

BioMETRX  
Form 10QSB  
August 20, 2007

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

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**FORM 10-QSB**

Quarterly Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the Quarter Period Ended  
June 30, 2007

Commission File No. 0-15807

**BIOMETRX, INC.**

(Exact name of Registrant as specified in its Charter)

Delaware  
(State or jurisdiction of incorporation or organization)

1-1190725  
(IRS Employer Identification No.)

500 North Broadway, Suite 204, Jericho, NY  
(Address of Principal Executive Office)

11753  
(Zip Code)

Registrant's telephone number, including area code: (516) 937-2828

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for a short-er 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

The number of shares outstanding of the Registrant's Common Stock, \$.001 par value, as of August 14, 2007 was 12,100,118.

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**PART I - FINANCIAL INFORMATION**

**Item 1: Financial Statements (Unaudited)**

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|--|------|
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**BIOMETRX, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**June 30, 2007**  
**(Unaudited)**

**ASSETS**

**Current Assets:**

|                             |    |                  |
|-----------------------------|----|------------------|
| Cash                        | \$ | 65,354           |
| Accounts Receivable         |    | 450              |
| Deposits on Inventory       |    | 47,274           |
| Inventory                   |    | 742,947          |
| Prepaid Expenses            |    | 18,431           |
| Deferred Finance Costs      |    | 128,262          |
| <b>Total Current Assets</b> |    | <b>1,002,718</b> |

|                             |  |         |
|-----------------------------|--|---------|
| Property and Equipment, net |  | 146,760 |
|-----------------------------|--|---------|

**Other Assets:**

|                           |           |                  |
|---------------------------|-----------|------------------|
| Security Deposit          |           | 17,045           |
| Patents                   |           | 664,500          |
| <b>Total Other Assets</b> |           | <b>681,545</b>   |
| <b>TOTAL ASSETS</b>       | <b>\$</b> | <b>1,831,023</b> |

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

**Current Liabilities:**

|  |    |                  |
|--|----|------------------|
| Accounts Payable   | \$ | 801,498          |
| Notes Payable - Related Parties  |    | 350,000          |
| Notes Payable - Other  |    | 570,000          |
| 8% Convertible Notes, net of unamortized discounts of \$1,142,021        |    | 1,107,979        |
| Convertible Forbearance Notes, net of unamortized discounts of \$258,292 |    | 129,146          |
| Accrued Taxes  |    | 115,187          |
| Accrued Interest   |    | 114,619          |
| Accrued Payroll  |    | 17,738           |
| <b>Total Current Liabilities</b>   |    | <b>3,206,167</b> |

**Long-Term Liabilities:**

|                          |  |                  |
|--------------------------|--|------------------|
| <b>TOTAL LIABILITIES</b> |  | <b>3,206,167</b> |
|--------------------------|--|------------------|

**COMMITMENTS AND CONTINGENCIES**

**Stockholders' Deficit:**

|  |  |            |
|--|--|------------|
| Preferred Stock, \$.01 par value; 10,000,000 shares authorized<br>no shares issued and outstanding       |  | —          |
| Common Stock, \$.001 par value; 25,000,000 shares authorized<br>11,685,870 shares issued and outstanding |  | 11,686     |
| Additional Paid-In-Capital   |  | 29,906,639 |
| Deferred Finance Costs   |  | (876,469)  |

|   |                     |
|---|---------------------|
| <b>Deferred Compensation</b>                        | <b>(81,800)</b>     |
| <b>Deficit Accumulated in the Development Stage</b> | <b>(30,335,200)</b> |
| <b>Total Stockholders' Deficit</b>                  | <b>(1,375,144)</b>  |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>  | <b>\$ 1,831,023</b> |

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

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**BIOMETRX, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
(Unaudited)

|  | For The Three<br>Months Ended<br>June 30, 2007 | For The Three<br>Months Ended<br>June 30, 2006 | For The Six<br>Months Ended<br>June 30, 2007 | For The Six<br>Months Ended<br>June 30, 2006 |
|--|--|--|--|--|
| Revenues - net   | \$ 11,425                                      | \$ —   | \$ 11,425                                    | \$ —   |
| Cost of Goods Sold   | 9,010  | —  | 9,010  | —  |
| Gross Margin   | 2,415  | —  | 2,415  | —  |
| <b>Operating Expenses:</b>                                 |  |  |  |  |
| General and<br>Administrative Expenses                     | 1,135,259                                      | 1,875,370                                      | 2,514,082                                    | 8,743,217                                    |
| Research and Development<br>Expenses                       | 165,762  | 499,689  | 224,000                                      | 642,444                                      |
| Total Operating Expenses                                   | 1,301,021                                      | 2,375,059                                      | 2,738,082                                    | 9,385,661                                    |
| Loss before Other Income<br>(Expense)                      | (1,298,606)                                    | (2,375,059)                                    | (2,735,667)                                  | (9,385,661)                                  |
| <b>Other Income (Expense)</b>                              |  |  |  |  |
| Interest Income  | 1,107  | —  | 2,825  | —  |
| Interest Expense   | (1,429,023)                                    | (77,903)                                       | (3,004,826)                                  | (84,446)                                     |
| Unrealized Loss on<br>Marketable Securities                | —  | (18)   | —  | 125  |
| Total Other Income<br>(Expense)                            | (1,427,916)                                    | (77,921)                                       | (3,002,001)                                  | (84,321)                                     |
| Net Loss   | (2,726,522)                                    | (2,452,980)                                    | (5,737,668)                                  | (9,469,982)                                  |
| Preferred Stock Dividend                                   | —  | (8,975)  | —  | (8,975)                                      |
| Net Loss Allocated to<br>Common Shareholders               | \$ (2,726,522)                                 | \$ (2,461,955)                                 | \$ (5,737,668)                               | \$ (9,478,957)                               |
| Weighted Average<br>Common Shares -<br>Outstanding - Basic | 9,949,630                                      | 7,282,597                                      | 9,343,341                                    | 6,891,848                                    |
| Net Loss per Common<br>Share (Basic)                       | \$ (0.27)                                      | \$ (0.34)                                      | \$ (0.61)                                    | \$ (1.38)                                    |

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



**BIOMETRX INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

|  | FOR THE SIX<br>MONTHS<br>ENDED JUNE 30,<br>2007 | FOR THE SIX<br>MONTHS<br>ENDED JUNE 30,<br>2006 |
|--|---|---|
| <b><u>Cash Flows from Operating Activities:</u></b>                        |   |   |
| Net Loss   | \$ (5,737,669)                                  | \$ (9,469,982)                                  |
| Adjustment to reconcile net loss to net cash used in operating activities: |   |   |
| Non-Cash Item adjustments:   |   |   |
| Compensatory Element of Stock and Warrant Issuances                        | 1,930,968                                       | 8,039,118                                       |
| Amortization of Deferred Finance Costs                                     | 2,344,002                                       | 80,484  |
| Depreciation   | 4,464   | 864   |
| Unrealized (Gain) Loss on Marketable Securities                            | —   | (124)   |
| Change in Operating Assets and Liabilities:                                |   |   |
| (Increase) in Accounts Receivable  | (450)   | —   |
| Decrease in Prepaid Expenses   | 17,633  | —   |
| (Increase) in Inventories  | (319,094)                                       | (390,805)                                       |
| Decrease in Other Current Assets   | —   | 39,275  |
| Decrease in Deposits on Inventory  | 9,923   | —   |
| (Increase) in Security Deposits  | —   | (6,509)   |
| Increase in Accounts Payable   | 108,488   | —   |
| Increase in Accrued Liabilities  | 278,918   | 763,009   |
| (Decrease) in Settlement of Threatened Litigation                          | —   | (368,750)                                       |
| Net Cash Used in Operating Activities                                      | (1,362,817)                                     | (1,313,420)                                     |
| <b><u>Cash Flows from Investing Activities:</u></b>                        |   |   |
| Capital Expenditures   | (59,410)  | (18,808)  |
| Net Cash Used in Investing Activities                                      | (59,410)  | (18,808)  |
| <b><u>Cash Flows from Financing Activities:</u></b>                        |   |   |
| Restricted Cash  | —   | 66,427  |
| Proceeds from Issuance of 8% Convertible Notes                             | 1,500,000                                       | 950,000   |
| Proceeds from Issuance of Notes Payable—Related Parties                    | 350,000   | —   |
| Proceeds from Issuance of Notes Payable-Others                             | —   | 1,000,000                                       |
| Proceeds from Issuance of Preferred Stock                                  | —   | 650,000   |
| Deferred Finance Costs - 8% Convertible Notes Payable                      | —   | (107,500)                                       |
| Repayments of Notes Payable - Others                                       | (130,000)                                       | —   |
| Deferred Finance Costs - Note Payable - Related Parties                    | (255,000)                                       | —   |
| Proceeds from Issuances of Common Stock                                    | 7,500   | 372,000   |
| Commissions Paid on Sales of Common Stock                                  | —   | (152,200)                                       |
| Net Cash Provided by Financing Activities                                  | 1,472,500                                       | 1,878,727                                       |

|  |                  |                   |
|--|------------------|-------------------|
| <b>Net Increase (Decrease) in Cash</b>     | <b>50,273</b>    | <b>546,500</b>    |
| <b>Cash, Beginning</b>                     | <b>15,081</b>    | <b>184,116</b>    |
| <b>Cash, Ending</b>                        | <b>\$ 65,354</b> | <b>\$ 730,616</b> |
| <b>Supplemental Cash Flow Information:</b> |                  |                   |
| <b>Cash Paid During the Period for:</b>    |                  |                   |
| <b>Interest</b>                            | <b>\$ 32,953</b> | <b>\$ —</b>       |
| <b>Income Taxes</b>                        | <b>\$ —</b>      | <b>\$ —</b>       |

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



**BIOMETRX INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH**  
**FLOWS**  
**(Continued)**  
**(Unaudited)**

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

|   |    |           |            |
|---|----|-----------|------------|
| Common Stock Issued as Commissions on Sale of Common Stock                | \$ | —\$       | 656,489    |
| Accrued Commissions on Sales of Common Stock                              | \$ | —\$       | 431,706    |
| Common Stock Issued for the Purchase of Patents                           | \$ | 664,500   | \$ —       |
| Issuance of Common Stock as payment for Accrued Officers' Salaries        | \$ | —\$       | 310,000    |
| Issuance of Common Stock as payment for Deferred Finance Costs            | \$ | 613,675   | \$ 282,050 |
| Issuance of Common Stock Warrants as payment for Deferred Finance Costs   | \$ | 351,925   | \$ 182,716 |
| Issuance of Common Stock Warrants as payment for Deferred Compensation    | \$ | 81,800    | \$ —       |
| Beneficial Conversion Feature of 8% Convertible Notes Payable             | \$ | 1,500,000 | \$ —       |
| Cashless Exercise of Stock Options - Related Party                        | \$ | 299,750   | \$ 250,000 |
| Accrued Deferred Finance Costs  | \$ | —\$       | 47,500     |
| Accrued Finder's Fees - Preferred Stock                                   | \$ | —\$       | 32,500     |
| Preferred Stock Dividend  | \$ | —\$       | 8,975      |
| Issuance of Common Stock as Payment of Accounts Payable                   | \$ | 41,650    | \$ —       |
| Issuance of Common Stock as payment on Notes Payable-Others               | \$ | 55,000    | \$ —       |
| Issuance of Common Stock on Conversion of 8% Convertible Notes Payable    | \$ | 850,000   | \$ —       |
| Issuance of Common Stock to pay Notes Payable-Others and Accrued Interest | \$ | 116,560   | \$ —       |
| Issuance of Common Stock as payment for Accrued Interest Payable          | \$ | 32,500    | \$ —       |

|  |           |               |           |          |
|--|-----------|---------------|-----------|----------|
| <b>Issuance of Common Stock Warrants as payment for Accrued Interest Payable</b> | <b>\$</b> | <b>29,060</b> | <b>\$</b> | <b>—</b> |
| <b>Issuance of Common Stock for Prepaid Expenses</b>                             | <b>\$</b> | <b>18,900</b> | <b>\$</b> | <b>—</b> |

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**BIOMETRX, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007**  
(Unaudited)

|  | Preferred Stock |        | Common Stock |          |                            | Deferred Compensation | Prepaid Interest 8% Convertible Notes | Deferred Finance Costs | A<br>I<br>D |
|--|-----------------|--------|--------------|----------|----------------------------|-----------------------|---------------------------------------|------------------------|-------------|
|  | Shares          | Amount | Shares       | Amount   | Additional Paid In Capital |                       |                                       |                        |             |
| <b>BALANCE, January 1, 2007</b>  | -               | \$ -   | 8,915,907    | \$ 8,916 | \$ 24,355,224              | \$ -                  | (86,400)                              | (1,089,859)            | \$          |
| <b>Exercise of Series "B" Common Stock Warrants @ \$ .10 per share</b> |                 |        | 75,000       | 75       | 7,425                      |                       |                                       |                        |             |
| <b>Cashless Exercise of Common Stock Options - Related Parties</b>     |                 |        | 412,213      | 412      | (412)                      |                       |                                       |                        |             |
| <b>Common Stock issued for Services</b>                                |                 |        | 417,750      | 418      | 712,232                    |                       |                                       |                        |             |
| <b>Common Stock issued for Services - Related Parties</b>              |                 |        | 280,000      | 280      | 655,220                    |                       |                                       |                        |             |
| <b>Common Stock issued for Purchase of a Patents</b>                   |                 |        | 300,000      | 300      | 664,200                    |                       |                                       |                        |             |
| <b>Common Stock issued as payment of</b>                               |                 |        | 25,000       | 25       | 62,475                     |                       |                                       |                        |             |

**Finance Costs  
on Notes  
Payable**

**Issuance of  
Common  
Stock  
Warrants as  
payment of  
Finance Costs  
on Notes  
Payable**

**29,060**

**Common  
Stock issued as  
payment of  
Finance Costs  
on Notes  
Payable -  
Related  
Parties**

**385,000**

**385**

**613,365**

**(613,750)**

**Issuance of  
Common  
Stock  
Warrants as  
payment of  
Finance Costs  
on Notes  
Payable -  
Related  
Parties**

**351,925**

**(351,925)**

**Exercise of  
Common  
Stock  
Warrants**

**25,000**

**25**

**24,975**

**Issuance of  
Common  
Stock  
Warrants for  
Deferred  
Compensation**

**81,800**

**(81,800)**

**Common  
Stock Issued  
upon  
Conversion of  
8%  
Convertible**

**850,000**

**850**

**849,150**

**Notes payable**

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

**1,500,000**

**Amortization  
of Deferred  
Finance Costs.**

**1,179,065**

**Amortization  
of Prepaid  
Interest - 8%  
Convertible  
Notes Payable**

**86,400**

**Current  
Period Loss**

**Balance, June  
30, 2007**

**- \$      - 11,685,870 \$    11,686 \$ 29,906,639 \$      (81,800)\$      - \$ (876,469)\$**

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

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

**Note 1 - Basis of Presentation**

In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth therein. These financial statements are condensed and therefore do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

Results of operations for interim periods are not necessarily indicative of the results of operations for the full year.

The Company is in the early state of commercializing its products within insignificant revenues and has incurred a net loss of \$5,737,668 for the six months ended June 30, 2007 and has a working capital deficit of \$2,203,449 at June 30, 2007. These factors raise substantial doubt about the Company's ability to continue as a going concern.

There can be no assurance that sufficient funds will be generated during the next year or thereafter from operations or that funds will be available from external sources as debt or equity financings or other potential sources. The lack of additional capital could force the Company to curtail or cease operations and would, therefore, have an adverse effect on 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 not have significant dilutive effect on the Company's existing stockholders.

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

The Company is attempting to address its lack of liquidity by raising additional funds, either in the form of debt or equity, or some combination thereof.

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

During the quarter ended June 30, 2007 the Company has exited the development state since principal operations have commenced.

**Reclassifications**

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

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

**Note 2 - Recently Issued Accounting Pronouncements****SAB 108**

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108). SAB 108 was issued in order to eliminate the diversity in practice surrounding how public companies quantify financial statement misstatements. SAB 108 requires that registrants quantify errors using both a balance sheet and income statement approach and evaluate whether either approach results in a misstated amount that, when all relevant quantitative and qualitative factors are considered, is material. The Company has considered the effect of SAB 108 to be not material.

**SFAS 157**

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 with 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 ended 2008, although early adoption is permitted. The Company is assessing potential effect of SFAS 157 on its financial statements.

**Note 3 - Property and Equipment**

Property and equipment at June 30, 2007 consist of the following:

|                                |            |
|--------------------------------|------------|
| Office Equipment               | \$ 89,268  |
| Tooling and Dies               | 65,955     |
|                                | 155,223    |
| Less: Accumulated Depreciation | 8,463      |
|                                | \$ 146,760 |

Depreciation expense was \$4,464 and \$864 for the six months ended June 30, 2007 and 2006, respectively.

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

**Note 4 - Notes Payable - Other**

Notes payable - Other at June 30, 2007 consist of the following:

|   |            |
|---|------------|
| Notes payable to private investors; bearing interest at 10% per annum and due March 15, 2007. The Company is currently in default of these Notes. | \$ 570,000 |
|---|------------|

The loans are evidenced by 10% Promissory Notes due March 15, 2007. The default relates to the fact that the Company has not repaid these loans despite their maturity. The Company entered into an extension Agreement dated March 30, 2007 ("Extension Agreement") whereby the lenders agreed to extend the Notes to March 15, 2008. Such Extension Agreement was entered into in contemplation of a proposed financing for the Company in an amount of up to \$1,000,000. The Extension Agreement provided that the financing had to be consummated by April 5, 2007 or the Extension Agreement would be null and void. The Company failed to close this financing, accordingly, the Extension Agreement is null and void. On May 8, 2007 the Company received a letter from the lenders' counsel seeking evidence that the financing closed or, alternatively, if we were unable to provide such evidence, the lenders would pursue all remedies at law or in equity available to them pursuant to the Notes.

**Note 5 - Notes Payable - Related Parties**

Notes payable - related parties at June 30, 2007 consist of the following:

Notes payable to various officer and directors; bearing interest at 12% per annum and are due as follows:

|               |            |
|---------------|------------|
| October 2007  | \$ 130,000 |
| December 2007 | 220,000    |
|               | \$ 350,000 |

**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.



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

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

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 ("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 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.

The Company is amortizing the discount over the term of the debt. Amortization of the debt discount for the quarter ended June 30, 2007 was \$149,615, and this amortization is recorded as interest expense for the value of the warrants and the value of the beneficial conversion feature.

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

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

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.

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.

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.

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

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

The Company recorded a combined debt discount in the amount of \$1,500,000 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 (“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 (\$284,307) 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 (\$1,215,693) was calculated and recorded as a further reduction to the carrying amount of the convertible debt and as addition to paid-in capital.

The Company is amortizing the discount over the term of the debt. Amortization of the debt discount for the quarter ended June 30, 2007 was \$238,007, and this amortization is recorded as interest expense for the value of the warrants and the value of the beneficial conversion feature.

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 June 30, 2007. In connection therewith, the Company issued to the investors Convertible Notes (“Forebearance Notes”) in the aggregate principal amount of \$387,437, representing liquidated damages due under the Notes. The Forebearance Notes are convertible into the Company’s common stock at \$1.00 per share.

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 quarter ended June 30, 2007 was \$64,573.

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

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

During the three months ended June 30, 2007 noteholders converted \$850,000 of notes into 850,000 shares of common stock. Unamortized debt discount of \$487,696 was charged to interest expense upon the conversion of the notes.

**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**

On January 2, 2007, the Company issued 40,000 shares of its common stock valued at \$130,000 to Brad Schwab pursuant to a consulting agreement between the Company and Mr. Schwab.

On January 10, 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 15, 2007 the Company issued 20,000 restricted shares of its common stock valued at \$58,000 to ICR LLC for services.

On January 16, 2007, the Company issued an aggregate of 4,000 shares of its common stock valued at \$11,600 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 valued at \$167,500 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.

On January 23, 2007, the Company issued 70,000 shares of its common stock to Mark Basile in exchange for Mr. Basile foregoing \$140,000 of his 2007 salary. In addition, the Company issued Mr. Basile 10,000 shares of its common stock as a bonus. These shares were valued at \$248,000.

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

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

**Common Stock (Continued)**

On February 8, 2007, the Company issued an aggregate of 7,000 shares of its common stock valued at \$18,900 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 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 valued at \$62,500 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 March 1, 2007, the Company issued 75,000 restricted shares of its common stock valued at \$153,750 to Interactive Resources Group, Inc. ("IRG") pursuant to a consulting agreement between the Company and IRG.

On March 6, 2007, the Company issued Robert Jacobs 150,000 restricted shares of its common stock valued at \$334,500 as consideration for the purchase of a patent.

On March 9, 2007, the Company issued The Incredible Card Company 150,000 restricted shares of its common stock valued at \$330,000 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 April 11, 2007, the Company's Chief Operating Officer cashlessly exercised 200,000 warrants exercisable at \$1.00. The market value of the Company's common stock on that date was \$2.00. Accordingly, the Company issued 100,000 shares to Ms. Yarde pursuant to such cashless exercise. The stock was issued under the Company's Employee Stock Plan.

On April 11, 2007, the Company's Chief Financial Officer cashlessly exercised 200,000 warrants exercisable at \$1.05. The market value of the Company's common stock on that date was \$2.00. Accordingly, the Company issued 95,000 shares to Mr. Iler pursuant to such cashless exercise. The stock was issued under the Company's Stock Incentive Plan

On April 24, 2007, the Company issued 1,750 shares valued at \$3,150 to the partners of its legal counsel, in consideration for legal services rendered in the ordinary course of business. The stock was issued under the Company's Stock Incentive Plan.

On April 24, 2007, the Company issued 140,000 shares of its common stock valued at \$252,000 and 140,000 warrants exercisable at \$1.00 per share expiring in five years to Mark Basile, the Company's President and CEO as consideration for providing the Company a loan in the amount of \$130,000.

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

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

**Common Stock (Continued)**

On May 21, 2007, the Company issued 50,000 shares of its common stock valued at \$70,000 and 50,000 warrants exercisable at \$1 per share to Lorraine Yarde, the Company's Chief Operating Officer as consideration for providing the Company a loan in the amount of \$50,000.

On June 1, 2007, the Company issued 300,000 shares of its common stock valued at \$258,750 and 200,000 warrants exercisable at \$1.50 per share to IRG as consideration for performing shareholder relations and other financial advisory services for a six month period. The aggregate value of such services based upon valuations of the Company's stock at this time was \$340,550.

On June 11, 2007, the Company received notification from Nite Capital to convert \$100,000 of its convertible note into 100,000 shares of common stock. Nite Capital also notified the Company of its intent to exercise 75,000 Series B warrants exercisable at \$.10. The company received \$7,500 in proceeds from this exercise.

On June 15, 2007, the Company issued 45,000 shares of its common stock valued at \$74,250 and 45,000 warrants exercisable at \$1 per share to Lorraine Yarde, the Company's Chief Operating Officer as consideration for providing the Company a loan in the amount of \$45,000.

On June 18, 2007, the Company awarded Lorraine Yarde 150,000 shares of its common stock valued at \$240,000 as a bonus for securing an increased purchase order from Home Depot and an additional purchase order from MasterLOCK.

On June 18, 2007, the Company issued 20,000 shares of its common stock valued at \$32,000 to an independent certified public accountant as consideration for accounting services in connection to the Company's upgrading its accounting system and electronic data interchange.

On June 18, 2007, the Company issued 75,000 shares of its common stock valued at \$120,000 and 75,000 warrants exercisable at \$1 per share to The Naples Trust, of which the Company's Chief Executive Officer is a related party as consideration for proving the Company a loan in the amount of \$75,000.

On June 21, 2007, the Company issued 20,000 shares of its common stock valued at \$40,000 to Black Dog Communications as consideration for public relations services to the Company.

On June 25, 2007, the Company received notification from Linden Growth Partners of its intent to convert \$300,000 of its convertible note into 300,000 shares of common stock.

On June 25, 2007, the Company received notification from Linden Growth Partners Master Fund of its intent to convert \$450,000 of its convertible note into 450,000 shares of common stock.

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

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

On June 27, 2007, the Company issued the Company's legal counsel 5,000 shares of common stock valued at \$6,500 under the Company's Employee Incentive Plan in consideration for \$6,000 of legal services performed.

On June 28, 2007, the Company issued 75,000 shares of its common stock valued at \$75,000 and 75,000 warrants exercisable at \$1 per share to J. Richard Iler, the Company's Chief Financial Officer as consideration for providing the Company a loan in the amount of \$75,000. \$50,000 was advanced during June 2007 and \$25,000 was advanced in July 2007.

**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.

Stock option share activity and weighted average exercise price for the six months ended June 30, 2007 and 2006 are as follows:

|                            | 2007              |                                 | 2006              |                                 |
|----------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
|                            | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| 2005 Equity Incentive Plan |                   |                                 |                   |                                 |
| Balance - January 1,       | 287,500           | \$ 1.65                         | 375,000           | \$ 2.00                         |
| Options Granted            | —                 | —                               | 250,000           | \$ 1.00                         |
| Options Exercised          | (100,000)         | 1.00                            | (250,000)         | \$ 1.00                         |
| Balance - June 30, 2007    | 187,500           | \$ 2.00                         | 375,000           | \$ 2.00                         |

|                           | 2007              |                                 | 2006              |                                 |
|---------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
|                           | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Other Options             |                   |                                 |                   |                                 |
| Balance - January 1,      | 2,150,000         | \$ 2.66                         | 25,000            | \$ 0.40                         |
| Options Granted in 2007   | —                 | —                               | 1,000,000         | 3.50                            |
| Options Exercised in 2007 | (550,000)         | 0.75                            | (18,750)          | 0.40                            |
| Balance - June 30, 2007   | 1,600,000         | \$ 2.67                         | 1,006,250         | \$ 3.48                         |

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

The following table summarizes information about stock options at June 30, 2007:

| 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 |
| \$1.00 - \$1.99          | 600,000             | 4.20  | \$ 1.28                         | 400,000             | \$ 1.18                |
| \$2.00                   | 250,000             | 3.00  | \$ 2.00                         | 250,000             | \$ 2.00                |
| \$3.00                   | 250,000             | 3.00  | \$ 3.00                         | 250,000             | \$ 3.00                |
| \$4.00                   | 250,000             | 3.00  | \$ 4.00                         | 250,000             | \$ 4.00                |
| \$5.00                   | 250,000             | 3.00  | \$ 5.00                         | 250,000             | \$ 5.00                |
| <b>\$1.00 - \$5.00</b>   | <b>1,600,000</b>    | <b>3.45</b>   | <b>\$ 2.67</b>                  | <b>1,400,000</b>    | <b>\$ 2.89</b>         |

**Warrants**

|                      | 2007               |                                 | 2006               |                                 |
|----------------------|--------------------|---------------------------------|--------------------|---------------------------------|
|                      | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price |
| Balance - January 1, | 3,626,495-         | \$ 1.17-                        | 475,495            | \$ 1.62                         |
| Warrants Granted     | 2,855,000          | \$ 0.81                         | 2,560,000          | 1.23                            |
| Warrants Exercised   | (100,000)          | \$ 0.33                         | (281,250)          | 0.80                            |
| Balance - June 30,   | 6,381,495          | \$ 0.94                         | 2,754,245          | \$ 1.35                         |

| 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              | 1,493,250            | 4.46   | \$ 0.10                         | 800,000              | \$ 0.10                         |
| \$1.00-1.99             | 4,474,000            | 4.27   | \$ 1.04                         | 1,760,000            | \$ 1.00                         |
| \$2.00-2.99             | 235,198              | 3.94   | \$ 2.13                         | 115,198              | \$ 2.27                         |
| \$3.00-3.99             | 52,698               | 3.00   | \$ 3.40                         | 52,698               | \$ 3.40                         |
| \$4.00                  | 126,349              | 3.44   | \$ 4.00                         | 26,349               | \$ 4.00                         |
|                         | 6,381,495            | 4.56   | \$ 0.94                         | 2,754,245            | \$ 0.87                         |



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

**Note 8 - Commitments and Contingencies****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:

|                                     |                   |
|-------------------------------------|-------------------|
| April 1, 2007 - December 31, 2007   | \$ 52,927         |
| January 1, 2008 - December 31, 2008 | 109,249           |
| January 1, 2009 - December 31, 2009 | 113,073           |
| January 1, 2010 - January 31, 2010  | 9,449             |
|                                     | <b>\$ 284,698</b> |

Rent expense under the office leases was approximately \$65,000 and \$45,000 for the six months ended June 30, 2007 and 2006, respectively.

**Engineering Contract**

On March 16, 2007 The Company entered into a Service Level Agreement with A2E Technologies (“A2E”), (the “Agreement”). Pursuant to the Agreement, A2E will provide engineering and development services to be utilized in bioMETRX’ products. Under the terms of the Agreement, bioMETRX has committed to pay A2E a minimum two hundred thousand dollars (\$200,000) annually for its services, payable fifty thousand dollars (\$50,000) every three calendar months. In return for this commitment, A2E will provide its services to bioMETRX at a discounted rate. In addition to the cash payments, bioMETRX will also pay A2E \$25 an hour in restricted common stock, payable no later than 30 days following each three calendar month period. The number of shares will be determined by multiplying the number of hours billed by A2E during the three month period by twenty-five (25) and divided by the current market price of bioMETRX’ common stock. The term of the Agreement is one (1) calendar year from the date of the Agreement

**Legal Proceedings**

On March 7, 2007 the Company’s subsidiary, bioMETRX Technologies Inc. became the subject of a complaint, by two individuals, a former employee/officer and 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. The plaintiffs allege damages arising from certain inducements which were relied upon to their detriment.

The Company considers these complaints 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.

**Note 9- Subsequent Events**

On July 6, 2007, BRIDGEPOINTE MASTER FUND, LTD converted \$50,000 of its convertible note into 50,000 shares of common stock.

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On July 10, 2007, Alpha Capital AG converted \$25,000 of its convertible note into 25,000 shares of common stock.

On July 11, 2007 the Company granted 375,000 warrants exercisable at \$1.00 to Alpha Capital in consideration of its loan to the Company to be expressly used for manufacturing of the Company's MasterLOCK™ smartTouch Garage Door Opener. The warrant is exercisable for a period of 5 years.

On July 12, 2007, Peter Thompsen converted \$125,000 of its convertible note into 125,000 shares of common stock.

On July 12, 2007, Lighthouse Capital converted \$125,000 of its convertible note into 125,000 shares of common stock.

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

**Note 9- Subsequent Events**

On July 24, 2007, the Company issued 20,222 shares of common stock for interest due to BRIDGEPOINTE MASTER FUND, LTD on a \$1,000,000 convertible note issued to the Company on January 5, 2007.

During July 2007, the Company issued 50,000 shares as payment for fees related to a factoring commitment to BLX, Funding.

On July 25, 2007, the Company issued 25,000 shares of its common stock and 25,000 warrants exercisable at \$1.00 per share to Mark Basile, the Company's Chief Executive Officer as consideration for providing the Company a loan in the amount of \$25,000.

On July 25, 2007, the Company issued 150,000 shares of its common stock and 150,000 warrants exercisable at \$1.06 per share to Mark Basile as consideration for Mr. Basile providing the Company his personal guarantee in connection with the opening of an escrow agreement in the amount of \$750,000.

On August 1, 2007, the Company issued 8,365 shares of its common stock to A2E Technologies as payment of \$9,535.75 due A2E Technologies pursuant to a Service Level Agreement dated March 16, 2007.

**Loan Agreement**

On July 12, 2007, the Company entered into several agreements with Alpha Capital Anstalt ("Alpha") whereby Alpha lent the Company \$750,000 to be held in escrow pending delivery of the Company's garage door openers. The funds will be used to pay the manufacturer of the garage openers once they have been completed and inspected for shipment to fulfill certain outstanding customer purchase orders.

In connection with the transaction the Company executed a \$750,000 secured promissory note ("Note"). The Note bears interest at the rate of 24.99% per annum, payable on the first day of each month and on the maturity date of the Note. The Note matures fifteen (15) days following the release of funds from the escrow account to any person other than the holder. The Note may be prepaid all or any portion of the Note without penalty or premium.

In addition to the Note, the Company and each of its subsidiaries entered into Security Agreements with Alpha whereby each entity pledged all their assets to secure the Note. The Company issued Alpha a warrant ("Warrant") to purchase 375,000 shares of the Company's common stock at an exercisable price of \$1 per share. The warrant is exercisable for a period of five (5) years.

As a condition to Alpha providing the loan to the Company, the Company's CEO Mark Basile entered into a Guaranty with Alpha whereby Mr. Basile agreed to guaranty the Company's obligations under the Note and all related documents.

In connection with the transaction the Company paid a due diligence fee of \$10,000 to Osher Capital Partners, LLC, paid Alpha a commitment fee of \$22,500 and agreed to pay Aplha's legal fees in connection with this transaction not to exceed \$40,000.

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

**Note 9 -Subsequent Events (Continued)**

**Series B Warrants**

On August 15, 2007 the Company notified holders of 375,000 series B \$.10 warrants that it has elected to pay such holders \$.12 per share, pursuant to the warrant documents by providing contractual 10 days written notice of said action. The Company has fixed the call date of such warrants as of August 15, 2007. The warrant holders so notified must return the series B warrants by August 25, 2007 to receive payment. The holders so notified have the right to exercise the series B warrants until August 25, 2007.

On August 15, 2007, the Company issued 150,000 shares of its common stock to Linden Growth Partners L.P. upon the exercise of warrants exercisable at \$0.10 per share.

On August 15, 2007, the Company issued 225,000 shares of its common stock to Linden Growth Partners Master Fund L.P. upon the exercise of warrants exercisable at \$0.10 per share.

On August 16, 2007 the Company issued 22,269 shares of its common stock to Osher Capital Partners LLC upon the cashless exercise of 25,000 warrants exercisable at \$0.10 per share.

## **Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Operations**

The Company designs, develops, engineers and markets biometrics-based products for the consumer home security and consumer electronics 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, consumer lifestyle products under the trade name smartTOUCH™. The Company's current and future product lines includes biometrically enabled residential door locks, alarm keypads, thermostats, garage/gate openers, padlocks, automobile access and ignition systems, 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 design and engineering, 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 directly to consumers in the United States. The company's first product, the garage door opener, also known as the SmartTOUCH™ GDO, will be available through the Home Depot this fall.

The Company has also developed, and is further developing several additional finger-activated products including thermostats, doorlocks and other computer peripheral and home security products. These products are, and are expected to be, marketed directly to the consumers as well as small box retailers, restaurant chains and small business owners. These products do, and will provide consumers and small business owners increased control over various aspects that effect energy as well as securing their homes and digital information.

At this point we cannot offer a specific date or assurances that the release of the products will result in any meaningful revenues, but the company continues to develop and engineer new products that it expects to add to its product line over the next 24 months.

bioMETRX, to date, has introduced its products 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, further develop its product line and commence marketing the Company's products and services through its various distribution channels.

The Company has recently entered into a licensing agreement as well as a co-branding/co-development agreement with MasterLock™ for its garage door opener and other products whereby the garage door opener will be marketed under the new MasterLock™ smartTOUCH co- brand and the companies have agreed to 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 and other initiatives 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 recently commenced larger scaled production of its garage door openers and has shipped orders which it had received from its web-store. The company's initial retail customer, The Home Depot, has increased its original purchase orders to above 20,400 and the Company has received its first order of 5,000 units for its garage door opener from MasterLock™. It is estimated that delivery will commence incrementally late third quarter though exact delivery dates are still uncertain. The Company has received initial manufacturing funding by one of its institutional investors to commence the build to fulfill the Home Depot orders. As the company continues to receive new orders and maintain inventories, it will require additional financing until it is internally generating positive cash flow. 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 third 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**

Management believes that 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. 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 "smartTOUCH Ô". Our current and prospective consumer products include biometrically enabled and secure residential garage/gate door openers/locks, central station alarm pads, padlocks, door locks and thermostats.

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 smartTOUCH™ Garage Door Opener which meets the consumer need for security and convenience combined. We have been awarded a patent for this device with the United States Patents and Trademark Office in January, 2007.

During the quarter ended March 31, 2006 we received initial purchase orders for the smartTOUCH™ Garage Door Opener and purchase orders were subsequently modified in January 2007 in the amount of 17,340 units from The Home Depot. The Home Depot has also contracted to purchase a minimum quantity per annum from the company. The company has been suffering from undercapitalization which has caused substantial delays in manufacturing this product in the quantities needed to fulfill orders. A recent re-issuance of the purchase order has increased the order to 20,464 units and allows for early fall delivery. Management has secured some manufacturing financing facilities with a prior investor in the company, and is continuing its efforts to further secure additional financing to keep up with the demand for the product.

As a result of its co-marketing agreement with MasterLock™, the GDO will be marketed under the co-brand name MasterLock™ smartTOUCH™ which the company expects to accelerate product sell-through.

To date, in addition to the retail orders, the Company has received approximately 1,600 direct consumer on-line orders for the GDO unit and has shipped a portion of these orders to customers in the last 60 days.

We have initiated large scale manufacturing of the garage door opener with a third party contract manufacturer located in the United States with manufacturing operations in China. An existing investor has provided financing that assures the manufacturer of payment upon and the company is in discussions with other investors, as well as more conventional financing groups, to finance future purchase orders and set up credit facilities to provide funding for continuing manufacturing volumes based upon current demand for the product. However, the company cannot guarantee that any financing will be secured. The company has also established limited credit facilities with our major component suppliers.

The Company has also acquired a patent protecting the biometric security application of an electronic thermostat

Management estimates that approximately 40 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.

Other smartTOUCH Ô Consumer Products

The smartTOUCH Ô line of products under development includes products that can be used to secure lockers, gates, automobiles, trailers and other household and computerized electronic products.

While the Company's main current focus is to bring to market consumer-based products through our relationship with MasterLock, we also expect to dedicate additional focus on the healthcare industry over the next 12 months. 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 identifying opportunities to develop biometric products and solutions for end users in the healthcare fields, 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 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 exploring a number of prospective medical products, some of which may become available by late 2008. The Company acquired a patent for the biometric storage and retrieval of an electronic medical record in January, 2007.

**Results of Operations**

**For the three months ended June 30, 2007 and 2006**

For the three months ended June 30, 2007, bioMetrX generated \$11,425 in revenues compared to no revenues for the same period of 2006. During the three months ended June 30, 2007, bioMetrX had net losses totaling \$2,726,522 compared to net losses of \$2,452,980 for the three months ended June 30, 2006. For the quarter ending June 30, 2007, bioMetrX' general and administrative expenses totaled \$1,135,259 or 41.6% of total expenses, while for the three months ended June 30, 2006 general and administrative expenses totaled \$1,875,370 or 76.3% of total expenses. For quarter ended June 30, 2007, bioMetrX had stock-based compensation of \$1,058,494 or 38.8% of expenses, compared to \$1,674,041 or 68.2% of total expenses was incurred during the three months ended June 30, 2006. Research and development costs were \$165,762 or 6.1% of total expenses incurred in the period for quarter ending June 30, 2007, while research and development costs during the three months ended June 30, 2006 totaled \$499,689 or 20.4% of total expenses.

In addition the Company incurred interest expense of \$1,429,023 or 52.3% of total expenses during the quarter ended June 30, 2007 compared with \$77,903 or 3.2% of total expenses during the three months ended June 30, 2006.



### **For the Six Months Ended June 30, 2007 and 2006**

During the quarter ended June 30, 2007, the Company had approximately \$11,425 in revenues compared to no revenue for the same period of 2006.

During the six months ended June 30, 2007, net losses totaled \$5,737,668. For the six months ending June 30, 2007, bioMETRX' general and administrative expenses totaled \$2,514,082, or 91.8% of total operating expenses. During the same six month period in 2006, general and administrative expenses totaled \$8,743,217 or 93.2% of total operating expenses. The decrease was mostly attributable to a decrease in securities based compensation in expenses relating to general corporate matters. For the six months ending June 30, 2007 we incurred salaries of \$494,422, or 38% of total operating expenses as compared to the six months ended June 30, 2006 of \$445,844, or 4.8% of total operating expenses. The increase was due to the addition of additional personnel necessary to continue the growth goals of the Company.

For the six months ending June 30, 2007, interest expense was \$3,004,826 as compared to \$ 84,446 for the six months ending June 30, 2006.

Research and development expenses for the six months ending June 30, 2007 was \$224,000 compared to \$ 642,444 for the same period in 2006.

### **Liquidity and Capital Resources**

As of June 30, 2007 bioMETRX had total assets of \$1,831,023 and total current assets of \$1,002,718. At June 30, 2007 bioMETRX had total liabilities of \$3,206,167 and total current liabilities of \$3,206,167. bioMETRX's had negative working capital at June 30, 2007 of \$2,203,449 and an equity deficit of \$1,375,144. 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.

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 June 30, 2007. In connection therewith, the Company issued to the investors Convertible Notes ("Forbearance Notes") in the aggregate principal amount of \$387,437.39, representing liquidated damages due under the Notes. The Forbearance Notes are convertible into the Company's common stock at \$1.00 per share.

On January 17, 2007, the Company entered into several agreements with BLX Funding LLC ("BLX") whereby BLX will purchase the Company's accounts receivable in factoring transactions.

Pursuant to the agreements, BLX will purchase accounts receivables from the Company and varying discounts from the face value of the individual accounts receivable dependent upon the age of the receivable. The discounts range from 2.5% for receivables 30 days or less to 15% for receivables that are older than 90 days. BLX will advance to the Company 80% of the face amount of each of the accounts receivable it elects to purchase.

In addition to the factoring arrangement, the Company and BLX entered into a Funding Agreement whereby BLX arranged to provide the Company with Letters of Credit necessary for the Company to acquire the goods required to fulfill outstanding purchase orders. As of the date hereof, BLX has opened a Letter of Credit on behalf of the Company in the amount of \$1,040,400 for the benefit of the Company's third party manufacturer. Pursuant to the Funding Agreement, the Company will pay BLX 2.5% of the Letter of Credit amount for the first 30 days, thereafter the Company has agreed to pay BLX .84% of the Letter of Credit amount for each additional 10 day period the Letter of Credit is outstanding beyond the initial 30 day period. In addition, the Company paid BLX prior to opening the Letter of Credit an amount equal to .5% of the Letter of Credit amount to cover costs incurred by BLX with the opening of the Letter of Credit.

As a condition precedent to the obligation of BLX entering into the various agreements and arrangements with the Company, its CEO was required to provide BLX a Performance Guaranty guarantying (a) the due and punctual performance by the Company of the representations contained in the agreements (b) the payment (and not merely the collectibility) of any loss, liability or expense incurred by BLX in the event any one or more of the representations is untrue in any respect or fail to be performed and (c) the payment (and not merely the collectibility) of any other obligation owed by the Company to BLX of any nature. The Company has agreed to issue the CEO 50,000 shares of its common stock as consideration for providing the Company his guarantee and the Company has agreed to make additional financial accommodations to the CEO in the event there is a demand or claim against Mr. Basile arising out of the personal guarantee.

On February 7, 2007, the Company deposited \$200,000 into an escrow account with its counsel. The funds were utilized in connection with the manufacture of the Company's garage door openers. As of July 4, 2007, all funds had been expended to the Company's manufacturer and there remains no balance in the account at this time.

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 early commercial 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 June 30, 2006 and as of June 30, 2007.

## **OFF BALANCE SHEET ARRANGEMENTS**

We do not have any off balance sheet arrangements.

## **Item 3: Controls and Procedures**

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934, as amended. Based on that evaluation, we concluded that as of the date of the evaluation our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's periodic filings under the Securities Exchange Act of 1934 is accumulated, to allow timely decisions regarding required disclosure.



As a result of reviewing the Company's consolidated financial statements for the year ended December 31, 2005, the Company's CFO and its independent auditor determined that treatment of stock-based compensation under FASB 123-R was improperly applied to agreements under which the Company granted stock under agreements containing no forfeiture clauses. The Company discovered that penalty shares issued and valued at \$629,000 that were originally charged to additional paid-in capital should have been charged to operations. Compensation-based stock options and warrants that were originally deferred have been charged to operations for a net charge of \$222,500 and a settlement of a threatened legal action has been accrued and charged to operation in the amount of \$368,750. As a result, the Company reported an additional loss of \$1,220,250 for the year ended December 31, 2005.

The Company's former Chief Financial Officer was responsible for properly recording the Company's issuances of its securities. However, he improperly recorded such issuances which directly led to the errors discussed above and in the explanatory notes. In addition, the Company did not have a system in place to check the recordation of the issuances of the Company's securities. During the third and fourth quarter of 2006, the Company's new Chief Financial Officer discovered these errors which led to the revisions to the financial statements for those periods. To address this material weakness, the Company has recently hired a Certified Public Accountant to manage and to assist the CFO with our internal accounting of the Company's books and records. In addition, each issuance of securities is evaluated and discussed between such internal accountant and the Chief Financial Officer to insure these issuances are properly recorded. We have completed a full review of our accounting practices and we intend on implementing additional process improvements in the future and hiring additional personnel in our accounting department to ensure that our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

## PART II - OTHER INFORMATION

### Item 1: 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.

### Item 2: Changes in Securities and Use of Proceeds

(a) None

(b) None

On April 11, 2007, the Company's Chief Operating Officer cashlessly exercised 200,000 warrants exercisable at \$1.00. The market value of the Company's common stock on that date was \$2.00. Accordingly, the Company issued 100,000 shares to Ms. Yarde pursuant to such cashless exercise. The stock was issued under the Company's Employee Stock Plan.

On April 11, 2007, the Company's Chief Financial Officer cashlessly exercised 200,000 warrants exercisable at \$1.05. The market value of the Company's common stock on that date was \$2.00. Accordingly, the Company issued 95,000 shares to Mr. Iler pursuant to such cashless exercise. The stock was issued under the Company's Stock Incentive Plan

On April 24, 2007, the Company issued 1,750 shares of its common stock to the partners of its legal counsel, Sommer & Schneider LLP, in consideration for legal services rendered in the ordinary course of business. The stock was issued under the Company's Stock Incentive Plan.

On April 24 2007, the Company issued 140,000 shares of its common stock and 140,000 warrants exercisable at \$1.00 per share to Mark Basile, the Company's President and CEO as consideration for providing the Company a loan in the amount of \$130,000.

On May 21, 2007, the Company issued 50,000 shares of its common stock and 50,000 warrants exercisable at \$1.00 per share to Lorraine Yarde, the Company's Chief Operating Officer as consideration for providing the Company a loan in the amount of \$50,000.

On June 1, 2007, the Company issued 300,000 shares of its common stock and 200,000 warrants exercisable at \$1.50 per share to IRG as consideration for performing shareholder relations and other financial advisory services for a six month period. The aggregate value of such services based upon valuations of the Company's stock at this time was 4486,105.

On June 11, 2007, the Company issued 100,000 shares of its common stock to Nite Capital upon the conversion of \$100,000 principal amount of a convertible note issued to Nite Capital in the aggregate principal amount of \$150,000. The convertible note converts into the Company's common stock at \$1.00 per share. Seventy-five thousand (75,000) of these shares were registered pursuant to a Registration Statement on Form SB-2 (SEC File No. 333-140628)\_ which was declared effective by the SEC on June 25,2007.

On June 15, 2007, the Company issued 45,000 shares of its common stock and 45,000 warrants exercisable at \$1.00 per share to Lorraine Yarde, the Company's Chief Operating Officer as consideration for providing the Company a loan in the amount of \$45,000.

On June 16, 2007, the Company issued an aggregate amount of 125,000 shares of its common stock to Peter Thompson upon the conversion of \$125,000 principal amount of a convertible note issued to Mr. Thompson in that amount. The convertible note converted into the Company's common stock at \$1.00 per share. Sixty-two thousand-five hundred (62,500) of these shares were registered pursuant to a Registration Statement on Form SB-2 (SEC File No. 333-140628) which was declared effective by the SEC on June 25, 2007.

On June 16, 2007, the Company issued an aggregate of 125,000 shares of its common stock to Lighthouse Capital Insurance Company- Policy # 03-046 upon the conversion of \$125,000 principal amount of a convertible note issued to Lighthouse Capital Insurance in that amount. The convertible note converted into the Company's common stock at \$1.00 per share. Sixty-two thousand-five hundred (62,500) of these shares were registered pursuant to a Registration Statement on Form SB-2 (SEC File No. 333-140628)\_ which was declared effective by the SEC on June 25,2007.

On June 18, 2007,, the Company awarded Lorraine Yarde 150,000 shares of its common stock as a bonus for securing an increased purchase order from Home Depot and an additional purchase order from MasterLOCK.

On June 18, 2007,, the Company issued 20,000 shares to Rodger Michell, an accountant as consideration of accounting services in connection with the Company's upgrading its accounting system and electronic data interchange.

On June 18, 2007, the Company issued 75,000 shares of its common stock and 75,000 warrants exercisable at \$1.00 per share to The Naples Trust, of which the Company's Chief Executive Officer is a related party as consideration for providing the Company a loan in the amount of \$75,000.

On June 21, 2007, the Company issued 20,000 shares of its Common stock to Black Dog Communications as consideration for public relations services to the Company.

On June 26, 2007, the Company issued an aggregate of 300,000 shares of its common stock to Linden Growth Partners upon the conversion of \$300,000 principal amount of a convertible note issued to Linden Growth Partners in that amount. The convertible note converted into the Company's common stock at \$1.00 per share. One hundred and fifty thousand (150,000) of these shares were registered pursuant to a Registration Statement on Form SB-2 (SEC File No. 333-140628) which was declared effective by the SEC on June 25, 2007.

On June 26, 2007, the Company issued an aggregate of 450,000 shares of its common stock to Linden Growth Master Fund upon the conversion of \$450,000 principal amount of a convertible debenture issued to Linden Growth Master Fund in that amount. The convertible debenture converted into the Company's common stock at \$1.00 per share. Two hundred and twenty five thousand (225,000) of those shares were registered pursuant to a Registration Statement on Form SB-2 (SEC File No. 333-140628) which was declared effective by the SEC on June 25, 2007.

On June 27, the Company issued 5,000 shares of its common stock to the partners of its legal counsel, Sommer and Schneider LLP in consideration of \$5,000 in legal services rendered to the Company. The stock was issued under the Company's Equity Incentive Plan.

On June 28, 2007, the Company issued 75,000 shares of its common stock and 75,000 warrants exercisable at \$1.00 per share to J. Richard Iler, the Company's Chief Financial Officer as consideration for providing the Company a loan in the amount of \$75,000.

On July 11, 2007 the Company granted 375,000 warrants exercisable at \$1.00 to Alpha Capital in consideration of its loan to the Company to be expressly used for manufacturing of the Company's MasterLOCK™ smartTouch Garage Door Opener. The proceeds from receivable financing will be used to repay this loan.

On July 13, 2007, the Company issued 50,000 shares of its common stock to BridgePointe Master Fund Ltd. upon the conversion of \$50,000 principal amount of a convertible debenture issued to BridgePointe Master Fund in the aggregate principal amount of \$1,000,000. The convertible debenture converts into the Company's common stock at \$1.00 per share. These shares were registered pursuant to a Registration Statement on Form SB-2 (SEC File No. 333-140628) which was declared effective by the SEC on June 25, 2007.

On July 13, 2007, the Company issued 25,000 shares of its common stock to Alpha Capital AG. upon the conversion of \$25,000 principal amount of a convertible note issued to Alpha Capital in the aggregate principal amount of \$400,000. The convertible note converts into the Company's common stock at \$1.00 per share. These shares were registered pursuant to a Registration Statement on Form SB-2 (SEC File No. 333-140628) which was declared effective by the SEC on June 25, 2007.

On July 13, 2007, the Company issued Nite Capital 75,000 shares of its common stock issuable upon the exercise of a like number of warrants exercisable at \$0.10 per share.

On July 24, 2007, the Company issued 20,222 shares as payment in kind for interest payment due to BRIDGEPOINTE MASTER FUND, LTD on a \$1,000,000 convertible note issued to the Company. on January 5, 2007.

On July 25, 2007, the Company issued 50,000 shares as payment in kind for fees related to a factoring commitment to BLX, Funding.

On July 25, 2007, the Company issued 25,000 shares of its common stock and 25,000 warrants exercisable at \$1.00 per share to Mark Basile, the Company's Chief Executive Officer as consideration for providing the Company a loan in the amount of \$25,000.

On July 25, 2007, the Company issued 150,000 shares of its common stock and 150,000 warrants exercisable at \$1.00 per share to Mark Basile as consideration for Mr. Basile providing the Company his personal guarantee in connection with the opening of an escrow agreement in the amount of \$750,000.

On August 1, 2007, the Company issued 8,365 shares of its common stock to A2E Technologies as payment of \$9,535.75 due A2E Technologies pursuant to a Service Level Agreement dated March 16, 2007.

On August 15, 2007, the Company issued 150,000 shares of its common stock to Linden Growth Partners L.P. upon the exercise of a like number of warrants exercisable at \$0.10 per share.

On August 15, 2007, the Company issued 225,000 shares of its common stock to Linden Growth Partners Master Fund L.P. upon the exercise of a like number of warrants exercisable at \$0.10 per share.

On August 16, 2007 the Company issued 22,269 shares of its common stock to Osher Capital Partners LLC upon the cashless exercise of 25,000 warrants exercisable at \$0.10 per share.

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.

d) Not Applicable

### **Item 3.: Defaults upon Senior Securities**

None

### **Item 4.: Submission of Matters to a Vote of Security Holders**

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**Item 5. Other Information**

On August 15, 2007 the Company notified holders of 375,000 Series B Warrants that it has elected to redeem those warrants and to pay such holders \$.12 per warrant. Pursuant to the terms of the Series B Warrants the Company has provided the holders 10 days written notice of its intent to redeem said Series B Warrants. The Company has fixed the redemption date of August 15, 2007. The holders who received notice must return the Series B Warrants by August 25, 2007 to receive payment. The Company does intend to allow such holders the right to exercise these warrants until August 25, 2007.

**Item 6.: Exhibits**

(a) The following exhibits are filed as part of this report:

31.1 Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

31.2 Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350

**SIGNATURES**

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

Dated: August 20, 2007

**BIOMETRX, INC.**

By: /s/ Mark Basile

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Mark Basile  
Chief Executive Officer

By: /s/ J. Richard Iler

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J. Richard Iler  
Chief Financial Officer