

BioMETRX  
Form 10-Q  
May 15, 2008

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

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**FORM 10-Q**

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

For the Quarter Period Ended  
March 31, 2008

Commission File No. 0-15807

**BIOMETRX, INC.**

(Exact name of Registrant as specified in its Charter)

Delaware  
(State or jurisdiction of incorporation or organization)

31-1190725  
(IRS Employer Identification No.)

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

11753  
(Zip Code)

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

N/A

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for a short-er period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

The number of shares outstanding of the Registrant's Common Stock, \$.001 par value, as of May 5, 2008 was  
23,922,204

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**PART I - FINANCIAL INFORMATION**

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

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|--|------|
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**BIOMETRX, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEET**

(Unaudited)  
 March 31, 2008

December 31, 2007

**ASSETS**

Current Assets:

|                                 |        |                |        |                |
|---------------------------------|--------|----------------|--------|----------------|
| Cash                            | \$     | 622            | \$     | 108,756        |
| Accounts Receivable             |        | -              |        | 183,920        |
| Stock Subscriptions Receivable  |        | -              |        | 225,000        |
| Prepaid Expenses                |        | 47,298         |        | 61,034         |
| Inventories                     |        | 298,062        |        | 286,123        |
| <b>Total Current Assets</b>     |        | <b>345,982</b> |        | <b>864,833</b> |
| <br>Property and Equipment, net |        | <br>110,126    |        | <br>92,170     |
| <br>Other Assets:               |        |                |        |                |
| Deferred Finance Costs, net     |        | 19,706         |        | 53,192         |
| Security Deposit                |        | 17,045         |        | 17,045         |
| Patents                         |        | 869,950        |        | 869,530        |
| <b>Total Other Assets</b>       |        | <b>906,701</b> |        | <b>939,767</b> |
| <br><b>TOTAL ASSETS</b>         | <br>\$ | <br>1,362,809  | <br>\$ | <br>1,896,770  |

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

Current Liabilities:

|   |    |                  |    |                  |
|---|----|------------------|----|------------------|
| 8% Convertible Notes, net of unamortized discounts          | \$ | 995,358          | \$ | 997,544          |
| Convertible Forbearance Notes, net of unamortized discounts |    | 241,943          |    | 258,292          |
| Notes Payable - Related Parties                             |    | 395,000          |    | 410,000          |
| Notes Payable - Other                                       |    | 827,434          |    | 1,004,088        |
| Accounts Payable  |    | 1,009,223        |    | 1,052,541        |
| Patent Payable  |    | 95,000           |    | 100,000          |
| Accrued Taxes Payable                                       |    | 460,698          |    | 299,405          |
| Accrued Payroll   |    | 30,725           |    | 21,304           |
| Accrued Interest  |    | 302,106          |    | 213,032          |
| <b>Total Current Liabilities</b>                            |    | <b>4,357,487</b> |    | <b>4,356,206</b> |
| <br>Long-Term Liabilities:                                  |    | <br>-            |    | <br>-            |
| <br><b>TOTAL LIABILITIES</b>                                |    | <br>4,357,487    |    | <br>4,356,206    |

COMMITMENTS AND CONTINGENCIES

## Stockholders' Deficit:

Preferred Stock, \$.01 par value; 10,000,000  
shares authorized;

no shares issued and outstanding

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Common Stock, \$.001 par value; 100,000,000  
shares authorized;19,378,387 and 16,598,791 shares issued and  
outstanding

19,378

16,599

Common Stock Subscribed

-

750

Common Stock Held in Escrow

(400,000)

(400,000)

Additional Paid-In-Capital

34,593,050

33,881,513

Deferred Finance Costs

(46,360)

(233,814)

Deficit Accumulated in the Development Stage

(37,160,746)

(35,724,484)

Total Stockholders' Deficit

(2,994,678)

(2,459,436)

TOTAL LIABILITIES AND  
STOCKHOLDERS' DEFICIT

\$

1,362,809

\$

1,896,770

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

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**BIOMETRX, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**For The Three Months Ended March 31**  
(Unaudited)

|   | 2008        | 2007        |
|---|-------------|-------------|
| Revenues - net  | \$ 2,743    | \$ -        |
| Cost of Goods Sold  | 16,274      | -           |
| Gross Margin  | (13,531)    | -           |
| Operating Expenses:   |             |             |
| General and Administrative Expenses                                 | 556,162     | 1,378,823   |
| Research and Development Expenses                                   | 4,669       | 58,238      |
| Total Costs and Expenses  | 560,831     | 1,437,061   |
| Loss before Other Income (Expense)                                  | (574,362)   | (1,437,061) |
| Other Income (Expense):   |             |             |
| Value of Common Stock and Options Cancelled                         |             | -           |
| Interest Income   | 2,719       | 1,718       |
| Interest Expense and Finance Costs                                  | (864,619)   | (1,575,803) |
| Total Other Income (Expense)  | (861,900)   | (1,574,085) |
| Net Loss  | (1,436,262) | (3,011,147) |
| Net Loss per Common Share - Basic and Diluted                       | \$ (0.08)   | \$ (0.33)   |
| Weighted Average Common Shares - Outstanding -<br>Basic and Diluted | 16,897,844  | 9,037,011   |

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

**BIOMETRX INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008**  
(Unaudited)

|  | Common Stock |           | Common                |                         |                            |                        |                     | Total          |
|--|--------------|-----------|-----------------------|-------------------------|----------------------------|------------------------|---------------------|----------------|
|  | Shares       | Amount    | Shares Held in Escrow | Common Stock Subscribed | Additional Paid In Capital | Deferred Finance Costs | Accumulated Deficit |                |
| Balance, January 1, 2008   | 16,598,791   | \$ 16,599 | \$ (400,000)          | \$ 750                  | \$ 33,881,513              | \$ (233,814)           | \$ (35,724,485)     | \$ (2,459,437) |
| Common Stock Issued for Prepaid Expenses                                 | 100,000      | 100       |                       |                         | 64,900                     |                        |                     | 65,000         |
| Common Stock Issued in Connection with Cashless Exercises                | 153,809      | 154       |                       |                         | (154)                      |                        |                     | -              |
| Collection of Stock Subscription Receivable                              | 750,000      | 750       |                       | (750)                   |                            |                        |                     | -              |
| Common Stock Issued as Payment for Accounts Payable and Accrued Expenses | 322,066      | 322       |                       |                         | 80,194                     |                        |                     | 80,516         |
| Common Stock Issued In Connection with Conversion of Notes Payable       | 1,428,721    | 1,428     |                       |                         | 566,622                    | 3,230                  |                     | 571,280        |
| Commissions paid on Equity Raises  | 25,000       | 25        |                       |                         | (25)                       |                        |                     | -              |
|  |              |           |                       |                         |                            | 184,224                |                     | 184,224        |

Amortization  
of Deferred  
Finance Costs

Net Loss for  
the period  
January 1, 2008  
to March 31,  
2008

(1,436,262) (1,436,262)

Balance March  
31, 2008

19,378,387 \$ 19,378 \$ (400,000) \$ - \$ 34,593,050 \$ (46,360) \$ (37,160,747) \$ (2,994,679)

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**BIOMETRX INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For The Three Months Ended March 31**  
(Unaudited)

|  | 2008           | 2007           |
|--|----------------|----------------|
| <b><u>Cash Flows from Operating Activities:</u></b>                        |                |                |
| Net Loss   | \$ (1,436,262) | \$ (3,011,147) |
| Adjustment to reconcile net loss to net cash used in operating activities: |                |                |
| Non-Cash Item adjustments:   |                |                |
| Compensatory Element of Stock and Warrant Issuances                        | 226,417        | 872,474        |
| Amortization of Deferred Finance Costs                                     | 570,329        | 1,387,732      |
| Depreciation   | 5,627          | 2,206          |
| Change in Operating Assets and Liabilities:                                |                |                |
| Decrease in Accounts Receivable  | 183,920        | -              |
| Decrease in Prepaid Expenses   | 78,736         | 10,918         |
| (Increase) in Inventories  | (11,939)       | (167,837)      |
| Decrease in Deposits on Inventory  | -              | 57,197         |
| Increase (Decrease) in Accounts Payable                                    | 5,198          | (6,053)        |
| Increase in Accrued Liabilities  | 256,076        | 116,046        |
| Increase in Accrued Payroll  | 9,421          | -              |
| Net Cash Used in Operating Activities                                      | (112,477)      | (738,464)      |
| <b><u>Cash Flows from Investing Activities:</u></b>                        |                |                |
| Capital Expenditures   | (24,003)       | (1,131)        |
| Net Cash Used in Investing Activities                                      | (24,003)       | (1,131)        |
| <b><u>Cash Flows from Financing Activities:</u></b>                        |                |                |
| Restricted Cash  | -              | (169,316)      |
| Collection of Common Stock Subscribed                                      | 225,000        | -              |
| Proceeds from Related Party notes  | 22,500         | -              |
| Proceeds from Issuance of 8% Convertible Notes                             | -              | 1,500,000      |
| Repayment of Related Party Loans   | (37,500)       | -              |
| Repayments of Loans  | (176,654)      | -              |
| Patent Payable payment   | (5,000)        | -              |
| Deferred Finance Costs   | -              | (255,000)      |
| Net Cash Provided by Financing Activities                                  | 28,346         | 1,075,684      |
| Net Increase (Decrease) in Cash  | (108,134)      | 336,089        |
| Cash, Beginning  | 108,756        | 15,081         |
| Cash, Ending   | \$ 622         | \$ 351,170     |

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

|              |    |       |    |   |
|--------------|----|-------|----|---|
| Interest     | \$ | 5,089 | \$ | - |
| Income Taxes | \$ | -     | \$ | - |

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

|   |    |         |    |           |
|---|----|---------|----|-----------|
| Common Stock Issued for Patents                                       | \$ | -       | \$ | 664,500   |
| Common Stock Issued for Services                                      | \$ | 32,000  | \$ | -         |
| Beneficial Conversion Feature of Convertible Notes                    | \$ | -       | \$ | 1,500,000 |
| Cashless Exercise of Stock Options - Related Parties                  | \$ | 153,809 | \$ | 100,000   |
| Common Stock Issued as Payment of Accounts Payable                    | \$ | 48,516  | \$ | -         |
| Common Stock Issued to pay Notes Payable and Accrued Interest         | \$ | -       | \$ | 87,500    |
| Issuance of Warrants to pay Accrued Interest Payable on Notes Payable | \$ | -       | \$ | 29,060    |
| Common Stock Issued for Conversion of Convertible Notes Payable       | \$ | 764,882 | \$ | -         |
| Issuance of Common Stock for Prepaid Expenses                         | \$ | 65,000  | \$ | 18,900    |

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

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

**Note 1 - Basis of Presentation**

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

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

The Company has incurred a net operating loss of \$1,436,262 for the three months ended March 31, 2008 and has a working capital deficit of \$4,011,505 at March 31, 2008. The Company's ability to generate revenues continues to be impeded by the limitation of capital necessary to manufacture products despite having substantial purchase orders. The Company's net cash used in operations during this quarter was \$112,477. The Company though optimistic about internally generating cash flow sufficient to meet recurring expenses remains dependent upon raising additional capital. These factors raise substantial doubt about the Company's ability to continue as a going concern, though the Company has raised additional funds.

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

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

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

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

During 2007 the Company exited the development stage since principal operations commenced.

**Reclassifications**

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

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

**Note 2 - Recently Issued Accounting Pronouncements**

**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.

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

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 3 - Property and Equipment**

Property and equipment at March 31, 2008 consist of the following:

|  |    |         |
|--|----|---------|
| Office and Computer Equipment and Software | \$ | 88,964  |
| Tooling and Dies                           |    | 95,221  |
| Total                                      |    | 184,185 |
| Less: Accumulated Depreciation             |    | 74,059  |
|  | \$ | 110,126 |

Depreciation expense was \$5,627 and \$2,206 for the three months ended March 31, 2008 and 2007, respectively.

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

**Note 4 - Notes Payable**

Notes payable at March 31, 2008 consist of the following:

|   |           |
|---|-----------|
| Notes payable to private investors; bearing interest at 10% per annum and due May 15, 2008. | \$800,000 |
|---|-----------|

The loans are evidenced by 10% Promissory Notes due May 15, 2008. The Company entered into an extension Agreement dated August 27th, 2007 (“Extension Agreement”) whereby the lenders agreed to extend the Notes to May 15, 2008. Such Extension Agreement was entered into in contemplation of a proposed financing for the Company in an amount of up to \$1,000,000.

|                             |           |  |
|-----------------------------|-----------|--|
| Note Payable, Alpha Capital | 27,434    |  |
|                             | \$827,434 |  |

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Notes payable - related parties at March 31, 2008 consist of the following:

Notes payable to various officer and directors; bearing interest at 12% per annum and are due as follows with overdue notes currently in default:

|               |            |
|---------------|------------|
| On Demand     | \$ 5,000   |
| October 2007  | 130,000    |
| November 2007 | 50,000     |
| December 2007 | 185,000    |
| January 2008  | 25,000     |
|               | \$ 395,000 |

**Note 6 - Convertible Notes**

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

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

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

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

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

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

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

The Company is amortizing the discount over the term of the debt. Amortization of the debt discount for the quarter ended March 31, 2008 was \$186,012, and this amortization is recorded as interest expense for the value of the warrants and the value of the beneficial conversion feature.

**BIOMETRX, INC. AND SUBSIDIARIES**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

On October 10, 2006 the Company amended the exercise price of the 1,600,000 Class A Warrants relating to the above referenced Private Placement from \$1.75 to \$1.00. Subsequently, the Company offered to lower the exercise price to the investors to \$.30 if the investors would exercise in cash in lieu of a cashless exercise.

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.

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

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

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

The Company recorded a combined debt discount in the amount of \$1,500,000 to reflect the beneficial conversion feature of the convertible debt and the value of the warrants. The beneficial conversion feature, was recorded pursuant to Emerging Issues Task Force (“EITF”) 00-27: Application of EITF No. 98-5, “Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios,” to certain convertible instruments. In accordance with EITF 00-27, the Company evaluated the value of the beneficial conversion feature and recorded this amount (\$284,307) as a reduction of the carrying amount of the convertible debt and as an addition to paid-in capital. Additionally, the fair value of the warrants (\$1,215,693) was calculated and recorded as a further reduction to the carrying amount of the convertible debt and as addition to paid-in capital.

The Company is amortizing the discount over the term of the debt. Amortization of the debt discount for the quarter ended March 31, 2008 was \$154,268, and this amortization is recorded as interest expense for the value of the warrants and the value of the beneficial conversion feature.

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

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

As a condition to closing, the Company obtained consents and waivers from the investors of its private placement of \$1,600,000 principal amount of Convertible Notes (“Notes”) issued on June 29, 2006, pursuant to which each of the prior investors agreed to waive any and all existing defaults relating to the Notes and agreed to forebear from exercising any rights accruing upon default until June 30, 2007. In connection therewith, the Company issued to the investors Convertible Notes (“Forebearance Notes”) in the aggregate principal amount of \$387,437, representing liquidated damages due under the Notes. The Forebearance Notes are convertible into the Company’s common stock at \$1.00 per share.

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

The Company is amortizing the discount over the term of the debt. Amortization of the debt discount for the quarter ended March 31, 2008 was \$53,242.

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

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

During the three months ended March 31, 2008, 1,428,721 shares were issued to convert convertible debt of \$540,526 to stock, and to pay accrued interest payable of \$5,709 and current interest of \$20,736. Additionally, upon conversion \$13,034 of deferred finance costs and debt conversion costs of \$194,417 was included in interest expense. The remaining balance outstanding on the notes is \$1,237,301.

**Note 7 - Stockholders' Deficit**

On January 30, 2008, the Company filed an Information Statement Pursuant to Section 14(c) of the Securities Exchange Act of 1934 whereby it amended its Certificate of Incorporation to increase the number of shares of Common Stock the Company is authorized to issue to 100,000,000.

**Preferred Stock**

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

**Common Stock**

On January 2, 2008 the Company's Chief Operating Officer, Lorraine Yarde was issued 85,952 shares in a cashless exercise of 95,000 warrants exercisable at \$.10 per share.

On January 2, 2008 a related party note holder was issued 67,857 shares in a cashless exercise of 75,000 warrants exercisable at \$.10 per share.

On January 30, 2008 the Company issued 100,000 shares of its common stock valued at \$65,000 to IRG for services of \$39,000 and prepaid services of \$26,000 pursuant to a consulting agreement between the Company and IRG.

On February 15, 2008 the Company issued 25,000 shares of its common stock valued at \$11,275 to First Montauk Securities in payment of a commission on equity raised.

On March 31, 2008 the Company issued 322,066 shares of its common stock valued at \$80,516 to its legal counsel for legal services rendered in the ordinary course of business. The shares were issued under the 2008 Plan.

On January 22, 2008, the Company issued 20,180 shares of its common stock to Whalehaven Capital Fund Ltd. upon conversion of \$19,300 principal amount of a convertible debenture issued to Whalehaven Capital Fund Ltd. in the aggregate principal amount of \$500,000, and \$880 related interest expense accrued to the conversion date.

On February 15, 2008, the Company issued 750,000 shares of its common stock to Linden Growth Partners upon the exercise of a like number of warrants. The warrants were originally exercisable at \$1.00 per shares, but the Company lowered the exercise price to \$.30 to induce the holders to exercise the warrants.



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

On January 24, 2008 the Company issued 82,873 shares of its common stock to BridgePointe Master Fund, Ltd. upon conversion of \$50,000 principal amount of a convertible debenture issued to BridgePointe Master Fund, Ltd. in the aggregate principal amount of \$1,000,000.

On January 25, 2008, the Company issued 80,428 shares of its common stock to Nite Capital upon conversion of \$36,999 principal amount of a convertible forbearance debenture issued to Nite Capital in the aggregate principal amount of \$36,999, and related accrued interest payable of \$3,215.

On January 25, 2008, the Company issued 114,200 shares of its common stock to Nite Capital upon conversion of \$12,500 principal amount of a convertible debenture issued to Nite Capital in the aggregate principal amount of \$150,000, and \$7,100 related interest expense accrued to the conversion date.

On January 28, 2008, the Company issued 123,509 shares of its common stock to Whalehaven Capital Fund Ltd. upon conversion of \$59,000 principal amount of a convertible debenture issued to Whalehaven Capital Fund Ltd. in the aggregate principal amount of \$500,000, and \$2,754 related interest expense accrued to the conversion date.

On January 28, 2008, the Company issued 120,854 shares of its common stock to Whalehaven Capital Fund Ltd. upon conversion of \$60,427 principal amount of a convertible forbearance debenture issued to Whalehaven Capital Fund Ltd. in the aggregate principal amount of \$120,855.

On February 20, 2008 the Company issued 117,647 shares of its common stock to BridgePointe Master Fund, Ltd. upon conversion of \$50,000 principal amount of a convertible debenture issued to BridgePointe Master Fund, Ltd. in the aggregate principal amount of \$1,000,000.

On March 7, 2008 the Company issued 117,647 shares of its common stock to BridgePointe Master Fund, Ltd. upon conversion of \$50,000 principal amount of a convertible debenture issued to BridgePointe Master Fund, Ltd. in the aggregate principal amount of \$1,000,000.

On March 10, 2008 the Company issued 23,529 shares of its common stock to Osher Capital Partners upon conversion of \$10,000 principal amount of a convertible debenture issued to Osher Capital Partners in the aggregate principal amount of \$50,000.

On March 13, 2008 the Company issued 52,950 shares of its common stock to Alpha Capital AG upon conversion of \$19,800 principal amount of a convertible debenture issued to Alpha Capital AG in the aggregate principal amount of \$400,000, and \$2,704 related interest expense accrued to the conversion date.

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

On March 26, 2008, the Company issued 111,539 shares of its common stock to Osher Fund upon conversion of \$25,000 principal amount of a convertible debenture issued to Osher Fund in the aggregate principal amount of \$50,000, and related accrued interest payable of \$2,494.

On March 26, 2008 the Company issued 185,973 shares of its common stock to BridgePointe Master Fund, Ltd. upon conversion of \$50,000 principal amount of a convertible debenture issued to BridgePointe Master Fund, Ltd. in the aggregate principal amount of \$1,000,000.

On March 27, 2008 the Company issued 277,392 shares of its common stock to Alpha Capital AG upon conversion of \$60,000 principal amount of a convertible debenture issued to Alpha Capital AG in the aggregate principal amount of \$400,000, and \$8,377 related interest expense accrued to the conversion date.

**2008 Professional /Consultant Stock Compensation Plan**

On March 13, 2008, the Board of Directors adopted the Company's 2008 Professional/Consultant Stock Compensation Plan ("2008 Plan"). The purpose of the 2008 Plan is to provide compensation in the form of the Company's common stock to eligible consultants who render services to the Company.

The total number of shares of the Company's common stock that may be issued under the 2008 Plan is 7,500,000. For each 12 month period during which the Plan is effective, the number of shares issued under the 2008 Plan is limited to 2,500,000. As of March 31, 2008 there were 322,066 shares issued under the 2008 Plan.

**2005 Equity Incentive Plan**

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

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

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

**STOCK OPTIONS:**

Stock option share and activity and weighted average exercise price under these plans for the three months ended March 31, are as follows:

|                             | 2008                 |  | 2007                 |  |
|-----------------------------|----------------------|--|----------------------|--|
|                             | Number of<br>Options | Weighted<br>Average<br>Exercise<br>Price | Number of<br>Options | Weighted<br>Average<br>Exercise<br>Price |
| 2005 Equity Incentive Plan: |                      |  |                      |  |
| Balance - January 1,        | 187,500              | \$ 2.00                                  | 287,500              | \$ 1.65                                  |

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|                     |         |    |      |         |    |      |
|---------------------|---------|----|------|---------|----|------|
| Options Granted     | -       | -  | -    | \$      | -  |      |
| Options Exercised   | -       | -  | -    | \$      | -  |      |
| Balance - March 31, | 187,500 | \$ | 2.00 | 287,500 | \$ | 1.65 |

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

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

|                      | 2008                 |                                       | 2007                 |                                       |
|----------------------|----------------------|---------------------------------------|----------------------|---------------------------------------|
|                      | Number of<br>Options | Weighted<br>Average<br>Exercise Price | Number of<br>Options | Weighted<br>Average<br>Exercise Price |
| Other Options        |                      |                                       |                      |                                       |
| Balance - January 1, | 1,600,000            | \$ 2.66                               | 2,150,000            | \$ 2.66                               |
| Options Granted      | -                    | -                                     | -                    | -                                     |
| Options Exercised    | -                    | -                                     | (250,000)            | 0.40                                  |
| Balance - March 31,  | 1,600,000            | \$ 2.66                               | 1,900,000            | \$ 2.69                               |

The following table summarized information about stock options at March 31, 2008:

| Range of Exercise Prices | Options Outstanding   |  |  | Options Exercisable   |                              |
|--------------------------|-----------------------|--|--|-----------------------|------------------------------|
|                          | Number<br>Outstanding | Weighted<br>Average<br>Remaining<br>Contractual<br>Life<br>(Years) | Weighted<br>Average<br>Exercise<br>Price | Number<br>Exercisable | Weighted<br>Average<br>Price |
| \$1.00 - \$1.99          | 600,000               | 3.45   | \$ 1.28                                  | 600,000               | \$ 1.28                      |
| \$2.00                   | 437,500               | 2.25   | \$ 2.00                                  | 437,500               | \$ 2.00                      |
| \$3.00                   | 250,000               | 2.25   | \$ 3.00                                  | 250,000               | \$ 3.00                      |
| \$4.00                   | 250,000               | 2.25   | \$ 4.00                                  | 250,000               | \$ 4.00                      |
| \$5.00                   | 250,000               | 2.25   | \$ 5.00                                  | 250,000               | \$ 5.00                      |
| \$1.00 - \$5.00          | 1,787,500             | 2.65   | \$ 2.67                                  | 1,787,500             | \$ 2.67                      |

**STOCK WARRANTS:**

A Summary of warrant activity for the three months ended March 31, 2008 and 2007 is as follows:

|                      | 2008                  |                                       | 2007                  |                                       |
|----------------------|-----------------------|---------------------------------------|-----------------------|---------------------------------------|
|                      | Number of<br>Warrants | Weighted<br>Average<br>Exercise Price | Number of<br>Warrants | Weighted<br>Average<br>Exercise Price |
| Balance - January 1, | 4,790,995             | \$ 1.21                               | 3,626,495             | \$ 1.17                               |

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|                     |           |    |           |           |      |      |
|---------------------|-----------|----|-----------|-----------|------|------|
| Granted             | -         | -  | 2,270,000 | \$        | 0.71 |      |
| Exercised           | -         | -  | (25,000)  | \$        | 1.00 |      |
| Balance - March 31, | 4,790,995 | \$ | 1.21      | 5,871,495 | \$   | 0.90 |

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

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

The following table summarizes Information about stock warrants at March 31, 2008:

| Range of<br>Exercise<br>Prices | Number<br>Outstanding | Warrants Outstanding   |  | Warrants Exercisable  |                           |
|--------------------------------|-----------------------|--|--|-----------------------|---------------------------|
|                                |                       | Weighted<br>Average<br>Remaining<br>Contracted<br>Life (Years) | Weighted<br>Average<br>Exercise<br>Price | Number<br>Exercisable | Weighted<br>Average Price |
| \$.01-.99                      | 43,250                | 3.85   | \$ 0.06                                  | 43,250                | \$ 0.06                   |
| \$1.00-1.99                    | 4,333,500             | 3.88   | \$ 1.06                                  | 4,333,500             | \$ 1.06                   |
| \$2.00                         | 235,198               | 3.44   | \$ 2.13                                  | 235,198               | \$ 2.13                   |
| \$3.00                         | 52,698                | 2.50   | \$ 3.40                                  | 52,698                | \$ 3.40                   |
| \$4.00                         | 126,349               | 2.94   | \$ 4.00                                  | 126,349               | \$ 4.00                   |
|                                | 4,790,995             | 3.82   | \$ 1.21                                  | 4,790,995             | \$ 1.21                   |

**Note 8 - Commitments and Contingencies****Lease Obligations**

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

Approximate future minimum commitments under these leases are as follows:

|                                     |            |
|-------------------------------------|------------|
| January 1, 2008 - December 31, 2008 | 109,249    |
| January 1, 2009 - December 31, 2009 | 113,073    |
| January 1, 2010 - January 31, 2010  | 9,449      |
|                                     | \$ 284,698 |

Rent expense under the office leases was approximately \$40,724 and \$23,143 for the three months ended March 31, 2008 and 2007, respectively.

**Note 8 - Commitments and Contingencies (Continued)****Legal Proceedings**

On November 16, 2006, the Company was the subject of a complaint filed by Intellicon seeking a 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.



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

On March 7, 2007 the Company's subsidiary, bioMETRX Technologies Inc. became the subject of a complaint filed by two individuals, a former officer and a consultant with whom it had previously severed its business relationship. The plaintiffs allege damages arising from certain inducements which were relied upon to their detriment.

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

On March 10, 2008, the Company became the subject of a complaint entitle 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 compliant alleges breach of contract and the plaintiff is seeking damages of \$194,139.15. The Company intends to vigorously defend this action.

The Company is a defendant in a lawsuit titled 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 Country of Maricopa. 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 and Application for Entry of Default. On May 14, 2008, the Company entered into a settlement agreement with the Plaintiff.

**Note 9- Subsequent Events**

On April 1<sup>st</sup>, 2008, the Company issued 100,000 restricted shares of its common stock valued at \$21,500 to Interactive Resources Group, Inc. ("IRG") pursuant to a consulting agreement between the Company and IRG.

On April 2<sup>nd</sup>, 2008 the Company issued 620,000 shares to Mr. Basile, its Chief Executive Officer in lieu of re-paying Mr. Basile \$75,000 of the \$155,000 of notes, and the remaining debt of \$80,000 shall be extended for a six month period, to become due and payable on October 2, 2008.

On April 8<sup>th</sup>, 2008, the Company issued 31,250 shares of its common stock to Audit Committee Consulting Team valued at \$7,500 as partial payment in consideration of its assistance with the Company's compliance with Sarbanes Oxley 404.

On April 9<sup>th</sup>, 2008 the Company issued its Chief Operating Officer, Lorraine Yarde, 123,457 shares of its common stock in lieu of \$16,667 salary due her from August 2007 through December 31, 2007.

On April 9<sup>th</sup>, The Company issued its Chief Financial Officer, J. Richard Iler 54,730 shares of common stock for giving the Company a promissory note in the amount of \$75,000 with a maturity date of December 31, 2007. The Company issued him 75,000 warrants exercisable at \$1.00 per share as additional consideration for providing the note and that in the event of default the exercise price would be automatically reduced to \$.10 per share. Mr. Iler has exercised these warrants on a cashless basis utilizing a current market price of \$.37 per share.

On April 14<sup>th</sup>, 2008 the Company issued 109,090 shares valued at \$32,750 to the law firm of Sichenzia, Ross, Friedman, Ference in consideration of legal services for the preparation of a registration statement on Form S-8 in connection with the 2008 Professional/Consultant Compensation Plan.

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

On April 17<sup>th</sup>, 2008 the Company issued 185,973 shares to BridgePointe Master Fund, Ltd. upon the conversion of \$50,000 in principal due under a convertible note to BridgePointe Master Fund, Ltd. The convertible note was converted into common stock at the rate \$.27 per share

On April 21<sup>st</sup>, 2008 the Company was extended a 12% Secured Convertible Promissory Note in the amount of \$250,000 from Biometrics Investors Limited, LLC in conjunction with the Company entering into a non-binding agreement to purchase the assets of Sequiam, Inc. The proceeds were to be applied to costs the Company is to incur in the transfer of the assets upon the foreclosure of Sequiam by Biometrics Investors Limited, LLC. The loan is to mature or convert at the earlier of the Company raising additional financing in the amount of \$3,000,000 or October 30, 2008.

On April 29<sup>th</sup>, 2008, the Company raised \$887,500 by the sale of 4,920,555 shares of its common stock with 2,460,278 warrants exercisable for five years at \$1.00.

On April 29<sup>th</sup>, 2008, the Company issued 217,381 shares of its common stock pursuant to the conversion of the principal (\$50,000) of a convertible debenture in the original principal amount of \$1,000,000. The conversion rate was equal to \$0.23.

On April 30<sup>th</sup>, 2008 the Company issued 149,349 shares of its common stock to Osher Capital in consideration of conversion of the remaining \$25,000 of a convertible note dated December 29, 2006 and \$2,644 of interest. The shares were converted at a price of \$.18 per share. On this same day, The Company issued 309,732 shares of its common stock to Alpha capital in consideration of its conversion of \$50,000 of the principal and \$7.331 of interest on the convertible note dated June 29<sup>th</sup>, 2006.

On April 30<sup>th</sup>, 2008, the Company issued 2,000,000 shares of its common stock to its Chief Executive Officer Mark Basile in consideration of his foregoing \$200,000 of his 2008 salary increase. The Company issued 500,000 shares each to its Chief Operating Officer and Chief Financial Officer in exchange for their forbearance of salary increases of \$50,000 each in 2008.

On May 1<sup>st</sup>, 2008, the Company issued 18,919 shares of its common stock under its 2008 Plan to David Bolton, Esq. in consideration of \$7,000 in legal services previously performed on behalf of the Corporation.

On May 2<sup>nd</sup>, 2008, The Company issued 43,243 shares of its common stock under its 2008 Plan to Tim Singleton the owner of Achieve **IT** in consideration of \$16,000 of services previously performed by Achieve **IT** on behalf of the Corporation.

On May 6<sup>th</sup>, 2008 the Company issued 21,429 shares of its common stock under its 2008 Plan to Audit Committee Consulting Team LLC ("ACCT") pursuant to the letter agreement between the Corporation and ACCT dated April 3, 2008 and in consideration of the balance of \$7,500.00 due to ACCT for consulting services performed on behalf of the Corporation by ACCT.

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

### **Background**

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

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

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

The home security industry consists of garage door manufacturers, key and locks manufacturers and central station alarm monitoring companies, representing a \$25 billion global market. bioMETRX develops market-specific products in this area which are being sold through retailers, dealers and direct to consumers in the United States. The company fulfilled significant orders in early October of its first product, the Garage Door Opener, also known as the MasterLock™ smartTouch GDO, and is attempting to continue manufacturing in anticipation of replenishment orders.

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

The Company has completed some software enhancements on its smartSTIK product and has commenced distribution and fulfillment of an initial 1000 unit order to MasterLOCK in the fourth quarter of 2007. Through MasterLOCK and the Company's own distribution channels, it expects a favorable sell-through, though it cannot offer specific guarantees as to the significance of the revenues which might be realized.

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

bioMETRX, to date, has introduced its products and services commercially and is considered an entry level market vendor of consumer-based biometric products. bioMETRX has limited assets, significant liabilities and limited business operations, though it has realized meaningful revenues from its initial product, the Company continues to realize losses from operations and has no assurances that further revenues from this initial product will create positive cashflow to support operations.

Management's plan of operations for the next twelve months is to raise additional capital, complete further development of its product line by expanding its engineering capacity and continue marketing the Company's products and services through its disparate distribution channels such as MasterLOCK and other OEMs. The Company has recently executed an amended licensing agreement as well as a co-marketing/co-development agreement with MasterLock™ for its garage door opener and will now include nine (9) other products whereby all products will be marketed under the MasterLock™ smartTOUCH brand and the companies will jointly undertake development of new products. The Company has executed a non-binding agreement with Biometrics Investors, Ltd ("BIL") the secured creditor of Sequiam Corporation ("Sequiam") to acquire the assets of Sequiam's subsidiaries which will expand the engineering and product offerings of the Company. The Company is confident that this acquisition will greatly accelerate its ability to bring products to market at a faster rate. In connection with this transaction BIL provided the Company a \$250,000 bridge loan to be used primarily to assist the Company in the integration of the Sequiam assets. The Company expects it will require \$3,000,000- 5,000,000 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. At present there are no terms or commitments for additional financing. Home Depot has issued new and replenishment orders amounting to nearly \$500,000 and the Company has received a further order of 5,000 units for its garage door opener from MasterLOCK. Further as the Company replenishes orders and maintain inventories, it will require additional financing until it is internally generating positive cash flow. As of this filing, additional financing through the sale of its securities or other financing will still be required in order to meet cash needs to bring the Company to profitability. There remain no assurances that the Company's products and services may be commercially sold in sufficient volumes to attain such profitability. The Company's balance sheet continues to reflect negative shareholder equity, though it has been reduced through the conversion of 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 prevail in its efforts to attract capital and fulfill its delivery requirements of its new orders, 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**

Management believes that there is a unique opportunity in the consumer electronics market for the incorporation of biometrics technology in multiple devices, requiring personal identification or key access. Prospective home/office security and electronics devices includes the introduction of “biometric” access controls on anything that presently requires a key, keypad or Personal Identification Number (“PIN”). bioMETRX is the first company to offer biometric security and electronics products for the home consumer market at any significant level.

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

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

The Company has been suffering from undercapitalization which has caused substantial delays in manufacturing this product in the quantities needed to fulfill orders.

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

To date, in addition to the retail orders, the Company has received approximately 250 direct consumer on-line orders for the GDO unit and has shipped a portion of these orders to customers in the last 90 days.

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

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

Management estimates that approximately 40 million thermostats are sold in the United States annually, 45% of which are electronic models, either programmable or non-programmable. Management expects that there will be an increase in the sale of electronic thermostats as several states enact laws addressing the sale and disposal of mercury-based thermostats, some are even offering rebate programs to consumers that replace mercury thermostats with new energy-efficient programmable models.



### Other smartTOUCH Ô Consumer Products

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

While the Company's main current focus is to bring to market consumer-based products through our relationship with MasterLock, we also expect to dedicate additional focus on the healthcare industry over the next 12 months. Government legislation surrounding the integrity, confidentiality and privacy of patient data was enacted under HIPAA. HIPAA requires the healthcare industry to restructure current information technology ("IT") infrastructures and methods. We are identifying opportunities to develop biometric products and solutions for end users in the healthcare fields, as well as enabling biometric technology for original equipment manufacturers ("OEMs") and application developers to incorporate into their offerings to assist healthcare organizations working towards meeting legislative demands, while increasing efficiencies and user convenience and lowering overall administrative costs and risks associated with passwords, PINs and keys. To that end, the Company is exploring a number of prospective medical products, some of which may become available by late 2008. The Company acquired a patent for the biometric storage and retrieval of an electronic medical record in January, 2007.

### Results of Operations

#### For the three months ended March 31, 2008 and 2007

For quarter ended March 31, 2008, bioMetrx has generated minimal revenues of \$2,743. During the quarter ended March 31, 2008, bioMetrx had net losses totaling \$1,436,262, which was largely attributable to non-cash expenses relating to financing and issuances of stock. For the quarter ending March 31, 2008, bioMetrx' general and administrative expenses totaled \$ 556,162 or 99.2% of total expenses, while for the three months ended March 31, 2007 general and administrative expenses totaled \$ 1,378,823 or 95.9% of total expenses. For the quarter ended March 31, 2008, bioMetrx stock-based compensation of \$226,417 or 40.4% of expenses, as compared to \$872,474 or 60.7 % of total expenses during the three months ended March 31, 2007. Research and development costs were \$4,669 or 0.8 % of total expenses incurred in the period for the quarter ending March 31, 2008, while research and development costs during the quarter ended March 31, 2007 totaled \$58,238 or 0.4% of total expenses.

### Liquidity and Capital Resources

As of March 31, 2008 bioMETRX had total assets of \$1,362,809 and total current assets of \$ 345,982. At March 31, 2008 bioMETRX had total liabilities of \$4,357,487 and total current liabilities of \$4,357,487. bioMETRX had negative working capital at March 30, 2008 of \$4,011,505 and an equity deficit of \$2,994,678. The Company has substantial purchase orders to fulfill upon receiving further capital and only expended \$112,477 in operating activities. Because of this deficit, the Company's ability to continue to operate and its future remains in question as a going concern unless additional capital is contributed or until such time as it generates revenues and become cash flow positive.

On January 22, 2008, the Company issued 36,450 shares of its common stock to Whalehaven Capital Fund Ltd. upon the conversion of \$36,450 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 January 28<sup>th</sup>, 2008, the Company issued 75,000 shares to Nite Capital for the conversion of \$37,500 in principal and interest under a forbearance note issued to Nite Capital. The note was convertible into the Company's common stock at the rate of \$.50 per share.

On January 28<sup>th</sup>, 2008 the Company issued 39,200 shares and 19,200 shares to Nite Capital for the conversion of principal of \$19,600 and further principal of \$12,500 and \$7,100 in interest respectively due under a convertible note issued to Nite Capital. The convertible note is convertible into the Company's common stock at the rate of \$.50 per share.

On January 29<sup>th</sup> and 30<sup>th</sup>, 2008, the Company issued 143,590 shares and 100,773 shares of its common stock to Whalehaven Capital Fund Ltd. upon the conversion of \$119,427 of principal and \$2,754.41 in interest due under convertible and forbearance notes issued to Whalehaven Capital Fund Ltd. The convertible note is convertible into the Company's common stock at the rate of \$.50 per share. 100,773 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 January 30, 2008 the Company amended our Certificate of Incorporation to increase the number of shares of Common Stock the Company is authorized to issue to 100,000,000 shares.

On January 31<sup>st</sup>, 2008 the Company issued 82,873 shares of its common stock to BridgePointe Master Fund, Ltd. upon the conversion of \$50,000 in principal due under a convertible note to BridgePointe Master Fund, Ltd. The convertible note was converted into common stock at the rate \$.603 per share.

On February 14<sup>th</sup>, 2008 the Company issued 833,000 shares to various upon the exercise of 833,000 warrants to various individuals. The warrants were exercisable originally at \$1.00, but the exercise price was subsequently offered to be lowered to \$.30 in order to induce the parties to exercise these warrants.

The 833,000 shares were distributed to :

|                    |                |
|--------------------|----------------|
| Joseph Panico      | 200,000 shares |
| Jane Petri         | 200,000 shares |
| Bruce Loewy        | 300,000 shares |
| Harborview Capital | 100,000 shares |
| Gary Brinster      | 33,000 shares  |

On February 15<sup>th</sup>, 2008 the Company issued 25,000 shares to First Montauk and its designees in lieu of cash compensation pursuant to the Placement Agent Agreement.

On February 15<sup>th</sup>, 2008 the Company issued 750,000 shares upon the exercise of 750,000 warrants. The warrants were exercisable originally at \$1.00, but the exercise price was subsequently lowered to \$.30 in order to induce the parties to exercise these warrants.

On December 31, 2007, the Company's Board of Directors voted to increase the authorized common stock to 100,000,000 shares effective March 18, 2008.



On March 28<sup>th</sup>, 2008, the Company filed a Form S-8 Registration Statement under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, registering shares of Common Stock issuable pursuant to the 2008 Professional/Consultant Stock Compensation Plan. The S-8 will provide for the registration of 7,500,000 shares while limiting the number of shares which may be issued in any year to no more than 2,500,000 shares.

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 a working capital and net equity deficiency. These factors raise substantial doubt in bioMETRX' ability to continue as a going concern, though it has recently raised over \$885,000 through the sales of its common stock to accredited investors. If bioMETRX is unable to raise further funds or if revenues are insufficient to complete the development of its products and fund its operations, it is unlikely that bioMETRX will remain as a viable going concern.

### **Critical Accounting Policies and Estimates:**

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

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

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

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

## Information Relating To Forward-Looking Statements

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

## Recent Accounting Pronouncements

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 March 30, 2007 and as of March 30, 2008.

## **OFF BALANCE SHEET ARRANGEMENTS**

We do not have any off balance sheet arrangements.

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

#### **Evaluation of Disclosure Controls and Procedures**

The Company's management carried out an evaluation, under the supervision and with the participation of the Company's Chairman of the Board of Directors and Chief Financial Officer, its principal executive officer and principal financial officer, respectively of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2007, pursuant to Exchange Act Rule 13a-15. Such disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the appropriate management on a basis that permits timely decisions regarding disclosure. Based upon that evaluation, the Company's Chairman of the Board of Directors and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of December 31, 2007 are effective.

#### **Management's Report on Internal Control Over Financial Reporting**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



As required by Section 404 of the Sarbanes-Oxley Act of 2002, management assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework.

Based on our assessment and those criteria, management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2007

**Changes in Internal Control Over Financial Reporting**

No changes in the Company's internal control over financial reporting have come to management's attention during the quarter ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.)

## PART II - OTHER INFORMATION

### Item 1: Legal Proceedings

On November 16, 2006, the Company was the subject of a complaint filed by Intellicon seeking a 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 two individuals, a former officer and a consultant with whom it had previously severed its business relationship. The plaintiffs allege damages arising from certain inducements which were relied upon to their detriment.

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

On March 10, 2008, the Company became the subject of a complaint entitle 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 compliant alleges breach of contract and the plaintiff is seeking damages of \$194,139.15. The Company intends to vigorously defend this action.

The Company is a defendant in a lawsuit titled 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 Country of Maricopa. 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 and Application for Entry of Default. On May 14, 2008, the Company entered into a settlement agreement with the Plaintiff.

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

(a) None

(b) None

(c) The Company has recently completed the sale of units to 13 accredited investors comprising 4,920,556 of its common stock and 2,460,278 four (4) year warrants exercisable at \$1.00 raising gross proceeds of \$885,700. The shares were sold at a price of \$.18 and sold under an exemption 4(2) of the 1933 Act of the Securities Exchange Commission.

On January 2, 2008, the Company issued 85,952 shares of its common stock to Lorraine Yarde, the Company's Chief Operating Officer. The shares were issued upon the cashless exercise of a warrant originally exercisable into 100,000 shares of the Company's common stock. The exercise price of the warrant was \$.10 per share.

On January 2, 2008, the Company issued 67,857 shares of its common stock to The Naples Trust. The shares were issued upon the cashless exercise of a warrant originally exercisable in 75,000 shares of the Company's common stock. The exercise price of the warrant was \$.10 per share.

On January 30, 2008, the Company issued 100,000 shares of its common stock to Interactive Resources Group, Inc. ("IRG"). These shares were issued as consideration pursuant to the terms of a consulting agreement between the

Company and IRG.

On February 15, 2008, the Company issued 25,000 shares of its common stock to First Montauk Securities as payment of a commissions for monies raised on the Company's behalf.

On January 24, 2008 the Company issued 82,873 shares of its common stock to BridgePointe Master Fund, Ltd. upon conversion of \$50,000 principal amount of a convertible debenture issued to BridgePointe Master Fund, Ltd. in the principal amount of \$1,000,000.

On January 25, 2008, the Company issued 80,428 shares of its common stock to Nite Capital upon conversion of \$36,999 principal amount of a convertible forbearance debenture issued to Nite Capital in the aggregate principal amount of \$36,999, and related accrued interest of \$3,215.

On January 25, 2008, the Company issued 114,200 shares of its common stock to Nite Capital upon conversion of \$50,000 principal amount of a convertible debenture issued to Nite Capital in the aggregate principal amount of \$50,000, and \$7,100 of accrued interest.

On January 28, 2008, the Company issued 123,509 shares of its common stock to Whalehaven Capital Fund Ltd. upon conversion of \$59,000 principal amount of a convertible debenture issued to Whalehaven Capital Fund Ltd. in the principal amount of \$500,000, and \$2,754 of accrued interest.

On January 28, 2008, the Company issued 120,854 shares of its common stock to Whalehaven Capital Fund Ltd. upon conversion of \$60,427 principal amount of a convertible forbearance debenture issued to Whalehaven Capital Fund Ltd. in the principal amount of \$120,855.

On February 20, 2008 the Company issued 117,647 shares of its common stock to BridgePointe Master Fund, Ltd. upon conversion of \$50,000 principal amount of a convertible debenture issued to BridgePointe Master Fund, Ltd. in the aggregate principal amount of \$1,000,000.

On March 7, 2008 the Company issued 117,647 shares of its common stock to BridgePointe Master Fund, Ltd. upon conversion of \$50,000 principal amount of a convertible debenture issued to BridgePointe Master Fund, Ltd. in the principal amount of \$1,000,000.

On March 10, 2008 the Company issued 23,529 shares of its common stock to Osher Capital Partners upon conversion of \$10,000 principal amount of a convertible debenture issued to Osher Capital Partners in the principal amount of \$50,000.

On March 13, 2008 the Company issued 52,950 shares of its common stock to Alpha Capital AG upon conversion of \$19,800 principal amount of a convertible debenture issued to Alpha Capital AG in the principal amount of \$400,000, and \$2,704 of accrued interest.

On March 26, 2008, the Company issued 111,539 shares of its common stock to Osher Capital Partners upon conversion of \$25,000 principal amount of a convertible debenture issued to Osher Capital Partners in the aggregate principal amount of \$50,000, and accrued interest of \$2,494.

On March 26, 2008 the Company issued 185,973 shares of its common stock to BridgePointe Master Fund, Ltd. upon conversion of \$50,000 principal amount of a convertible debenture issued to BridgePointe Master Fund, Ltd. in the aggregate principal amount of \$1,000,000.

On March 27, 2008 the Company issued 277,392 shares of its common stock to Alpha Capital AG upon conversion of \$60,000 principal amount of a convertible debenture issued to Alpha Capital AG in the aggregate principal amount of

\$400,000, and \$8,377 of accrued interest.

On April 1<sup>st</sup>, 2008, the Company issued 100,000 restricted shares of its common stock to IRG pursuant to a consulting agreement between the Company and IRG.

On April 2<sup>nd</sup>, 2008 the Company issued 620,000 shares to Mr. Basile, its Chief Executive Officer in lieu of re-paying Mr. Basile \$75,000 of the \$155,000 of notes, and the remaining debt of \$80,000 shall be extended for a six month period, to become due and payable on October 2, 2008.

On April 9<sup>th</sup>, 2008 the Company issued its Chief Operating Officer, Lorraine Yarde, 123,457 shares of its common stock in lieu 16,667 salary due her from August 2007 through December 31, 2007.

On April 9<sup>th</sup>, The Company issued its Chief Financial Officer, J. Richard Iler 54,730 shares of common stock for giving the Company a promissory note in the amount of \$75,000 with a maturity date of December 31, 2007. The Company issued him 75,000 warrants exercisable at \$1.00 per share as additional consideration for providing the note and that in the event of default the exercise price would be automatically reduced to \$.10 per share. Mr. Iler has exercised these warrants on a cashless basis utilizing a current market price of \$.37 per share.

On April 17<sup>th</sup>, 2008 the Company issued 185,973 shares to BridgePointe Master Fund, Ltd. upon the conversion of \$50,000 in principal due under a convertible note to BridgePointe Master Fund, Ltd.

On April 21<sup>st</sup>, 2008 the Company was extended a 12% Secured Convertible Promissory Note in the amount of \$250,000 from Biometrics Investors Limited, LLC in conjunction with the Company entering into a non-binding agreement to purchase the assets of Sequiam, Inc. The proceeds were to be applied to costs the Company is to incur in the transfer of the assets upon the foreclosure of Sequiam by Biometrics Investors Limited, LLC. The loan is to mature or convert at the earlier of the Company raising additional financing in the amount of \$3,000,000 or October 30, 2008.

On April 29<sup>th</sup>, 2008, the Company issued 217,381 shares of its common stock to BridgePointe Master Fund, Ltd upon \$50,000 principal amount of a convertible debenture in the original principal amount of \$1,000,000.

On April 30<sup>th</sup>, 2008 the Company issued 149,349 shares of its common stock to Osher Capital Partners in upon conversion of the remaining \$25,000 of a convertible note dated December 29, 2006. On this same day, The Company issued 309,732 shares of its common stock to Alpha capital in consideration of its conversion of \$50,000 of the principal and \$7,331.44 of interest on the convertible note dated June 29<sup>th</sup>, 2006.

On April 30<sup>th</sup>, 2008, the Company issued 2,000,000 shares of its common stock to its Chief Executive Officer Mark Basile in consideration of his foregoing \$200,000 of his 2008 salary increase. The Company issued 500,000 shares each to its Chief Operating Officer Lorraine Yarde and Chief Financial Officer J. Richard Iler in exchange for their forbearance of salary increases of \$50,000 each in 2008.

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

(d) Not Applicable

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

None



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

**Item 5. Other Information**

**Item 6.: Exhibits**

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

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

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

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

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

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**SIGNATURES**

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

Dated: May 14, 2008

**BIOMETRX, INC.**

By: /s/ Mark Basile

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Mark Basile  
Chief Executive Officer

By: /s/ J. Richard Iler

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J. Richard Iler  
Chief Financial Officer