BioMETRX
Form 10QSB
May 21, 2007

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

FORM 10-QSB

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

For the Quarter Period Ended
March 31, 2007

Commission File No. 0-15807

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

Delaware	31-1190725
(State or jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
500 North Broadway, Suite 204, Jericho, NY	11753
(Address of Principal Executive Office)	(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 x No o

The number of shares outstanding of the Registrant's Common Stock, $.001 par value, as of May 17, 2007 was 10,064,867.

PART I - FINANCIAL INFORMATION

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

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BIOMETRX, INC. AND SUBSIDIARIES
(A Development Stage Company)
CONDENSED CONSOLIDATED BALANCE SHEET
March 31, 2007
(Unaudited)

ASSETS

Current Assets:		
Cash	$	351,170
Restricted Cash		169,316
Inventory		591,690
Prepaid Expenses		25,146
Total Current Assets		1,137,322
Property and Equipment, net		90,738
Other Assets:		
Patents		664,500
Deferred Finance Costs, net		224,375
Security Deposit		17,045
Total Other Assets		905,920
TOTAL ASSETS	$	2,133,980

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities:		
Notes Payable	$	700,000
Accounts Payable		561,236
Accrued Taxes		68,143
Accrued Interest		76,529
Total Current Liabilities		1,405,908
Long-Term Liabilities:		
8% Convertible Notes, net of unamortized discounts of $2,018,375		1,081,625
Convertible Forbearance Notes, net of unamortized discounts of $322,864		64,573
Total Long-Term Liabilities		1,146,198
TOTAL LIABILITIES		2,552,106
COMMITMENTS AND CONTINGENCIES		
Stockholders' Deficit:		
Preferred Stock, $.01 par value; 10,000,000 shares authorized no shares issued and outstanding		-
Common Stock, $.001 par value; 25,000,000 shares authorized 9,759,120 shares issued and outstanding		9,759
Additional Paid-In-Capital		27,423,191

Prepaid Interest, 8% Convertible Notes		**(43,200)**
Deferred Finance Costs		**(199,198)**
Deficit Accumulated in the Development Stage		**(27,608,678)**
Total Stockholders' Deficit		**(418,126)**
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	**$**	**2,133,980**

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

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

	For The Three Months Ended March 31, 2007	For The Three Months Ended March 31, 2006	For the Period February 1, 2001 (Inception) to March 31, 2007
REVENUES	$ -	$ -	$ -
Costs and Expenses:			
General and Administrative Expenses	1,378,823	6,867,845	25,654,392
Research and Development Expenses	58,238	142,755	1,236,283
Contract Buyouts Issued In Stock	-	-	356,000
Settlement of Threatened Litigation	-	-	368,750
Total Costs and Expenses	1,437,061	7,010,600	27,615,425
Loss before Other Income (Expense)	(1,437,061)	(7,010,600)	(27,615,425)
Other Income (Expense)			
Value of Common Stock & Options Cancelled	-	-	2,600,000
Interest Income	1,718	-	1,718
Interest Expense	(1,575,803)	(6,544)	(2,579,449)
Unrealized Loss on Marketable Securities	-	143	(6,547)
Total Other Income (Expense)	(1,574,085)	(6,401)	15,722
Net Loss	(3,011,147)	(7,017,001)	(27,599,703)
Preferred Stock Dividend	-	-	(8,975)
Net Loss Allocated to Common Shareholders	$ (3,011,147)	$ (7,017,001)	$ (27,608,678)
Weighted Average Common Shares - Outstanding	9,037,011	6,496,756	
Net Loss per Common Share (Basic and Diluted)	$ (0.33)	$ (1.08)	

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

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

	FOR THE THREE MONTHS ENDED MARCH 31, 2007	FOR THE THREE MONTHS ENDED MARCH 31, 2006	FOR THE PERIOD FEBRUARY 1, 2001 (INCEPTION) TO MARCH 31, 2007
Cash Flows from Operating Activities:			
Net Loss	$ (3,011,147)	$ (7,017,001)	$ (27,599,703)
Adjustment to reconcile net loss to net cash used in operating activities:			
Non-Cash Item adjustments:			
Compensatory Element of Stock and Warrant Issuances	872,474	6,365,077	18,831,066
Liquidated Damages paid by Issuance of Forbearance Notes	-	-	387,437
Amortization of Deferred Finance Costs	1,387,732	5,938	2,390,153
Depreciation	2,206	80	6,205
Unrealized (Gain) Loss on Marketable Securities	-	(142)	6,547
Change in Operating Assets and Liabilities:			
(Increase) Decrease in Prepaid Expenses	10,918	41,353	(6,243)
(Increase) in Inventories	(167,837)	-	(591,690)
Decrease in Deposits on Inventory	57,197	-	-
(Increase) Decrease in Security Deposits	-	2,460	(17,045)
Increase (Decrease) in Accounts Payable	(6,053)	-	279,353
Increase in Accrued Liabilities	116,046	71,724	241,884
Increase in Accrued Payroll - Related Parties	-	-	960,000
Net Cash Used in Operating Activities	(738,464)	(530,511)	(5,112,036)
Cash Flows from Investing Activities:			
Capital Expenditures	(1,131)	(11,552)	(96,944)
Net Cash Used in Investing Activities	(1,131)	(11,552)	(96,944)
Cash Flows from Financing Activities:			
Restricted Cash	(169,316)	10,000	(199,316)
Proceeds of Loans	-	-	25,000
Proceeds from Issuance of 8% Convertible Notes	1,500,000	-	2,450,000
Proceeds from Issuance of Notes Payable	-	100,000	755,000
Advances to Stockholder/Officer	-	-	(381,598)

Proceeds from Issuance of Preferred Stock		**-**		**-**		**650,000**
Repayment of Related Party Loans		**-**		**-**		**(109,736)**
Repayments of Loans		**-**		**-**		**(25,000)**
Deferred Finance Costs		**(255,000)**		**-**		**(410,000)**
Proceeds from Issuances of Common Stock		**-**		**372,000**		**3,066,750**
Commissions Paid on Sales of Common Stock		**-**		**(37,200)**		**(260,950)**
Net Cash Provided by Financing Activities		**1,075,684**		**444,800**		**5,560,150**
Net Increase (Decrease) in Cash		**336,089**		**(97,263)**		**351,170**
Cash, Beginning		**15,081**		**184,116**		**-**
Cash, Ending	**$**	**351,170**	**$**	**86,853**	**$**	**351,170**
Supplemental Cash Flow Information:						
Cash Paid During the Period for:						
Interest	**$**	**30,388**	**$**	**-**	**$**	**37,400**
Income Taxes	**$**	**-**	**$**	**-**	**$**	**-**

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

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

	FOR THE THREE MONTHS ENDED MARCH 31, 2007	FOR THE THREE MONTHS ENDED MARCH 31, 2006	FOR THE PERIOD FEBRUARY 1, 2001 (INCEPTION) TO MARCH 31, 2007
Supplemental Disclosures of Cash Flow Information:			
Non Cash Financing Activities:			
Common Stock Issued as Commissions on Sale of Common Stock	$ -	$ -	$ 1,600,624
Accrued Commissions on Sales of Common Stock	$ -	$ 431,706	$ 224,783
Common Stock Issued as payment of Accrued Commissions Payable	$ -	$ -	$ 224,783
Common Stock Issued for Patents	$ 664,500	$ -	$ 664,500
Issuance of Common Stock as Payment of Accrued Officers' Salaries	$ -	$ -	$ 160,000
Issuance of Common Stock - Deferred Finance Costs	$ -	$ 71,250	$ 2,248,354
Issuance of Common Stock - Deferred Compensation	$ -	$ -	$ 390,000
Application of Loans Receivable - Officer Against Accrued Compensation	$ -	$ -	$ 851,598
Common Stock Issued as Penalty Shares for Non-Registration	$ -	$ -	$ 1,303,175
Common Stock Issued as Prepaid Interest on 8% Convertible Notes	$ -	$ -	$ 172,800
Issuance of Convertible Forbearance Notes in connection with Liquidated Damages	$ -	$ -	$ 387,439

Beneficial Conversion Feature of Convertible Forbearance Notes	**$**	**-**	**$**	**-**	**$**	**387,439**
Beneficial Conversion Feature of Convertible Notes	**$**	**1,500,000**	**$**	**-**	**$**	**2,715,200**
Cashless Exercise of Stock Options - Related Party	**$**	**100,000**	**$**	**250,000**	**$**	**350,000**
Accrued Deferred Finance Costs	**$**	**-**	**$**	**-**	**$**	**67,948**
Deferred Finance Costs on the Issuance of Warrants			**$**	**-**	**$**	**-**
Preferred Stock Dividend	**$**	**-**	**$**	**-**	**$**	**8,975**
Issuance of Common Stock as Payment of Accrued Expenses	**$**	**-**	**$**	**-**	**$**	**1,825,000**
Issuance of Common Stock as Payment of Accrued Settlement of Threatened Litigation	**$**	**-**	**$**	**-**	**$**	**368,750**
Issuance of Common Stock to pay Notes Payable	**$**	**55,000**	**$**	**-**	**$**	**55,000**
Insurance of Common Stock to pay Accrued Interest Payable on Notes Payable	**$**	**32,500**	**$**	**-**	**$**	**32,500**
Issuance of Warrants to pay Accrued Intetrest Payable on Notes Payable	**$**	**29,060**	**$**	**-**	**$**	**29,060**
Issuance of Common Stock for Prepaid Expenses	**$**	**18,900**	**$**	**-**	**$**	**18,900**

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

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BIOMETRX, INC. AND SUBSIDIARIES
(A Development Stage Company)
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 incurred a net loss of $3,011,047 for the three months ended March 31, 2007 and has a working capital deficit of $418,126. This raises substantial doubt about the Company's ability to continue as a going concern.

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

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

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

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

Reclassifications

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

Note 2 - Recently Issued Accounting Pronouncements

SAB 108

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

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

Note 2 - Recently Issued Accounting Pronouncements (Continued)

SFAS 157

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

Note 3 - Property and Equipment

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

Office Equipment	$	33,690
Tooling and Dies		63,255
		96,945
Less: Accumulated Depreciation		6,207
	$	90,738

Note 4 - Notes Payable

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

Notes payable to private investors; bearing interest at 10% per annum and due March 15, 2007. The Company is currently in default of these Notes.	$	700,000

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

As of May 18, 2007, the Company has paid the Lenders $130,000, thereby reducing the principal amount of the loans to $570,000.

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

Note 5 - Convertible Notes

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

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

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

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

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

Note 5 - Convertible Notes (Continued)

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

The Company is amortizing the discount over the term of the debt. Amortization of the debt discount for the quarter ended March 31, 2007 was $149,615, and this amortization is recorded as interest expense for the value of the warrants and the value of the beneficial conversion feature.

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 Forbearance Notes in the amount of $387,437 that included the $144,000 liquidated damages.

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

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

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

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

Note 5 - Convertible Notes (Continued)

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.

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, 2007 was $238,007, and this amortization is recorded as interest expense for the value of the warrants and the value of the beneficial conversion feature.

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

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

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

Note 5 - Convertible Notes (Continued)

As a condition to closing, the Company obtained consents and waivers from the investors of its private placement of $1,600,000 principal amount of Convertible Notes (“Notes”) issued on June 29, 2006, pursuant to which each of the prior investors agreed to waive any and all existing defaults relating to the Notes and agreed to forebear from exercising any rights accruing upon default until March 31, 2007. In connection therewith, the Company issued to the investors Convertible Notes (“Forbearance Notes”) in the aggregate principal amount of $387,437, representing liquidated damages due under the Notes. The Forbearance Notes are convertible into the Company’s common stock at $1.00 per share.

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

The Company is amortizing the discount over the term of the debt. Amortization of the debt discount for the quarter ended March 31, 2007 was $64,573.

The Company is in default under the terms of the registration rights agreements entered into between the Company and the several investors who purchased an aggregate of $3,100,000 of the Company’s Notes and Debentures described above. The default relates to the Company’s failure to get the Registration Statement registering the underlying securities issued in connection with the aforementioned transactions on a timely basis. As of the date of this report, none of the investors have asserted any claims or commenced any legal actions related to the default.

Note 6 - Stockholders’ Deficit

Preferred Stock

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

Common Stock

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

On January 10, 2007, Ms. Yarde exercised 250,000 stock options at $.40 per share. Ms. Yarde exercised the options via “cash-less exercise” and was issued 217,213 shares of common stock.

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

Note 6 - Stockholders' Deficit (Continued)

Common Stock (Continued)

On January 15, 2007 the Company issued 20,000 restricted shares of its common stock to ICR LLC for services.

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

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

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

On February 8, 2007, the Company issued an aggregate of 7,000 shares of its common stock to the owners of Vintage Filings, Inc. (Seth Farbman 3,500 and Shai Stern 3,500) in exchange for Vintage providing one (1) year of filing the Company's reports with the SEC via the Edgar filing system. These shares were issued under the Company's 2005 Equity Incentive plan.

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

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

On March 1, 2007, the Company issued 75,000 restricted shares of its common stock to Interactive Resources Group, Inc. ("IRG") pursuant to a consulting agreement between the Company and IRG.

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

On March 9, 2007, the Company issued The Incredible Card Company 150,000 restricted shares of its common stock as consideration for the purchase of a patent the Company acquired in January 2007. Mr. Basile, the Company's Chairman and CEO, was a former officer and director of The Incredible Card Company.

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

Note 6 - Stockholders' Deficit (Continued)

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 activity and weighted average exercise price under these plans for the three months ended March 31, 2007 are as follows:

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

	2007			2006		
Other Options	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Balance - January 1,	2,150,000	$	2.66	25,000	$	.40
Options Granted in 2007	-		-	1,000,000		.3.50
Options Exercised in 2007	(250,000)		0.40	(6,250)		.40
Balance - March 31,	1,900,000	$	2.69	1,018,750	$	2.52

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BIOMETRX, INC. AND SUBSIDIARIES
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Note 6 - Stockholders' Deficit (Continued)

Stock Options (Continued)

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

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Price
$1.00 - $1.99	900,000	4.45	$ 1.20	700,000	$ 1.23
$2.00	250,000	3.25	$ 2.00	250,000	$ 2.00
$3.00	250,000	3.25	$ 3.00	250,000	$ 3.00
$4.00	250,000	3.25	$ 4.00	250,000	$ 4.00
$5.00	250,000	3.25	$ 5.00	250,000	$ 5.00
$1.00 - $5.00	1,900,000	3.82	$ 2.69	1,700,000	$ 2.56

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

Note 6 - Stockholders' Deficit (Continued)

Warrants

	2007			2006		
	Number of Warrants	Weighted Average Exercise Price		Number of Warrants	Weighted Average Exercise Price	
Balance - January 1,	3,626,495-	$	1.17-	194,245	$	2.81
Warrants Granted	2,270,000	$	0.71	-		-
Warrants Exercised	(25,000)	$	1.00	-		-
Balance - March 31,	5,871,495	$	0.90	194,245	$	2.81

Warrants Outstanding				Warrants Exercisable	
Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contracted Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ .01-.99	1,568,250	5.00	$.10	1,568,250	$ .10
$1.00-1.99	3,889,000	4.53	$1.02		