BioMETRX
Form 10QSB
November 21, 2006

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

FORM 10-QSB

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

For the Quarter Period Ended
September 30, 2006 Commission File No. 0-15807

BIOMETRX, INC.
(Exact name of Registrant as specified in its Charter)

Delaware (State or jurisdiction of incorporation or organization)	31-1190725 (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 shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

The number of shares outstanding of the Registrant's Common Stock, $.001 par value, as of November 17, 2006 was 8,394,157.

PART I - FINANCIAL INFORMATION

Item 1: Financial Statements (Unaudited)

BIOMETRX, INC. AND SUBSIDIARIES
(A Development Stage Company)
CONDENSED CONSOLIDATED BALANCE SHEET
September 30, 2006
(Unaudited)

ASSETS		
Current Assets:		
Cash	$	97,662
Marketable Securities		231
Inventory		507,881
Other Current Assets		7,421
Total Current Assets		613,194
Property and Equipment, net		59,302
Other Assets:		
Deferred Finance Costs - net		146,225
Security Deposit		17,045
Total Other Assets		163,270
TOTAL ASSETS	$	835,765
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes Payable	$	455,000
Accounts Payable		733,891
Accrued Liabilities		53,416
Total Current Liabilities		1,242,306
Long-Term Liabilities:		
8% Convertible Notes, net of unamortized discounts of $1,597,808		203,836
TOTAL LIABILITIES		1,446,142
COMMITMENTS AND CONTINGENCIES		
Stockholders' Deficit:		
Preferred Stock, $.01 par value; 10,000,000 shares authorized no shares issued and outstanding		-
Common Stock, $.001 par value; 25,000,000 shares authorized 8,294,157 shares issued and outstanding		8,294
Additional Paid-In-Capital		22,998,887
Deferred Finance Costs		(657,613)

Deferred Compensation		(361,563)
Deficit Accumulated in the Development Stage		(22,598,381)
Total Stockholders' Equity		(610,378)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	835,765

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

3

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

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005	FOR THE PERIOD FEBRUARY 1, 2001 (INCEPTION) TO SEPTEMBER 30, 2006
REVENUES	$ -	$ -	$ -	$ -	$ -
Costs and Expenses:					
General and Administrative Expenses	572,473	266,541	1,655,321	2,566,973	3,812,660
Research and Development Expenses	19,622	71,658	662,066	259,928	1,181,232
Contract Buyouts Issued In Stock	-	-	-	-	356,000
Amortization of Deferred Compensation	642,337	-	1,798,951	-	2,236,937
Amortization of Deferred Finance Costs	336,625		413,784		413,784
Compensatory Element of Stock and Option Issuances	283,701	129,625	5,072,513	5,591,708	14,120,014
Compensatory Element of Stock Issuances - Legal Settlement	-		368,750		368,750
Total Costs and Expenses	1,854,758	467,824	9,971,385	8,418,609	22,489,377
Loss before Other Income (Expense)	(1,854,758)	(467,824)	(9,971,385)	(8,418,609)	(22,489,377)
Other Income (Expense):					
Finance Costs	(82,742)	-	(86,703)	-	(93,715)
Unrealized Gain (Loss) on Marketable Securities	(355)	(16,211)	(230)	(20,574)	(6,315)
Total Other Income (Expense)	(83,097)	(16,211)	(86,933)	(20,574)	(100,030)
Loss from Operations	(1,937,855)	(484,035)	(10,058,318)	(8,439,183)	(22,589,407)
Preferred Stock Dividend	-	-	(8,975)	-	(8,975)
Net Loss Allocated to Common Shareholders	$ (1,937,855)	$ (484,035)	$ (10,067,293)	$ (8,439,183)	$ (22,598,381)
Weighted Average Common Shares - Outstanding	7,992,266	4,324,620	7,262,684	3,710,202	

Net Loss per Common Share (Basic and Diluted)	$	(0.24)	$	(0.11)	$	(1.39)	$	(2.27)

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

4

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

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 (UNAUDITED)	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 (UNAUDITED)	FOR THE PERIOD FEBRUARY 1, 2001 (INCEPTION) TO SEPTEMBER 30, 2006 (UNAUDITED)
Cash Flows from Operating Activities:			
Net Loss	$ (10,058,318)	$ (8,439,183)	$ (22,589,406)
Adjustment to reconcile net loss to net cash used in operating activities:			
Non-Cash Item adjustments:			
Compensatory Element of Stock and Warrant Issuances	5,474,262	5,565,625	14,877,763
Amortization of Deferred Compensation	1,781,451		2,219,437
Amortization of Deferred Finance Costs	413,784		413,784
Depreciation	864		864
Unrealized (Gain) Loss on Marketable Securities	230	5,726	6,315
Change in Operating Assets and Liabilities:			
(Increase) Decrease in Prepaid Expenses	-	(27,669)	(59,150)
(Increase) in Inventory	(507,881)		(507,881)
(Increase) Decrease in Other Current Assets	54,732	(3,000)	54,732
(Increase) in Security Deposits	(509)	(5,860)	(17,045)
Increase (Decrease) in Accounts Payable	512,008	1,759,320	548,084
Increase (Decrease) in Accrued Liabilities	69,362	10,369	106,365
Increase (Decrease) in Accrued Payroll - Related Parties	-	134,000	960,000
Net Cash Used in Operating Activities	(2,260,015)	(1,000,672)	(3,986,138)
Cash Flows from Investing Activities:			
Purchase of Fixed Assets	(60,166)	-	(60,166)
Net Cash Used in Investing Activities	(60,166)	-	(60,166)
Cash Flows from Financing Activities:			
Restricted Cash	66,427	(24,126)	(30,000)
Proceeds of Loans	-	-	25,000
Proceeds from Issuance of Notes Payable	1,405,000	-	1,405,000
Advances to Stockholder/Officer	-		(381,598)
Proceeds from Issuance of Preferred Stock	650,000		650,000

Repayment of Related Party Loans		-		(107,490)		(109,736)
Advances to Employee		-				(3,000)
Repayments of Loans		-		(81,816)		(25,000)
Merger Related Advances		-		(75,000)		-
Deferred Finance Costs - Bonds		(107,500)		-		(107,500)
Proceeds from Issuances of Common Stock		372,000		1,440,000		3,096,750
Commissions Paid on Sales of Common Stock		(152,200)		(122,500)		(375,950)
Net Cash Provided by Financing Activities		2,233,727		1,029,068		4,143,966
Net Increase (Decrease) in Cash		(86,454)		28,396		97,662
Cash, Beginning		184,116		31,111		-
Cash, Ending	$	97,662	$	59,507	$	97,662
Supplemental Cash Flow Information:						
Cash Paid During the Period for:						
Interest	$	-	$	-	$	7,012
Income Taxes	$	-	$	-	$	-

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

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

Common Stock Issued as Commissions on Sale of Common Stock	$	656,489	$	10,000	$	1,825,407
Accrued Commissions on Sales of Sales of Common Stock	$	431,706	$	52,500	$	656,489
Issuance of Common Stock as Payment of Accrued Officers' Salaries	$	108,402	$	470,000	$	578,402
Issuance of Common Stock - Deferred Finance Costs	$	2,248,354	$	-	$	2,248,354
Issuance of Common Stock - Deferred Compensation	$	1,726,000	$	310,000	$	2,581,000
Application of Loans Receivable - Officer Against Accrued Compensation	$	201,598	$	180,000	$	851,598
Common Stock Issued as Penalty Shares for Non-Registration	$	558,000	$	-	$	1,187,000
Cashless Exercise of Stock Options - Related Party	$	250,000	$	-	$	250,000
Accrued Deferred Finance Costs	$	(67,948)	$	-	$	(67,948)
Accrued Finder's Fees - Preferred Stock	$	32,500	$	-	$	32,500
Deferred Finance Costs on the Issuance of Warrants	$	182,716	$	-	$	182,716
Preferred Stock Dividend	$	8,975	$	-	$	8,975
Issuance of Common Stock as Payment of Accrued Expenses	$	-	$	1,825,000	$	1,825,000

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

BIOMETRX, INC

(A Development Stage Company)

NOTES TO UNAUDITED 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 don not include all of 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 incurred a net loss of $10,067,293 for the nine months ended September 30, 2006 and has a working capital deficit of $406,541. This raises 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 such 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.

Note 2- Recently Issued 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.

BIOMETRX, INC
(A Development Stage Company)
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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. At September 30, 2006, the Company had 200,000 unvested options outstanding.

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 FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities - an Interpretation of Accounting Research Bulletin No. 51" (FIN No. 46"). This interpretation provides guidance related to identifying variable interest entities (previously known generally as special purpose entities or SPEs) and determining whether such entities should be consolidated. Certain disclosures are required when FIN No. 46 becomes effective if it is reasonably possible that a company will consolidate or disclose information about a variable interest entity when it initially applies FIN No. 46. This interpretation must be applied immediately to variable interest entities created or obtained after January 31, 2003. For those variable interest entities created or obtained on or before January 31, 2003, the Company must apply the provisions of FIN No. 46 for the year ended December 31, 2003. FIN No. 46 did not apply to the Company's financial position or results of operations.

Note 3- Stockholder's Equity

Common Stock

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.

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

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

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

8

BIOMETRX, INC

(A Development Stage Company)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

On March 21, 2006, Mr. Basile exercised 250,000 stock options at $1.00 per share pursuant to his amended employment agreement dated February 6, 2006. Mr. Basile exercised the options via "cash-less exercise." In connection with the exercise of the option, the holder surrendered to the Company 70,422 shares issuable upon exercise of the options in payment of the aggregate exercise price, based upon a $3.55 per share market price on the date of exercise.

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

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

On May 3, 2006, the Company issued 180,000 restricted shares of its common stock valued at $630,000 to New Castle Consulting, LLC pursuant to a Consulting Agreement entered into between the parties on April 10, 2006.

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

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

On July 17, 2006, the Company issued 2,827 shares valued at $10,000 to Mr. Dennis Rutowicz. These shares were issued to Mr Rutowicz to correct a mistake whereby Mr. Rutowicz was accidentally omitted from a list of investors in the Company.

BIOMETRX, INC
(A Development Stage Company)
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On May 8, 2006, the Company issued an aggregate of 25,000 restricted shares of its common stock to Jane Petri (12,500) and Joseph Panico (12,500) as consideration for extending an aggregate of $100,000 loans to the Company. The Company recorded deferred finance costs of $38,000 in connection with this issuance.

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

On August 4, 2006, the Company granted J. Richard Iler 400,000 options to purchase shares of its common stock and issued 100,000 shares of its common stock valued at $85,000 to Mr. Iler as a bonus. 200,000 of the options are exercisable at $1.05 per share and 200,000 options are exercisable at $1.10 per share. The 200,000 options exercisable at $1.05 were issued under the Company's 2005 Incentive Equity Plan (the "Plan") and the other 200,000 options were issued outside the Plan. The securities were issued to Mr. Iler pursuant to his employment agreement. On October 19, 2006, Mr. Iler returned 100,000 options issued under the Plan in exchange for 100,000 options issued outside of the Plan.

On August 14, 2006, the Company granted Lorraine Yarde 600,000 options to purchase shares of its common stock issued 150,000 shares of its common stock valued at $120,000 to Ms. Yarde as a bonus. 200,000 of the options are exercisable at $1.00 per share, 200,000 options are exercisable at $1.25 per share and 200,000 options are exercisable at $1.50 per share. The 200,000 options exercisable at $1.00 were issued under the Plan and the other 400,000 options were issued outside the Plan. On October 19, 2006, Ms. Yarde returned 100,000 options issued under the Plan in exchange for 100,000 options issued outside of the Plan.

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

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

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

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

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

BIOMETRX, INC

(A Development Stage Company)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

STOCK OPTIONS:

Stock option share activity and weighted average exercise price under these plans for the nine months ended September 30, 2006 is as follows:

2005 Equity Incentive Plan:	Number of Options		Weighted Average Exercise Price
Balance - January 1, 2006	375,000	$	2.00
Options Granted in 2006	250,000	$	1.00
Options Exercised in 2006	(250,000)	$	1.00
Balance - September 30, 2006	375,000	$	2.00

Other Options:	Number of	Weighted Average