the rate of \$1.00 per share. The Debentures are convertible at the option of the Company into the Company’s common stock if the closing bid price of the Company’s common stock is above \$2.50 per share for ten (10) consecutive trading days and if the shares underlying the Debentures are registered. The Company may redeem the Debentures for 125% of the principal amount of the Debenture together with all accrued and unpaid interest provided that (i) an event of default has not occurred, (ii) the price of the Company’s common stock exceeds \$1.50 and (iii) an effective registration statement covering the shares underlying the Debentures exists.

Each A Warrant entitles the holder to purchase one share of the Company’s common stock at an exercise price of \$1.00 per share commencing on the date of issuance and expiring at the close of business on the fifth anniversary of the issuance date. Each B Warrant entitles the holder to purchase one share of the Company’s common stock at an exercise price of \$.10 per share at any time after July 1, 2007 and expiring at the close of business on the fifth anniversary of the initial issuance date. Notwithstanding the foregoing if the Company provides the holder of a B Warrant with validation and acknowledgement on or before June 30, 2007 that the Company has both received and booked revenues for its products totaling \$1,000,000, the B Warrants shall automatically terminate. Both the A and B Warrants contain provisions that protect the holder against dilution by adjustment of the exercise price in certain events including, but not limited to, stock dividends, stock splits, reclassifications, or mergers.

Pursuant to the Selling Agent Letter Agreement between the Company and First Montauk Securities Corporation (“Selling Agent”), the Selling Agent was paid a cash fee of \$150,000 (10% of the aggregate purchase price of the Units sold to the subscribers). The Company also issued the Selling Agent a warrant to purchase 150,000 shares of its common stock on the same terms as the A Warrants.

As part of the Private Placement, the Company entered into a registration rights agreement (the “Registration Rights Agreement”) with each subscriber who purchased Units in the Private Placement. Under the Registration Rights Agreement, the Company is obligated to file a registration statement (the “Registration Statement”) on Form SB-2, relating to the resale by the holders of the Common Stock underlying the Debentures, Warrants and Selling Agent Warrant.

As a condition to closing, the Company obtained consents and waivers from the investors of its private placement of \$1,600,000 principal amount of Convertible Notes (“Notes”) issued on June 29, 2006, pursuant to which each of the prior investors agreed to waive any and all existing defaults relating to the Notes and agreed to forebear from exercising any rights accruing upon default until March 31, 2007. In connection therewith, the Company issued to the investors Convertible Notes (“Forebearance Notes”) in the aggregate principal amount of \$387,437.39, representing liquidated damages due under the Notes. The Forebearance Notes are convertible into the Company’s common stock at \$1.00 per share.



## Edgar Filing: BioMETRX - Form 10KSB

On January 9, 2007, Ms. Yarde exercised 250,000 stock options at \$.40 per share. Ms. Yarde exercised the options via “cash-less exercise” and was issued 217,213 shares of common stock.

On January 9, 2007, the Company issued an aggregate of 44,250 bonus shares of its common stock pursuant to the Company’s 2005 Equity Incentive Plan to the following individuals:

Mark Basile	15,000
Lorraine Yarde	12,500
J. Richard Iler	10,000
Bernie Lee	2,000
Peter O’Neil	1,500
Donna Basile	2,000
Jon Guttman	1,000
Christina Romita	250
Total	44,250

On January 16, 2007, the Company issued an aggregate of 40,000 shares of its common stock to Patricia Giberson (26,000) and Oceana Partners (14,000) pursuant to a consulting agreement between the Company and Ocean Partners.

On January 16, 2007, the Company issued 40,000 shares of its common stock to Brad Schwab pursuant to a consulting agreement between the Company and Mr. Schwab.

On January 16, 2007, the Company issued an aggregate of 4,000 shares of its common stock to the owners of Vintage Filings, Inc. (Seth Farbman 2,000 and Shai Stern 2,000) for services rendered to the Company in connection with its SEC filings. These shares were issued under the Company’s 2005 Equity Incentive Plan.

On January 22, 2007, the Company issued 50,000 shares of its common stock to Mark Basile as consideration for Mr. Basile providing the Company his personal guarantee in connection with the opening of a Letter of Credit in the amount of \$1,040,400.

## Edgar Filing: BioMETRX - Form 10KSB

On January 23, 2007, the Company issued 80,000 shares of its common stock to Mark Basile in exchange for Mr. Basile foregoing \$140,000 of his 2007 salary.

On January 31, 2007, the Company issued 110,000 restricted shares of its common stock to Equity Services LLC pursuant to a consulting agreement between the Company and ICR, LLC.

On February 13, 2007, the Company issued 75,000 restricted shares of its common stock to Interactive Resources Group, Inc. ("IRG") pursuant to a consulting agreement between the Company and IRG.

On February 14, 2007, the Company issued 25,000 restricted shares of its common stock to Barry and Marci Mainzer upon the exercise of a warrant for a like number of shares. The exercise price of the warrant was \$1.00 per share and was paid for by forgiving the principal payment of a \$25,000 promissory note due to the Mainzers.

On February 14, 2007 the Company issued 25,000 restricted shares of its common stock to Dorothy Christofides upon conversion of a promissory note in the principal amount of \$30,000. As additional consideration for Ms. Christofides converting her promissory note, the Company issued her 20,000 common stock purchase warrants exercisable for a period of five years at \$2.00 per share.

On February 14, 2007, the Company issued an aggregate of 7,000 shares of its common stock to the owners of Vintage Filings, Inc. (Seth Farbman 3,500 and Shai Stern 3,500) in exchange for Vintage providing one (1) year of filing the Company's reports with the SEC via the Edgar filing system. These shares were issued under the Company's 2005 Equity Incentive plan.

On March 6, 2007, the Company issued The Incredible Card Company 150,000 restricted shares of its common stock as consideration for the purchase of a patent the Company acquired in January 2007. Mr. Basile, the Company's Chairman and CEO, was a former officer and director of The Incredible Card Company.

On March 12, 2007, the Company issued Robert Jacobs 150,000 restricted shares of its common stock as consideration for the purchase of a patent.

The securities discussed above were offered and sold in reliance upon exemptions from the registration requirements of Section 5 of the Securities Act of 1933, as amended (the "Act"), pursuant to Section 4(2) of the Act and Rule 506 promulgated thereunder. Such securities were sold exclusively to accredited investors as defined by Rule 501(a) under the Act.

## Equity Compensation Plan Information

The following table sets forth certain information about our equity compensation plans and agreements as of December 31, 2005:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	0	0	0
Equity compensation plans not approved by security holders	200,000	\$1.03	22,625
<b>Total</b>	<b>200,000</b>	<b>0</b>	<b>22,625</b>

In December 2005, our board approved our 2005 Equity Incentive Plan (the “2005 Plan”) and set aside 1,250,000 shares for grants pursuant to incentive and non-qualified stock options, stock appreciation rights, restricted stock awards and performance stock awards. The 2005 Plan has not been approved by our stockholders and accordingly, no “incentive stock options,” as defined in the Internal Revenue Code, can be granted until such approval is obtained. The 2005 Plan is currently administered by our board of directors. During the fiscal year 2006, 1,040,625 shares and shares underlying options were granted under the plan. On January 5, 2006 the Company issued an aggregate of 44,500 shares under the Plan to employees and consultants. As of December 31, 2006 there were 200,000 options to purchase shares outstanding under the 2005 Plan.

## ITEM 6. MANAGEMENT’S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Financial Statements and the related notes. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under “Risks Relating to Our Business,” “Description of Business” and elsewhere in this document. See “Forward-Looking Statements.”

## Background

The Company was incorporated on March 13, 1985, under the laws of the State of Utah with the name Univenture Capital Corp. The Company was organized to engage in any lawful business and had no specific business plan except the investigation, analysis, and possible acquisition of business opportunities.

On August 29, 1986, the Company acquired all of the outstanding stock of Health & Leisure Inc., a Delaware corporation which subsequently changed its name to Entre Vest, Inc. (“Entre Vest”), in a transaction in which a subsidiary of the Company merged with and into Entre Vest and the former stockholders of Entre Vest obtained a controlling interest in the Company. The Company subsequently changed its own name from Univenture Capital Corp. to Health & Leisure, Inc. and changed its state of incorporation from Utah to Delaware. Entre Vest was incorporated on June 6, 1985, under the laws of the State of Delaware.

Pursuant to an Acquisition Agreement and Plan of Merger dated June 13, 2003 (the “Merger Agreement”), by and among Health & Leisure, Inc (the “Registrant”); Venture Sum, Inc., a Delaware corporation and a wholly owned subsidiary of Registrant (“Mergerco”); and MarketShare Recovery, Inc., a New York corporation, (“MKSR”), Mergerco merged with and into MKSR, and MKSR became a wholly-owned subsidiary of the Registrant. The merger became effective June 13, 2003, however closing of the Agreement occurred on July 15, 2003. Subsequently, Health & Leisure, Inc. filed an amendment to its certificate of incorporation and thereby changed its name to MarketShare Recovery, Inc.

Our former subsidiary similarly named MarketShare Recovery, Inc. was incorporated in New York in November 2000. The subsidiary, MarketShare Recovery, Inc. was a provider of online direct marketing solutions for enterprises. The solutions enabled corporations to create and deliver online direct marketing programs that drive revenue, influence behavior and deepen customer relationships. Our solutions provided customer insight and powerful program execution through a combination of hosted applications and technology infrastructure. As a result of new technology, the Company found it harder to maintain and grow this business and at the end of 2004 this business was discontinued.

On October 7, 2004, we entered into an Asset Purchase Agreement with Palomar Enterprises, Inc. (the “Agreement”). Pursuant to the Agreement, we agreed to purchase certain assets, including certain automotive notes and contracts, a business plan and model for an automotive financial services company and a data base of potential customers and \$150,000 in cash from Palomar in exchange for a controlling interest in us.

On November 2, 2004, by mutual agreement, Palomar and MarketShare Recovery terminated the Agreement.

In 2004, we entered into a database license agreement with 110 Media Group to use and to sublicense the use of its database for a term of ten years for a total license fee of \$45,567. For financial reporting, revenue is recognized using the straight-line method, based upon the economic useful life of three years. At December 31, 2004, our remaining deferred revenue of \$30,378 was recognized as revenue due to the Company completing its obligations under the agreement and we are no longer required to perform any further services nor incur any costs related to this agreement.

On May 27, 2005, we completed a merger (“Merger”) of MarketShare Merger Sub, Inc. a wholly owned subsidiary of the Company (“Merger Sub”) with bioMetrx Technologies, Inc., a Delaware corporation (“bioMetrx Technologies”) pursuant to the Agreement and Plan of Merger dated April 27, 2005, by and among the Company, Merger Sub and bioMetrx Technologies (“Merger Agreement”). bioMetrx Technologies, a development stage company, is engaged in the development of biometrics-based products for the home security and electronics market, including biometrically enabled residential door locks, central station alarm keypads, thermostats and garage/gate openers.

On June 1, 2005, Merger Sub filed a Merger Certificate completing the acquisition of bioMetrx Technologies. The consideration for the Merger was 3,554,606 restricted shares of our common stock and the issuance of 45,507 Common Stock Purchase Warrants to the holders of corresponding instruments of bioMetrx Technologies. The Merger was completed according to the terms of the Merger Agreement. Simultaneously with the Merger, certain stockholders of the Company surrendered 552,130 shares of the Company’s common stock which was cancelled and returned to the status of authorized and unissued. In addition, 75,000 shares of the Company’s common stock were deposited by these stockholders into escrow to cover contingent liabilities, if any. As a result of the Merger, bioMetrx Technologies was merged into the Merger Sub and became our wholly owned subsidiary.

Since the Company had no meaningful operations immediately prior to the Merger, the Merger is being treated as a reorganization of bioMetrx Technologies via a reverse merger with the Company for accounting purposes.

The 3,554,606 shares and the shares issuable upon the exercise of 45,507 warrants issued as part of Merger to the former bioMetrx Technologies stockholders represented approximately 90% of the total outstanding post-merger stock.

On October 10, 2005, the Company amended its Certificate of Incorporation to change its name to bioMETRX, Inc., as a result, the Company’s trading symbol was changed to “BMTX”.

On March 14, 2006, the Company filed an amendment to its Certificate of Incorporation to effect a reverse split of all of the outstanding shares of its Common Stock at a ratio of one-for-four and increase the number of authorized shares of its Common Stock to 25,000,000 shares and decrease the par value of the Company’s common stock to \$.001 per share. Our certificate of incorporation amendment authorized the issuance of up to 10,000,000 shares of \$.01 par value preferred stock, with such designation rights and preferences as may be determined from time to time by the Board of Directors. The Company’s trading symbol was changed to “BMRX.” The combined companies are hereinafter referred to as the “Company” or “bioMETRX.”

On June 29, 2006, the Company entered into a Securities Purchase Agreement dated as of June 29, 2006, with four investors relating to the issuance and sale, in a private placement exempt from the registration requirements of the Act, of units consisting of 8% Convertible Notes in the principal amount of \$950,000, Series A Common Stock Purchase Warrants and Series B Common Stock Purchase Warrants. In addition, the company entered into an Exchange Agreement with the two investors who purchased \$650,000 of the Preferred Stock Units, on April 28, 2006 whereby the Company agreed to issue the Units in exchange for the return and cancellation of the previously issued Preferred Stock Units. Accordingly, at closing the Company issued its 8% Convertible Notes in the aggregate principal amount of \$1,600,000, 1,600,000 A Warrants and 800,000 B Warrants to the Investors. The Company also issued an aggregate of 128,000 shares of its common stock to the investors representing one year's of prepaid interest on the Notes.

Pursuant to the Selling Agent Letter Agreement between the Company and the Selling Agent, the Selling Agent was paid a cash fee of \$95,000 (10% of the aggregate purchase price of the Units sold to the subscribers) in addition to the \$75,000 it received on April 28, 2006, inclusive of \$10,000 in expenses. The Company also issued the Selling Agent a warrant to purchase 160,000 shares of its common stock on the same terms as the A Warrants. In addition, the Company paid \$15,000 to the Selling Agent's counsel and \$32,500 to its counsel.

As part of the Private Placement, the Company entered into a registration rights agreement (the "Registration Rights Agreement") with each subscriber who purchased Units in the Private Placement. Under the Registration Rights Agreement, the Company is obligated to file a registration statement (the "Registration Statement") on Form SB-2, relating to the resale by the holders of the Common Stock underlying the Notes, Warrants and Selling Agent Warrant. If such Registration Statement was not filed by July 14, 2006, or does not become effective within 90 days after closing, the Company has agreed to pay to the investors 1.5% of the gross proceeds of the offering for each month in which the Company fails to comply with such requirements. The Company did not file the Registration Statement by July 14, 2006 and therefore is accruing 1.5% (\$24,000) of the gross proceeds for each month the Company fails to file the Registration Statement. (See Footnote 11 "Forebearance Notes").

On July 11, 2006, Mr. Steven Kang resigned as the Company's Chief Technology Officer and as a director of the company. In connection with his resignation, the Company entered into a termination agreement terminating this employment.

On July 11, 2006, the Company elected Ms. Lorraine Yarde to the Company's Board of Directors to replace Mr. Kang.

On August 4, 2006, the Company entered into an employment agreement with J. Richard Iler under which Mr. Iler will serve as our Chief Financial Officer. Mr. Iler replaces Mr. Frank Giannuzzi in this position, Mr. Giannuzzi resigned as the Company's CFO and director on August 7, 2006. Mr. Iler was also elected to the Company's Board of Directors.



On September 18, 2006, the Company entered into a Securities Purchase Agreement with two investors relating to the issuance and sale of the Company's 10% Promissory Notes due March 15, 2007 in the aggregate principal amount of \$400,000, 400,000 Common Stock Purchase warrants and 160,000 shares of the company's Common Stock. In connection with this transaction, the two investors provided the Company with \$300,000 and exchanged \$100,000 in Notes that were previously issued by the Company to the investors.

In September 2006, the Company entered into a Securities Purchase Agreement with two investors relating to the issuance and sale of the Company's 10% Promissory Notes due March 30, 2007 in the aggregate principal amount of \$55,000, 55,000 Warrants and 22,000 shares of the Company's Common Stock.

On December 28, 2006, the Company entered into a Securities Purchase Agreement with three investors relating to the issuance and sale in a private placement of units consisting of 8% Senior Convertible Debentures in the principal amount of \$1,500,000, 1,500,000 Series A Common Stock Purchase Warrants and 750,000 Series B common Stock Purchase Warrants. The closing occurred on January 5, 2007.

Pursuant to the Selling Agent Letter Agreement between the Company and First Montauk Securities Corporation ("Selling Agent"), the Selling Agent was paid a cash fee of \$150,000 (10% of the aggregate purchase price of the units sold to the subscribers). The Company also issued the Selling Agent a warrant to purchase 150,000 shares of its common stock on the same terms as the A Warrants.

As part of the private placement, the Company entered into a registration rights agreement with each subscriber who purchased units in the private placement. Under the registration rights agreement, the Company is obligated to file a registration statement on Form SB-2 relating to the resale by the holders of the common stock underlying the debentures, warrants and Selling Agent warrant.

As a condition to closing, the Company obtained consents and waivers from the investors of its private placement of \$1,600,000 principal amount of Convertible Notes ("Notes") issued on June 29, 2006, pursuant to which each of the prior investors agreed to waive any and all existing defaults relating to the Notes and agreed to forebear from exercising any rights accruing upon default until March 31, 2007. In connection therewith, the Company issued to the investors Convertible Notes ("Forebearance Notes") in the aggregate principal amount of \$387,437.39, representing liquidated damages due under the Notes. The Forebearance Notes are convertible into the Company's common stock at \$1.00 per share.

Our corporate address is 500 North Broadway, Suite 204, Jericho, New York 11753, our telephone number is (516) 937-2828 and our facsimile number is (516) 937-2880.

## Operations

The Company, through its wholly owned subsidiaries, designs, develops, engineers and markets biometrics-based products for the consumer home security, consumer electronics, medical records and medical products markets. The Company's executive offices are located in Jericho, New York.

Originally founded in 2001, bioMETRX is focused on developing simple-to-use, cost-efficient, finger-activated, lifestyle products under the trade name smartTOUCH. The Company's product line includes biometrically enabled residential locks, central station alarm keypads, thermostats, garage/gate openers, medical crash carts and industrial medicine cabinets. Our products utilize finger recognition technology designed to augment or replace conventional security methods such as keys, keypads, and PIN numbers.

The Company operates its business through three (3) wholly owned subsidiaries, bioMETRX Technologies Inc., which conducts the product engineering and design, smartTOUCH Consumer Products, Inc., the consumer-based marketing and sales group and smartTOUCH Medical, Inc. which is designing and will market medical industry products.

The home security industry consists of garage door manufacturers, key and lock manufacturers and central station alarm monitoring companies, representing a \$25 billion global market. bioMETRX develops market-specific products in this area which are being sold through retailers, dealers and direct to consumers in the United States. The company's first product, the Garage Door Opener, also known as the MasterLock™ GDO powered by smartTOUCH, will be available through the Home Depot this summer.

The Company also developed a finger-activated thermostat (smartSTAT) that will be marketed to the general public as well as small box retailers, restaurant chains and small business owners. The Company's smartSTAT product will allow consumers and small business owners the ability to prevent unwanted tampering of their heating and cooling settings and hence control the temperature within their homes or business establishments, as the case may be, without having to install a cumbersome security box around the thermostat. The Company's smartSTAT thermostat allows homeowners and small business owner's complete control and security over their costly HVAC systems.

The Company is also developing technology for the medical products market. Currently, devices such as medical crash carts, rolling medicine drawers and cabinets and medical tool supply bins are either accessible in a hallway of a hospital or require medical personnel to enter a 4-digit PIN code to unlock these products. The Company is developing technology to secure these items while simplifying the procedure so that the proper medical personnel can access them quickly when necessary.

bioMETRX, to date, has not introduced its products and services commercially and is considered an entry level market vendor of consumer-based biometric products. bioMETRX has limited assets, significant liabilities and limited business operations. To date, activities have been limited to organizational matters, development of its products and services and capital raising.

Management's plan of operations for the next twelve months is to raise additional capital, complete further development of its product line and commence marketing the Company's products and services. The Company expects it will require \$6,000,000 to \$8,000,000 over the next 12 months to accomplish these goals and expects to be financed by the private sale of its securities and lines of credit with commercial banks for continuous manufacturing output of its products. There are no firm commitments on anyone's part to invest in the Company and if it is unable to obtain financing through the sale of its securities or other financing, the Company's products and services may never be commercially sold.

#### Current Market Outlook - Target Markets/Applications

There is a unique opportunity in the consumer electronics market for the incorporation of biometrics technology in multiple devices, requiring personal identification or key access. Two current examples are biometrically secured laptops (IBM-Lenovo Thinkpad) and cell phones (Samsung SCH370). Prospective home/office security and electronics devices includes the introduction of "biometric" access controls on anything that presently requires a key, keypad or Personal Identification Number ("PIN"). bioMETRX is the first company to offer biometric security and electronics products for the home consumer market at any significant level.

We are focused on developing simple to use, cost efficient, finger activated consumer electronics products principally under the trade name "smartTOUCHÔ". Our current and prospective consumer products include biometrically enabled and secure residential garage/gate door openers/locks, central station alarm pads and thermostats.

#### Product Offerings

smartTOUCHÔ products allow a person to open a door, or set an alarm or thermostat simply by placing a finger upon a sensor chip, the size of a postage stamp. smartTOUCHÔ products are designed to simplify access, while substantially increasing the security level of the systems used for such purposes. Our smartTOUCHÔ products use one-to-one biometrics matching authenticated systems embodied in its products. The bioMETRX patent-pending system includes a hand held universal programmer designed to control access to the administrative functions of each smartTOUCHÔ device. All smartTOUCHÔ products are designed to work with this universal programmer, and permit up to fifteen (15) authorized users to be enrolled. Our system allows two types of users, an access user who can only operate the smartTOUCHÔ device, and an administrative user who can operate and also add or delete other users.

## **Results of Operations**

### **From Inception through December 31, 2006**

From inception (February 1, 2001) through December 31, 2006, bioMETRX has generated no revenues. During the period from inception (February 1, 2001) through December 31, 2006, bioMETRX had net losses totaling \$24,588,556. From inception through December 31, 2006, bioMETRX's general and administrative expenses totaled \$25,167,846 or 92.9% of total expenses. From inception through December 31, 2006, bioMETRX incurred stock-based compensation of \$19,169,334 or 70.6% of expenses, of which \$7,573,191 or 55.7% of total expenses was incurred during the twelve months ended December 31, 2006. Research and development costs were \$1,178,045 or 4.3% of total expenses incurred in the period from inception through December 31, 2006.

### **Results of Operations for the years ended December 31, 2006 and 2005**

#### **For Twelve Month period ended December 31, 2006 compared to December 31, 2005**

During the twelve months ended December 31, 2006, net losses totaled \$10,837,218 compared to \$12,173,969 for the same twelve month period ending December 31, 2005. For the twelve months ending December 31, 2006, bioMETRX's general and administrative expenses totaled \$12,673,521, or 94.9% of total operating expenses. During the same twelve month period in 2005, general and administrative expenses totaled \$11,074,632 or 91.0% of total operating expenses. Salaries comprised \$786,333, or 6.90% of total expenses for the twelve month period ended December 31, 2006 as compared to \$396,504, or 4.42% for the nine months ended December 31, 2005. Included in the net loss for 2006 was a one-time gain of \$2,600,000 related to the return to the Company by a former officer and director of 187,500 stock options valued at \$2,362,500 and 62,500 shares of common stock valued at \$237,500.

For the twelve months ending December 31, 2006, interest expense was \$104,356, as compared to \$7,012 for the twelve months ending December 31 2005.

Research and development expenses for the nine months ending December 31, 2006 was \$658,579, 5.00% of net loss as compared to \$361,490, or 2.97% for the same period in 2005.

## **Liquidity and Capital Resources**

As of December 31, 2006 bioMETRX had total assets of \$636,404 and total current assets of \$513,295. At December 31, 2006 bioMETRX had total liabilities of \$2,046,054 and total current liabilities of \$1,352,051. bioMETRX's had negative working capital at December 31, 2006 of \$838,756 and an equity deficit of \$1,409,650. Because of this deficit, the Company's ability to continue to operate and its future remains in question as a going concern unless additional capital is contributed or until such time as it generates revenues and become cash flow positive.

Since inception, bioMETRX has financed its activities solely from the private sales of its securities and the incurrence of debt. In November 2001 bioMetrx Technologies issued 275,000 shares of its common stock, valued at \$275,000 (\$1.00 per share), for services rendered. In December 2002, bioMETRX sold 20,000 shares of its common stock for \$5,000 (\$2.50 per share).

## Edgar Filing: BioMETRX - Form 10KSB

In 2003, bioMETRX sold 231,250 shares of its common stock for gross proceeds of \$231,250 or \$1.00 per share. During 2003, bioMETRX issued 75,000 shares of its common stock, valued at \$150,000 (\$2.00 per share), for services rendered to it pursuant to consulting agreements. During 2003, bioMETRX issued 129,500 shares of its common stock, valued at \$518,000 (\$4.00 per share), as commission on sales of its stock. Also in 2003 bioMETRX issued 378,000 shares of its common stock, valued at \$94,500 (\$.25 per share), as commission on sales of its common stock.

In 2004, bioMETRX sold 27,000 shares of its common stock for aggregate gross proceeds of \$27,000 (\$1.00 per share). During that same year, bioMETRX sold 83,750 shares of its common stock for aggregate gross proceeds of \$335,000 (\$4.00 per share). Also in 2004, bioMETRX issued 50,000 and 8,750 shares of its common stock valued at \$200,000 and \$8,750, respectively, as commissions on sales of its common stock.

In July 2005, the Company sold 233,334 shares of its common stock and 46,667 warrants for an aggregate purchase price of \$700,000 or \$3.00 per share without allocating any part of the purchase price for the warrants.

On October 28, 2005 the Company sold 562,500 shares and 562,500 warrants for an aggregate purchase price of \$450,000 or \$.80 per share without allocating any part of the purchase price for the warrants.

The warrants entitle the holder to purchase shares of the Company's common stock for a period commencing on the date of issuance and expiring on December 15, 2005 at an exercise price of \$.80 per share.

From December 2005 to February 2006, the Company sold an aggregate of 746,250 shares to Kuhn for an aggregate purchase price of \$597,000 or \$.80 per share. As part of this transaction, Kuhn exercised 562,500 warrants, which were issued to him on October 28, 2005 in connection with a previously reported financing. In addition to the exercise of the warrants, Kuhn provided the Company with an additional \$147,000 and the Company agreed to issue him the shares at the same purchase price (\$.80 per share) as the warrants.

On March 21, 2006, the Company received debt financing in the aggregate amount of \$100,000 from Jane Petri and Joseph Panico. The principal and interest of 12% per annum was due on June 21, 2006. The note carried a default rate of 18% per annum. In addition, the Company issued 25,000 restricted shares of common stock to Petri and Panico as debt issuance costs at a cost of \$71,250.

On June 29, 2006, the Company entered into a Securities Purchase Agreement dated as of June 29, 2006, with four investors relating to the issuance and sale, in a private placement ("Private Placement") exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), of units (the "Units") consisting of 8% Convertible Notes in the principal amount of \$950,000 ("Notes"), Series A Common Stock Purchase Warrants ("A Warrants") and Series B Common Stock Purchase Warrants ("B Warrants"). In addition, the company entered into an Exchange Agreement with the two investors who purchased \$650,000 of the Preferred Stock Units, previously reported on Form 8-K dated April 28, 2006 whereby the Company agreed to issue the Units in exchange for the return and cancellation of the previously issued Preferred Stock Units. Accordingly, at closing the Company issued its 8% Convertible Notes in the aggregate principal amount of \$1,600,000, 1,600,000 A Warrants and 800,000 B Warrants to the Investors. The Company also issued an aggregate of 128,000 shares of its common stock to the investors representing one year's of prepaid interest on the Notes.

The Notes mature 24 months from the closing. The Notes are convertible at the option of the holder into the Company's common stock at the rate of \$1.00 per share. The Notes are mandatorily convertible into the Company's common stock if the closing bid price of the Company's common stock is above \$2.50 per share for ten (10) consecutive trading days and if the daily volume for the same period exceeds 100,000 shares per day. The Company may redeem the Notes for 125% of the principal amount of the Note together with all accrued and unpaid interest provided that (i) an event of default has not occurred, and (ii) an effective registration statement covering the shares underlying the Note exists.

Each A Warrant entitles the holder to purchase one share of the Company's common stock at an exercise price of \$1.75 per share commencing on the date of issuance and expiring at the close of business on the fifth anniversary of the issuance date. Each B Warrant entitles the holder to purchase one share of the Company's common stock at an exercise price of \$.10 per share commencing 181 days after issuance and expiring at the close of business on the fifth anniversary of the initial exercise date. Notwithstanding the foregoing if the Company provides the holder of a B Warrant with validation and acknowledgement, in the form of bona fide purchase order demonstrating that at least \$1,000,000 of the Company's products have been ordered, other than its initial order from a national retailer in the amount of approximately 23,000 garage door opening units, within 181 days after the date of the Securities Purchase Agreement, the B Warrants shall automatically terminate. Both the A and B Warrants contain provisions that protect the holder against dilution by adjustment of the exercise price in certain events including, but not limited to, stock dividends, stock splits, reclassifications, or mergers.

Pursuant to the Selling Agent Letter Agreement between the Company and the Selling Agent, the Selling Agent was paid a cash fee of \$95,000 (10% of the aggregate purchase price of the Units sold to the subscribers) in addition to the \$75,000 it received on April 28, 2006, inclusive of \$10,000 in expenses. The Company also issued the Selling Agent a warrant to purchase 160,000 shares of its common stock on the same terms as the A Warrants. In addition, the Company paid \$15,000 to the Selling Agent's counsel and \$32,500 to its counsel.

As part of the Private Placement, the Company entered into a registration rights agreement (the "Registration Rights Agreement") with each subscriber who purchased Units in the Private Placement. Under the Registration Rights Agreement, the Company is obligated to file a registration statement (the "Registration Statement") on Form SB-2, relating to the resale by the holders of the Common Stock underlying the Notes, Warrants and Selling Agent Warrant. If such Registration Statement was not filed by July 14, 2006, or does not become effective within 90 days after closing, the Company has agreed to pay to the investors 1.5% of the gross proceeds of the offering for each month in which the Company fails to comply with such requirements. The Company did not file the Registration Statement by July 14, 2006 and therefore is accruing 1.5% (\$24,000) of the gross proceeds for each month the Company fails to file the Registration Statement. For the period ended December 31, 2006 a total of \$72,000 has been accrued as finance costs to reflect these provisions.

The Company entered into a Securities Purchase Agreement dated September 18, 2006, with Jane Petri and Joseph Panico relating to the issuance and sale, in a private placement exempt from the registration requirements of the Securities Act of the Company's 10% Promissory Notes due March 15, 2007 in the aggregate principal amount of \$400,000, 400,000 Common Stock Purchase Warrants and 160,000 Shares of the Company's Common Stock. In connection with this transaction the two investors provided the Company with \$300,000 and exchanged \$100,000 in Notes, described above, that were previously issued by the Company to the investors.

Each Warrant entitles the holder to purchase one share of the Company's Common Stock at an exercise price of \$1.00 per share commencing on the date of issuance and expiring at the close of business on September 15, 2011.

As part of the Private Placement, the Company agreed to register the 400,000 shares of Common Stock underlying the Warrants and the 160,000 shares of the Common Stock issued as part of this Private Placement.

The Company entered into a Securities Purchase Agreement dated September 30, 2006, with two investors relating to the issuance and sale, in a private placement exempt from the registration requirements of the Securities Act of the Company's 10% Promissory Notes due March 30, 2007 in the aggregate principal amount of \$55,000, 55,000 Common Stock Purchase Warrants and 22,000 Shares of the Company's Common Stock.

Each Warrant entitles the holder to purchase one share of the Company's Common Stock at an exercise price of \$1.00 per share commencing on the date of issuance and expiring at the close of business on September 15, 2011.

As part of the Private Placement, the Company agreed to register the 55,000 shares of Common Stock underlying the Warrants and the 22,000 shares of the Common Stock issued as part of this Private Placement.

The Company entered into a Securities Purchase Agreement dated as of December 28, 2006, with three investors relating to the issuance and sale, in a private placement ("Private Placement") exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), of units (the "Units") consisting of Senior Convertible Debentures in the principal amount of \$1,500,000 ("Debentures"), 1,500,000 Series A Common Stock Purchase Warrants ("A Warrants") and 750,000 Series B Common Stock Purchase Warrants ("B Warrants"). The closing occurred on January 5, 2007.

The Debentures mature on June 29, 2008. The Debentures are convertible at the option of the holder into the Company's common stock at the rate of \$1.00 per share. The Debentures are convertible at the option of the Company into the Company's common stock if the closing bid price of the Company's common stock is above \$2.50 per share for ten (10) consecutive trading days and if the shares underlying the Debentures are registered. The Company may redeem the Debentures for 125% of the principal amount of the Debenture together with all accrued and unpaid interest provided that (i) an event of default has not occurred, (ii) the price of the Company's common stock exceeds \$1.50 and (iii) an effective registration statement covering the shares underlying the Debentures exists.

Each A Warrant entitles the holder to purchase one share of the Company's common stock at an exercise price of \$1.00 per share commencing on the date of issuance and expiring at the close of business on the fifth anniversary of the issuance date. Each B Warrant entitles the holder to purchase one share of the Company's common stock at an exercise price of \$.10 per share at any time after July 1, 2007 and expiring at the close of business on the fifth anniversary of the initial issuance date. Notwithstanding the foregoing if the Company provides the holder of a B Warrant with validation and acknowledgement on or before June 30, 2007 that the Company has both received and booked revenues for its products totaling \$1,000,000, the B Warrants shall automatically terminate. Both the A and B Warrants contain provisions that protect the holder against dilution by adjustment of the exercise price in certain events including, but not limited to, stock dividends, stock splits, reclassifications, or mergers.

Pursuant to the Selling Agent Letter Agreement between the Company and First Montauk Securities Corporation ("Selling Agent"), the Selling Agent was paid a cash fee of \$150,000 (10% of the aggregate purchase price of the Units sold to the subscribers). The Company also issued the Selling Agent a warrant to purchase 150,000 shares of its common stock on the same terms as the A Warrants.

As part of the Private Placement, the Company entered into a registration rights agreement (the "Registration Rights Agreement") with each subscriber who purchased Units in the Private Placement. Under the Registration Rights Agreement, the Company is obligated to file a registration statement (the "Registration Statement") on Form SB-2, relating to the resale by the holders of the Common Stock underlying the Debentures, Warrants and Selling Agent Warrant.

As a condition to closing, the Company obtained consents and waivers from the investors of its private placement of \$1,600,000 principal amount of Convertible Notes ("Notes") issued on June 29, 2006, pursuant to which each of the prior investors agreed to waive any and all existing defaults relating to the Notes and agreed to forebear from exercising any rights accruing upon default until March 31, 2007. In connection therewith, the Company issued to the investors Convertible Notes ("Forebearance Notes") in the aggregate principal amount of \$387,437.39, representing liquidated damages due under the Notes. The Forebearance Notes are convertible into the Company's common stock at \$1.00 per share.

On February 7, 2007, the Company deposited \$200,000 into an escrow account with its counsel. The funds are to be utilized in connection with the manufacture of the Company's garage door openers. As of April 4, 2007, approximately \$31,000 has been sent to the Company's manufacturer and the balance remaining in that account is approximately \$169,000.



bioMETRX is dependent on raising additional funding necessary to implement its business plan. bioMETRX' auditors have issued a "going concern" opinion on the financial statement for the year ended December 31, 2006, indicating bioMETRX is in the development stage of operations, has a working capital and net equity deficiency. These factors raise substantial doubt in bioMETRX' ability to continue as a going concern. If bioMETRX is unable to raise the funds necessary to complete the development of its products and fund its operations, it is unlikely that bioMETRX will remain as a viable going concern.

**Critical Accounting Policies and Estimates:**

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. We evaluate our estimates, including those related to contingencies, on an ongoing basis. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policy, among others; involve the more significant judgments and estimates used in the preparation of our consolidated financial statements:

The Company accounts for compensation costs associated with stock options and warrants issued to non-employees using the fair-value based method prescribed by Financial Accounting Standard No. 123 - Accounting for Stock-Based Compensation. The Company uses the Black-Scholes options-pricing model to determine the fair value of these instruments as well as to determine the values of options granted to certain lenders by the principal stockholder. The following estimates are used for grants in 2005: Expected future volatility over the expected lives of these instruments is estimated to mirror historical experience, measured by a weighted average of closing share prices prior to each measurement date. Expected lives are estimated based on management's judgment of the time period by which these instruments will be exercised.

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement No. 123R ("SFAS 123R") "Share Based Payment, "a revision of statement No. 123, "Accounting for Stock Based Compensation." This standard requires the Company to measure the cost of employee services received in exchange for equity awards based on grant date fair value of the awards. The Company adopted SFAS 123R effective January 1, 2006. The standard provides for a prospective application. Under this method, the Company will begin recognizing compensation cost for equity based compensation of or all new or modified grants after the date of adoption.

## Information Relating To Forward-Looking Statements

When used in this Report on Form 10-QSB, the words “may,” “will,” “expect,” “anticipate,” “continue,” “estimate,” “intend,” and similar expressions are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 regarding events, conditions and financial trends which may affect the Company’s future plans of operations, business strategy, operating results and financial position. Such statements are not guarantees of future performance and are subject to risks and uncertainties and actual results may differ materially from those included within the forward-looking statements as a result of various factors. Such factors include, among others: (i) the Company’s ability to obtain additional sources of capital to fund continuing operations; in the event it is unable to timely generate revenues (ii) the Company’s ability to retain existing or obtain additional licensees who will act as distributors of its products; (iii) the Company’s ability to obtain additional patent protection for its technology; and (iv) other economic, competitive and governmental factors affecting the Company’s operations, market, products and services. Additional factors are described in the Company’s other public reports and filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to publicly release the result of any revision of these forward-looking statements to reflect events or circumstances after the date they are made or to reflect the occurrence of unanticipated events.

## Recent Accounting Pronouncements

Statement of Financial Accounting Standards (“SFAS”) No. 146, “Accounting for Costs Associated with Exit or Disposal Activities”, SFAS No. 147, “Acquisitions of Certain Financial Institutions - an Amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9”, SFAS No. 148, “ Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment of FASB Statement No. 123”, SFAS No. 149, “Amendment of Statement 33 on Derivative Instruments and Hedging Activities”, and SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity”, were recently issued. SFAS No. 146, 147, 148, 149 and 150 have no current applicability to the Company or their effect on the financial statements would not have been significant.

In December 2004, the Financial Accounting Standards Board (“FASB”) issued Statement No. 123R (“SFAS 123R”) “Share Based Payment, “a revision of Statement No. 123, “Accounting for Stock Based Compensation.” This standard requires the Company to measure the cost of employee services received in exchange for equity awards based on grant date fair value of the awards. The Company is required to adopt SFAS 123R effective January 1, 2006. The standard provides for a prospective application. Under this method, the Company will begin recognizing compensation cost for equity based compensation for all new or modified grants after the date of adoption.

In addition, the Company will recognize the unvested portion of the grant date fair value of awards issued prior to the adoption based on the fair values previously calculated for disclosure purposes.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Non-monetary Assets," ("SFAS 153"). SFAS 153 amends Accounting Principles Board ("APB") Opinion No. 29, Accounting for Non-monetary Transactions," to require exchanges of non-monetary assets are accounted for at fair value, rather than carryover basis. Non-monetary exchanges that lack commercial substance are exempt from this requirement.

SFAS 153 is effective for non-monetary exchanges entered into in fiscal years beginning after June 15, 2005. The Company does not routinely enter into exchanges that could be considered non-monetary; accordingly the Company does not expect adoption of SFAS 153 to have a material impact on the Company's financial statements.

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, ("FIN No. 46"), "Consolidation of Variable Interest Entities" (VIEs), which is an interpretation of Accounting Research Bulletin (ARB) No. 51, "Consolidated Financial Statement". FIN 46, as revised by FIN 46R in December 2003, addresses the application of ARB No. 51 to VIEs, and generally would require assets, liabilities and result of activity of a VIE be consolidated into the financial statements of the enterprise that is considered the primary beneficiary. FIN 46R shall be applied to all VIEs by the end of the first reporting period ending after December 15, 2004. The Company has determined that FIN 46R has no material impact on its financial statements.

#### **COMMITMENTS**

We do not have any commitments that are required to be disclosed in tabular form as of December 31, 2005 and as of December 31, 2006.

#### **OFF BALANCE SHEET ARRANGEMENTS**

We do not have any off balance sheet arrangements.

## **RISK FACTORS**

THIS INVESTMENT INVOLVES A HIGH DEGREE OF RISK. BEFORE YOU INVEST YOU SHOULD CAREFULLY CONSIDER THE RISKS AND UNCERTAINTIES DESCRIBED BELOW AND THE OTHER INFORMATION IN THIS PROSPECTUS. IF ANY OF THE FOLLOWING RISKS ARE REALIZED, OUR BUSINESS, OPERATING RESULTS AND FINANCIAL CONDITION COULD BE HARMED AND THE VALUE OF OUR STOCK COULD GO DOWN. THIS MEANS YOU COULD LOSE ALL OR A PART OF YOUR INVESTMENT.

### **Risks Related to Our Business**

*Because we have a limited operating history, you may not be able to accurately evaluate our operations.*

We have had limited operations to date and have never generated revenue. Therefore, we have a limited operating history upon which to evaluate the merits of investing in the Company. Because we are in the early stages of operating our business, we are subject to many of the same risks inherent in the operation of a business with a limited operating history, including the potential inability to continue as a going concern.

*We are dependent on outside financing for continuation of our operations.*

Because we have never generated revenue and currently operate at a significant loss, we are completely dependent on the continued availability of financing in order to continue our business. There can be no assurance that financing sufficient to enable us to continue our operations will be available to us in the future. Our failure to obtain future financing or to produce levels of revenue to meet our financial needs could result in our inability to continue as a going concern and, as a result, investors in the Company could lose their entire investment.

*Our business will not grow unless the market for biometric products and services expands both domestically and internationally.*

Our revenues will be derived from the sale of biometric products and services. Biometric products have not gained widespread commercial acceptance. We cannot accurately predict the future growth rate, if any, or the ultimate size of the biometric technology market. The expansion of the market for our products depends on a number of factors including without limitation:

- national or international events which may affect the need for or interest in biometric products or services;
- the cost, performance and reliability of our products and services and those of our competitors;
- customers' perception of the perceived benefit of biometric products and services and their satisfaction with our products and services;

- public perceptions of the intrusiveness of these products and services and the manner in which firms are using the information collected;
- public perceptions regarding the confidentiality of private information;
- proposed or enacted legislation related to privacy of information; and
- marketing efforts and publicity regarding these products and services.

Certain groups have publicly objected to the use of biometric products for some applications on civil liberties grounds and legislation has been proposed to regulate the use of biometric security products. From time to time, biometrics technologies have been the focus of organizations and individuals seeking to curtail or eliminate such technologies on the grounds that they may be used to diminish personal privacy rights. If such initiatives result in restrictive legislation, the market for biometric solutions may be adversely affected. Even if biometric solutions gain wide market acceptance, our products and services may not adequately address the requirements of the market and may not gain wide market acceptance.

***We may face intense competition from other biometric solution providers as well as identification and security systems providers.***

A significant number of established and startup companies are marketing or developing software and hardware for facial and/or fingerprint biometric products and applications that may eventually compete with our current offerings.

The biometric security market is a rapidly evolving and intensely competitive, and we believe that additional significant long-term competitors will continue to enter the market. We expect competition in the biometrics markets to increase and intensify in the near term. Companies competing with us may introduce products that are targeted at our target markets and competitively priced, have increased performance or functionality or incorporate technological advances we have not yet developed or implemented. Some present and potential competitors have financial, marketing, research, and manufacturing resources substantially greater than ours. Other players in the biometric do have the potential to directly compete with us. Among these companies are Sagem Morpho, Inc., Cogent, NEC, Printrak International, Inc., (a Motorola company), and Saflink. However, these companies primarily focus on networked-based, or computer based systems that require a sophisticated computer-based infrastructure to operate. Our company's products are embedded and self contained and do not require a computer to operate.

***The biometrics industry is characterized by rapid technological change and requires introduction of new and enhanced products at competitive prices.***

In order to compete effectively in the biometrics market, we must continually design, develop and market new and enhanced products at competitive prices and we must have the resources available to invest in significant research and development activities. Our future success will depend upon our ability to address the changing and sophisticated needs of the marketplace. Frequently, technical development programs in the biometric industry require assessments to be made of the future directions of technology and technology markets generally, which are inherently risky and difficult to predict. Delays in introducing new products, services and enhancements, the failure to choose correctly among technical alternatives or the failure to offer innovative products and services at competitive prices may cause customers to forego purchases of our products and services and purchase those of our competitors, and could adversely affect our business operations, financial results and stock price.

***Our financial and operating results often vary significantly from quarter to quarter and may be negatively affected by a number of factors.***

Our financial and operating results may fluctuate from quarter to quarter because of the following reasons:

- unavailability or delays in authorization of government funding or cancellations, delays or contract amendments by government agency customers;
- reduced demand for products and services caused, for example, by product offerings from new competitors;
- the inability to timely and successfully (i) complete development of complex designs, components and products, (ii) complete new product introductions that may result in improved gross margins, (iii) manufacture in volume through a contract manufacturer that operates a production facility overseas;  
install certain of our complex products or (iv) obtain relevant government agency certifications for newly introduced products on a timely basis;
- changes in the mix of products and services we or our distributors sell;
- the readiness of customers to accept delivery of new products on a timely basis;
- protests of federal, state or local government contract awards by competitors;
- unforeseen legal expenses, including litigation and/or administrative protest costs;
- expenses related to acquisitions or mergers;
- impairment charges arising out of our assessments of goodwill and intangibles;
- other one-time financial charges;
- the lack of availability or increase in cost of key components and subassemblies;

- competitive pricing pressures; and
- unpredictable product installation schedules

Particularly important is the need to invest in planned technical development programs to maintain and enhance our competitiveness, and to successfully develop and launch new products and services on a timely basis. Managing and improving the likelihood of success of such programs requires the development of budgets, plans and schedules for the execution of these programs and the adherence to such budgets, plans and schedules. The majority of such program costs are payroll and related staff expenses, and secondarily materials, subcontractors and promotional expenses. These costs are very difficult to adjust in response to short-term fluctuations in our revenues, compounding the difficulty of achieving profitability in the event of a revenue downturn.

***A security breach or failure in systems that we sell could result in the disclosure of private personal information that could harm our business by adversely affecting the market's perception of our products and services.***

Many of the systems we sell are designed to secure or manage private personal information or information maintained by governmental agencies. In addition to being costly to repair and causing delays and other difficulties, a security breach or failure in one of these systems could cause serious harm to our business as a result of negative publicity or decisions by governmental clients to limit our access or involvement with this information.

***The terrorist attacks of September 11, 2001, and the continuing threat of global terrorism, have increased financial expectations that may not materialize.***

The September 11, 2001 terrorist attacks, and continuing concerns about global terrorism, may have created an increase in awareness for biometric security solutions generally. However, it is uncertain whether the actual level of demand for our biometric products and services will grow as a result of such increased awareness. Increased demand may not result in an actual increase in our revenues. In addition, it is uncertain which security solutions, if any, will be adopted as a result of terrorism and whether our products will be a part of those solutions.. These factors may adversely impact us and create unpredictability in revenues and operating results.

***Our lengthy and variable sales cycle will make it difficult to predict operating results.***

Certain of our products often have a lengthy sales cycle while the customer evaluates and receives approvals for purchase. If, after expending significant funds and effort, we fail to receive an order, a negative impact on our financial results and stock price could result. It is difficult to predict accurately the sales cycle of any large order for any of our products. If we do not ship and or install one or more large orders as forecast for a fiscal quarter, our total revenues and operating results for that quarter could be materially and adversely affected.

***The substantial lead-time required for ordering parts and materials may lead to inventory problems.***

The lead-time for ordering parts and materials and building many of our products can be many months. As a result, we must order parts and materials and build our products based on forecasted demand. If demand for our products lags significantly behind our forecasts, we may produce more products than we can sell, which can result in cash flow problems and write-offs or write-downs of obsolete inventory.

***We will rely in part upon original equipment manufacturers (“OEM”) and distribution partners to distribute our products, and we may be adversely affected if those parties do not actively promote our products or pursue installations that use our equipment.***

We estimate that a significant portion of our revenue will come from sales to partners including OEMs, systems integrators, distributors and resellers. Some of these relationships have not been formalized in a detailed contract, and may be subject to termination at any time. Even where these relationships are formalized in a detailed contract, the agreements are often terminable with little or no notice and subject to periodic amendment. We cannot control the amount and timing of resources that our partners devote to activities on our behalf.

We intend to continue to seek strategic relationships to distribute, license and sell certain of our products. We, however, may not be able to negotiate acceptable relationships in the future and cannot predict whether current or future relationships will be successful.

***Loss of sole or limited source suppliers may result in delays or additional expenses.***

We obtain certain hardware components and complete products, as well as software applications, from a single source or a limited group of suppliers. We do not have long-term agreements with any of our suppliers. We will experience significant delays in manufacturing and shipping of products to customers if we lose these sources or if supplies from these sources are delayed.

As a result, we may be required to incur additional development, manufacturing and other costs to establish alternative sources of supply. It may take several months to locate alternative suppliers, if required, or to re-tool our products to accommodate components from different suppliers. We cannot predict if we will be able to obtain replacement components within the time frames we require at an affordable cost, or at all. Any delays resulting from suppliers failing to deliver components or products on a timely basis in sufficient quantities and of sufficient quality or any significant increase in the price of components from existing or alternative suppliers could have a severe negative impact on our financial results and stock price.

***We may be subject to loss in market share and market acceptance as a result of performance failures, manufacturing errors, delays or shortages.***

Performance failure in our products may cause loss of market share, delay in or loss of market acceptance, additional warranty expense or product recall, or other contractual liabilities. The complexity of certain of our fingerscanners makes the manufacturing and assembly process of such products, especially in volume, complex. This may in turn lead to delays or shortages in the availability of certain products, or, in some cases, the unavailability of certain products. The negative effects of any delay or failure could be exacerbated if the delay or failure occurs in products that provide personal security, secure sensitive computer data, authorize significant financial transactions or perform other functions where a security breach could have significant consequences. If a product launch is delayed or is the subject of an availability shortage because of problems with our ability to manufacture or assemble the product successfully on a timely basis, or if a product or service otherwise fails to meet performance criteria, we may lose revenue opportunities entirely and/or experience delays in revenue recognition associated with a product or service in addition to incurring higher operating expenses during the period required to correct the defects. There is a risk that for unforeseen reasons we may be required to repair or replace a substantial number of products in use or to reimburse



customers for products that fail to work or meet strict performance criteria. We carry product liability insurance, but existing coverage may not be adequate to cover potential claims.

***We may be subject to repair, replacement, reimbursement and liability claims as a result of products that fail to work or to meet applicable performance criteria.***

There is a risk that for unforeseen reasons we may be required to repair or replace a substantial number of products in use or to reimburse customers for products that fail to work or meet strict performance criteria. We attempt to limit remedies for product failure to the repair or replacement of malfunctioning or noncompliant products or services, and also attempt to exclude or minimize exposure to product and related liabilities by including in our standard agreements warranty disclaimers and disclaimers for consequential and related damages as well as limitations on our aggregate liability. From time to time, in certain complex sale or licensing transactions, we may negotiate liability provisions that vary from such standard forms. There is a risk that our contractual provisions may not adequately minimize our product and related liabilities or that such provisions may be unenforceable. We carry product liability insurance, but existing coverage may not be adequate to cover potential claims. We maintain warranty reserves as deemed adequate by management.

***Failure by us to maintain the proprietary nature of our technology, intellectual property and manufacturing processes could have a material adverse effect on our business, operating results, financial condition, stock price, and on our ability to compete effectively.***

We principally rely upon patent, trademark, copyright, trade secret and contract law to establish and protect our proprietary rights. There is a risk that claims allowed on any patents or trademarks we hold may not be broad enough to protect our technology. In addition, our patents or trademarks may be challenged, invalidated or circumvented and we cannot be certain that the rights granted thereunder will provide competitive advantages to us. Moreover, any current or future issued or licensed patents, or trademarks, or currently existing or future developed trade secrets or know-how may not afford sufficient protection against competitors with similar technologies or processes, and the possibility exists that certain of our already issued patents or trademarks may infringe upon third party patents or trademarks or be designed around by others. In addition, there is a risk that others may independently develop proprietary technologies and processes, which are the same as, substantially equivalent or superior to ours, or become available in the market at a lower price.

In addition, foreign laws treat the protection of proprietary rights differently from laws in the United States and may not protect our proprietary rights to the same extent as U.S. laws. The failure of foreign laws or judicial systems to adequately protect our proprietary rights or intellectual property, including intellectual property developed on our behalf by foreign contractors or subcontractors may have a material adverse effect on our business, operations, financial results and stock price.

There is a risk that we have infringed or in the future will infringe patents or trademarks owned by others, that we will need to acquire licenses under patents or trademarks belonging to others for technology potentially useful or necessary to us, and that licenses will not be available to us on acceptable terms, if at all.

We may have to litigate to enforce our patents or trademarks or to determine the scope and validity of other parties' proprietary rights. Litigation could be very costly and divert management's attention. An adverse outcome in any litigation may have a severe negative effect on our financial results and stock price. To determine the priority of inventions, we may have to participate in interference proceedings declared by the United States Patent and Trademark Office or oppositions in foreign patent and trademark offices, which could result in substantial cost and limitations on the scope or validity of our patents or trademarks.

We also rely on trade secrets and proprietary know-how, which we seek to protect by confidentiality agreements with our employees, consultants, service providers and third parties. There is a risk that these agreements may be breached, and that the remedies available to us may not be adequate. In addition, our trade secrets and proprietary know-how may otherwise become known to or be independently discovered by others.

***Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.***

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations and NASDAQ National Market rules, are creating uncertainty for companies such as ours. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

***If we fail to adequately manage the size of our business, it could have a severe negative effect on our financial results or stock price.***

Our management believes that in order to be successful we must appropriately manage the size of our business. This may mean reducing costs and overhead in certain economic periods, and selectively growing in periods of economic expansion. In addition, we will be required to implement operational, financial and management information procedures and controls that are efficient and appropriate for the size and scope of our operations. The management skills and systems currently in place may not be adequate and we may not be able to manage any significant cost reductions or effectively provide for our growth.

***If we fail to attract and retain qualified senior executive and key technical personnel, our business will not be able to expand.***

We are dependent on the continued availability of the services of our employees, many of whom are individually key to our future success, and the availability of new employees to implement our business plans. The market for skilled employees is highly competitive, especially for employees in technical fields. Although our compensation programs are intended to attract and retain the employees required for us to be successful, there can be no assurance that we will be able to retain the services of all our key employees or a sufficient number to execute our plans, nor can there be any assurance we will be able to continue to attract new employees as required.

Our personnel may voluntarily terminate their relationship with us at any time, and competition for qualified personnel, especially engineers, is intense. The process of locating additional personnel with the combination of skills and attributes required to carry out our strategy could be lengthy, costly and disruptive.

If we lose the services of key personnel, or fail to replace the services of key personnel who depart, we could experience a severe negative effect on our financial results and stock price. In addition, there is intense competition for highly qualified engineering and marketing personnel in the locations where we principally operate. The loss of the services of any key engineering, marketing or other personnel or our failure to attract, integrate, motivate and retain additional key employees could have a material adverse effect on our business, operating and financial results and stock price.

***If we fail to comply with the new rules under the Sarbanes-Oxley Act related to accounting controls and procedures, or if material weaknesses or other deficiencies are discovered in our internal accounting procedures, our stock price could decline significantly.***

Section 404 of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent auditors addressing these assessments. We are in the process of documenting and testing our internal control procedures, and we may identify material weaknesses in our internal control over financial reporting and other deficiencies. If material weaknesses and deficiencies are detected, it could cause investors to lose confidence in our Company and result in a decline in our stock price and consequently affect our financial condition. In addition, if we fail to achieve and maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to helping prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our Common Stock could drop significantly. In addition, we cannot be certain that additional material weaknesses or significant deficiencies in our internal controls will not be discovered in the future.

**The following risks relate principally to our common stock and its market value:**

*Trading on the OTC Bulletin Board may be volatile and sporadic, which could depress the market price of our common stock and make it difficult for our stockholders to resell their shares.*

Trading in stock quoted on the OTC Bulletin Board is often thin and characterized by wide fluctuations in trading prices, due to many factors that may have little to do with a company's operations or business prospects. This volatility could depress the market price of our common stock for reasons unrelated to our business or operating performance. Moreover, the OTC Bulletin Board is not a stock exchange, and trading of securities on the OTC Bulletin Board is often more sporadic than the trading of securities listed on a quotation system like NASDAQ or a stock exchange like the American Stock Exchange. Accordingly, stockholders may have difficulty reselling any of their shares of common stock.

*Our Common Stock price may be volatile and could fluctuate widely in price, which could result in substantial losses for investors.*

The market price of our common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including:

- technological innovations or new products and services by us or our competitors;
- government regulation of our products and services;
- the establishment of partnerships with other technology companies;
- intellectual property disputes;
- additions or departures of key personnel;
- sales of our common stock
- our ability to integrate operations, technology, products and services;
- our ability to execute our business plan;
- operating results below expectations;
- loss of any strategic relationship;
- industry developments;
- economic and other external factors; and
- period-to-period fluctuations in our financial results.

Because we are a development stage company with no revenues to date, you should consider any one of these factors to be material. Our stock price may fluctuate widely as a result of any of the above.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

***We have not paid cash dividends in the past and do not expect to pay cash dividends in the future on our common stock. Any return on investment may be limited to the value of our common stock.***

We have never paid cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. The payment of cash dividends on our common stock will depend on earnings, financial condition and other business and economic factors at such time as the board of directors may consider relevant. If we do not pay cash dividends, our common stock may be less valuable because a return on your investment will only occur if its stock price appreciates.

***Penny stock regulations may impose certain restrictions on marketability of our stock.***

Our common stock is currently listed for trading on the OTC Bulletin Board which is generally considered to be a less efficient market than markets such as NASDAQ or other national exchanges, and which may cause difficulty in conducting trades and difficulty in obtaining future financing. Further, our securities are subject to the "penny stock rules" adopted pursuant to Section 15 (g) of the Securities Exchange Act of 1934, as amended, or Exchange Act. The penny stock rules apply to non-NASDAQ companies whose common stock trades at less than \$5.00 per share or which have tangible net worth of less than \$5,000,000 (\$2,000,000 if the company has been operating for three or more years). Such rules require, among other things, that brokers who trade "penny stock" to persons other than "established customers" complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document and quote information under certain circumstances. Many brokers have decided not to trade "penny stock" because of the requirements of the penny stock rules and, as a result, the number of broker-dealers willing to act as market makers in such securities is limited. In the event that we remain subject to the "penny stock rules" for any significant period, there may develop an adverse impact on the market, if any, for our securities. Because our securities are subject to the "penny stock rules," investors will find it more difficult to dispose of our securities. Further, for companies whose securities are traded in the OTC Bulletin Board, it is more difficult: (i) to obtain accurate quotations, (ii) to obtain coverage for significant news events because major wire services, such as the Dow Jones News Service, generally do not publish press releases about such companies, and (iii) to obtain needed capital.

***Our Board of Directors may issue and fix the terms of shares of our preferred stock without stockholder approval, which could adversely affect the voting power of holders of our common stock or any change in control of our company.***

Our certificate of incorporation authorizes the issuance of up to 10,000,000 shares of "blank check" preferred stock, with such designation rights and preferences as may be determined from time to time by the Board of Directors. Our Board of Directors is empowered, without shareholder approval, to issue additional shares of preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of our common stock. In the event of such issuances, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of our company.

***A sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.***

The market price of our common stock could decline as a result of sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur. In addition, these factors could make it more

difficult for us to raise funds through future offerings of common stock. All of the shares of our common stock covered by this prospectus will be freely transferable without restriction or further registration under the Securities Act.

ITEM 7. FINANCIAL STATEMENTS.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders  
bioMetrx, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheet of bioMetrx, Inc. and Subsidiaries (A Development Stage Company) (“the Company”) as of December 31, 2006, and the related consolidated statements of operations, changes in stockholders’ deficit and cash flows for the years ended December 31, 2006 and 2005 and for the period February 1, 2001 (inception) to December 31, 2006. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. Also, an audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of bioMetrx, Inc. and Subsidiaries as of December 31, 2006 and the results of their operations and their cash flows for the years ended December 31, 2006 and 2005 and for the period February 1, 2001 (inception) to December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company is a development stage company whose operations have generated recurring losses and cash flow deficiencies for the years ended December 31, 2006 and 2005. In addition, as of December 31, 2006 the Company has a significant working capital deficit and stockholders’ deficit. These factors raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

WOLINETZ, LAFAZAN & COMPANY, P.C.

Rockville Centre, New York  
March 31, 2006

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**BIOMETRX, INC. AND SUBSIDIARIES**  
*(A Development Stage Company)*  
**CONSOLIDATED BALANCE SHEET**  
**December 31, 2006**

**ASSETS****Current Assets:**

<b>Cash</b>	<b>\$</b>	<b>15,081</b>
<b>Prepaid Expenses</b>		<b>17,164</b>
<b>Inventories</b>		<b>423,853</b>
<b>Deposits on Inventory</b>		<b>57,197</b>
<b>Total Current Assets</b>		<b>513,295</b>

<b>Property and Equipment, net</b>		<b>91,814</b>
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**Other Assets:**

<b>Deferred Finance Costs, net</b>		<b>14,250</b>
<b>Security Deposit</b>		<b>17,045</b>
<b>Total Other Assets</b>		<b>31,295</b>

<b>TOTAL ASSETS</b>	<b>\$</b>	<b>636,404</b>
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**LIABILITIES AND STOCKHOLDERS' DEFICIT****Current Liabilities:**

<b>Accounts Payable</b>	<b>\$</b>	<b>507,289</b>
<b>Notes Payable</b>		<b>755,000</b>
<b>Convertible Forbearance Notes, net of unamortized discounts of \$387,437</b>		<b>-</b>
<b>Accrued Taxes Payable</b>		<b>39,436</b>
<b>Accrued Payroll</b>		<b>26,720</b>
<b>Accrued Interest</b>		<b>23,606</b>

<b>Total Current Liabilities</b>		<b>1,352,051</b>
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**Long-Term Liabilities:**

<b>8% Convertible Notes, net of unamortized discounts of \$905,997</b>		<b>694,003</b>
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<b>TOTAL LIABILITIES</b>		<b>2,046,054</b>
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**COMMITMENTS AND CONTINGENCIES****Stockholders' Deficit:**

<b>Preferred Stock, \$.01 par value; 10,000,000 shares authorized; no shares issued and outstanding</b>		<b>-</b>
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Common Stock, \$.001 par value; 25,000,000 shares  
authorized;

8,915,907 shares issued and outstanding 8,916

Additional Paid-In-Capital 24,355,224

Prepaid Interest - 8% Convertible Notes (86,400)

Deferred Finance Costs (1,089,859)

Deficit Accumulated in the Development Stage (24,597,531)

Total Stockholders' Deficit (1,409,650)

**TOTAL LIABILITIES AND STOCKHOLDERS'  
DEFICIT**

\$ 636,404

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

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**BIOMETRX, INC. AND SUBSIDIARIES**  
*(A Development Stage Company)*  
**CONSOLIDATED STATEMENT OF OPERATIONS**

	For the Year Ended December 31, 2006	For the Year Ended December 31, 2005	For the Period February 1, 2001 (Inception) to December 31, 2006
<b>REVENUES</b>	\$ -	\$ -	\$ -
<b>Costs and Expenses:</b>			
General and Administrative Expenses	12,673,521	11,074,632	25,167,846
Research and Development Expenses	658,879	361,490	1,178,045
Contract Buyouts Issued In Stock	-	356,000	356,000
Settlement of Threatened Litigation	-	368,750	368,750
<b>Total Costs and Expenses</b>	<b>13,332,400</b>	<b>12,160,872</b>	<b>27,070,641</b>
<b>Loss before Other Income (Expense)</b>	<b>(13,332,400)</b>	<b>(12,160,872)</b>	<b>(27,070,641)</b>
<b>Other Income (Expense)</b>			
<b>Value of Common Stock and Options</b>			
Cancelled	2,600,000	-	2,600,000
Interest Expense	(104,356)	(7,012)	(111,368)
Unrealized Loss on Marketable Securities	(461)	(6,085)	(6,547)
<b>Total Other Income (Expense)</b>	<b>2,495,183</b>	<b>(13,097)</b>	<b>2,482,085</b>
<b>Net Loss</b>	<b>(10,837,218)</b>	<b>(12,173,969)</b>	<b>(24,588,556)</b>
<b>Preferred Stock Dividend</b>	<b>(8,975)</b>	<b>-</b>	<b>(8,975)</b>
<b>Net Loss Attributable to Common Shareholders</b>	<b>\$ (10,846,193)</b>	<b>\$ (12,173,969)</b>	<b>\$ (24,597,531)</b>
<b>Weighted Average Common Shares - Outstanding</b>	<b>7,605,851</b>	<b>4,026,446</b>	
<b>Net Loss per Common Share (Basic and Diluted)</b>	<b>\$ (1.43)</b>	<b>\$ (3.02)</b>	

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

**BIOMETRX INC. AND SUBSIDIARIES**  
*(A Development Stage Company)*  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	FOR THE YEAR ENDED DECEMBER 31, 2006	FOR THE YEAR ENDED DECEMBER 31, 2005	FOR THE PERIOD FEBRUARY 1, 2001 (INCEPTION) TO DECEMBER 31, 2006
<b>Cash Flows from Operating Activities:</b>			
Net Loss	\$ (10,837,218)	\$ (12,173,969)	\$ (24,588,556)
Adjustment to reconcile net loss to net cash used in operating activities:			
<b>Non-Cash Item adjustments:</b>			
Compensatory Element of Stock and Warrant Issuances			
	7,573,591	10,072,501	17,958,592
Liquidated Damages paid by Issuance of Forbearance Notes			
	387,437	-	387,437
Amortization of Deferred Finance Costs			
	694,436	201,736	1,002,421
Depreciation			
	3,999	-	3,999
Unrealized Loss on Marketable Securities			
	461	6,085	6,547
<b>Change in Operating Assets and Liabilities:</b>			
(Increase) Decrease in Prepaid Expenses			
	41,989	(59,150)	(17,161)
(Increase) in Inventories			
	(423,853)	-	(423,853)
(Increase) in Deposits on Inventory			
	(57,197)	-	(57,197)
(Increase) in Security Deposits			
	(509)	(16,536)	(17,045)
Increase in Accounts Payable			
	285,406	-	285,406
Increase (Decrease) in Accrued Liabilities			
	52,759	(38,929)	125,838
Increase (Decrease) in Accrued Settlement of Threatened Litigation			
	(368,750)	368,750	-
Increase in Accrued Payroll - Related Parties			
	-	180,000	960,000
Net Cash Used in Operating Activities			
	(2,647,449)	(1,459,512)	(4,373,572)
<b>Cash Flows from Investing Activities:</b>			
Capital Expenditures			
	(95,813)	-	(95,813)
Net Cash Used in Investing Activities			
	(95,813)	-	(95,813)
<b>Cash Flows from Financing Activities:</b>			
Restricted Cash			
	66,427	(96,427)	(30,000)
Proceeds of Loans			
	-	-	25,000
Proceeds from Issuance of 8% Convertible Notes			
	950,000	-	950,000

<b>Proceeds from Issuance of Notes Payable</b>	<b>755,000</b>		<b>755,000</b>
<b>Advances to Stockholder/Officer</b>	<b>-</b>	<b>(79,570)</b>	<b>(381,598)</b>
<b>Proceeds from Issuance of Preferred Stock</b>	<b>650,000</b>	<b>-</b>	<b>650,000</b>
<b>Repayment of Related Party Loans</b>	<b>-</b>	<b>(109,736)</b>	<b>(109,736)</b>
<b>Advances to Employee</b>	<b>3,000</b>	<b>(3,000)</b>	<b>-</b>
<b>Repayments of Loans</b>	<b>-</b>	<b>-</b>	<b>(25,000)</b>
<b>Deferred Finance Costs</b>	<b>(155,000)</b>	<b>-</b>	<b>(155,000)</b>
<b>Proceeds from Issuances of Common Stock</b>	<b>342,000</b>	<b>2,125,000</b>	<b>3,066,750</b>
<b>Commissions Paid on Sales of Common Stock</b>	<b>(37,200)</b>	<b>(223,750)</b>	<b>(260,950)</b>
<b>Net Cash Provided by Financing Activities</b>	<b>2,574,227</b>	<b>1,612,517</b>	<b>4,484,466</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(169,035)</b>	<b>153,005</b>	<b>15,081</b>
<b>Cash, Beginning</b>	<b>184,116</b>	<b>31,111</b>	<b>-</b>
<b>Cash, Ending</b>	<b>\$ 15,081</b>	<b>\$ 184,116</b>	<b>\$ 15,081</b>

**Supplemental Cash Flow Information:****Cash Paid During the Period for:**

<b>Interest</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,012</b>
<b>Income Taxes</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

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

**Supplemental Disclosures of Cash Flow Information:****Non Cash Financing Activities:**

<b>Common Stock Issued as Commissions on Sale of Common Stock</b>	<b>\$ 431,706</b>	<b>\$ 725,668</b>	<b>\$ 1,600,624</b>
<b>Accrued Commissions on Sales of Common Stock</b>	<b>\$ -</b>	<b>\$ 224,783</b>	<b>\$ 224,783</b>
<b>Common Stock Issued as payment of Accrued Commissions Payable</b>	<b>\$ 224,783</b>	<b>\$ -</b>	<b>\$ 224,783</b>
<b>Issuance of Common Stock as Payment of Accrued Officers' Salaries</b>	<b>\$ 310,000</b>	<b>\$ 470,000</b>	<b>\$ 160,000</b>
<b>Issuance of Common Stock - Deferred Finance Costs</b>	<b>\$ 2,248,354</b>	<b>\$ -</b>	<b>\$ 2,248,354</b>
<b>Issuance of Common Stock - Deferred Compensation</b>		<b>\$ 390,000</b>	<b>\$ 390,000</b>
<b>Application of Loans Receivable - Officer Against Accrued Compensation</b>	<b>\$ 201,598</b>	<b>\$ -</b>	<b>\$ 851,598</b>
<b>Common Stock Issued as Penalty Shares for Non-Registration</b>	<b>\$ 674,175</b>	<b>\$ 629,000</b>	<b>\$ 1,303,175</b>
<b>Common Stock Issued as Prepaid Interest on 8% Convertible Notes</b>	<b>\$ 172,800</b>	<b>\$ -</b>	<b>\$ 172,800</b>
<b>Issuance of Convertible Forbearance Notes in connection with Liquidated Damages</b>	<b>\$ 387,439</b>	<b>\$ -</b>	<b>\$ 387,439</b>
<b>Beneficial Conversion Feature of Convertible Forbearance Notes</b>	<b>\$ 387,439</b>	<b>\$ -</b>	<b>\$ 387,439</b>
<b>Cashless Exercise of Stock Options - Related Party</b>	<b>\$ 250,000</b>	<b>\$ -</b>	<b>\$ 250,000</b>
<b>Accrued Deferred Finance Costs</b>	<b>\$ 67,948</b>	<b>\$ -</b>	<b>\$ 67,948</b>
<b>Deferred Finance Costs on the Issuance of Warrants</b>		<b>\$ -</b>	<b>\$ -</b>
<b>Preferred Stock Dividend</b>	<b>\$ 8,975</b>	<b>\$ -</b>	<b>\$ 8,975</b>
<b>Issuance of Common Stock as Payment of Accrued Expenses</b>		<b>\$ 1,825,000</b>	<b>\$ 1,825,000.00</b>
<b>Issuance of Common Stock as Payment of Accrued Settlement of Threatened Litigation</b>	<b>\$ 368,750</b>	<b>\$ -</b>	<b>\$ -</b>

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

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**BIOMETRX, INC. AND SUBSIDIARIES**  
*(A Development Stage Company)*  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)**  
**FOR THE PERIOD FEBRUARY 1, 2001 (INCEPTION) TO DECEMBER 31, 2006**

	Preferred Stock Shares	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Deferre Compensation	Prepaid Interest 8% Notes	Deferre Costs	Deficit Accumulated During the Development Stage	Total
<b>BALANCE, FEBRUARY 1, 2001</b>			-	-	-	-	-	-	-
<b>Shares issued at December 31, 2001 pursuant to initial capitalization</b>		1,500,000	1,500	-	-			-	1,500
<b>Common Stock issued for services valued at \$1.00 per share.</b>		275,000	275	274,725	-			-	275,000
<b>Net loss for the period ended December 31, 2002</b>			-	-	-			(275,046)	(275,046)
<b>BALANCE, December 31, 2001</b>		1,775,000	1,775	274,725	-	-	-	(275,046)	1,454
<b>Common Stock issued at \$1.00 per share.</b>		5,000	5	4,995	-			-	5,000
<b>Net loss for the period ended December 31, 2003</b>			-	-	-			(7,573)	(7,573)
<b>BALANCE, December 31, 2002</b>		1,780,000	1,780	279,720	-	-	-	(282,619)	(1,119)
<b>Common Stock issued at \$1.00 per share.</b>		231,250	231	231,019	-			-	231,250
<b>Common Stock issued for services.</b>		75,000	75	149,925	(112,500)			-	37,500
<b>Common Stock issued as commissions</b>		129,500	130	129,370	-			-	129,500



on sales of common  
stock.

				(129,500)				(129,500)
<b>Amortization of deferred compensation.</b>	-	-	-	<b>47,917</b>			-	<b>47,917</b>
<b>Net loss for the period ended December 31, 2003</b>	-	-	-	-			(526,536)	(526,536)
<b>BALANCE, December 31, 2003</b>	<b>2,215,750</b>	<b>2,216</b>	<b>660,534</b>	<b>(64,583)</b>	-	-	<b>(809,155)</b>	<b>(210,988)</b>

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**BIOMETRX TECHNOLOGIES, INC.**  
*(A Development Stage Company)*  
**STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT) - (continued)**  
**FOR THE PERIOD FEBRUARY 1, 2001 (INCEPTION) TO DECEMBER 31, 2006**

	Preferred Stock Shares	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Deferred Compensation	Prepaid Interest 8% Deferred Conversion Notes	Deficit Accumulated During the Development Stage	Total
Common Stock issued \$1.00 per share.		27,000	\$ 27	\$ 26,974	-	\$ -	\$ -	27,001
Common Stock issued \$4.00 per share.		83,750	84	334,916	-	-	-	335,000
Common Stock issued as commissions on sales of common stock valued at \$1.00 per share		8,750	9	8,741				8,750
				(8,750)				(8,750)
Common Stock issued as commissions on sales of common stock valued at \$4.00 per share		50,000	50	199,950	-	-	-	200,000
				(200,000)				(200,000)
Amortization of deferred compensation.		-	-	-	58,333			58,333
Net loss for the period ended December 31, 2004		-	-	-			(768,214)	(768,214)
<b>BALANCE, December 31, 2004</b>		<b>2,385,250</b>	<b>2,386</b>	<b>1,022,365</b>	<b>(6,250)</b>	<b>-</b>	<b>(1,577,369)</b>	<b>(558,868)</b>
Common Stock issued \$.40 per share upon exercise of stock options.		18,750	19	7,481				7,500
Common Stock issued \$1.60 per share.		125,000	125	199,875	-	-	-	200,000
Common Stock issued \$2.00 per		37,500	37	74,963	-	-	-	75,000

share.

<b>Common Stock issued \$4.00 per share.</b>	<b>26,250</b>	<b>26</b>	<b>104,974</b>	<b>-</b>	<b>-</b>	<b>105,000</b>
<b>Common Stock issued for Services valued at \$4.00 per share</b>	<b>25,000</b>	<b>25</b>	<b>99,975</b>			<b>100,000</b>
<b>Common Stock issued for Services valued at \$4.00 per share</b>	<b>125,000</b>	<b>125</b>	<b>499,875</b>			<b>500,000</b>
<b>Common Stock issued for Services valued at \$4.00 per share</b>	<b>17,500</b>	<b>18</b>	<b>69,982</b>			<b>70,000</b>
<b>Common Stock issued for Services valued at \$4.00 per share</b>	<b>28,125</b>	<b>28</b>	<b>112,472</b>			<b>112,500</b>
<b>Common Stock issued for Services valued at \$1.00 per share</b>	<b>10,000</b>	<b>10</b>	<b>9,990</b>			<b>10,000</b>
<b>Common Stock issued for Services valued at \$3.56 per share</b>	<b>100,000</b>	<b>100</b>	<b>355,900</b>			<b>356,000</b>
<b>Common Stock issued for Services valued at \$5.20 per share</b>	<b>62,500</b>	<b>63</b>	<b>324,937</b>			<b>325,000</b>
<b>Issuance of Common Stock purchase options for services - Related Party</b>	<b>-</b>	<b>-</b>	<b>4,725,000</b>			<b>4,725,000</b>
<b>Common Stock issued \$.40 per share upon exercise of stock options - Related Party</b>	<b>31,250</b>	<b>31</b>	<b>12,469</b>	<b>-</b>	<b>-</b>	<b>12,500</b>
<b>Common Stock issued \$.80 per share - Related Party</b>	<b>562,500</b>	<b>563</b>	<b>449,437</b>	<b>-</b>	<b>-</b>	<b>450,000</b>
<b>Common Stock issued \$.80 per share upon exercise of stock warrants - Related Party</b>	<b>281,250</b>	<b>281</b>	<b>224,719</b>			<b>225,000</b>

<b>Common Stock issued \$2.00 per share - Related Party</b>	<b>175,000</b>	<b>175</b>	<b>349,825</b>	<b>-</b>	<b>-</b>	<b>350,000</b>
<b>Common Stock issued \$3.00 per share - Related Party</b>	<b>233,334</b>	<b>233</b>	<b>699,767</b>	<b>-</b>	<b>-</b>	<b>700,000</b>
<b>Common Stock issued for Services valued at \$11.00 per share - Related Party</b>	<b>187,500</b>	<b>187</b>	<b>2,062,313</b>		<b>-</b>	<b>2,062,500</b>
<b>Common Stock issued for Services valued at \$4.00 per share - Related Party</b>	<b>181,250</b>	<b>181</b>	<b>724,819</b>			<b>725,000</b>
<b>Common Stock issued as consideration for Accrued Salaries valued at \$2.00 per share - Related Party</b>	<b>235,000</b>	<b>235</b>	<b>469,765</b>			<b>470,000</b>

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**BIOMETRX TECHNOLOGIES, INC.**  
*(A Development Stage Company)*  
**STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT) - (continued)**  
**FOR THE PERIOD FEBRUARY 1, 2001 (INCEPTION) TO DECEMBER 31, 2006**

	Preferred Stock Shares	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Deferred Compensation	Prepaid Interest 8/2/06 Deferred Conversion Notes Costs	Deficit Accumulated During the Development Stage	Total
Common Stock issued as commissions on sales of common stock valued at \$4.40 per share		164,924	165	725,500	-	-	-	725,665
				(725,665)	-	-	-	(725,665)
Effect of recapitalization due to reverse merger		810,031	810	(319,804)				(318,994)
Penalty shares issued to Related Party in connection with non-registration valued at \$4.80 per share		25,000	25	119,975				120,000
Penalty shares issued to Related Party in connection with non-registration valued at \$4.80 per share		25,000	25	119,975				120,000
Penalty shares issued to Related Party in connection with non-registration valued at \$3.20 per share		25,000	25	79,975				80,000
Penalty shares issued to Related		25,000	25	198,975				199,000

<b>Party in connection with non-registration valued at \$7.96 per share</b>						
<b>Penalty shares issued to Related Party in connection with non-registration valued at \$4.40 per share</b>	<b>25,000</b>	<b>25</b>	<b>109,975</b>			<b>110,000</b>
<b>Issuance of 25,000 Common Stock purchase options for services - Related Party</b>			<b>180,000</b>	<b>(180,000)</b>		<b>-</b>
<b>Issuance of 18,750 Common Stock purchase options for services - Related Party</b>			<b>157,500</b>	<b>(105,000)</b>		<b>52,500</b>
<b>Issuance of 18,750 Common Stock purchase options for services - Related Party</b>			<b>157,500</b>	<b>(105,000)</b>		<b>52,500</b>
<b>Issuance of 62,500 Common Stock purchase options for services</b>			<b>252,500</b>			<b>252,500</b>
<b>Issuance of 25,000 Common Stock purchase options for services - Related Party</b>			<b>100,000</b>			<b>100,000</b>
<b>Amortization of deferred compensation.</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>201,736</b>	<b>-</b>	<b>201,736</b>
<b>Commissions paid on sales of common stock.</b>	<b>-</b>	<b>-</b>	<b>(223,750)</b>	<b>-</b>	<b>-</b>	<b>(223,750)</b>
<b>Commissions accrued on sale of Common Stock</b>			<b>(224,783)</b>			<b>(224,783)</b>
<b>Net loss for the period ended December 31, 2005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,173,969)</b>	<b>(12,173,969)</b>

<b>BALANCE, December 31, 2005</b>	-	-	<b>5,947,914</b>	<b>5,948</b>	<b>13,308,776</b>	(194,514)	-	-	(13,751,338)	(631,128)
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**BIOMETRX TECHNOLOGIES, INC.**  
*(A Development Stage Company)*  
**STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT) - (continued)**  
**FOR THE PERIOD FEBRUARY 1, 2001 (INCEPTION) TO DECEMBER 31, 2006**

	Preferred Stock Shares	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Deferred Compensation	Prepaid Interest 8% Convertible Notes	Deferred Financial Costs	Deficit Accumulated During the Development Stage	Total
Cashless Exercise of 250,000 common stock options @ \$.72 per share - Related Party		179,578	180	(180)					
Issuance of Common Stock pursuant to the 2005 Equity Incentive Plan - 44,250 shares @ \$2.90 per share - Related Parties.		44,250	44	128,281					128,325
Common Stock issued \$.80 per share upon exercise of stock warrants - Related Party		281,250	281	224,719					225,000
Effect of return of Shares of Common Stock and cancellation of Common Stock Options pursuant to a Termination Agreement - Related Party.		(62,500)	(63)	(2,359,342)					(2,359,405)
Issuance of Common Stock for Cash @ \$1.25 per share - Related Party		183,750	184	146,816					147,000
Issuance of Common Stock for Cash @		2,827	2	9,998					10,000



**\$3.54 per share.**

<b>Issuance of 100,000 Common Stock Purchase Options for Services @ \$.48.</b>			<b>47,500</b>		<b>47,500</b>
<b>Issuance of 100,000 Common Stock Purchase Options for Services @ \$.37.</b>			<b>37,200</b>		<b>37,200</b>
<b>Issuance of 100,000 Common Stock Purchase Options for Services @ \$.17.</b>			<b>17,100</b>		<b>17,100</b>
<b>Issuance of 18,250 Common Stock Purchase Options for Services @ \$1.37.</b>			<b>25,003</b>		<b>25,003</b>
<b>Common Stock issued for Services valued at \$3.50 per share - Related Party</b>	<b>250,000</b>	<b>250</b>	<b>874,750</b>		<b>875,000</b>
<b>Common Stock issued for Services valued at \$.85 per share - Related Party</b>	<b>100,000</b>	<b>100</b>	<b>84,900</b>		<b>85,000</b>
<b>Common Stock issued for Services valued at \$.80 per share - Related Party</b>	<b>150,000</b>	<b>150</b>	<b>119,850</b>		<b>120,000</b>
<b>Common Stock issued in connection with financing Notes Payable @ \$2.85 per share</b>	<b>25,000</b>	<b>25</b>	<b>71,225</b>	<b>(71,250)</b>	<b>-</b>
<b>Common Stock issued in connection with financing Notes Payable @ \$1.90 per share</b>	<b>320,000</b>	<b>320</b>	<b>607,680</b>	<b>(608,000)</b>	<b>-</b>
<b>Common Stock issued in connection with financing Notes Payable @ \$1.09 per share</b>	<b>160,000</b>	<b>160</b>	<b>174,240</b>	<b>(174,400)</b>	<b>-</b>
	<b>22,000</b>	<b>22</b>	<b>35,178</b>	<b>(35,200)</b>	<b>-</b>

**Common Stock  
issued in connection  
with financing Notes  
Payable @ \$1.60 per  
share**

**Common Stock  
issued for Services  
valued at \$6.00 per  
share**

<b>25,000</b>	<b>25</b>	<b>149,975</b>	<b>150,000</b>
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**BIOMETRX TECHNOLOGIES, INC.***(A Development Stage Company)***STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT) - (continued)  
FOR THE PERIOD FEBRUARY 1, 2001 (INCEPTION) TO DECEMBER 31, 2006**

	Preferred Stock Shares	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Deferred Compensation	Convertible Notes	8% Deferred Costs	Final Development Stage	Deficit Accumulated During the Development Stage	Total
Common Stock issued for Services valued at \$3.55 per share		20,000	20	70,980						71,000
Common Stock issued for Services valued at \$3.50 per share		180,000	180	629,820						630,000
Common Stock issued for Services valued at \$1.15 per share		25,000	25	28,725						28,750
Common Stock issued for Services valued at \$1.70 per share		25,000	25	42,475						42,500
Common Stock issued for Services valued at \$1.94 per share		25,000	25	48,475						48,500
Common Stock issued for Services valued at \$1.50 per share		115,000	115	172,385						172,500
Common Stock issued for Services valued at \$2.95 per share		75,000	75	221,175						221,250
Commissions paid on sales of common stock.				(37,200)						(37,200)
Commissions accrued on sale of Common Stock				(431,706)						(431,706)
Common Stock issued as commissions on sales of common stock valued at \$3.99 per share		164,637	165	656,324						656,489
Issuance of Common Stock purchase options valued @ \$3.83 for services - Related Party				4,788,813						4,788,813

<b>Penalty shares issued to Related Party in connection with non-registration valued at \$4.03 per share</b>	<b>25,000</b>	<b>25</b>	<b>100,725</b>	<b>100,750</b>
<b>Penalty shares issued to Related Party in connection with non-registration valued at \$3.80 per share</b>	<b>25,000</b>	<b>25</b>	<b>94,975</b>	<b>95,000</b>
<b>Penalty shares issued to Related Party in connection with non-registration valued at \$3.60 per share</b>	<b>25,000</b>	<b>25</b>	<b>89,975</b>	<b>90,000</b>
<b>Penalty shares issued to Related Party in connection with non-registration valued at \$3.00 per share</b>	<b>25,000</b>	<b>25</b>	<b>74,975</b>	<b>75,000</b>
<b>Penalty shares issued to Related Party in connection with non-registration valued at \$2.75 per share</b>	<b>25,000</b>	<b>25</b>	<b>68,725</b>	<b>68,750</b>
<b>Penalty shares issued to Related Party in connection with non-registration valued at \$1.90 per share</b>	<b>25,000</b>	<b>25</b>	<b>47,475</b>	<b>47,500</b>
<b>Penalty shares issued to Related Party in connection with non-registration valued at \$1.75 per share</b>	<b>25,000</b>	<b>25</b>	<b>43,725</b>	<b>43,750</b>
<b>Penalty shares issued to Related Party in connection with non-registration valued at \$1.50 per share</b>	<b>25,000</b>	<b>25</b>	<b>37,475</b>	<b>37,500</b>
<b>Penalty shares issued to Related Party in</b>	<b>25,000</b>	<b>25</b>	<b>34,975</b>	<b>35,000</b>

<b>connection with non-registration valued at \$1.40 per share</b>				
<b>Penalty shares issued to Related Party in connection with non-registration valued at \$1.35 per share</b>	<b>25,000</b>	<b>25</b>	<b>33,725</b>	<b>33,750</b>
<b>Penalty shares issued to Related Party in connection with non-registration valued at \$1.05 per share</b>	<b>25,000</b>	<b>25</b>	<b>27,225</b>	<b>27,250</b>
<b>Penalty shares issued to Related Party in connection with non-registration valued at \$0.80 per share</b>	<b>25,000</b>	<b>25</b>	<b>19,975</b>	<b>20,000</b>

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**BIOMETRX TECHNOLOGIES, INC.**  
***(A Development Stage Company)***  
**STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT) - (continued)**  
**FOR THE PERIOD FEBRUARY 1, 2001 (INCEPTION) TO DECEMBER 31, 2006**

	Preferred Stock Shares	Common Stock Amount	Common Stock Shares	Additional Paid In Capital	Deferred Compensation	Prepaid Interest 8% Convertible Notes	Deferred Finance Costs	Deficit Accumulated During the Development Stage
Issuance of Shares from Escrow to settle dispute of accrued expenses with pre-merger vendor.				67,948				
Common Stock issued in Settlement of Threatened Litigation @ \$2.95 per share.		125,000	125	368,625				
Common Stock issued as consideration for Accrued Salaries valued at \$2.00 per share - Related Party		54,201	54	108,348				
Common Stock issued as Prepaid Interest on 8% Convertible Notes @ \$1.35 per share.		128,000	128	172,672	(172,800)			
Finder's Fees paid on sale of Preferred				(147,500)		(28,500)		

**Stock**

**Common  
Stock issued as  
Finder's Fees  
on the sale of  
Preferred  
Stock valued  
at \$1.30 per  
share.**

**50,000      50      64,950**

**Common  
Stock  
purchase  
warrants  
issued as  
payment of  
placement  
fees.**

**182,716      (182,716)**

**Beneficial  
Conversion  
Feature of  
common stock  
purchase  
warrants  
issued relative  
to 8%**

**Convertible  
Notes.**

**1,217,392**

**Beneficial  
Conversion  
Feature of  
Convertible  
Forbearance  
Notes.**

**387,437**

**Issuance of  
Preferred  
Stock in  
conjunction  
with a Private  
Placement.**

**650,000      6,500      643,500**

**Conversion of  
Preferred  
Stock to 8%  
Convertible  
Notes in  
conjunction**

**(650,000)      (6,500)      (643,500)**

with an  
Exchange  
Agreement.

Preferred Dividend accrued	8,975	(8,975)
Issuance of Common Stock purchase options for services @ \$3.53 per share - Related Party	882,051	
Issuance of Common Stock purchase options for services @ \$.192 per share - Related Party	19,200	
Issuance of Common Stock purchase options for services @ \$.178 per share - Related Party	35,600	
Issuance of Common Stock purchase options for services @ \$.122 per share - Related Party	24,400	
Issuance of Common Stock purchase options for services @ \$.085 per	17,000	



share - Related  
Party

Issuance of  
Common  
Stock  
purchase  
options related  
to deferred  
financing costs  
@ \$.367 per  
share.

146,800

(146,800)

Issuance of  
Common  
Stock  
purchase  
options related  
to deferred  
financing costs  
@ \$.784 per  
share.

43,120

(43,120)

Issuance of  
Common  
Stock  
purchase  
warrants  
related to  
deferred  
financing costs  
@ \$1.895 per  
share.

187,606

(187,606)

Financing  
Costs Related  
to Issuance of  
8%  
Convertible  
Notes

(107,500)

Amortization  
of deferred  
compensation.

194,514

Amortization  
of deferred  
finance costs.

495,233

Amortization  
of prepaid  
interest - 8%  
convertible  
debentures

86,400

**CURRENT  
PERIOD  
LOSS**

(10,837,218) (10

**BALANCE,  
December 31,  
2006**

- \$ - 8,915,907 \$ 8,916 \$ 24,355,224 \$ - \$ (86,400) \$ (1,089,859) \$ (24,597,531) \$ (1

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**BIOMETRX, INC. AND SUBSIDIARIES**  
*(A Development Stage Company)*  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 1. Description of Business and Nature of Operations**

**Description of Business**

The Company was incorporated with the name “M2 extreme Sports Centers, Inc” in the State of Delaware on February 1, 2001. On November 8, 2001 the Company’s Certificate of Incorporation was amended to change the Company’s name to “Biostat Technologies S.P.A., Inc”.

On April 1, 2002 the Company’s certificate of Incorporation was amended to:

1. Change the Company’s name to bioMETRX Technologies, Inc.
2. Increase the total number of shares that the corporation is authorized to issue to 10,000,000 common shares, each with a par value of \$0.01.
3. Authorize a 4000 to 1 split of the then outstanding common shares.

In December 2004, the Board of Directors authorized an increase of the Company’s common stock from 10,000,000 to 20,000,000 shares, each having a par value of \$0.001.

On May 27, 2005, we completed the merger (“Merger”) of Marketshare Merger Sub, Inc., (“Merger Sub”) a wholly owned subsidiary of Marketshare Recovery, Inc. (“Marketshare”) with bioMETRX Technologies, Inc. a Delaware corporation (“bioMETRX Technologies”) pursuant to the Agreement and Plan of Merger dated April 27, 2005, by and among the Company, Merger Sub and bioMETRX Technologies (“Merger Agreement”). bioMETRX Technologies is a development stage company that is engaged in the development of biometrics-based products for the home security and electronics market, including biometrically enabled residential door locks, central station alarm keypads, thermostats and garage/gate openers.

On June 1, 2005 bioMETRX Technologies merged with and into Merger Sub. The merger was treated as a reorganization of bioMETRX Technologies (reverse merger) for accounting purposes pursuant to which bioMETRX Technologies is treated as the continuing entity although Marketshare is the legal acquirer. The aggregate amount of shares of Marketshare common stock issued to the shareholders of bioMETRX Technologies pursuant to the merger represented approximately 90% of Marketshare’s issued and outstanding common stock after the merger and related cancellation of outstanding shares by certain former insiders.

The merger was accounted for as a reverse merger, which is effectively a recapitalization of the target company (bioMETRX Technologies) and the consolidated financial statements presented are those of bioMETRX Technologies.

On September 30, 2005 the Company formed two subsidiary companies, smartTOUCH Medical, Inc and smartTOUCH Security, Inc. The two subsidiaries were incorporated in the State of Delaware. smartTOUCH Security, Inc tests and markets the Company’s biometrically secured garage door openers, thermostats, deadbolts and home alarm keypads. smartTOUCH Medical, Inc designs, tests and markets biometrically secured medical crash carts, rolling medicine carts, portable patient medical information devices and, security and retrieval systems for electronic medical records.

On October 10, 2005 Marketshare changed its name to bioMETRX, Inc. bioMETRX, Inc. and its subsidiaries are hereinafter referred to as “the Company”.



**BIOMETRX, INC. AND SUBSIDIARIES**  
*(A Development Stage Company)*  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 1. Description of Business and Nature of Operations (Continued)**

**Nature of Operations**

Founded in 2001, the Company is focused on developing simple-to-use, cost-efficient finger print activation products under the trade name SmartTOUCHÔ. The Company's engineers and manufactures biometrically enabled security products. These products utilize fingerprint recognition technology designed to augment or replace conventional security methods such as keys, keypads, and PIN numbers.

The Company operates its business through three (3) wholly owned subsidiaries, bioMETRX Technologies Inc., which conducts the product engineering and design, smartTOUCH Consumer Products, Inc., the consumer-based marketing and sales group and smartTOUCH Medical, Inc. which will market medical information and products. The Company's executive offices are located in Jericho, New York.

**Note 2 - Basis of Presentation**

The Company is a development stage company with no revenues and has incurred net losses of \$10,837,218 and \$12,173,969 during the years ended December 31, 2006 and 2005 respectively. In addition, the Company has a working capital deficiency of \$1,139,793 and a stockholders' deficiency of \$1,739,488 at December 31, 2006. These factors raises substantial doubt about the Company's ability to continue as a going concern.

There can be no assurance that sufficient funds required during the next year or thereafter will be generated from operations or that funds will be available from external sources such as debt or equity financings or other potential sources. The lack of additional capital resulting from the Company's inability to generate cash flow or to raise capital from external sources would force it to substantially curtail or cease operations and would, therefore, have a material adverse effect of its business. Furthermore, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will have a significant dilutive effect on the Company's existing stockholders.

The company plans to address its lack of liquidity by raising additional funds, either in the form of debt or equity, or some combination thereof and exiting the development stage..

There can be no assurances that the Company will be able to raise the additional funds it requires or exit the development stage.

The accompanying consolidated financial statements do not include any adjustments related to the recoverability or classification of asset-carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

**Note 3 - Summary of Significant Accounting Policies**

**Principles of Consolidation**

The consolidated financial statements include the accounts of bioMETRX, Inc and all of its wholly-owned subsidiaries. Such subsidiaries are bioMETRX Technologies, Inc., smartTOUCH Medical Inc. and smartTOUCH Consumer Products, Inc. All significant inter-company accounts and transactions have been eliminated in consolidation.



**BIOMETRX, INC. AND SUBSIDIARIES**  
*(A Development Stage Company)*  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 3 - Summary of Significant Accounting Policies (Continued)**

**Revenue Recognition**

For revenue from product sales, the Company will recognize revenue in accordance with Staff Accounting Bulletin No. 104, "Revenue Recognition" (SAB No. 104"), which superseded Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB No. 101"). SAB No. 104 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectibility is reasonably assured. Determination of criteria (3) and (4) are based on management's judgment regarding the fixed nature of the selling prices of the products delivered and the collectibility of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments will be provided for in the same period and related sales are recorded.

**Cash and Cash Equivalents**

The Company considers all liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents.

**Inventories**

Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventories at December 31, 2006 consist of raw materials.

**Debt Issuance Costs**

Debt issuance costs are amortized over the lives of the related debt.

**Property and equipment**

Property and equipment consist of office equipment and is stated at cost less accumulated depreciation and amortization. Depreciation and amortization is determined by using the straight-line method over the estimated useful lives of the related assets, generally five to seven years.

**Stock Based Compensation**

The Company follows the provisions of Statement of Financial Accounting Standards No. 123R, Share-Based Payment (SFAS 123R), which revised SFAS 123, Accounting for Stock-Based Compensation and supersedes Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25). SFAS 123R requires that new, modified and unvested share-based payment transactions with employees, such as stock options and restricted stock, be recognized in the financial statements based on their fair value and recognized as compensation expense over the requisite service period. The Company adopted SFAS 123R effective January 1, 2006.

Prior to the adoptions of SFAS 123(R), stock-based compensation expense related to employee stock options was not recognized in the statement of operations if the exercise price was at least equal to the market value of the common stock on the grant date, in accordance with Accounting Principles Board Option No. 25, "Accounting for Stock Issued

to Employees.” Prior to January 1, 2006, the Company followed the disclosure-only provisions under SFAS 148. As of January 1, 2005, all outstanding employee options were vested and therefore would have been no impact on compensation costs for the Company’s stock options during the 2005 period utilizing the fair value method set forth in SFAS 123(R).

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**BIOMETRX, INC. AND SUBSIDIARIES**  
*(A Development Stage Company)*  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 3 - Summary of Significant Accounting Policies (Continued)**

During 2006, options were awarded to officers, employees and consultants of the Company. The fair value of the options at the dates of grant were calculated using the Black-Scholes fair value based method using the following assumptions (expected life -2-5 years; interest rate - 3.10% to 5.00%; annual rate of dividends - 0%; and volatility - 48% to 158%).

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models may not necessarily provide a reliable single measure of the fair value of its employee stock options.

**Fair Value of Financial Instruments**

The carrying amounts of cash, accounts payable, accrued liabilities and other current liabilities approximates fair value because of the immediate or short term maturity of these financial instruments.

**Advertising and Marketing Expenses**

The costs of advertising and marketing expenses are expensed as incurred. Advertising and marketing expenses for the years December 31, 2006 and 2005 were \$1,000 and \$8,750 respectively

**Research and Development**

Research and development costs are expensed as incurred. Research and development costs amounted to \$658,879 and \$361,490 for the years ended December 31, 2006 and 2005, respectively.

**Use of Estimates**

The preparation of 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates relate to ultimate revenue and costs for investments in research and development, design engineering, property and equipment and intangible assets. Actual results differ from those estimates.

**Reclassifications**

Certain items in these consolidated financial statements have been reclassified to conform to the current period presentation.

**Income Taxes**

The Company accounts for income taxes under the asset and liability method using the SFAS No. 109 “Accounting for Income Taxes”. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable

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**BIOMETRX, INC. AND SUBSIDIARIES**  
*(A Development Stage Company)*  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 3 - Summary of Significant Accounting Policies (Continued)**

income in the years in which those temporary differences are expected to apply to taxable income to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The tax effects of temporary differences that gave rise to the deferred tax assets and deferred tax liabilities at December 31, 2006 and 2005 were primarily attributable to net operating loss carry forwards. Since the Company has a history of losses a full valuation allowance has been established. In addition, utilization of net operating loss carry-forwards are subject to a substantial annual limitation due to the "Change in Ownership" provisions of the Internal Revenue Code. The annual limitation may result in the expiration of net operating loss carry-forwards before utilization.

**Loss per Share**

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. The common stock issued and outstanding with respect to the pre-merger Marketshare stockholders has been included since January 1, 2004. Diluted loss per common share is the same as basic loss per share, as the effect of potentially dilutive securities (7,001,495 and 850,495 in 2006 and 2005 respectively inclusive of all potential convertible shares, warrants and options) are anti-dilutive.

**Recently Issued Accounting Pronouncements.**

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157). SFAS 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in generally accepted accounting principles more consistent and comparable. SFAS 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. SFAS 157 is effective for the Company's year end 2008, although early adoption is permitted. The Company is assessing the potential effect of SFAS 157 on its financial statements.

**Note 4 - Property and Equipment**

Property and equipment at December 31, 2006 consist of the following:

Office Equipment	\$ 32,558
Tooling and Dies	63,255
	95,813
Less: Accumulated Depreciation	3,999
	\$ 91,814

**Note 5 - Notes Payable**

Notes payable at December 31, 2006 consist of the following:

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Notes payable to private investors; bearing interest at 10% per annum and due March 15, 2007 (see Note 7)	\$ 700,000
Notes payable to private investors; bearing interest at 10% per annum and due March 30, 2007 (see Note 7)	55,000
	\$ 755,000

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**BIOMETRX, INC. AND SUBSIDIARIES**

*(A Development Stage Company)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 6 - Convertible Notes**

On June 29, 2006, the Company entered into a Securities Purchase Agreement, with four investors relating to the issuance and sale, in a private placement exempt from the registration requirements of the Securities Act of 1933, as amended, of units (the "Units") consisting of 8% Convertible Notes in the principal amount of \$950,000 ("Notes"), Series A Common Stock Purchase Warrants ("A Warrants") and Series B Common Stock Purchase Warrants ("B Warrants"). In addition, the company entered into an Exchange Agreement with the two investors who purchased \$650,000 of the Preferred Stock Units, previously reported on Form 8-K dated April 28, 2006 whereby the Company agreed to issue the Units in exchange for the return and cancellation of the previously issued Preferred Stock Units. Accordingly, at closing the Company issued its 8% Convertible Notes in the aggregate principal amount of \$1,600,000, 1,600,000 A Warrants and 800,000 B Warrants to the Investors. The Company also issued an aggregate of 128,000 shares of its common stock valued at \$172,800 to the investors representing one year's of prepaid interest on the Notes.

The Notes mature 24 months from the closing. The Notes are convertible at the option of the holder into the Company's common stock at the rate of \$1.00 per share. The Notes are mandatorily convertible into the Company's common stock if the closing bid price of the Company's common stock is above \$2.50 per share for ten (10) consecutive trading days and if the daily volume for the same period exceeds 100,000 shares per day. The Company may redeem the Notes for 125% of the principal amount of the Note together with all accrued and unpaid interest provided that (i) an event of default has not occurred, and (ii) an effective registration statement covering the shares underlying the Note exists.

Each A Warrant entitles the holder to purchase one share of the Company's common stock at an exercise price of \$1.75 per share commencing on the date of issuance and expiring at the close of business on the fifth anniversary of the issuance date. Each B Warrant entitles the holder to purchase one share of the Company's common stock at an exercise price of \$.10 per share commencing 181 days after issuance and expiring at the close of business on the fifth anniversary of the initial exercise date. Notwithstanding the foregoing if the Company provides the holder of a B Warrant with validation and acknowledgement, in the form of bona fide purchase order demonstrating that at least \$1,000,000 of the Company's products have been ordered, other than its initial order from a national retailer in the amount of approximately 23,000 garage door opening units, within 181 days after the date of the Securities Purchase Agreement, the B Warrants shall automatically terminate. The Company did not receive this purchase order. Both the A and B Warrants contain provisions that protect the holder against dilution by adjustment of the exercise price in certain events including, but not limited to, stock dividends, stock splits, reclassifications, or mergers.

Pursuant to the Selling Agent Letter Agreement between the Company and the Selling Agent, the Selling Agent was paid a cash fee of \$95,000 (10% of the aggregate purchase price of the Units sold to the subscribers) in addition to the \$75,000 it received, inclusive of \$10,000 in expenses. The Company also issued the Selling Agent a warrant to purchase 160,000 shares of its common stock on the same terms as the A Warrants. Such warrant was valued at \$182,716 using the Black Scholes model. In addition, the Company paid \$15,000 to the Selling Agent's counsel and \$32,500 to its counsel.

The Company recorded a combined debt discount in the amount of \$1,215,200 to reflect the beneficial conversion feature of the convertible debt and the value of the warrants. The beneficial conversion feature, was recorded pursuant to Emerging Issues Task Force ("ETIF") 00-27: Application of EITF No. 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios," to certain convertible instruments. In accordance with EITF 00-27, the Company evaluated the value of the beneficial conversation feature and recorded this amount (\$207,200) as a reduction of the carrying amount of the convertible debt and as an addition to paid-in capital. Additionally, the fair value of the warrants (\$1,008,000) was calculated and recorded as a further

reduction to the carrying amount of the convertible debt and as addition to paid-in capital.

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**BIOMETRX, INC. AND SUBSIDIARIES**  
*(A Development Stage Company)*  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 6 - Convertible Notes (Continued)**

The Company is amortizing the discount over the term of the debt. Amortization of the debt discount for the year ended December 31, 2006 was \$309,203, and this amortization is recorded as interest expense for the value of the warrants and the value of the warrants and the value of the beneficial conversion feature.

As part of the Private Placement, the Company entered into a registration rights agreement (the "Registration Rights Agreement") with each subscriber who purchased Units in the Private Placement. Under the Registration Rights Agreement, the Company is obligated to file a registration statement (the "Registration Statement") on Form SB-2, relating to the resale by the holders of the Common Stock underlying the Notes, Warrants and Selling Agent Warrant. If such Registration Statement was not filed by July 14, 2006, or does not become effective within 90 days after closing, the Company has agreed to pay to the investors 1.5% of the gross proceeds of the offering for each month in which the Company fails to comply with such requirements. The Company did not file the Registration Statement by July 14, 2006 and therefore is accruing 1.5% (\$24,000) of the gross proceeds for each month the Company fails to file the Registration Statement. For the year ended December 31, 2006 the Company recorded \$144,000 as additional finance costs. In December 2006 the Company issued to the Convertible Noteholders Forebearance Notes in the amount of \$387,437 that included the \$144,000 liquidated damages.

The Company recorded a debt discount in the amount of \$387,437 to reflect the beneficial conversion feature of the forbearance convertible debt. The beneficial conversion feature, was recorded pursuant to Emerging Issues Task Force ("EITF")00-27 Application of EITF No. 98-5. "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios," to certain convertible instruments. In accordance with EITF 00-27, the Company evaluated the value of the beneficial conversion feature and recorded this amount as a reduction of the carrying amount of the convertible debt and as an addition to paid-in capital.

The company is amortizing the discount over the term of the debt. Amortization of the debt discount for the year ended December 31, 2006 was \$0.

On October 10, 2006 the Company amended the exercise price of the 1,600,000 Class A Warrants relating to the above referenced Private Placement from \$1.75 to \$1.00.

On September 21, 2006, the Company issued Jay Pitlake 50,000 shares of its common stock valued at \$65,000 as a finder's fee in connection with the sale of the convertible debentures.

**Note 7 - Stockholders' Deficit**

**Preferred Stock**

Our certificate of incorporation authorizes the issuance of up to 10,000,000 shares of \$.01 par value preferred stock, with such designation rights and preferences as may be determined from time to time by the Board of Directors. Our Board of Directors is empowered to, without shareholder approval, issue these shares of preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of our common stock. In the event of such issuances, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of our company.

## Common Stock

The Company was incorporated with the name “M2 Extreme Sports Centers, Inc.” in the State of Delaware on February 1, 2001. On November 8, 2001 the Company’s certificate of incorporation was amended to change its name to “Biostat Technologies S.P.A., Inc.” and 1,500,000 shares of no par common voting stock was issued to the sole shareholder for \$.001 per share.

On April 1, 2002 the certificate of Incorporation was amended to:

- 1) Change the corporation’s name to “Biometrx Technologies, Inc.”
- 2) Increase the total number of shares that the corporation is authorized to issue to 10,000,000 common shares, each with a par value of \$.001.
- 3) Authorize a 4000 to 1 split of then outstanding common shares.

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**BIOMETRX, INC. AND SUBSIDIARIES**

*(A Development Stage Company)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 7 - Stockholders' Deficit (Continued)**

**Common Stock (Continued)**

During December 2004, the Board of Directors authorized an increase of bioMETRX's common stock from 10,000,000 to 20,000,000 shares, each having a par value of \$.001.

On May 27, 2005, we completed the merger ("Merger") of Marketshare Merger Sub, Inc., ("Merger Sub") a wholly owned subsidiary of Marketshare Recovery, Inc. ("Marketshare") with bioMETRX Technologies, Inc. a Delaware corporation ("bioMETRX Technologies") pursuant to the Agreement and Plan of Merger dated April 27, 2005, by and among the Company, Merger Sub and bioMETRX Technologies ("Merger Agreement"). bioMETRX Technologies is a development stage company that is engaged in the development of biometrics-based products for the home security and electronics market, including biometrically enabled residential door locks, central station alarm keypads, thermostats and garage/gate openers.

On June 1, 2005 bioMETRX Technologies merged with and into Merger Sub. The merger was treated as a reorganization of bioMETRX Technologies (reverse merger) for accounting purposes pursuant to which bioMETRX Technologies is treated as the continuing entity although Marketshare is the legal acquirer. The consideration for the Merger was 3,554,606 restricted shares of MarketShare's common stock and the issuance of 45,507 Common Stock Purchase Warrants to the holders of corresponding instruments of bioMetrx Technologies. Simultaneously with the Merger, certain stockholders of MarketShare surrendered 552,130 shares of MarketShare's common stock which was cancelled and returned to the status of authorized and unissued. In addition, 75,000 shares of the MarketShare's common stock were deposited by these stockholders into escrow to cover contingent liabilities, if any. The aggregate amount of shares of Marketshare common stock issued to the shareholders of bioMETRX Technologies pursuant to the merger represented approximately 90% of Marketshare's issued and outstanding common stock after the merger and related cancellation of outstanding shares by certain former insiders.

The merger was accounted for as a reverse merger, which is effectively a recapitalization of the target company (bioMETRX Technologies) and the consolidated financial statements presented are those of bioMETRX, Inc. .

On March 14, 2006, the Company filed an amendment to its Certificate of Incorporation to effect a reverse split of all of the outstanding shares of its Common Stock at a ratio of one-for-four and increase the number of authorized shares of its Common Stock to 25,000,000 shares and decrease the par value of the Company's common stock to \$.001 per share. The Company's amended certificate of incorporation also authorized the issuance of up to 10,000,000 shares of \$.01 par value preferred stock, with such designation rights and preferences as may be determined from time to time by the Board of Directors.

At various stages in the Company's development, shares of the Company's common stock and common stock purchase warrants have been issued at fair market value in exchange for services or property received with a corresponding charge to operations, property and equipment or additional paid-in capital depending on the nature of the services provided or property received.

During November 2001 the Company issued 275,000 shares of common stock valued at \$275,000 (\$1.00 per share) for services rendered.

During December 2002 the Company sold 5,000 shares of common stock for \$5,000 (\$1.00 per share).

During 2003 the Company sold 231,250 shares of common stock for \$231,250 (\$1.00 per share).

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**BIOMETRX, INC. AND SUBSIDIARIES**

*(A Development Stage Company)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 7 - Stockholders' Deficit (Continued)**

**Common Stock (Continued)**

During 2003 the Company issued 75,000 shares of common stock valued at \$150,000 (\$2.00 per share) for services pursuant to consulting agreements.

During 2003 the Company issued 129,500 shares of common stock valued at \$129,500(\$1.00 per share) as commissions on sales of common stock.

During 2004 the Company sold 27,000 shares of common stock for \$27,000 (\$1.00per share).

During 2004 the Company sold 83,750 shares of common stock for \$335,000 (\$4.00 per share).

During 2004 the Company issued 8,750 shares of common stock valued at \$8,750 (\$1.00 per share) as commissions on sales of common stock.

In April 2005 the Company entered into a consulting agreement with Steven Horowitz and Arnold Kling, for general financial consulting services in connection with potential merger and fund raising activities. In connection with this agreement the Company issued 125,000 shares of common stock valued at \$4.00 per share. The Company recognized charges amounting to \$500,000 in the year ended December 31, 2005.

In 2005 the Company issued 175,000 shares of common stock valued at \$2.00 per share to Mark Basile/CEO for accrued payroll owed him. The Company issued 60,000 shares of common stock valued at \$2.00 cents per share to Steven Kang for accrued payroll owed him.

During 2005, the Company issued 18,750 shares of common stock for \$7,500, (\$.40 per share) upon exercise of stock options.

During 2005, the Company sold 125,000 shares of common stock for \$200,000, (\$1.60 per share).

During 2005, the Company sold 37,500 shares of common stock for \$75,000, (\$2.00 per share).

During 2005, the Company sold 26,250 shares of common stock for \$105,000, (\$4.00 per share).

During 2005, the Company issued 31,250 shares of common stock for \$12,500, (\$.40 per share) to a related party upon exercise of stock options.

In December 2005, the Company issued 281,250 shares of common stock for \$225,000, (\$.80 per share) to a related party upon exercise of stock warrants.

During 2005, the Company sold 175,000 shares of common stock for \$350,000, (\$2.00 per share) to a related party.

In July 2005, the Company sold 233,334 shares of common stock and 46,667 common stock purchase warrants, exercise price \$.75 per share, for \$700,000 (\$3.00 per share) to Russell Kuhn, a related party. Pursuant to the Subscription Agreement, the Company agreed to file with the Securities and Exchange Commission ("SEC") a

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Registration Statement covering the Shares. Such Registration Statement has not been filed by the Company and accordingly the Company has recorded 125,000 penalty shares. These penalty shares will continue to be issued at the rate of 25,000 shares per month until a Registration Statement has been filed with the SEC.

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**BIOMETRX, INC. AND SUBSIDIARIES**

*(A Development Stage Company)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 7 - Stockholders' Deficit (Continued)**

**Common Stock (Continued)**

During 2005, the Company issued 164,924 shares of common stock valued at \$725,665 (\$4.40 per share) as commissions on sales of common stock pursuant to a finder's fee agreement (see Note 7).

In September 2005, the Company entered into two one year consulting contracts with Steven Horowitz and Arnold Kling to provide general corporate services, and in connection therewith the Company issued 62,500 common stock purchase warrants valued at \$252,500 using the Black-Scholes pricing model. The warrants have an exercise price of \$2 and a term of 7 years.

In October 2005, in conjunction with the issuance of 562,500 shares of common stock valued at \$450,000 (\$.80 per share) to Russell Kuhn, a related party, the Company also issued to Mr. Kuhn, 60-day common stock purchase warrants to purchase an additional 562,500 shares at \$.80 per share. As of December 31, 2005, Mr. Kuhn exercised 281,250 options for gross proceeds of \$225,000 to the Company. In addition, the Board of Directors voted to extend the remaining options for another 30 days.

During 2005, the Company issued 125,000 shares of common stock valued at \$629,000 to a related party as a penalty for non registration of shares.

On July 5, 2005 the Company's Board of Directors resolved to the following common stock and stock option issuances:

- 125,000 shares of common stock to an officer valued at \$1,825,000.
- 187,500 common stock purchase options, exercise price \$2.00 per share, to an officer valued at \$2,362,500.
- 187,500 common stock purchase options, exercise price \$2.00 per share, to the Company's CEO valued at \$2,362,500.

In 2005 the Company issued 70,625 shares of common stock valued at \$282,500 (\$4 per share) for services.

In 2005 the Company issued 10,000 shares of common stock valued at \$10,000 (\$1 per share) for services.

In December 2005 the Company issued 100,000 shares of common stock valued at \$356,000 (\$3.56 per share) for contract buyout.

In November 2005 the Company issued 62,500 shares of common stock valued at \$325,000 (\$5.20 per share) for services.

During 2005 the Company sold 175,000 shares of common stock valued at \$350,000 (\$2 per share) to a related party to a consultant.

During 2005 the Company issued 181,250 shares of common stock valued at \$725,000 (\$4 per share) for services to a related party.

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**BIOMETRX, INC. AND SUBSIDIARIES**  
*(A Development Stage Company)*  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 7 - Stockholders' Deficit (Continued)**

**Common Stock (Continued)**

During the month of January 2006, Russell Kuhn ("Kuhn") provided \$147,000 to the Company, and the Company agreed to issue him 183,750 shares (\$.80 per share) of common stock. In addition, during February 2006, the Company issued to Kuhn 281,250 shares of common stock upon exercise of warrants with an exercise price of \$.80 per share for proceeds of \$225,000. In connection with this transaction, the Company paid a finder's fee to Harbor View of \$37,200 and accrued commissions payable to Harbor View of 102,300 shares of its common stock.

On February 8, 2006, the Company entered into a one (1) year consulting agreement with Kuhn, and issued him 250,000 shares of common stock valued at \$875,000 under the Company's 2005 Equity Incentive Plan. Pursuant to the agreement, Mr. Kuhn is to provide the Company with consulting services in connection with corporate finance relations and, introduce the Company to various lending sources, investments advisors, or other members of financial community with whom he has establishing relationships.

During February 2006, the Company entered into a one (1) year consulting agreement with Russell Kuhn, and issued him 250,000 shares of common stock valued at \$875,000 under the Company's 2005 Equity Incentive Plan. Pursuant to the agreement, Mr. Kuhn is to provide the Company with consulting services in connection with corporate finance relations and, introduce the Company to various lending sources, investment advisors, or other members of the financial community with whom he has established relationships.

On February 27, 2006, the Company issued 25,000 restricted shares of its common stock valued at \$150,000 to Empire Relations Group, Inc. pursuant to a consulting agreement between the Company and Empire Relations Group.

On March 21, 2006, Mr. Basile exercised 250,000 stock options at \$1.00 per share pursuant to his amended employment agreement dated February 6, 2006. Mr. Basile exercised the options via "cash-less exercise" and was issued 179,578 shares of common stock.

On March 21, 2006, the Company received debt financing in the aggregate amount of \$100,000 from Jane Petri and Joseph Panico. The principal and interest of 12% per annum was due on June 21, 2006. The note carries a default rate of 18% per annum. In addition, the Company issued an aggregate of 25,000 shares of restricted common stock valued at \$71,250 to Petri and Panico as debt issuance costs.

On July 19, 2006, the Company issued an aggregate of 20,000 restricted shares of its common stock valued at \$38,000 to Jane Petri (10,000) and Joseph Panico (10,000) as an incentive for them extending the maturity dates of their respective loans.

On September 18, 2006 the Company entered into a Securities Purchase Agreement, with Jane Petri and Joseph Panico relating to the issuance and sale, of the Company's 10% Promissory Notes due March 15, 2007 in the aggregate principal amount of \$400,000, In addition, the Company issued to Petri and Panico 400,000 Common Stock Purchase Warrants valued at \$146,800 and 160,000 Shares of the Company's Common Stock valued at \$174, 400 as consideration for the financing. In connection with this transaction the two investors provided the Company with \$300,000 and exchanged \$100,000 in Notes that were previously issued by the Company to the investors. Each Warrant entitles the holder to purchase one share of the Company's Common Stock at an exercise price of \$1.00 per

share commencing on the date of issuance and expiring at the close of business on September 15, 2011. As part of the Private Placement, the Company agreed to register the 400,000 shares of Common Stock underlying the Warrants and the 160,000 shares of the Common Stock issued as part of this Private Placement.

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**BIOMETRX, INC. AND SUBSIDIARIES**

*(A Development Stage Company)*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 7 - Stockholders' Deficit (Continued)**

**Common Stock (Continued)**

On November 17, 2006, the Company entered into a Securities Purchase Agreement with Jane Petri and Joseph Panico relating to the issuance and sale in a private placement of the Company's 10% Promissory Notes due March 15, 2007 in the aggregate principal amount of \$300,000. In addition, the Company issued to Petri and Panico 99,000 Common Stock Purchase Warrants valued at \$187,606 and 300,000 shares of the Company's Common Stock valued at \$570,000 as consideration for financing. Each Warrant entitles the holder to purchase one share of the Company's common stock at an exercise price of \$1.25 per share commencing on the date of issuance and expiring at the close of business on September 14, 2011. As part of the Private Placement, the Company agreed to register the 99,000 shares of common stock underlying the Warrants and the 300,000 shares of the common stock issued as part of this private placement.

On May 3, 2006, the Company issued 180,000 restricted shares of its common stock valued at \$630,000 to New Castle Consulting, LLC pursuant to a Consulting Agreement.

On May 4, 2006, the Company issued 20,000 restricted shares of its common stock valued at \$71,000 to Pasadena Capital Partners, LLC pursuant to a Letter of Engagement entered into between the parties on March 17, 2006.

On May 11, 2006, the Company issued 125,000 restricted shares of its common stock valued at \$368,750 to Santo Santopadre as a settlement of a dispute between Mr. Santopadre and the Company.

On June 5, 2006 the Company issued 54,201 restricted shares of its common stock valued at \$108,402 to Mark Basile, the Company's CEO, in payment of indebtedness to Mr. Basile by the Company.

On September 29, 2006 the Company entered into a Securities Purchase Agreement, with Dorothy Christofides (\$30,000) and Barry and Marci Mainzer (\$25,000) relating to the issuance and sale, in a private placement of the Company's 10% Promissory Notes due March 30, 2007 in the aggregate principal amount of \$55,000. In addition, the Company issued to the Noteholders 55,000 Common Stock Purchase Warrants valued at \$43,120 and 22,000 Shares of the Company's Common Stock valued at \$35,200 as consideration for the financing. Each Warrant entitles the holder to purchase one share of the Company's Common Stock at an exercise price of \$1.00 per share commencing on the date of issuance and expiring at the close of business on September 15, 2011. As part of the Private Placement, the Company agreed to register the 55,000 shares of Common Stock underlying the Warrants and the 22,000 shares of the Common Stock issued as part of this Private Placement.

On October 20, 2006 the Company entered into a Consulting Agreement with Interactive Resources Group, Inc. ("IRG"). IRG was hired to provide the Company with corporate consulting services in connection with the Company's corporate finance relations, investor relations to enhance the Company's visibility in the financial community. The term of the agreement is six months. As compensation, the Company agreed to issue IRG an aggregate of 225,000 shares of its common stock, payable 75,000 on November 1, 2006, 75,000 payable on January 1, 2007 and 75,000 payable on March 1, 2007. The Company has issued the first 75,000 shares valued at \$112,500 and the second 75,000 shares valued at \$221,250. In addition, the Company has issued three hundred thousand (300,000) common stock purchase warrants valued at \$101,800 which vest on or about January 20, 2007, ninety-one (91) days from the date of the Agreement.



**BIOMETRX, INC. AND SUBSIDIARIES**  
*(A Development Stage Company)*  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 7 - Stockholders' Deficit (Continued)**

**Common Stock (Continued)**

The warrants are exercisable for four years at the following exercise prices:

100,000 at \$1.50 per share

100,000 at \$2.00 per share

100,000 at \$4.00 per share

On October 23, 2006 the Company issued 75,000 shares of its common stock valued at \$119,750 to Brendan Hopkins ("Hopkins") pursuant to a consulting agreement to provide investment advisory services. . These shares were issued under the Company's Equity Incentive Plan.

In November 2006 the Company issued 18,250 common stock purchase warrants with an exercise price of \$.01 per share and valued at \$25,003 to a consultant pursuant to the terms of a consulting agreement. The warrants expire January 31, 2012.

In October 2006 the Company issued 40,000 shares of common stock valued at \$60,000 to a consultant for providing equity research services.

During 2006, the Companies Chief Technology officer resigned and entered into a termination agreement with the Company. In connection with the termination agreement the officer returned 187,500 stock options valued at \$2,362,500 and 62,500 shares of common stock valued at \$237,500. The value of those stock and options were originally charged to operations in the year they were issued. Accordingly, the Company is reporting other income in the amount of \$2,600,000, representing the value of the stock options returned. In addition, the officer transferred 133,664 shares of common stock to various other officers and directors. These shares were valued at \$240,595 and are included in current period operations, with a corresponding credit to additional paid in capital.

**2005 Equity Incentive Plan**

Effective December 20, 2005, the Board of Directors approved the formation of the 2005 Equity Incentive Plan ("the Plan") to benefit the Company's key employees (including its directors, officers and employees) as well as consultants of the Company and its affiliates.

On January 5, 2006 the Company amended its 2005 Equity Incentive Plan by allowing for a "cashless exercise" of stock options. When this provision is utilized, the shareholder will return the cost of the exercise of the option in shares back to the Company.

The aggregate number of shares that may be issued under the Plan is 1,250,000. The Plan permits the Company to make awards of stock options, stock appreciations rights, warrants, stock awards and other equity awards. Awards under the Plan for the year ended December 31, 2006 and 2005 respectively amounted to 1,018,000 and 209,375 shares of common stock.

**Stock Options**

Stock option share activity and weighted average exercise prices for the years ended December 31, 2006 and 2005 were as follows:

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**BIOMETRX, INC. AND SUBSIDIARIES***(A Development Stage Company)*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 7 - Stockholders' Deficit (Continued)****Stock Options (Continued)**

2005 Equity Incentive Plan	2006		2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance - January 1,	375,000-	\$ 2.00-	-	\$ -
Options Granted	350,000	\$ 1.00	375,000-	\$ 2.00-
Options Cancelled	(187,500)	\$ 2.00	-	-
Cashless Exercise	(250,000)	\$ 1.00-	-	-
Outstanding - December 31,	287,500	\$ 1.65	375,000-	\$ 2.00
Exercisable	287,500	\$ 1.65	375,000	\$ 2.00

Range of Exercise Price	Warrants Outstanding			Warrants Exercisable		
	Number Outstanding	Weighted Average Remaining Contracted Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	
\$ .01-.99	818,250	5.00	\$ .10	818,250	\$ .10	
\$1.00-1.99	2,414,000	4.53	\$ 1.58	2,769,000	\$ 1.49	
\$2.00-2.99	215,198	4.26	\$ 2.15	115,198	\$ 2.27	
\$3.00-3.99	52,698	3.50	\$ 3.40	52,698	\$ 3.40	
\$4.00	126,349	3.74	\$ 4.00	26,349	\$ 4.00	
	3,626,495	4.58	\$ 1.17	3,326,498	\$ 1.09	

**BIOMETRX, INC. AND SUBSIDIARIES**  
*(A Development Stage Company)*  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 7 - Stockholders' Deficit (Continued)****Stock Options (Continued)**

Other Options	2006		2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance - January 1,	25,000-	\$ .40	-	\$ -
Options Granted	2,150,000	2.18	75,000-	.40-
Options Expired (1)	(25,000)-	\$ .40	-	.40
Options Exercised	(-)	-	50,000-	.40.
Outstanding - December 31,	2,150,000	\$ 2.35	25,000-	\$ .40
Exercisable - December 31,	1,850,000	\$ 2.35	-	-

(1) Option vested and expired in 2006 without being exercised.

The following table summarized information about stock options at December 31, 2006:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Price	
\$0.40	250,000	4.08	\$ 0.40	250,000	\$ 0.40	
\$1.00 - \$1.99	900,000	4.70	\$ 1.20	600,000	\$ 1.09	
\$2.00	250,000	3.50	\$ 2.00	250,000	\$ 2.00	
\$3.00	250,000	3.50	\$ 3.00	250,000	\$ 3.00	
\$4.00	250,000	3.50	\$ 4.00	250,000	\$ 4.00	
\$5.00	250,000	3.50	\$ 5.00	250,000	\$ 5.00	
\$0.40 - \$5.00	2,150,000	4.07	\$ 2.18	1,850,000	\$ 2.35	

**BIOMETRX, INC. AND SUBSIDIARIES**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 7 - Stockholders' Deficit (Continued)****Stock Options (Continued)****Warrants**

	2006		2005	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance - January 1,	475,495-	\$ 1.62-	-	\$ -
Warrants Granted *	3,432,250	\$ 1.27	475,495-	\$ 1.62-
Warrants Exercised	(281,250)	\$ .80-	-	-
Balance - December 31,	3,626,495	\$ 1.17	475,495-	\$\$ 1.62-

\*Includes warrants from 300,000 shares of common stock that vested on January 17, 2007.

At December 31, 2005 the Company had warrants outstanding as follows:

**Note 8 - Commitments and Contingencies****Employment Contracts**

We have employment agreements with three of our executive officers, Mark Basile, Rick Iler and Lorraine Yarde.

Mr. Basile's employment agreement, originally entered into in February 2002, and amended on February 6, 2006 has an initial term of five years from the date of the Amendment and a base salary of:

\$360,000 for Calendar Year 2006  
\$500,000 for Calendar Year 2007  
\$560,000 for Calendar Year 2008  
\$620,000 for Calendar Year 2009  
\$700,000 for Calendar Year 2010

In addition to the base salary for 2006, Mr. Basile received a \$80,000 bonus upon execution of his amended contract. The \$80,000 would have had to be returned to the Company on a pro rata basis had Mr. Basile terminated his employment with the Company prior to the first anniversary of his amended employment agreement. Mr. Basile also receives a \$1,500 per month car allowance and a five million dollar (\$5,000,000) term life insurance policy naming Mr. Basile's family as the beneficiary thereof.

After the initial term, Mr. Basile's agreement automatically renews for additional one-year periods. Under the terms of this agreement, any accrued compensation may be converted into shares of the Company's common stock at \$2.00 per share. Bonuses, if any, are to be paid at the sole discretion of the Board of Directors.

Upon signing the Amendment, Mr. Basile also received options to purchase up to 1,250,000 shares of the Company's common stock valued at \$4,788,813. The options are exercisable at the following prices:





**BIOMETRX, INC. AND SUBSIDIARIES**  
*(A Development Stage Company)*  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 8 - Commitments and Contingencies (Continued)****Employment Contracts (Continued)**

Number of Shares	Exercise Price
*250,000	\$1.25
250,000	\$2.00
250,000	\$3.00
250,000	\$4.00
250,000	\$5.00

\*Options were issued under the Company's 2005 Equity Incentive Plan and subsequently exercised on a cashless basis.

The Company originally entered into an employment agreement with Ms. Lorraine Yarde in August 2005, and amended in January 2006, in the capacity of Chief Operating Officer. It has an initial term of three years commencing on the date of the Amendment.

On August 14, 2006, the Company entered into an amended three-year employment agreement with Lorraine Yarde with a base annual salary of:

\$150,000 through December 31, 2006  
 \$175,000 for calendar year 2007  
 \$200,000 for the remainder of the term of the agreement

Ms. Yarde's compensation will be automatically increased in the 2007 calendar year to \$200,000 upon the Company achieving \$10,000,000 in revenue and \$250,000 during the last year of the agreement upon the Company achieving \$15,000,000 in revenue. Ms. Yarde also receives a \$750 per month car allowance.

Upon signing the employment agreement, Ms. Yarde also received immediately vested options to purchase up to 600,000 shares of the Company's common stock valued at \$77,000. The options are exercisable at the following prices:

Number of Options	Exercise Price
200,000	\$1.00
200,000	\$1.25
200,000	\$1.50

On August 4, 2006, the Company entered into a three-year employment agreement with J. Richard Iler with a base salary of:

\$180,000 for the first year of the agreement  
 \$207,000 for the second year of the agreement

\$238,050 for the third year of the agreement

Mr. Iler also receives \$500 per month car allowance.

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**BIOMETRX, INC. AND SUBSIDIARIES**  
*(A Development Stage Company)*  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 8 - Commitments and Contingencies (Continued)****Employment Contracts (Continued)**

Upon signing the employment agreement, Mr. Iler also received options to purchase up to 400,000 shares of the Company's common stock valued at \$77,000. The options are exercisable at the following prices and subject to the vesting schedule set forth below.

Number of Options	Exercise Price	Vesting
200,000	\$1.05	Immediately
100,000	\$1.10	1 year from date of agreement
100,000	\$1.00	2 years form date of agreement

Upon signing Mr. Iler also received 100,000 shares of the Company's common stock valued at \$85,000.

**Finder's Fee Agreement**

The Company entered into a Finder's Fee Agreement with Harbor View Capital Group, Inc. ("Harbor View") on March 11, 2005 whereby the Company will compensate the Finder 15% cash for funds raised by Finder and shares of the Company's common stock equal to 15% of the amount of the financing attained by the Finder. Subsequently, this arrangement was amended by the two parties, to allow the Finder's Fee to be paid at the rates of 10% cash and 22% of the Company's common stock. In connection with this agreement, the Company paid Harbor View \$37,200 in cash finder's fees and issued options valued at \$431,706.

**Lease Obligations**

The Company operates its business in leased facilities. The Company currently leases approximately 3719 square feet for its corporate office facilities located at 500 North Broadway, Jericho, New York for \$8,523 with increases annually on January 31. The lease expires January 31, 2010.

Approximate future minimum commitments under these leases are as follows:

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