

BioMETRX  
Form 10QSB/A  
December 01, 2006

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

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**FORM 10-QSB/A**

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

For the Quarter Period Ended  
June 30, 2006

Commission File No. 0-15807

**BIOMETRX, INC.**

(Exact name of Registrant as specified in its Charter)

Delaware  
(State or jurisdiction of  
incorporation or organization)

31-1190725  
(IRS Employer Identification  
No.)

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

11753  
(Zip Code)

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

N/A

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

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

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The number of shares outstanding of the Registrant's Common Stock, \$.001 par value, as of August 14, 2006 was 7,737,157.

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**PART I - FINANCIAL INFORMATION**

**EXPLANATORY NOTE**

bioMETRX, Inc. is filing this Amendment No. 1 to its Quarterly Report on Form 10-QSB filed with the Securities and Exchange Commission on August 21, 2006 solely for the purpose of providing information in response to comments from the Securities and Exchange Commission. Unless otherwise expressly stated, this Amendment No. 1 does not reflect events after the filing of the original Form 10-QSB, or modify or update in any way discussions contained in the original Form 10-QSB.

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

**Background**

The Company was incorporated on March 13, 1985, under the laws of the State of Utah with the name Univenture Capital Corp. The Company was organized to engage in any lawful business and had no specific business plan except the investigation, analysis, and possible acquisition of business opportunities.

On August 29, 1986, the Company acquired all of the outstanding stock of Health & Leisure Inc., a Delaware corporation which subsequently changed its name to Entre Vest, Inc. ("Entre Vest"), in a transaction in which a subsidiary of the Company merged with and into Entre Vest and the former stockholders of Entre Vest obtained a controlling interest in the Company. The Company subsequently changed its own name from Univenture Capital Corp. to Health & Leisure, Inc. and changed its state of incorporation from Utah to Delaware. Entre Vest was incorporated on June 6, 1985, under the laws of the State of Delaware.

Pursuant to an Acquisition Agreement and Plan of Merger dated June 13, 2003 (the "Merger Agreement"), by and among Health & Leisure, Inc (the "Registrant"); Venture Sum, Inc., a Delaware corporation and a wholly owned subsidiary of Registrant ("Mergerco"); and MarketShare Recovery, Inc., a New York corporation, ("MKSR"), Mergerco merged with and into MKSR, and MKSR became a wholly-owned subsidiary of the Registrant. The merger became effective June 13, 2003, however closing of the Agreement occurred on July 15, 2003. Subsequently, Health & Leisure, Inc. filed an amendment to its certificate of incorporation and thereby changed its name to MarketShare Recovery, Inc.

Our former subsidiary similarly named MarketShare Recovery, Inc. was incorporated in New York in November 2000. The subsidiary, MarketShare Recovery, Inc. was a provider of online direct marketing solutions for enterprises. The solutions enabled corporations to create and deliver online direct marketing programs that drive revenue, influence behavior and deepen customer relationships. Our solutions provided customer insight and powerful program execution through a combination of hosted applications and technology infrastructure. As a result of new technology, the Company found it harder to maintain and grow this business and at the end of 2004 this business was discontinued.

On October 7, 2004, we entered into an Asset Purchase Agreement with Palomar Enterprises, Inc. (the “Agreement”). Pursuant to the Agreement, we agreed to purchase certain assets, including certain automotive notes and contracts, a business plan and model for an automotive financial services company and a data base of potential customers and \$150,000 in cash from Palomar in exchange for a controlling interest in us.

On November 2, 2004, by mutual agreement, Palomar and us terminated the Agreement.

In 2004, we entered into a database license agreement with 110 Media Group to use and to sublicense the use of its database for a term of ten years for a total license fee of \$45,567. For financial reporting, revenue is recognized using the straight-line method, based upon the economic useful life of three years. At December 31, 2004, our remaining deferred revenue of \$30,378 was recognized as revenue due to the Company completing its obligations under the agreement and we are no longer required to perform any further services nor incur any costs related to this agreement.

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

On June 1, 2005, Merger Sub filed a Merger Certificate completing the acquisition of bioMetrx Technologies. The consideration for the Merger was 3,554,606 restricted shares of our common stock and the issuance of 45,507 Common Stock Purchase Warrants to the holders of corresponding instruments of bioMetrx Technologies. The Merger was completed according to the terms of the Merger Agreement. Simultaneously with the Merger, certain stockholders of the Company surrendered 552,130 shares of the Company’s common stock which was cancelled and returned to the status of authorized and unissued. In addition, 75,000 shares of the Company’s common stock were deposited by these stockholders into escrow to cover contingent liabilities, if any. As a result of the Merger, bioMetrx Technologies was merged into the Merger Sub and became our wholly owned subsidiary.

Since the Company had no meaningful operations immediately prior to the Merger, the Merger is being treated as a reorganization of bioMetrx Technologies via a reverse merger with the Company for accounting purposes.

The 3,554,606 shares and the shares issuable upon the exercise of 45,507 warrants issued as part of Merger to the former bioMetrx Technologies stockholders represented approximately 90% of the total outstanding post-merger stock.

On October 10, 2005, the Company amended its Certificate of Incorporation to change its name to bioMETRX, Inc., as a result, the Company’s trading symbol was changed to “BMTX”.

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

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

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

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

On July 11, 2006, Mr. Steven Kang resigned as the Company's Chief Technology Officer and as a director of the company. In connection with his resignation, the Company entered into a termination agreement terminating this employment.

On July 11, 2006, the Company elected Ms. Lorraine Yarde to the Company's Board of Directors to replace Mr. Kang.

On August 4, 2006, the Company entered into an employment agreement with J. Richard Iler under which Mr. Iler will serve as our Chief Financial Officer. Mr. Iler replaces Mr. Frank Giannuzzi in this position, Mr. Giannuzzi resigned as the Company's CFO and director on August 7, 2006. Mr. Iler was also elected to the Company's Board of Directors.

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.

### **Operations**

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. The Company's executive offices are located in Jericho, New York.

Originally founded in 2001, bioMETRX is focused on developing simple-to-use, cost-efficient, finger-activated, lifestyle products under the trade name SmartTOUCHÔ. 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 lock manufacturers and central station alarm monitoring companies, representing a \$25 billion global market. bioMETRX develops market-specific products in this area which are being sold through retailers, dealers and direct to consumers in the United States. The company's first product, the Garage Door Opener, also known as the smartTOUCH GDO, will be available through the Home Depot this summer.

The Company 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 product will allow consumers and small business owners the ability to prevent unwanted tampering of their heating and cooling settings and hence control the temperature within their homes or business establishments, as the case may be, without having to install a cumbersome security box around the thermostat. The Company's smartSTAT thermostat allows homeowners and small business owner's complete control and security over their costly HVAC systems.

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 developing 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 not 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. To date, activities have been limited to organizational matters, development of its products and services and capital raising.

Management's plan of operations for the next twelve months is to raise additional capital, complete further development of its product line and commence marketing the Company's products and services. The Company expects it will require \$6,000,000 over the next 12 months to accomplish these goals 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. There are no firm commitments on anyone's part to invest in the Company and if it is unable to obtain financing through the sale of its securities or other financing, the Company's products and services may never be commercially sold.

#### **Current Market Outlook - Target Markets/Applications**

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

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

#### **Product Offerings**

smartTOUCHÔ products allow a person to open a door, or set an alarm or thermostat simply by placing a finger upon a sensor chip, the size of a postage stamp. smartTOUCHÔ products are designed to simplify access, while substantially increasing the security level of the systems used for such purposes. Our smartTOUCHÔ products use one-to-one biometrics matching authenticated systems embodied in its products. The bioMETRX patent-pending system includes a hand held universal programmer designed to control access to the administrative functions of each smartTOUCHÔ device. All smartTOUCHÔ products are designed to work with this universal programmer, and permit up to fifteen (15) authorized users to be enrolled. Our system allows two types of users, an access user who can only operate the smartTOUCHÔ device, and an administrative user who can operate and also add or delete other users.



### **Results of Operations**

From inception (February 1, 2001) through June 30, 2006, bioMETRX has not generated any revenues. During the period from inception (February 1, 2001) through June 30, 2006, bioMETRX had net losses totaling \$ 20,660,527. From inception through June 30, 2006, bioMETRX's general and administrative expenses totaled \$ 3,240,186 or 15.7% of total expenses, while for the six months ended June 30, 2006 general and administrative expenses totaled \$ 1,082,848 or 13.3 % of total expenses. From inception through June 30, 2006, bioMETRX incurred stock-based compensation of \$14,205,063 or 68.8 % of expenses, of which \$ 5,157,562 or 63.5 % of total expenses was incurred during the six months ended June 30, 2006. Research and development costs were \$1,161,610 or 5.6% of total expenses incurred in the period from inception through June 30, 2006, while research and development costs during the six months ended June 30, 2006 totaled \$642,444 or 7.9 % of total expenses.

During the quarter ended June 30, 2006, the Company had \$0 revenues. The Company has beta-tested its garage/gate door opener and will begin marketing this product in the near future. This represents the first product the Company intends to commercially market.

During the six months ended June 30, 2006, net losses totaled \$8,120,463 compared to \$7,955,148 for the same period ending June 30, 2005. For the six months ending June 30, 2006, bioMETRX's general and administrative expenses totaled \$1,082,848, or 13.3% of total operating expenses. During the same six month period in 2005, general and administrative expenses totaled \$2,300,432, or 28.9% of total operating expenses.

For the six months ending June 30, 2006, interest expense was \$3,961, as compared to \$-0- for the six months ending June 30 2005.

Research and development expenses for the six months ending June 30, 2006 was \$642,444, compared to \$188,270 for the same period in 2005.

### **Liquidity and Capital Resources**

As of June 30, 2006 bioMETRX had total assets of \$1,312,374 and total current assets of \$1,144,886. At June 30, 2006 bioMETRX had total liabilities of \$1,136,138 and total current liabilities of \$1,133,946 bioMETRX's working capital surplus at June 30, 2006 was \$10,940 and an equity surplus of \$176,235.

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

In 2003, bioMETRX sold 231,250 shares of its common stock for gross proceeds of \$231,250 or \$1.00 per share. During 2003, bioMETRX issued 75,000 shares of its common stock, valued at \$150,000 (\$2.00 per share), for services rendered to it pursuant to consulting agreements. During 2003, bioMETRX issued 129,500 shares of its common stock, valued at \$518,000 (\$4.00 per share), as commission on sales of its stock. Also in 2003 bioMETRX issued 378,000 shares of its common stock, valued at \$94,500 (\$.25 per share), as commission on sales of its common stock.

In 2004, bioMETRX sold 27,000 shares of its common stock for aggregate gross proceeds of \$27,000 (\$1.00 per share). During that same year, bioMETRX sold 83,750 shares of its common stock for aggregate gross proceeds of \$335,000 (\$4.00 per share). Also in 2004, bioMETRX issued 50,000 and 8,750 shares of its common stock valued at \$200,000 and \$8,750, respectively, as commissions on sales of its common stock.

In July 2005, the Company sold 233,334 shares of its common stock and 46,667 warrants for an aggregate purchase price of \$700,000 or \$3.00 per share without allocating any part of the purchase price for the warrants.

On October 28, 2005 the Company sold 562,500 shares and 562,500 warrants for an aggregate purchase price of \$450,000 or \$.80 per share without allocating any part of the purchase price for the warrants.

The warrants entitle the holder to purchase shares of the Company's common stock for a period commencing on the date of issuance and expiring on December 15, 2005 at an exercise price of \$.80 per share.

From December 2005 to February 2006, the Company sold an aggregate of 746,250 shares to Kuhn for an aggregate purchase price of \$597,000 or \$.80 per share. As part of this transaction, Kuhn exercised 562,500 warrants, which were issued to him on October 28, 2005 in connection with a previously reported financing. In addition to the exercise of the warrants, Kuhn provided the Company with an additional \$147,000 and the Company agreed to issue him the shares at the same purchase price (\$.80 per share) as the warrants.

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

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

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

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

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

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



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, 2005, indicating bioMETRX is in the development stage of operations, has a working capital and net equity deficiency. These factors raise substantial doubt in bioMETRX' ability to continue as a going concern. If bioMETRX is unable to raise the funds necessary to complete the development of its products and fund its operations, it is unlikely that bioMETRX will remain as a viable going concern.

**Critical Accounting Policies and Estimates:**

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

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

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

### **Information Relating To Forward-Looking Statements**

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

### **Recent Accounting Pronouncements**

Statement of Financial Accounting Standards (“SFAS”) No. 146, “Accounting for Costs Associated with Exit or Disposal Activities”, SFAS No. 147, “Acquisitions of Certain Financial Institutions - an Amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9”, SFAS No. 148, “ Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment of FASB Statement No. 123”, SFAS No. 149, “Amendment of Statement 33 on Derivative Instruments and Hedging Activities”, and SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity”, were recently issued. SFAS No. 146, 147, 148, 149 and 150 have no current applicability to the Company or their effect on the financial statements would not have been significant.

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

In addition, the Company will recognize the unvested portion of the grant date fair value of awards issued prior to the adoption based on the fair values previously calculated for disclosure purposes. At December 31, 2005, the Company had no unvested options.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Non-monetary Assets," ("SFAS 153"). SFAS 153 amends Accounting Principles Board ("APB") Opinion No. 29, Accounting for Non-monetary Transactions," to require exchanges of non-monetary assets are accounted for at fair value, rather than carryover basis. Non-monetary exchanges that lack commercial substance are exempt from this requirement.

SFAS 153 is effective for non-monetary exchanges entered into in fiscal years beginning after June 15, 2005. The Company does not routinely enter into exchanges that could be considered non-monetary; accordingly the Company does not expect adoption of SFAS 153 to have a material impact on the Company's financial statements.

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, ("FIN No. 46"), "Consolidation of Variable Interest Entities" (VIEs), which is an interpretation of Accounting Research Bulletin (ARB) No. 51, "Consolidated Financial Statement". FIN 46, as revised by FIN 46R in December 2003, addresses the application of ARB No. 51 to VIEs, and generally would require assets, liabilities and result of activity of a VIE be consolidated into the financial statements of the enterprise that is considered the primary beneficiary. FIN 46R shall be applied to all VIEs by the end of the first reporting period ending after December 15, 2004. The Company has determined that FIN 46R has no material impact on its financial statements.

## **COMMITMENTS**

We do not have any commitments that are required to be disclosed in tabular form as of December 31, 2005 and as of June 30, 2006.

## **OFF BALANCE SHEET ARRANGEMENTS**

We do not have any off balance sheet arrangements.

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

Pursuant to provisions of the Securities Exchange Act of 1934, the Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under their supervision, for the Company. They have designed such disclosure controls and procedures to ensure that material information relating to the Company, is made known to them by others within the Company, particularly during the periods when the Company's quarterly and annual reports are being prepared. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report, and for all periods subsequent to December 31, 2004 our disclosure controls and procedures were effective as of June 30, 2006.



Changes in Internal Controls. During the second quarter of fiscal year 2006, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. However, we intend to continue to refine our internal controls on an ongoing basis. Our management and our independent auditors have reported to our board of directors certain matters involving internal controls that our independent auditors considered to be material weaknesses, under standards established by the American Institute of Certified Public Accountants. The material weakness relates to the December 31, 2004 financial closing process. Certain adjustments were identified in the annual audit process, related to the accounting for stock issued, payment of commissions with marketable securities, as well as the lack of segregation of duties in the process of cash receipts and disbursements. In addition, there were instances where accounting analyses did not include evidence of a timely review. The adjustments related to these matters were made by the Company in connection with the preparation of the audited financial statements for the year ended December 31, 2004. Given the material weaknesses occurred prior to the acquisition of bioMetrx and the appointment of new management, the Company's new management did not consider the Company's prior material weaknesses in determining that our controls and procedures were effective as of June 30, 2006.

There were no significant changes in our internal controls over financial reporting that could significantly affect internal controls during the period ended June 30, 2006.

**PART II - OTHER INFORMATION**

**Item 1: Legal Proceedings**

None

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

(a) None

(b) None

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

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

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

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

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

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 acknowledgment, in the form of bona fide purchase order demonstrating that at least \$1,000,000 of the Company's products have been ordered, other than its initial order from a national retailer in the amount of approximately 23,000 garage door opening units, within 181 days after the date of the Securities Purchase Agreement, the B Warrants shall automatically terminate. Both the A and B Warrants contain provisions that protect the holder against dilution by adjustment of the exercise price in certain events including, but not limited to, stock dividends, stock splits, reclassifications, or mergers.

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

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

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

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

On May 8, 2006, the Company issued an aggregate of 25,000 restricted shares of its common stock to Jane Petri (12,500) and Joseph Panico (12,500) as consideration for making an aggregate of \$100,000 loans to the Company.

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

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

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

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

(d) Not Applicable

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

None

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

None

**Item 5.: Other Information**

On March 17, 2006 the Company entered into a Letter of Engagement with Pasadena Capital Partners, LLC (“Pasadena”). Pasadena was hired to develop and implement a proactive marketing program designed to (a) increase the awareness of the Company; and (b) generate a significant increase in liquidity and market capitalization. In addition, upon request by the Company, Pasadena may advise the Company in business development and strategic advisory service. The initial term of this engagement is three (3) months which may be extended on a month to month basis. The Company is paying Pasadena \$6,000 per month for so long as it is retained by the Company;. In addition on May 4, 2006, the Company issued Pasadena 20,000 restricted shares of its common stock.

On April 20, 2006 the Company entered into a Consulting Agreement with new Castle Consulting, LLC (“New Castle”). New Castle was hired to assist the Company in identifying investor relations, public relations and market relations organizations which may be utilized by the Company. The term of this agreement is six (6) months. On May 3, 2006, as compensation, the Company issued New Castle 180,000 restricted shares of its common stock.

On July 11, 2006, the Company and Mr. Steven Kang, the Company’s Chief Technology Officer, entered into a termination agreement terminating his employment agreement dated January 1, 2004. Simultaneously therewith, Mr. Kang resigned as the Company’s Chief Technology Officer and as director of the Company.

On July 11, 2006, the Company elected Ms. Lorraine Yarde to the Company’s Board of Directors effective immediately.

On August 4, 2006, the Company entered into an employment agreement with J. Richard Iler under which Mr. Iler will serve as our Chief Financial Officer for an initial term of three (3) years. The agreement calls for an annual base salary of \$180,000 for the first year with annual increases of 15% each year thereafter and a \$500 per month car allowance. In addition, the Company granted Mr. Iler 400,000 options to purchase shares of our common stock and issued as a bonus 100,000 shares of the Company’s common stock.

On August 7, 2006, our board of directors accepted the resignation of Frank Giannuzzi as our Chief Financial Officer and as a member of our Board of Directors and appointed J. Richard Iler to serve as our Chief Financial Officer. Mr. Iler was also elected to the Company’s Board of Directors.

On August 14, 2006, the Company entered into a three (3) year employment agreement with Lorraine Yarde, the Company’s Chief Operating Officer. The employment agreement calls for an annual base salary of \$150,000 through December 31, 2006, \$175,000 for the calendar year 2007 and \$200,000 for the remainder of the term of the agreement. In addition, the Company granted Ms. Yarde 600,000 options to purchase shares of its common stock exercisable at \$1.00 - 200,000; \$1.25 - 200,000; and \$1.50 - 200,000, and issued as a bonus 150,000 shares of the Company’s common stock.

The Company has issued approximately 1,300,000 shares of common stock and/or options to purchase shares of its common stock under the Company's Plan, which exceeds the number of reserved shares under the Plan by approximately 50,000 shares. The Company intends to amend the Plan to increase the number of shares of common stock authorized and reserved for issuance under the Plan.

**Item 6.: Exhibits**

(a) The following exhibits were filed as part of the 10-QSB filed on August 21, 2006:

- 10.1 Employment Agreement dated August 14, 2006 between the Company and Lorraine Yarde.
- 31.1 Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)
- 31.2 Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350

**SIGNATURES**

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

Dated: November 30, 2006

**BIOMETRX, INC.**

By: /s/ Mark Basile  
Mark Basile  
Chief Executive Officer