BioMETRX
Form 10KSB
April 16, 2008

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

Form 10-KSB

(Mark One)

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

For the fiscal year ended December 31, 2007

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

For the transition period from ______________ to________________

Commission file number 0-15807

BIOMETRX, INC.
(Name of small business issuer in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	31-1190725 (I.R.S. Employer Identification No.)
500 North Broadway, Suite 204, Jericho, New York (Address of principal executive offices)	11753 (Zip Code)

(516) 937-2828
Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
None	____________________________________
____________________________________	____________________________________

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

Common Stock Par Value $.001
(Title of class)

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

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

State issuer's revenues for its most recent fiscal year. $1,476,000

The aggregate market value of the Company's common stock held by non-affiliates was approximately $2,154,128 based upon the average bid and asked price of $0.20 as reported by the OTC Bulletin Board as of April 2, 2008.

The Company has 19,280,510 shares of common stock outstanding, as of April 2, 2008

DOCUMENTS INCORPORATED BY REFERENCE

None

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

PART I

INTRODUCTORY COMMENT

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

ITEM 1. DESCRIPTION OF BUSINESS.

The Company, through its wholly owned subsidiaries, designs, develops, engineers and markets biometrics-based products for the consumer home security and consumer electronics markets.

BioMETRX is focused on developing simple-to-use, cost-effective, power-efficient, finger-activated, lifestyle products under the trade name smartTOUCH .Through several agreements in place with consumer security brand giant Master Lock, most of the Company's products are co-branded Master Lock smartTOUCH. The Company's product line includes biometrically enabled residential locks, central station alarm keypads, thermostats, garage/gate openers, mailboxes as well as kitchen, liquor and gun cabinets. Our products utilize finger recognition technology designed to augment or replace conventional security methods such as keys, keypads, and PIN numbers.

The consumer home security industry consists of garage door manufacturers, key and locks manufacturers and central station alarm monitoring companies, representing a $25 billion global market. bioMETRX develops market-specific products in these areas which are being sold through retailers, dealers and direct to consumers in the United States. In early October, the Company began fulfilling significant orders of its first product, the Garage Door Opener, also known as the Master Lock™ smartTOUCH GDO, and since initial delivery has received thousands of reorders.

The Company has also received and shipped against its initial order for its second product, a biometric USB Flash Drive. This product is also co-branded Master Lock smartTOUCH and the company has shipped 1,000 units of this product to Master Lock, to be used as demo and marketing pieces by their sales reps, to secure additional product orders through existing Master Lock sales channels.

The Company is the exclusive biometric provider to Master Lock Corporation, a wholly owned subsidiary of Fortune Brands, a New York Stock Exchange company, that owns and operates some of the most popular consumer home and hardware brands in the United States.

Through Master Lock, other similar OEM relationships and the Company's own distribution channels, the Company expects increasing product offerings in 2008 and 2009, though it cannot offer specific guarantees as to the significance of the revenues that might be realized.

bioMETRX, to date, has introduced its products and services commercially and is considered an entry level market vendor of consumer-based biometric products. bioMETRX has limited assets, significant liabilities and limited business operations, though it has realized initial meaningful revenues from its initial product, the Company continues to realize losses from operations and cannot provide assurances that further revenues from this initial product will create positive cash flow to support operations.

Intellectual Property

The Company currently owns four patents and has six patents pending, all of which incorporate the biometric design and/or architecture used within smartTOUCH products that have been, or are being developed. owns patents covering biometric garage door openers, thermostats, padlocks and security/retrieval of electronic medical records.

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

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

Manufacturing

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

Marketing

The target markets for our home security and electronic products are consumer and home security OEMs. bioMETRX has established its own marketing initiatives by developing initial brand recognition for its smartTOUCH product line through retailers, development partner's, authorized dealers and these such OEMs..

The Company currently markets its products through three (3) distinct sales channels, (i) Retailers, (ii) partner distribution channels and (iii) direct to consumer sales. The Company has entered into a development and co-marketing agreement with Master Lock™ which allows the Company’s products to be sold and distributed under the co-brand Master Lock smartTOUCH, through Master Lock’s existing established channels, which includes almost every home improvement domestic and international retailer, a network of authorized Master Lock dealers, as well as specialty security hardware catalogues. .

The Company has been successful in its initial sale and delivery to over 1400 Home Depot stores throughout the United States. To date, the Company has delivered over 18,000 GDO units under the Master Lock smartTOUCH brand, and has experienced sell through and re-orders from individual Home Depot stores in excess of 5,000 units and $400,000..

The Company also offers its products through direct Internet sales on its website www.smarttouchstore.com. The Company's online marketplace was necessitated through direct consumer inquiry after company products were featured on various television shows. The Company has generated over 1000 Internet orders to date.

The Company expects as Master Lock introduces our co-developed products to the various home improvement, hardware and consumer security markets, our co-branded products will be incorporated into much wider scale product marketing initiatives that are expected to result in accelerated revenue growth for our Company.

Competition

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

Employees

As of December 31, 2007, the Company has 6 full time employees and no part time employees. The Company expects that it will hire at least 4 more key people over the next 6 months. We believe our employee relations are satisfactory.

ITEM 2. PROPERTIES

We operate our business in leased facilities. We occupy two offices with approximately 3,900 square feet in an office building in Jericho, New York. Our rent for this space is $9,100, plus utilities, per month. The Company’s lease for this space expires on January 31, 2010. The Company believes this space is adequate for its needs.

ITEM 3. LEGAL PROCEEDINGS

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

On March 7, 2007, the Company’s subsidiary, bioMETRX Technologies Inc. became the subject of a complaint filed by Frank Giannuzzi, the former Chief Financial Officer and Sante Santopadre, a former consultant with whom it had previously had severed its business relationship. The complaint was filed in the Supreme Court of the State of New York, County of Nassau (Index No. 07-004088). The plaintiffs allege damages arising from certain inducements which were relied upon to their detriment. The Company considers these allegations to be baseless and without merit and will continue to vigorously pursue damages in the course of its defense of this complaint and other previous acts of the plaintiffs and has initiated counterclaims for damages as a result of adverse actions by the individuals which have impaired the Company’s operations.

On March 10, 2008, the Company became the subject of a complaint entitled Arrow Electronics, Inc. v. bioMETRX Technologies, Inc. etal. The Complaint was filed in the Supreme Court of the State of New York County of Nassau (Index No. 08-4900). The complaint alleges breach of contract and the plaintiff is seeking damages of $194,139.15. The Company has requested an extension to answer the complaint. The Company intends to vigorously defend this action.

The Company is a defendant in a lawsuit entitled Worldwide Electronic Solutions, L.L.C. v. Biometrx, Inc. etal.. The action was filed in the Superior Court of the State of Arizona for the County of Maricopa (Index No.

CV2007-023760). The complaint alleged breach of contract and sought damages of approximately $190,000, the Company did not answer the complaint in that it believes that the Court had no jurisdiction. The Plaintiff obtained a default judgment and has filed an Application for Entry of Default, the Company intends on filing a motion to vacate the Default Judgment and has been in negotiations with the Plaintiff to settle this matter.

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

The Company's Information Statement (the "Information Statement") was mailed on or about January 30, 2008 to the holders of record at the close of business on December 31, 2007, of the Common Stock of bioMETRX, Inc., a Delaware corporation ("bioMETRX" or the "Company"), in connection with action by written consent in lieu of a meeting to authorize and approve an amendment to our Certificate of Incorporation increasing the number of authorized shares of our Common Stock, from 25,000,000 to 100,000,000 shares

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

Market Information

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

	2005	
COMMON STOCK	High	Low
First quarter	$ 1.28	$ 0.60
Second quarter	$ 15.40	$ 0.60
Third quarter	$ 15.80	$ 2.20
Fourth quarter	$ 8.00	$ 2.40

	2006	
COMMON STOCK	High	Low
First quarter	$ 6.80	$ 2.40
Second quarter	$ 3.75	$ 1.35
Third quarter	$ 1.80	$ 0.60
Fourth quarter	$ 2.95	$ 1.05

	2007	
COMMON STOCK	High	Low
First quarter	$ 3.49	$ 1.80
Second quarter	$ 2.20	$ 1.05
Third quarter	$ 1.40	$ 0.56
Fourth quarter	$ 1.35	$ 0.42

All prices for fiscal 2005, 2006 and 2007 are split-adjusted to reflect a reverse 1:12 stock split which occurred on December 20, 2004 and also reflect a reverse 1:4 stock split which occurred March 14, 2006.

On April 2, 2008, the last sale price of our common stock reported by the OTCBB was $0.20 per share.

Shareholders

Records of our stock transfer agent indicate that as of April 2, 2008, we had 699 record holders of our common stock. The Company estimates there are nearly 500 holders of lots of 100 or more shares. Since a significant number of our shares are held by financial institutions in "street name," it is likely that we have significantly more stockholders than indicated above. We estimate that we have approximately 1,000 beneficial holders, including such shares held in "street name." As of April 2, 2008 we had 19,280,510 outstanding shares of common stock.

Dividend Policy

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

Unregistered Sales of Equity Securities

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

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

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

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

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

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

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

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

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

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

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

On June 29, 2006, the Company entered into a Securities Purchase Agreement dated as of June 29, 2006, with four investors relating to the issuance and sale, in a private placement exempt from the registration requirements of the Securities Act of 1933, as amended, of units (the "Units") consisting of 8% Convertible Notes in the principal amount of $950,000 ("Notes"), Series A Common Stock Purchase Warrants ("A Warrants") and Series B Common Stock Purchase Warrants ("B Warrants"). In addition, the company entered into an Exchange Agreement with the two investors who purchased $650,000 of the Preferred Stock Units, previously reported on Form 8-K dated April 28, 2006 whereby the Company agreed to issue the Units in exchange for the return and cancellation of the previously issued Preferred

Stock Units. Accordingly, at closing the Company issued its 8% Convertible Notes in the aggregate principal amount of $1,600,000, 1,600,000 A Warrants and 800,000 B Warrants to the Investors. The Company also issued an aggregate of 128,000 shares of its common stock to the investors representing one year's of prepaid interest on the Notes.

The Notes mature 24 months from the closing. The Notes are convertible at the option of the holder into the Company's common stock at the rate of $1.00 per share. The Notes are mandatorily convertible into the Company's common stock if the closing bid price of the Company's common stock is above $2.50 per share for ten (10) consecutive trading days and if the daily volume for the same period exceeds 100,000 shares per day. The Company may redeem the Notes for 125% of the principal amount of the Note together with all accrued and unpaid interest provided that (i) an event of default has not occurred, and (ii) an effective registration statement covering the shares underlying the Note exists. As a result of the anti-dilution provisions contained in the Notes the conversion price has been adjusted several times, the lowest conversion price to date was approximately $.25 per share.

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

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

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

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

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

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

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

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

On August 14, 2006, the Company granted Lorraine Yarde 600,000 options to purchase shares of its common stock issued 150,000 shares of its common stock a to Ms. Yarde as a bonus. 200,000 of the options are exercisable at $1.00

per share, 200,000 options are exercisable at $1.25 per share and 200,000 options are exercisable at $1.50 per share. The 200,000 options exercisable at $1.00 were issued under the Plan and the other 400,000 options were issued outside the Plan. On October 19, 2006, Ms. Yarde returned 100,000 options issued under the Plan in exchange for 100,000 options issued outside of the Plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

100,000 at $1.50 per share
100,000 at $2.00 per share
100,000 at $4.00 per share

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

The Debentures mature on June 29, 2008. The Debentures are convertible at the option of the holder into the Company's common stock at the rate of $1.00 per share. The Debentures are convertible at the option of the Company into the Company's common stock if the closing bid price of the Company's common stock is above $2.50 per share for ten (10) consecutive trading days and if the shares underlying the Debentures are registered. The Company may redeem the Debentures for 125% of the principal amount of the Debenture together with all accrued and unpaid interest provided that (i) an event of default has not occurred, (ii) the price of the Company's common stock exceeds $1.50 and (ii) an effective registration statement covering the shares underlying the Debentures exists. As a result of the anti-dilution provisions contained in the Debentures the conversion price has been adjusted several times, the lowest conversion price to date was approximately $.25 per share.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 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 (1500,00) 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 50,000 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 24th, 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 25th, 2007, the Company issued 50,000 shares as payment in kind for fees related to a factoring commitment to BLX, Funding.

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

On August 1, 2007, the Company issued 8,365 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.

On August 24, 2007 the Company issued 178,152 shares of its common stock to Alpha Capital AG upon the cashless conversion of 200,000 warrants exercisable at $0.10 per share.

On August 30, 2007 the Company issued 87,500 shares of its common stock and 87,500 warrants exercisable at $1.00 each to Joe Panico and Jane Petri respectively as an inducement to renew with an extension to maturity to May 15th, 2008 and increase a loan to the Company in the amount of $800,000.

On August 31, 2007 the Company issued 62,500 shares of its common stock upon the exercise of 62,500 warrants exercisable at $0.10 to Lighthouse Capital Insurance Company.

On August 31, 2007 the Company issued 62,500 shares of its common stock upon the exercise of 62,500 warrants exercisable at $0.10 to Peter Thomson.

On September 7, 2007, the Company issued to Bridgepointe Master Fund, Ltd. 435,342 shares of its common stock upon the cashless exercise of 500,000 warrants exercisable at $0.10 per share.

On September 7, 2007, the Company issued 6,647 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 September 11, 2007, the Company issued an aggregate of 50,000 shares of its common stock to Bridgepointe Master Fund, Ltd. upon the conversion of $50,000 principal amount of a convertible note issued to Bridgepointe Master Fund, Ltd. in that amount. The convertible note converted into the Company's common stock at $1.00 per share

On September 12, 2007, the Company issued an aggregate of 81,193 shares of its common stock to Whalehaven Capital Fund Limited upon the conversion of $81,193 of principal and interest amount of a convertible note issued to Whalehaven Capital Fund Ltd. The convertible note converted into the Company's common stock at $1.00 per share.

On September 12, 2007 the Company issued 250,000 shares of its common stock upon the exercise of 250,000 warrants exercisable at $0.10 to Whalehaven Capital Fund, Ltd.

On September 27th, 2007, the Company issued an aggregate of 14,761 shares of its common stock to Whalehaven Capital Fund Limited upon the conversion of $14,761 of principal and interest due under a convertible note issued to Whalehaven Capital Fund Ltd. The convertible note is convertible into the Company's common stock at the rate of $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 October 10, 2007, the Company issued 16,823 shares of its common stock to Whalehaven Capital Fund Ltd. upon the conversion of $16,823 of principal and interest due under a convertible note issued to Whalehaven Capital Fund Ltd. The convertible note is convertible into the Company's common stock at the rate of $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 October 11, 2007, the Company issued an aggregate of 218,500 shares of its common stock to the following employees and executive officers:

Mark Basile	50,000
J. Richard Iler	50,000
Lorraine Yarde	50,000
Cliff Zsevc	50,000
Peter O'Neill	50,000

Carol Seaman	2,500
Marcia Strain	1,000
TOTAL	218,500

On October 15, 2007, the Company issued an aggregate of 100,000 shares of its common stock to Richard Quintana (50,000 shares) and Michael Niccole (50,000) in connection with the acquisition of a Patent.

On October 17, 2007, the Company issued 10,000 shares of its common stock to the partners of Sommer & Schneider LLP, the Company's securities counsel as partial payment of legal services rendered to the Company.

On November 6, 2007, the Company issued 114,545 shares of its common stock to Mark Basile, the Company's CEO upon the cashless exercise of 140,000 warrants, exercisable at $.10 per share.

On November 6, 2007, the Company issued 20,000 shares of its common stock to the partners of Sommer & Schneider LLP.

On November 6, 2007, the Company issued an aggregate of 150,000 shares of its common stock to the members of its board of directors Mark Basile (50,000) Lorraine Yarde (50,000) and J. Richard Iler (50,000) as consideration for services rendered in the performance of their duties as directors of the Company.

On November 15th, 2007, the Company issued 17,507 shares of its common stock to A2E Technologies as partial consideration toward engineering services performed on behalf of the Company.

On November 16th, 2007, the Company escrowed 500,000 shares of its stock as collateral for extending the maturity of loans given by Joseph Panico and Jane Petri to the Company.

On November 16th, 2007, the Company granted 50,000 shares to Wendy Borow-Johnson as consideration for serving on the Board of the Company.

On November 27th, 2007 the Company granted 20,000 shares to ICR, LLC as consideration and settlement of investor relations services to the Company.

On December 4th, 2007 the Company issued 125,000 shares to Lighthouse Capital Insurance Company upon exercise of 125,000 warrants exercisable at $.30.

On December 4th, 2007 the Company issued 125,000 shares to Peter Thompson upon exercise of 125,000 warrants exercisable at $.30.

On December 4th, 2007 the Company issued 12,500 shares to Robert Casolaro upon exercise of 125,000 warrants exercisable at $.30.

On December 6th, 2007 the Company issued 9,135 shares to Fort Mason Partners LP upon exercise of 9,135 warrants exercisable at $.30. These warrants were assigned by Nite Capital to the benefit of Fort Mason Partners LP.

On December 6th, 2007 the Company issued 140,865 shares to Fort Mason Master LP upon exercise of 140,865 warrants exercisable at $.30. These warrants were assigned by Nite Capital to the benefit of Fort Mason Master LP.

On December 18th, 2007, the Company issued 67,857 shares of its common stock to The Naples Trust upon the cashless exercise of 75,000 warrants, exercisable at $.10 per share.

On December 18th, the Company issued 100,000 shares of its common stock to Interactive Resources Group in accordance with a consulting agreement of like date.

On December 19th, 2007, the Company authorized the issuance of 100,000 shares of its common stock to BridgePointe Master Fund, Ltd as part of the conversion and Forebearance Agreement dated as of December 19, 2007. The shares were issued on January 28, 2008.

On December 20th, 2007, the Company issued 85,952 shares of its common stock to the Company's Chief Operating Officer upon the cashless exercise of 95,000 warrants, exercisable at $.10 per share.

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

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

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

Operations

The Company operates its business current business efforts through two (2) wholly owned subsidiaries, bioMETRX Technologies Inc., which conducts the product engineering and design and smartTOUCH Consumer Products, Inc., the consumer-based marketing and sales group.

Management's plan of operations for the next twelve months is to raise additional capital, complete further engineering of its product line and continue marketing the Company's products and services through its distribution channels. The Company has recently expanded its co-marketing/co-development agreement with Master Lock™ , adding several new products that will be branded Master Lock smartTOUCH The Company expects it will require $4,500,000 - $7,500,000 over the next 12 months to accomplish these goals, though it is anticipated that this will incrementally be raised in stages, 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 shipped its initial product to the Home Depot and has realized revenues of nearly $1,500,000 during the fourth quarter 2007. The Company has received funding from one of its institutional investors for advance purchase of components in the amount of $750,000. Further, as the Company replenishes orders and maintains inventory levels, the Company 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's balance sheet continues to reflect negative shareholder equity, though it has been reduced through the conversion of institutional debt to equity. For the foreseeable year, the Company 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 2008. Should the Company not prevail in its efforts to attract capital, it will require strict budget adherence in order to manage the many demands for capital.

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

Current Market Outlook - Target Markets/Applications

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

We are focused on developing simple to use, cost effective, power-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 and thermostats.

Product Offerings

smartTOUCH Ô products allow a person to open a door, or set an alarm or thermostat simply by placing/swiping a finger upon a sensor chip, a fraction of the size of a postage stamp. smartTOUCH Ô products are designed to simplify access, while substantially increasing the level of security for the products and applications that incorporate the “powered by smartTOUCH platform. . Our smartTOUCH Ô products use a one-to-one biometrics matching authentication system embedded into each device. The bioMETRX patent-pending system also includes a hand held universal programmer designed to control access to the administrative functions of each smartTOUCH Ô device. All smartTOUCH Ô products are designed to work with this universal programmer, and permit up to twenty (20) authorized users to be enrolled. Our system allows two types of users, an access user who can only operate the smartTOUCH Ô device, and an administrative user who can operate and also add or delete other users.

Consumer Products

The Company has been designing various practical consumer biometric products since 2001, with its first product, a finger activated garage door opener, debuting in the summer of 2005 to very strong media and retailer interest. The product was featured on several television home improvement shows including HGTV's "I Want That", as well as making appearances in the television reality show, "It Takes a Thief", a Discovery Networks program. The smartTOUCH GDO was the very first practical consumer biometric product offered in the United States, and since its debut, is now the most widely distributed consumer biometric product available in the U.S. through The Home Depot.

The Company focus continues to be incorporating biometric technology, through protected proprietary design and architecture, into products that consumers use everyday. The Company's management had established a vision early on for an entire family of products that would simplify consumers lives by removing the need to remember PIN codes or carry keys. The Company's current product offerings include its GDO, a thermostat, a portable USB drive and a gate controller. These products are expected to be available at domestic retailers in 2008, and are in various stages of final testing and/or manufacturing. The Company also expects that several other products will be launched in 2008, including a door lock, mailbox and cabinet lock. The Company continues to work with its partners to generate product ideas, integrated architecture solutions, as well as low power, low cost designs that will continue to accelerate product development and introductions to market..

<u>Results of Operations</u>

<u>Results of Operation for the years ended December 31, 2006 and 2005</u>

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

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

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

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

<u>Results of Operations for the years ended December 31, 2007 and 2006</u>

For Twelve Month period ended December 31, 2007 compared to December 31, 2006

During the twelve months ended December 31, 2007, net losses totaled $11,126,954 compared to $10, 837,218 for the same twelve month period ending December 31, 2006.

Revenues - Net

For the year ending Dec 31, 2007, the Company received its first revenues of $1,476,370 principally relating to its shipment of its first product,the MasterLOCK smartTouch ™ Garage Door Opener (GDO) to the Home Depot.

Cost of Goods Sold

The Company's Cost of Goods Sold relating to the production was $1,926,966 due to higher costs relating to a limited production run, tooling costs and higher component costs. The Company has commenced a redesign of all parts of the GDO and believes that it can bring component and production costs to bring the product's margin to be more in line with the cost of producing its other products scheduled for release in fiscal 2008.

Operating Expenses

General and Adminstrative

For the twelve months ending December 31, 2007, bioMETRX,s general and administrative expenses totaled $4,227,646,, or 93.9% of total operating expenses as compared to $11,854,191, or 94,7% for the year ending December 31, 2006.

Salaries comprised $950,000, or 23.41% of total operating expense for the year ending December 31, 2007, as to the comparable year's expense of $1,019,470, or 8.67% ending December 31,2006.

Interest Expense and Finance Costs

For the twelve month period ending December 31, 2007, the Company incurred interest and finance costs of $6,173, 490 of which $4,590,142 was a non-cash item relating to the amortization of deferred finance costs on convertible debt held by the Company. The Company had interest expense of $923,687 for the comparable period ending December 31, 2006

Other non-cash items

The Company had compensatory expenses relating to the issuance of stock and warrants in the amount of $3,179, 917 for the period ending December 31, 2007 as compared to $7,573, 591 for the period ending December 31, 2006. If not for these non-cash items, the Company's net loss would have been $3,356, 895 as compared to $2,569,191 for the comparable period ending December 31, 2006.

Liquidity and Capital Resources

As of December 31, 2007 bioMETRX had total assets of $1,896,770 and total current assets of $864,833. At December 31, 2007 bioMETRX had total liabilities of $4,356,206 of which all were recorded as current liabilities. bioMETRX's had negative working capital at December 31, 2007 of $3,491,373 and an equity deficit of $2,459,436 positive. The Company's net cash provided by financing activities was $2,317,738 and was barely adequate to fund the net cash used in operating activities of $2,121,197. . 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.

- However,the Company is optimistic, presuming its ability to raise additional capital through the issuance of its securities, about its ability to generate revenues sufficient to achieve profitability based upon related events;
  - Entering of a co-development and co-marketing agreement with MasterLOCK™ as of March 28th, 2007.
  - Amending of this agreement with MasterLOCK™ to include an additional 9 products as of March 24th, 2008.
- Demonstrated ability to sell to big box retailers such as the Home Depot and partner with other Original Equipment Manufacturers who sell through similar distribution channels.

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

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. As of December 31, 2007 a principal amount of $821,000 of these Notes were converted into our common stock leaving a principal balance due of $779,000 as of December 31, 2007.

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 provided 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 was unable to provide the holders with such validation and therefore the B Warrants were not terminated. 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. In December the Company lowered the exercise price of the A warrants to $.30.

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. In connection there with the Company issued an aggregate of 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 hare. 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 (ii) an effective registration statement covering the shares underlying the Debentures exists. As of December 31, 2007 a principal amount of $600,000 of these Debentures were converted into our common stock. The principal amount due under these Debentures as of December 31, 2007 was $900,000.

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. The Company was unable to provide the holders with the validation and therefore the B Warrants were not terminated. 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. In December 2007, the Company lowered the exercise price of the A Warrants to $.30.

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

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

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

During 2007, the Company received an aggregate of $231,250 from the exercise of an aggregate of 1,162,500 warrants. All but 25,000 of these warrants were issued in connection with the two private placements discussed above. Of these warrants 25,000 were exercised at $1.00 per share, 825,000 were B Warrants exercisable at $.10 per share and 337,500 were A Warrants with a reduced exercise price of $.30 per share.

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 December 31, 2007, all monies were expended from this fund.

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

On November 16th, 2007, the Company escrowed 500,000 shares of its stock as collateral for extending the maturity of loans given by Joseph Panico and Jane Petri to the Company.

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, 2007, indicating bioMETRX is in the development stage of operations, has a working capital and net equity deficiency. These factors raise substantial doubt in bioMETRX' ability to continue as a going concern. If bioMETRX is unable to raise the funds necessary to complete the development of its products and fund its operations, it is unlikely that bioMETRX will remain as a viable going concern.

Critical Accounting Policies and Estimates:

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

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

The Company accounts for compensation costs associated with stock options and warrants issued to non-employees using the fair-value based method prescribed by Financial Accounting Standard No. 123 - Accounting for Stock-Based Compensation. The Company uses the Black-Scholes options-pricing model to determine the fair value of these instruments as well as to determine the values of options granted to certain lenders by the principal stockholder. The following estimates are used for grants in 2007: 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

In June 2006, the FASB issued “Accounting for Uncertain Tax Positions - an Interpretation of FASB Statement No. 109”, (“FIN No. 48”), which prescribes a recognition and measurement model for uncertain tax positions taken or expected to be taken in the Company's tax returns. FIN No. 48 provides guidance on recognition, classification, presentation, and disclosure of unrecognized tax benefits. Fin No. 48 is effective for fiscal years beginning after December 15, 2006, The adoption of this statement have no material impact on the Company's financial position, results of operations or cash flows. In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements”, which defines fair value, establishes a framework for measuring fair value, and expands fair value disclosures. The standard does not require any new fair value measurements. This standard is effective for fiscal years beginning after November 15, 2007. The adoption of this new standard is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

In December 2006, the FASB issued FSP EITF 00-19-2, “Accounting for Registration Payment Arrangements” ("FSP 00-19-2"), which addresses accounting for registration payment arrangements. FSP 00-19-2 specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with SFAS No. 5, “Accounting for Contingencies”. FSP 00-19-2 further clarifies that a financial instrument subject to a registration payment arrangement should be accounted for in accordance with other applicable generally accepted accounting principles without regard to the contingent obligation to transfer consideration pursuant to the registration payment arrangement. For registration payment arrangements and financial instruments subject to those arrangements that were entered into prior to the issuance of EITF 00-19-2, this guidance shall be effective for financial statements issued for fiscal years beginning after December 15, 2006 and interim periods within those fiscal years. The Company does not expect the adoption of this standard will have a material impact on its financial position, results of operations or cash flows.

In February, 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115" ("SFAS No. 159"). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, although earlier adoption is permitted. Management has not determined the effect the adoption of this standard will have on the Company's financial position, results of operations or cash flows.

In June 2007, the Accounting Standards Executive Committee issued Statement of Position 07-1, "Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies" ("SOP 07-1"). SOP 07-1 provides guidance for determining whether an entity is within the scope of the AICPA Audit and Accounting Guide Investment Companies (the "Audit Guide"). SOP 07-1 was originally determined to be effective for fiscal years beginning on or after December 15, 2007, however, on February 6, 2008, FASB issued a final Staff Position indefinitely deferring the effective date and prohibiting early adoption of SOP 07-1 while addressing implementation issues.

In June 2007, the FASB ratified the consensus in EITF Issue No. 07-3,*"Accounting for Nonrefundable Advance Payments for Goods or Services to be Used in Future Research and Development Activities"* (EITF 07-3), which requires that nonrefundable advance payments for goods or services that will be used or rendered for future research and development (R&D) activities be deferred and amortized over the period that the goods are delivered or the related services are performed, subject to an assessment of recoverability. EITF 07-3 will be effective for fiscal years beginning after December 15, 2007. The Company does not expect that the adoption of EITF 07-3 will have a material impact on its financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141(R),"Business Combinations" ("SFAS No. 141(R)"), which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in an acquiree, including the recognition and measurement of goodwill acquired in a business combination. SFAS No. 141(R) is effective as of the beginning of the first fiscal year beginning on or after December 15, 2008. Earlier adoption is prohibited and the Company is currently evaluating the effect, if any, that the adoption will have on its financial position, results of operations or cash flows.
In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51" ("SFAS No. 160"), which will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity within the consolidated balance sheets. SFAS No. 160 is effective as of the beginning of the first fiscal year beginning on or after December 15, 2008. Earlier adoption is prohibited and the Company is currently evaluating the effect, if any, that the adoption will have on its financial position, results of operations or cash flows.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not, or are not believed by management to, have a material impact on the Company's present or future consolidated financial statements.

COMMITMENTS

We do not have any commitments that are required to be disclosed in tabular form as of December 31, 2006 and as of December 31, 2007.

OFF BALANCE SHEET ARRANGEMENTS

We do not have any off balance sheet arrangements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheet of bioMetrx, Inc. and Subsidiaries (“the Company”) as of December 31, 2007, and the related consolidated statements of operations, changes in stockholders’ deficit and cash flows for each of the two years in the period ended December 31, 2007. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of bioMetrx, Inc. and Subsidiaries as of December 31, 2007 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company's operations have generated recurring losses and cash flow deficiencies for the years ended December 31, 2007 and 2006. In addition, as of December 31, 2007 the Company has a significant working capital deficit and stockholders’ deficit. These factors raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

WOLINETZ, LAFAZAN & COMPANY, P.C.

Rockville Centre, New York
April 8, 2008

ITEM 7. FINANCIAL STATEMENTS .

BIOMETRX, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
December 31, 2007

ASSETS		
Current Assets:		
Cash	**$**	**108,756**
Accounts Receivable		**183,920**
Stock Subscriptions Receivable		**225,000**
Prepaid Expenses		**61,034**
Inventories		**286,123**
Total Current Assets		**864,833**
Property and Equipment, net		**92,170**
Other Assets:		
Deferred Finance Costs, net		**53,192**
Security Deposit		**17,045**
Patents		**869,530**
Total Other Assets		**939,767**
TOTAL ASSETS	**$**	**1,896,770**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts Payable	**$**	**1,052,541**
8% Convertible Notes, net of unamortized discounts of $695,956		**997,544**
Convertible Forbearance Notes, net of unamortized discounts of $129,146		**258,292**
Notes Payable - Related Parties		**410,000**
Notes Payable - Other		**1,004,088**
Patent Payable		**100,000**
Accrued Taxes Payable		**299,405**
Accrued Salaries		**21,304**
Accrued Interest		**213,032**
Total Current Liabilities		**4,356,206**
TOTAL LIABILITIES		**4,356,206**
COMMITMENTS AND CONTINGENCIES		
Stockholders' Deficit:		
Preferred Stock, $.01 par value; 100,000,000 shares authorized;		
no shares issued and outstanding		**-**
Common Stock, $.001 par value; 25,000,000 shares authorized;		

16,098,791 shares issued and outstanding		**16,599**
Common Stock Subscribed; 750,000 shares		**750**
Shares held in Escrow; 500,000 shares		**(400,000)**
Additional Paid-In-Capital		**33,881,513**
Deferred Finance Costs		**(233,814)**
Accumulated Deficit		**(35,724,484)**
Total Stockholders' Deficit		**(2,459,436)**
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	**$**	**1,896,770**

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

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BIOMETRX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

	For The Year Ended December 31, 2007	For The Year Ended December 31, 2006
Revenues - net	$ 1,476,370	$ -
Cost of Sales	1,926,966	-
Gross Profit (Deficit)	(450,596)	-
Operating Expenses:		
Selling Expenses	223,072	94,638
General and Administrative Expenses	4,058,299	11,759,553
Research and Development Expenses	275,222	658,879
Total Expenses	4,556,593	12,513,070
Loss before Other Income (Expense)	(5,007,189)	(12,513,070)
Other Income (Expense):		
Value of Common Stock and Options Cancelled		2,600,000
Interest Income	3,271	-
Interest Expense and Finance Costs	(6,123,036)	(923,687)
Unrealized Loss on Marketable Securities	-	(461)
Total Other Income (Expense)	(6,119,765)	1,675,852
Net Loss	(11,126,954)	(10,837,218)
Preferred Stock Dividend	-	(8,975)
Net Loss Allocated to Common Shareholders	$ (11,126,954)	$ (10,846,193)
Weighted Average Common Shares - Outstanding - Basic	11,636,142	7,605,851
Net Loss per Common Share (Basic)	$ (0.96)	$ (1.43)

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

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BIOMETRX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD JANUARY 1, 2006 TO DECEMBER 31, 2007

	Common Stock								
	Shares	Amount	Common Shares Held in Escrow	Common Stock Subscribed	Additional Paid In Capital	Prepaid Interest	Deferred Compensation	Deferred Finance Costs	Accumulated Deficit
BALANCE, JANUARY 1, 2006	5,947,914	$ 5,948			$ 13,308,776	$ (86,400)	$ (194,514)	$ -	$ (13,751,338
STOCK ISSUED FOR CASHLESS EXERCISES	179,578	180			(180)				
Issuance of Common Stock pursuant to the 2005 Equity Incentive Plan - Related Parties.	44,250	44			128,281				
Common Stock issued exercise of stock warrants - Related Party	281,250	281			224,719				
Effect of return of Shares of Common Stock and cancellation of Common Stock Options pursuant to a Termination Agreement - Related Party.	(62,500)	(63)			(2,359,342)				
Issuance of Common Stock for Cash Related Party	183,750	184			146,816				
Issuance of Common Stock	2,827	2			9,998				
Issuance of Common Stock Purchase Options for Services					126,803				

Common Stock issued for Services Related Party	**500,000**	**500**	**1,079,500**	
Common Stock issued in connection with financing Notes Payable	**527,000**	**527**	**888,323**	**(888,850)**
Common Stock issued for Services	**490,000**	**490**	**1,364,010**	
Commissions paid on sales of common stock.			**(37,200)**	
Commissions accrued on sale of Common Stock			**(431,706)**	
Common Stock issued as commissions on sales of common stock	**164,637**	**165**	**656,324**	
Issuance of Common Stock purchase options - Related Party			**4,788,813**	
Penalty shares issued to Related Party in connection with non-registration	**300,000**	**300**	**673,950**	
Value of Escrow shares issued			**67,948**	
Common Stock issued in Settlement of Threatened Litigation	**125,000**	**125**	**368,625**	
Common Stock issued as consideration for Accrued Salaries	**54,201**	**54**	**108,348**	
	128,000	**128**	**172,672**	

Common Stock issued as Prepaid Interest on 8% Convertible Notes					
Finder's Fees paid on sale of Preferred Stock			**(147,500)**	**(28,500)**	
Common Stock issued as Finder's Fees on the sale of Preferred Stock	**50,000**	**50**	**64,950**		
Common Stock purchase warrants issued as payment of placement fees.			**182,716**	**(182,716)**	
Beneficial Conversion Feature of common stock purchase warrants issued relative to 8% Convertible Notes.			**1,217,392**		
Beneficial Conversion Feature of Forbearance Notes.			**387,439**		
Issuance of Preferred Stock in conjunction with a Private Placement.			**643,500**		
Conversion of Preferred Stock to 8% Convertible Notes in conjunction with an Exchange Agreement.			**(643,500)**		
Preferred Dividend accrued			**8,975**		**(8,975**
Issuance of Common Stock purchase options			**978,251**		

for services - Related Party							
Issuance of Common Stock purchase options related to deferred financing costs			**377,526**			**(377,526)**	
Financing Costs Related to Issuance of 8% Convertible Notes						**(107,500)**	
Amortization of deferred compensation.					**194,514**		
Amortization of deferred finance costs.						**495,233**	
CURRENT PERIOD LOSS							**(10,837,218**
BALANCE, December 31, 2006	**8,915,907**	**8,916**	**$ 24,355,224**	**$ (86,400)**	**$ -**	**$ (1,089,859)**	**$ (24,597,531**
STOCK ISSUED FOR SERVICES	**781,750**	**782**	**998,468**				
STOCK ISSUED FOR PURCHASES OF ASSETS	**300,000**	**300**	**664,200**				
STOCK ISSUED FOR STOCK BASED COMPENSATION	**598,500**	**599**	**880,626**				
STOCK ISSUED FOR CASHLESS EXERCISES	**1,162,521**	**1,163**	**(1,163)**				
STOCK ISSUED FOR PAYMENT OF NOTES PAYABLE, ACCRUED INTEREST, AND	**1,536,991**	**1,536**	**1,537,059**				

RELATED INTEREST						
STOCK ISSUED FOR PAYMENT OF ACCOUNTS PAYABLE AND ACCRUED EXPENSES	**97,622**	**98**		**92,592**		
STOCK ISSUED FOR DEFERRED FINANCE COSTS	**585,000**	**585**		**813,165**		**(813,750)**
STOCK ISSUED FOR INTEREST EXPENSE	**150,000**	**150**		**149,850**		
PROCEEDS FROM ISSUANCE OF STOCK	**2,070,500**	**2,071**		**454,079**		
COMMON STOCK ISSUED TO PAY DEBT ISSUED FOR PATENTS	**100,000**	**100**		**79,400**		
COMMON SHARES HELD IN ESCROW	**500,000**	**500**	**(400,000)**	**399,500**		
REVERSAL OF PENALTY SHARES	**(200,000)**	**(200)**		**200**		
WARRANTS ISSUED FOR PAYMENT OF INTEREST EXPENSE				**29,060**		
WARRANTS ISSUED FOR DEFERRED FINANCE COSTS				**1,062,400**		**(835,575)**
WARRANTS ISSUED FOR DEFERRED				**81,800**	**(81,800)**	

COMPENSATION									
ADDITIONAL FINANCES COSTS RELATED TO RE-PRICING OF WARRANTS					**385,000**				
Commissions paid on Equity Raises					**(55,000)**				
WARRANTS ISSUED FOR SERVICES					**230,800**				
COMMON STOCK SUBSCRIBED				**750**	**224,250**				
Beneficial Conversion Feature of Common Stock Purchase warrants issued relative to 8% Convertible Notes					**1,500,000**				
Amortization of Prepaid interest, Deferred Compensation, and Deferred Finance Costs						**86,400**	**81,800**	**2,505,370**	
Net Loss for the Year Ended December 31, 2007									**(11,126,954**
Balance December 31, 2007	**16,598,791**	**$ 16,599**	**$ (400,000)**	**$ 750**	**$ 33,881,513**	**$ -**	**$ -**	**$ (233,814)**	**$ (35,724,485**

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

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BIOMETRX INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEAR ENDED DECEMBER 31, 2007	FOR THE YEAR ENDED DECEMBER 31, 2006
Cash Flows from Operating Activities:		
Net Loss	$ (11,126,954)	$ (10,837,218)
Adjustment to reconcile net loss to net cash used in operating activities:		
Non-Cash Item adjustments:		
Compensatory Element of Stock and Warrant Issuances	3,179,917	7,573,591
Liquidated Damages paid by Issuance of Forbearance Notes	-	387,437
Amortization of Deferred Finance Costs	4,590,142	694,436
Depreciation	64,480	3,999
Unrealized Loss on Marketable Securities	-	461
Change in Operating Assets and Liabilities:		
(Increase) in Accounts Receivable	(183,920)	-
Decrease in Prepaid Expenses	64,030	41,989
(Increase) Decrease in Inventories	137,730	(423,853)
(Increase) Decrease in Deposits on Inventory	57,197	(57,197)
(Increase) in Security Deposits	-	(509)
Increase in Accounts Payable	573,557	285,406
Increase in Accrued Liabilities	528,040	52,759
(Decrease) in Accrued Settlement of Threatened Litigation	-	(368,750)
(Decrease) in Accrued Salaries	(5,416)	-
Net Cash Used in Operating Activities	(2,121,197)	(2,647,449)
Cash Flows from Investing Activities:		
Capital Expenditures	(64,836)	(95,813)
Purchases of Patents	(25,530)	-
Payment of Deferred Finance Costs	(12,500)	-
Net Cash Used in Investing Activities	(102,866)	(95,813)
Cash Flows from Financing Activities:		
Restricted Cash	-	66,427
Proceeds of Loans	1,312,033	-
Proceeds from Related Party notes	440,000	
Proceeds from Issuance of 8% Convertible Notes	1,500,000	950,000
Proceeds from Issuance of Notes Payable	175,000	755,000
Proceeds from Issuance of Preferred Stock	-	650,000
Repayment of Related Party Loans	(30,000)	-
Repayments of Loans	(1,107,945)	
Advances to Employee	-	3,000

Repayments of Notes Payable		**(130,000)**		**-**
Deferred Finance Costs		**(242,500)**		**(155,000)**
Proceeds from Issuances of Common Stock		**456,150**		**342,000**
Commissions Paid on Sales of Common Stock		**(55,000)**		**(37,200)**
Net Cash Provided by Financing Activities		**2,317,738**		**2,574,227**
Net Increase (Decrease) in Cash		**93,675**		**(169,035)**
Cash, Beginning		**15,081**		**184,116**
Cash, Ending	**$**	**108,756**	**$**	**15,081**
<u>Supplemental Cash Flow Information:</u>				
Cash Paid During the Period for:				
Interest	**$**	**16,300**	**$**	**-**
Income Taxes	**$**	**-**	**$**	**-**
<u>Supplemental Disclosures of Cash Flow Information:</u>				
Non Cash Financing Activities:				
Debt Issued for Patents	**$**	**200,000**	**$**	**-**
Common Stock Issued to pay Debt Issued for Patents	**$**	**75,000**	**$**	**-**
Warrants Issued for Deferred Finance Costs	**$**	**774,175**	**$**	**-**
Warrants Issued for Deferred Compensation	**$**	**81,800**	**$**	**-**
Stock Subscribed	**$**	**225,000**	**$**	**-**
Common Stock Issued as Commissions on Sale of Common Stock	**$**	**-**	**$**	**431,706**
Common Stock Issued for Interest Expense	**$**	**174,374**	**$**	**-**
Issuance of Common Stock as Payment of Accrued Officers' Salaries	**$**	**-**	**$**	**310,000**
Issuance of Common Stock - Deferred Finance Costs	**$**	**813,750**	**$**	**2,248,354**
Application of Loans Receivable - Officer Against Accrued Compensation	**$**	**-**	**$**	**201,598**
Common Stock Issued (Cancelled) as Penalty Shares for Non-Registration	**$**	**(313,500)**	**$**	**674,175**
Common Stock Issued as Prepaid Interest				

on 8% Convertible Notes	**$**	**-**	**$**	**172,800**
Issuance of Convertible Forbearance Notes in connection with Liquidated Damages	**$**	**-**	**$**	**387,439**
Beneficial Conversion Feature of Convertible Forbearance Notes			**$**	**387,439**
Cashless Exercise of Stock Options - Related Parties	**$**	**1,163,000**	**$**	**250,000**
Accrued Deferred Finance Costs	**$**	**-**	**$**	**67,948**
Preferred Stock Dividend	**$**	**-**	**$**	**8,975**
Common Stock Issued as Payment of Accounts Payable	**$**	**114,554.00**		
Common Stock Issued for payment of Accrued Interest	**$**	**20,222**	**$**	**-**
Accrued Interest Payable funded with new Notes Payable	**$**	**55,000**	**$**	**-**
Common Stock Issued to pay Notes Payable	**$**	**55,000**	**$**	**-**
Common Stock Issued for Conversion of Convertible Notes Payable	**$**	**1,792,898**	**$**	**-**
Issuance of Common Stock as Payment of Accrued Settlement of Threatened Litigation			**$**	**368,750**

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

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BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Description of Business and Nature of Operations

Description of Business

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

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

1. Change the Company’s name to bioMETRX Technologies, Inc.

2. Increase the total number of shares that the corporation is authorized to issue to 10,000,000 common shares, each with a par value of $0.01.

3. Authorize a 4000 to 1 split of the then outstanding common shares.

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

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

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

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

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

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

BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Nature of Operations

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

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

Note 2 - Basis of Presentation

The Company has incurred net losses of $11,126,954 and $10,837,218 during the years ended December 31, 2007 and 2006 respectively. In addition, the Company has a working capital deficiency of $3,491,373 and a stockholders' deficiency of $2,459,436 at December 31, 2007. These factors raises substantial doubt about the Company's ability to continue as a going concern.

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

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

The Company has exited the development stage during 2007 since principal operations have commenced.

Note 3 - Summary of Significant Accounting Policies

Principles of Consolidation

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

BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

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

Cash and Cash Equivalents

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

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventories at December 31, 2007 consist of finished goods and raw materials.

Debt Issuance Costs

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

Property and equipment

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

Stock Based Compensation

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

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

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BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 - Summary of Significant Accounting Policies (Continued)

During 2007, options were awarded to officers, employees and consultants of the Company. The fair value of the options at the dates of grant were calculated using the Black -Scholes fair value based method using the following assumptions (expected life -2-5 years; interest rate - 4.00% to 5.00%; annual rate of dividends - 0%; and volatility - 75% to 118%).

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

Fair Value of Financial Instruments

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

Advertising and Marketing Expenses

The costs of advertising and marketing expenses are expensed as incurred. Advertising and marketing expenses for the years December 31, 2007 and 2006 were $50,451 and $1,000, respectively

Research and Development

Research and development costs are expensed as incurred. Research and development costs amounted to $275,222 and $658,879 for the years ended December 31, 2007 and 2006, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ form those estimates. Significant estimates relate to ultimate revenue and costs for investments in research and development, design engineering, property and equipment and intangible assets. Actual results differ from those estimates.

Reclassifications

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

BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 - Summary of Significant Accounting Policies (Continued)

Income Taxes

The Company accounts for income taxes under the asset and liability method using the SFAS No. 109 “Accounting for Income Taxes”. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to apply to taxable income to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The tax effects of temporary differences that gave rise to the deferred tax assets and deferred tax liabilities at December 31, 2007 and 2006 were primarily attributable to net operating loss carry forwards. Since the Company has a history of losses a full valuation allowance has been established. In addition, utilization of net operating loss carry-forwards are subject to a substantial annual limitation due to the “Change in Ownership” provisions of the Internal Revenue Code. The annual limitation may result in the expiration of net operating loss carry-forwards before utilization.

Loss per Share

The Company has adopted Financial Accounting Standards Board (“FASB”) Statement Number 128, “Earnings per Share,” (“EPS”) which requires presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS

Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period.

Diluted loss per share is computed similarly to basic loss per share except that it includes the potential dilution that could occur if dilutive securities were converted. Diluted loss per common share is the same as basic loss per share, as the effect of potentially dilutive securities convertible debt and warrants (9,459,432 and 7,001,495, at December 31, 2007 and 2006, respectively inclusive of all potential convertible shares warrants and options) are anti-dilutive.

Long Lived Assets

The Company has adopted SFAS No. 144. “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS No. 144”). SFAS No. 144 requires that long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. The company evaluates the recoverability of long-lived assets based upon discounted cash flows. Should impairment in value be indicated, the carrying value of intangible assets will be adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset. SFAS No.144 also requires assets to be disposed or be reported at the lower of the carrying amount of fair value less costs to sell.

BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 - Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements .

In June 2006, the FASB issued “Accounting for Uncertain Tax Positions - an Interpretation of FASB Statement No. 109”, (“FIN No. 48”), which prescribes a recognition and measurement model for uncertain tax positions taken or expected to be taken in the Company's tax returns. FIN No. 48 provides guidance on recognition, classification, presentation, and disclosure of unrecognized tax benefits. Fin No. 48 is effective for fiscal years beginning after December 15, 2006, The adoption of this statement have no material impact on the Company's financial position, results of operations or cash flows. In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements”, which defines fair value, establishes a framework for measuring fair value, and expands fair value disclosures. The standard does not require any new fair value measurements. This standard is effective for fiscal years beginning after November 15, 2007. The adoption of this new standard is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

In December 2006, the FASB issued FSP EITF 00-19-2, “Accounting for Registration Payment Arrangements” ("FSP 00-19-2"), which addresses accounting for registration payment arrangements. FSP 00-19-2 specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with SFAS No. 5, “Accounting for Contingencies”. FSP 00-19-2 further clarifies that a financial instrument subject to a registration payment arrangement should be accounted for in accordance with other applicable generally accepted accounting principles without regard to the contingent obligation to transfer consideration pursuant to the registration payment arrangement. For registration payment arrangements and financial instruments subject to those arrangements that were entered into prior to the issuance of EITF 00-19-2, this guidance shall be effective for financial statements issued for fiscal years beginning after December 15, 2006 and interim periods within those fiscal years. The Company does not expect the adoption of this standard will have a material impact on its financial position, results of operations or cash flows.

In February, 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115" ("SFAS No. 159"). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, although earlier adoption is permitted. Management has not determined the effect the adoption of this standard will have on the Company's financial position, results of operations or cash flows.

In June 2007, the Accounting Standards Executive Committee issued Statement of Position 07-1, “Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies” (“SOP 07-1”). SOP 07-1 provides guidance for determining whether an entity is within the scope of the AICPA Audit and Accounting Guide Investment Companies (the “Audit Guide”). SOP 07-1 was originally determined to be effective for fiscal years beginning on or after December 15, 2007, however, on February 6, 2008, FASB issued a final Staff Position indefinitely deferring the effective date and prohibiting early adoption of SOP 07-1 while addressing implementation issues.

In June 2007, the FASB ratified the consensus in EITF Issue No. 07-3,*"Accounting for Nonrefundable Advance Payments for Goods or Services to be Used in Future Research and Development Activities"* (EITF 07-3), which requires that nonrefundable advance payments for goods or services that will be used or rendered for future research and development (R&D) activities be deferred and amortized over the period that the goods are delivered or the related services are performed, subject to an assessment of recoverability. EITF 07-3 will be effective for fiscal years beginning after December 15, 2007. The Company does not expect that the adoption of EITF 07-3 will have a material impact on its financial position, results of operations or cash flows.

BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 - Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements .

In December 2007, the FASB issued SFAS No. 141(R),"Business Combinations" ("SFAS No. 141(R)"), which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in an acquiree, including the recognition and measurement of goodwill acquired in a business combination. SFAS No. 141(R) is effective as of the beginning of the first fiscal year beginning on or after December 15, 2008. Earlier adoption is prohibited and the Company is currently evaluating the effect, if any, that the adoption will have on its financial position, results of operations or cash flows.
In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51" ("SFAS No. 160"), which will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity within the consolidated balance sheets. SFAS No. 160 is effective as of the beginning of the first fiscal year beginning on or after December 15, 2008. Earlier adoption is prohibited and the Company is currently evaluating the effect, if any, that the adoption will have on its financial position, results of operations or cash flows.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not, or are not believed by management to, have a material impact on the Company's present or future consolidated financial statements.

Note 4 - Property and Equipment

Property and equipment at December 31, 2007 consist of the following:

	Estimated Useful Lives		December 31, 2007
Computer Equipment and Software	3-7 Years	$	66,724
Office Equipment	3-7 Years		22,240
Tooling and Dies	25,000 Units		71,639
			160,603
Less: Accumulated Depreciation			68,433
		$	97,170

Depreciation expense was $64,480 and $3,990 for the year ended December 31, 2007 and 2006, respectively.

Note 5 - Inventories

Inventories as of December 31, 2007 ocnsists of the following:

Finished Goods	$	11,532
Raw Materials		274,591
Inventory Total	$	286,123

Note 6 - Notes Payable

Notes payable at December 31, 2007 consist of the following:

Notes payable to private investors; bearing interest at 10% per annum and due March 15, 2007 (see Note 7)	$	800,000
Note payabe - Alpha Capital		204,088
	$	1,004,088

On July 12, 2007, bioMETRX, Inc. 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 door 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. 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 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 also issued Alpha a warrant to purchase 375,000 shares of the Company's common stock at an exercisable price of $1.00 per share valued at $236,250 and charged to finance costs. 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 Alpha's legal fees in connection with this transaction not to exceed $40,000.

BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 - Convertible Notes

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

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

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

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

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

BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 - 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 did 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 was accruing 1.5% ($24,000) of the gross proceeds for each month the Company failed to file the Registration Statement. For the year ended December 31, 2006 the Company recorded $144,000 as additional finance costs. In December 2006 the Company issued to the Convertible Noteholders Forebearance Notes in the amount of $387,437 that included the $144,000 liquidated damages.

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

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. During 2007 the Company further reduced the exercise price to $.30. The Company recorded additional finance costs of $385,000 in connection with these repricings.

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 (ii) an effective registration statement covering the shares underlying the Debentures exists.

BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 - 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.

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.

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.

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 fature, was recorded pursuant to Emerging Issues Task Force ("EITF")00-27 Application of EITF No. 98-5. "Accounting for Convertible Securities with Benefical Conversion Features or Contingently Adjustable Conversion Ratios," to certain convertible instruments. In accordance with EITF 00-27, the Company evaluated the value of the benefical 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.

BIOMETRX, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 - Convertible Notes (Continued)

The Company is amortizing the discounts over the term of the related debt. Amortization of the debt discount for the years ended December 31, 2007 and 2006 was $1,968,333 and $694,003, respectively, and this amortization is recorded as interest expense.

During the year ended December 31, 2007 noteholders converted $1,406,500 of principal into 1,462,662 shares of common stock.

Note 8 - 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.

BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Stockholders' Deficit (Continued)

Common Stock (Continued)

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

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

During 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.

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

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

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

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

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

BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Stockholders' Deficit (Continued)

Common Stock (Continued)

On September 18, 2006 the Company entered into a Securities Purchase Agreement, with Jane Petri and Joseph Panico relating to the issuance and sale, of the Company's 10% Promissory Notes due March 15, 2007 in the aggregate principal amount of $400,000, In addition, the Company issued to Petri and Panico 400,000 Common Stock Purchase Warrants valued at $146,800 and 160,000 Shares of the Company's Common Stock valued at $174, 400 as consideration for the financing. In connection with this transaction the two investors provided the Company with $300,000 and exchanged $100,000 in Notes that were previously issued by the Company to the investors. Each Warrant entitles the holder to purchase one share of the Company's Common Stock at an exercise price of $1.00 per share commencing on the date of issuance and expiring at the close of business on September 15, 2011. As part of the Private Placement, the Company agreed to register the 400,000 shares of Common Stock underlying the Warrants and the 160,000 shares of the Common Stock issued as part of this Private Placement.

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

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

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

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

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

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

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BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Stockholders' Deficit (Continued)

Common Stock (Continued)

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

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

100,000 at $1.50 per share
100,000 at $2.00 per share
100,000 at $4.00 per share

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

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

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

During December 2006, the Company issued an aggregate of 44,250 bonus shares of its common stock valued at $128,325 pursuant to the Company's 2005 Equity Incentive Plan. Of these shares 37,500 were issued to the Companies executives.

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

2005 Equity Incentive Plan

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

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

The aggregate of shares that amy be issued under the Plan is 1,250,000. The plan permits the company to make awards of stock options, stock appreciations rights, warrants, stock awards and other equity awards.

Awards under the Plan for the year ended December 31, 2007 and 2006 respectively amounted to 22,750 and 1,006,750 shares of common stock.

BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Stockholders' Deficit (Continued)

Common Stock

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

On January 16, 2007, the Company issued 40,000 shares of its common stock valued at $130,000 to Brad Schwab pursuant to a consulting agreement between the Company and Mr. Schwab.

On January 16, 2007, the Company issued an aggregate of 4,000 shares of its common stock 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 an additional 10,000 shares of common stock as a bonus. These shares were valued at $248,000 in the aggregate.

On January 31, 2007, the Company issued 20,000 restricted shares of its common stock valued at $58,000 pursuant to a consulting agreement between the Company and ICR, LLC.

On February 13, 2007, the Company issued 75,000 restricted shares of its common stock valued at $153,750 to Interactive Resources Group, Inc. ("IRG") pursuant to a consulting agreement between the Company and IRG.

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

BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Stockholders' Deficit (Continued)

Common Stock (Continued)

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

On February 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 March 6, 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 March 12, 2007, the Company issued Robert Jacobs 150,000 restricted shares valued at $334.500 of its common stock as consideration for the purchase of a patent.

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 2005 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 1,750shares of its common stock valued at $3,150 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 valued at $252,000 and 140,000 5 year 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 $140,000.

On May 21, 2007, the Company issued 50,000 shares of its common stock valued at $70,000 and 50,000 warrants exercisable at $1.00 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 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.

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BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Stockholders' Deficit (Continued)

Common Stock (Continued)

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 June 15, 2007, the Company issued 45,000 shares of its common stock valued at $74,250 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.

On June 16, 2007, the Company issued an aggregate of 125,000 shares of its common stock to Lighthouse Capital 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.

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 valued at $32,000 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 valued at $120,000 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 valued at $40,000 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.

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.

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BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Stockholders' Deficit (Continued)

Common Stock (Continued)

On June 27, the Company issued 5,000 shares of its common stock valued at $6,500 to the partners of its legal counsel, Sommer and Schneider LLP in consideration of $6,000 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 valued at $75,000 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.

On July 13, 2007, the Company issued 50,000 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.

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 24th, 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 25th, 2007, the Company issued 50,000 shares as payment in kind for fees related to a factoring commitment to BLX, Funding.

On July 25th, 2007, the Company issued 25,000 shares of its common stock valued at $11,000 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 25th, 2007, the Company issued 150,000 shares of its common stock valued at $150,000 to Mark Basile as consideration for Mr. Basile providing the Company his personal guarantee in connection with the opening of an escrow agreement with Alpha in the amount of $750,000.

On August 1, 2007, the Company issued 8,365 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.

BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Stockholders' Deficit (Continued)

Common Stock (Continued)

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.

On August 24, 2007 the Company issued 178,152 shares of its common stock to Alpha Capital AG upon the cashless conversion of 200,000 warrants exercisable at $0.10 per share.

On August 30, 2007 the Company issued 87,500 shares of its common stock and 87,500 warrants exercisable at $1.00 each to Joe Panico and Jane Petri respectively as an inducement to renew with an extension to maturity to May 15th, 2008 and increase a loan to the Company in the amount of $800,000.

On August 31, 2007 the Company issued 62,500 shares of its common stock upon the exercise of 62,500 warrants exercisable at $0.10 to Lighthouse Capital Insurance Company.

On August 31, 2007 the Company issued 62,500 shares of its common stock upon the exercise of 62,500 warrants exercisable at $0.10 to Peter Thomson.

On September 7, 2007, the Company issued to Bridgepointe Master Fund, Ltd. 435,342 shares of its common stock upon the cashless exercise of 500,000 warrants exercisable at $0.10 per share.

On September 7, 2007, the Company issued 6,647 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 September 11, 2007, the Company issued an aggregate of 50,000 shares of its common stock to Bridgepointe Master Fund, Ltd. upon the conversion of $50,000 principal amount of a convertible note issued to Bridgepointe Master Fund, Ltd. in that amount. The convertible note converted into the Company's common stock at $1.00 per share

On September 12, 2007, the Company issued an aggregate of 81,193 shares of its common stock to Whalehaven Capital Fund Limited upon the conversion of $81,193 of principal and interest amount of a convertible note issued to Whalehaven Capital Fund Ltd. The convertible note converted into the Company's common stock at $1.00 per share.

On September 12, 2007 the Company issued 250,000 shares of its common stock upon the exercise of 250,000 warrants exercisable at $0.10 to Whalehaven Capital Fund, Ltd.

On September 27th, 2007, the Company issued an aggregate of 14,761 shares of its common stock to Whalehaven Capital Fund Limited upon the conversion of $14,761 of principal and interest due under a convertible note issued to Whalehaven Capital Fund Ltd. The convertible note is convertible into the Company's common stock at the rate of $1.00 per share. These shares were registered pursuant to a Registration Statement on Form SB-2.

On October 10, 2007, the Company issued 16,823 shares of its common stock to Whalehaven Capital Fund Ltd. upon the conversion of $16,823 of principal and interest due under a convertible note issued to Whalehaven Capital Fund Ltd. The convertible note is convertible into the Company's common stock at the rate of $1.00 per share. These shares were registered pursuant to a Registration Statement on Form SB-2.

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BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Stockholders' Deficit (Continued)

Common Stock (Continued)

On October 11, 2007, the Company issued an aggregate of 218,500 shares of its common stock valued at $185,725 to employees (150,000) and executive officers (68,500).

On October 15, 2007, the Company issued an aggregate of 100,000 shares of its common stock valued at $80,000 to Richard Quintana (50,000 shares) and Michael Niccole (50,000) in connection with the acquisition of a Patent.

On October 17, 2007, the Company issued 10,000 shares of its common stock valued at $8,000 to the partners of Sommer & Schneider LLP, the Company's securities counsel as partial payment of legal services rendered to the Company.

On November 6, 2007, the Company issued 114,545 shares of its common stock to Mark Basile, the Company's CEO upon the cashless exercise of 140,000 warrants, exercisable at $.10 per share.

On November 6, 2007, the Company issued 20,000 shares of its common stock valued at $11,000 to the partners of Sommer & Schneider LLP.

On November 6, 2007, the Company issued an aggregate of 150,000 shares of its common stock valued at $82,500 to the members of its board of directors Mark Basile (50,000) Lorraine Yarde (50,000) and J. Richard Iler (50,000) as consideration for services rendered in the performance of their duties as directors of the Company.

On November 15th, 2007, the Company issued 17,507 shares of its common stock valued at $10,505 to A2E Technologies
as partial consideration toward engineering services performed on behalf of the Company.

On November 16th, 2007, the Company escrowed 500,000 shares of its stock as collateral for extending the maturity of loans given by Joseph Panico and Jane Petri to the Company.

On November 16th, 2007, the Company granted 50,000 shares of common stock valued at $30,000 to Wendy Borow-Johnson as consideration for serving on the Board of the Company.

BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Stockholders' Deficit (Continued)

Common Stock (Continued)

On December 4th, 2007 the Company issued 125,000 shares to Lighthouse Capital Insurance Company upon exercise of 125,000 warrants exercisable at $.30.

On December 4th, 2007 the Company issued 125,000 shares to Peter Thompson upon exercise of 125,000 warrants exercisable at $.30.

On December 4th, 2007 the Company issued 12,500 shares to Robert Casolaro upon exercise of 12,500 warrants exercisable at $.30.

On December 6th, 2007 the Company issued 9,135 shares to Fort Mason Partners LP upon exercise of 9,135 warrants exercisable at $.30. These warrants were assigned by Nite Capital to the benefit of Fort Mason Partners LP.

On December 6th, 2007 the Company issued 140,865 shares to Fort Mason Master LP upon exercise of 140,865 warrants exercisable at $.30. These warrants were assigned by Nite Capital to the benefit of Fort Mason Master LP.

On December 18th, 2007, the Company issued 67,857 shares of its common stock to The Naples Trust a related party upon the cashless exercise of 75,000 warrants, exercisable at $.10 per share.

On December 18th, the Company issued 100,000 shares of its common stock valued at $86,600 to Interactive Resources Group in accordance with a consulting agreement of like date.

On December 19th, 2007, the Company authorized the issuance of 100,000 shares of its common stock to BridgePointe Master Fund, Ltd as part of the conversion and Forebearance Agreement dated as of December 19, 2007. The shares were issued on January 28, 2008.

On December 20th, 2007, the Company issued 85,952 shares of its common stock to the company's Chief Operating Officer upon the cashless exercise of 95,000 warrants, exercisable at $.10 per share.

BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Stockholders' Deficit (Continued)

Common Stock (Continued)

Stock Options

Stock option share activity and weighted average exercise prices for the years ended December 31, 2007 and 2006 were as follows:

2005 Equity Incentive Plan	2007 Number of Options		2007 Weighted Average Exercise Price	2006 Number of Options		2006 Weighted Average Exercise Price
Balance - January 1,	287,500	$	1.65	375,000	$	2.00
Options Granted	-	$	-	350,000	$	1.00
Options Cancelled	-			(187,500)		2.00
Options Exercised	(100,000)	$	1.00	(250,000)		1.00
Outstanding - December 31,	187,500	$	2.00	287,500	$	1.65
Exercisable	187,500	$	2.00	287,500	$	1.65

Other Options	2007 Number of Options		2007 Weighted Average Exercise Price	2006 Number of Options		2006 Weighted Average Exercise Price
Balance - January 1,	2,150,000	$	2.66	25,000	$	.40
Options Granted	-		-	2,150,000		2.18
Options Exercised	(550,000)		.75	(25,000)		.40.
Outstanding - December 31,	1,600,000	$	2.66	2,150,000		2.18
Exercisable	1,600,000	$	2.66	1,850,000		2.35

The following table summarized information about stock options at December 31, 2007:

Range of Exercise Prices	**Options Outstanding: Number Outstanding**	**Weighted Average Remaining Contractual Life (Years)**		**Weighted Average Exercise Price**	**Options Exercisable: Number Exercisable**		**Weighted Average Price**
$1.00 - $1.99	**600,000**	**3.70**	**$**	**1.28**	**600,000**	**$**	**1.28**
$2.00	**437,500**	**2.50**	**$**	**2.00**	**437,500**	**$**	**2.00**
$3.00	**250,000**	**2.50**	**$**	**3.00**	**250,000**	**$**	**3.00**
$4.00	**250,000**	**2.50**	**$**	**4.00**	**250,000**	**$**	**4.00**
$5.00	**250,000**	**2.50**	**$**	**5.00**	**250,000**	**$**	**5.00**
$1.00 - $5.00	**1,787,500**	**2.95**	**$**	**2.67**	**1,787,500**	**$**	**2.67**

BIOMETRX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Stockholders' Deficit (Continued)

Stock Options (Continued)

Warrants

	Warrants Outstanding				Warrants Exercisable			
Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contracted Life (Years)		Weighted Average Exercise Price	Number Exercisable		Weighted Average Exercise Price
$ .01-.1.99	43,250	4.10	$	.06	43,250	$	.06
$1.00-1.99	4,333,500	4.13	$	1.06	4,333,500	$	1.06
$2.00	235,198	3.69	$	2.13	235,198	$	2.13
$3.00	52,698	2.75	$	3.40	52,698	$	3.40
$4.00	126,349	3.19	$	4.00	126,349	$	4.00
	4,790,995	4.07	$	1.21	4,790,995	$	1.21

A summary of warrant activity for the year ended December 31, 2007 and 2006 is as follows:

	2007			2006	
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance - January 1,	3,626,495	$	1.17		