

POKER MAGIC INC
Form 10-K
March 04, 2011

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____

Commission File Number 0-16686

POKER MAGIC, INC.

(Exact name of registrant as specified in its charter)

Minnesota
(State of incorporation)

20-4709758
(I.R.S. Employer Identification No.)

130 West Lake Street, Suite 300
Wayzata, Minnesota
(Address of principal executive offices)

55391
(Zip Code)

Registrant's telephone number, including area code: (952) 473-3442

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
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Securities registered pursuant to Section 12(g) of the Act:

Common stock, \$0.001 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of

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this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," "non-accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

The aggregate market value of the voting stock held by persons other than officers, directors and more than 5% shareholders of the registrant as of June 30, 2010 was approximately \$316,753, based on the closing sales price of \$0.06 per share as reported on the OTCBB. As of February 28, 2011, there were 11,008,224 shares of the issuer's common stock, \$0.001 par value, outstanding.

DOCUMENTS INCORPORATED IN PART BY REFERENCE

None.

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PART I

ITEM 1

BUSINESS

Overview

Poker Magic, Inc. (“Poker Magic,” the “Company” or “we”) is a Minnesota corporation that was incorporated in January 2006. We are a development-stage company focused on promoting and placing our Winner’s Pot Poker game online, into casinos and entertainment facilities country-wide, including those located in Native American tribal lands. We are also seeking to expand the number of products or services that we offer in the gaming industry. We believe that the long-term success of our operations will be determined by our ability to bring new and innovative products, game play and services to the market.

Our current gaming product is “Winner’s Pot Poker,” which is a table game form of five-card stud poker. In the Winner’s Pot Poker game, the dealer deals each player, and the dealer himself, two cards face down and three cards face up. Each player “antes” before the deal to be eligible to receive cards in the game. After each player has received his or her first three cards from the dealer, each player may either fold or place a first bet equal to the ante. The first bet may not be any more or less than the ante. After the next card is dealt, each of the remaining players has a choice between folding or placing a second bet that must be equal to twice the ante. The dealer may not fold. After the last card is dealt, the hands are compared and the winning hand (determined by using standard poker rankings) takes a predetermined percentage of the total bets and antes made in the course of the game. In addition, players are entitled to make certain optional “bonus bets.”

On March 10, 2006, we entered into an Asset Purchase Agreement with Select Video, Inc., a Delaware corporation. Under the terms of the Asset Purchase Agreement, we acquired substantially all of the assets of Select Video, Inc., including the following patents and trademarks:

- United States patent number 5,839,732, issued on November 24, 1998, entitled “Method of Playing a Casino Poker Game”
- United States Trademark (registered on the supplemental register) for the mark “WINNER’S POT POKER,” registration number 2,172,043, dated July 7, 1998, and
- United States Trademark (registered on the supplemental register) for the mark “POKER MAGIC,” registration number 3,272,173 dated July 31, 2007.

In consideration of such assets, we issued Select Video an aggregate of 3,022,991 shares of our common stock, and agreed to pay Select Video a five percent royalty on gross proceeds we generate from the sale or license of products using the acquired assets relating to Winner’s Pot Poker.

On December 26, 2007, we entered into a license agreement with Bally’s Park Place, Inc. d/b/a/ Bally’s Atlantic City, permitting Bally’s, on a non-exclusive basis, to use one unit of the Winner’s Pot Poker game on a trial basis at no charge until such time that the New Jersey Casino Control Commission ended the test period for the game. We had earlier (on August 22, 2007) secured the issuance of temporary rules and amendments governing the implementation of Winner’s Pot Poker in Atlantic City casinos. The amendments and rules added Winner’s Pot Poker to the list of authorized table games in New Jersey, governed the physical characteristics of the Winner’s Pot Poker game layout, defined the card deck for use with the Winner’s Pot Poker game, specified the terms of the use of the cards during Winner’s Pot Poker game play, and contained technical proposals governing the operation of Winner’s Pot Poker. We had also earlier obtained a transactional waiver from the New Jersey Casino Control Commission for the licensure

requirement applicable to casino service industry suppliers (CSI), which waiver permitted us to legally license to Bally's Park Place the play of our Winner's Pot Poker game in Bally's Atlantic City casinos.

After a successful trial period, we amended our license agreement with Bally's Park Place on June 26, 2008. Under the amended license agreement, Bally's Park Place paid us a license fee in the amount of (i) \$475 per month for the right to the use of our Winner's Pot Poker game in the Atlantic City casinos for a full week during that month, and (ii) \$200 per month for the right to the use of our Winner's Pot Poker game in the Atlantic City casinos on weekends only during any month. As amended, the license agreement contemplated the licensure of only two Winner's Pot Poker game units—one for full-week use and the other for weekend-only use. This amendment was entered into after the adoption by the New Jersey Casino Control Commission of temporary regulations governing the rules of the Winner's Pot Poker game. The amended license agreement was a month-to-month agreement terminable by either party at any time. On November 4, 2010, Bally's provided notification of their intent to terminate our license agreement effective December 6, 2010. Due to this termination, we have not applied to renew our license with the New Jersey Casino Control Commission which expired in January 2011; however we continue to assess our renewal options as we seek new customers in New Jersey.

Business Model

We intend to continue to market and license our current table game, “Winner’s Pot Poker,” to online, casino and entertainment facilities and operations for a licensing fee. Depending on the particular features of any gaming products or services that we subsequently develop or acquire, we may license such products or services, or certain aspects thereof. By relying on a licensing model that relies primarily on intellectual property, we hope to maximize potential revenue streams while minimizing the amount of capital required to operate the business. This differs from a more traditional gaming and entertainment product model that focuses on electronic gaming machines or boxes that are subject to more stringent regulatory approval processes, and which is therefore more capital intensive.

In addition, we are actively seeking joint venture opportunities with partners that could incorporate Winner’s Pot Poker into their current product offerings and expand the visibility of our table game into new gaming markets.

Our goal is essentially to capture a small piece of the U.S. gaming market, and research opportunities to break into expanding international markets. Currently, there are approximately 1,500 casinos and gaming facilities, including pari-mutuel, casino-cruises, dog tracks, racinos and horse tracks, in operation in 47 states within the United States (latest information available, World Casino Directory). Legalized gaming has undergone tremendous growth in the past decade, with the gaming industry producing gross revenues in 2007 (the most recent year for which American Gaming Association statistics are available) of approximately \$92.3 billion compared to \$58.2 billion in 1999, a 63% increase.

Gaming in other countries has also generally been increasing. In Canada, for example, over 100 casinos are in operation and this number is presently increasing. Similarly, new gaming establishments within South American countries, particularly Argentina, Chile and Peru, have opened in just the prior year. Central American countries are also expanding their gaming operations with the majority of casinos located in Costa Rica, a very popular tourist destination.

Despite the recent year-over-year and historical increases and the expansion of table gaming into new states, the recent poor state of general economy in the United States has negatively impacted consumer willingness to spend on entertainment and other discretionary items, including gaming. This is evidenced in part by the fact that gaming revenues in the two largest casino states Nevada and New Jersey declined during 2009 (see Nevada Gaming Control Board report, and New Jersey Casino Control Commission report).

Products and Services

Winner’s Pot Poker is a five-card stud poker game in which a dealer deals each player, and the dealer him or herself, two cards face down and three cards face up. Each player “antes” before the deal. After the first three cards are dealt, each of the players may fold or may place a “bet wager” in an amount equal to the ante. After the fourth card is dealt, each of the remaining players has a choice between folding or placing a second bet, a “double wager,” equal to twice the ante. The dealer may not fold. After the last card is dealt, the hands are compared and the winning hand takes a predetermined percentage of the total bets and antes made in the course of the game.

In addition, each player is entitled to place an optional bonus bet known as the “jacks plus” bet. The “jacks plus” bet stays in play allowing the player to win even if (s)he has folded her/his poker hand. A player wins a “jacks plus” bonus wager if the player's hand contains a pair of jacks or better regardless of the ultimate winning hand. By placing a “jacks plus” bet, a player has the opportunity to win even if (s)he has folded her/his poker hand earlier in the game.

The game is played with up to six players and a dealer who is a “house” employee, using a standard 52-card “poker” deck. A winning hand is determined using standard poker rankings. In this method for playing the game, after the first three

cards are dealt, each player betting places a wager equal to the ante amount for that hand. All players place the same ante amount.

The dealer then deals, to each player and to the dealer, one card from the poker deck. Each player has a choice, after each portion of the poker hand is dealt, to fold (in which case that player's placed wager is surrendered), or to wager an additional amount (in which case (s)he continues playing the game). The dealer then deals a final card from the poker deck to each player, and to him or herself, to complete the round of play. The hands of the dealer and the remaining players are then examined in order to determine the holder of the hand having the highest poker rank.

The player that holds the highest ranking hand is awarded a predetermined percentage of the sum of all wagered amounts. This predetermined percentage may for example be 90%, in which case the remaining 10% is given to the house. Because the dealer is required to wager the full amount at the beginning of the game, and is not given an opportunity to fold, the dealer has no opportunity to use strategy in order to limit the dealer's losses where the dealer holds a bad hand. That limitation is perceived by players in the game as an advantage in their favor. Also, the players' opportunity to win the remaining players' first and second bets also provides impetus for new players to play the game.

Competition

There are a number of domestic and international businesses which we compete against. We believe that our ability to compete effectively will be based on a number of factors, including but not limited to our ability to:

- Develop or acquire new games or technologies, or rights to new intellectual property that may be used in the development of new games
 - Enter into joint ventures that will enhance exposure of our games
 - Obtain additional state and other jurisdictional regulatory approvals
 - Expand our marketing efforts domestically and internationally
- Obtain floorspace for our games in casinos and entertainment facilities, primarily through marketing and sales and relationship-building efforts
 - Increase the number of games and frequency of use at existing customer locations
 - Satisfy players with the playing experience of our games, and
 - Protect our intellectual property against infringing parties.

We expect that we will face intense competition due to the number of game machine and game play providers, the limited number of casinos and jurisdictions in which they operate, the continuous introduction of new products into the market, and the limited amount of floorspace dedicated to poker. We view our competition generally as any other business seeking floorspace at a casino or entertainment facility at which gaming activities may be conducted, whether that floorspace be sought for slot machines (or other terminal or box-oriented games) or table games. In this regard, our anticipated competitors include gaming companies such as Shuffle Master and Progressive, and also include the licensors of various intellectual properties such as Multimedia Games. Nearly all of our competitors are larger than us and have significantly greater resources than we do. Competitive factors that we expect will critically affect our business include the continuity of relationships which our marketing and sales agents have at casinos and entertainment facilities, and the popularity of our games and related offerings in general. Finally, we believe that the long-term success of our operations will be determined by our ability to bring new and innovative products, game play and services to the market.

Regulation

To date, our licensing efforts have been focused on entering into such agreements with casinos and gaming establishments in New Jersey, Nevada, Minnesota and Oklahoma. On August 22, 2007, the New Jersey Casino Control Commission adopted temporary regulations governing the Winner's Pot Poker game. From January 23, 2009 through July 24, 2010, the New Jersey Casino Control Commission approved our petition to continue conducting business with Bally's while the issuance of the final license was underway. On July 16, 2010, the Commission approved our petition to conduct business as a licensed casino service industry supplier with Bally's Park Place. This petition expired in January 2011; however we continue to assess our renewal options as we seek new customers in New Jersey. It is, however, extremely difficult to anticipate how much success we will have in our efforts to license our games to establishments other than Bally's Park Place, if any at all, and thereby generate additional revenues since our license agreement with Bally's has terminated.

We have yet to obtain the final licensure required in Nevada and Minnesota, which jurisdictions have been the focus of our marketing efforts to date. In addition, we anticipate expanding our present marketing efforts in Oklahoma tribal nations during 2011. In particular, we expect that we will require at least the following licenses, registrations and approvals in the near future to permit us to license our gaming products to casinos and gaming establishments in the relevant jurisdictions:

- Casino service industry (CSI) supplier license issued by the New Jersey Casino Control Commission (described above)
 - Distribution licenses permitting us to distribute Winner's Pot Poker game units (i.e., table layouts) to casinos and gaming establishments in Nevada, issued by the Nevada State Gaming Control Board
 - Registration with the Nevada Gaming Commission as a publicly traded company

- Distribution licenses permitting us to distribute Winner's Pot Poker game units to casinos and gaming establishments in Minnesota
 - Approval from the applicable Tribal Councils permitting us to distribute Winner's Pot Poker game units to casinos and gaming establishments located in tribal lands in Minnesota; and
- Approval from the applicable Tribal Councils permitting us to distribute Winner's Pot Poker game units to casinos and gaming establishments located in tribal lands in Oklahoma.

As we seek to begin operations in other states and, where applicable, Native American tribal lands, we will be subject to additional state and Native American laws and regulations that affect both our general commercial relationships with our customers as well as the products and services provided to them. The following summarizes the material aspects of these laws and regulations.

New Jersey State Laws and Regulations. The manufacture, distribution and operation of gaming machines and other aspects of casino gaming in New Jersey are subject to strict regulation pursuant to the New Jersey Casino Control Act and the regulations promulgated thereunder (collectively, referred to as the "New Jersey Act"). The New Jersey Act created the New Jersey Casino Control Commission (the "New Jersey Commission") and the New Jersey Division of Gaming Enforcement (the "New Jersey Division"). The New Jersey Commission is authorized to decide all license applications and other matters and to promulgate regulations under the New Jersey Act. The New Jersey Division is authorized to investigate all license applications, make recommendations to the New Jersey Commission, and to prosecute violations of the New Jersey Act.

Under the New Jersey Act, a company must be licensed as a gaming-related casino service industry (CSI) supplier, or fulfill other requirements, in order to license authorized games to New Jersey casinos. In its discretion, the New Jersey Commission may permit an unlicensed applicant for a CSI license to transact business with New Jersey casinos prior to licensure. First, however, the New Jersey Commission must have determined that the unlicensed entity's application was complete. Then, a casino that desires to transact business with the unlicensed application must obtain the approval of the New Jersey Commission for each business transaction in which they seek to engage by filing a petition with the New Jersey Commission (a "transactional waiver petition"). The transactional waiver petition must demonstrate that good cause exists for granting such petition. The New Jersey Commission is not permitted to grant a transactional waiver petition if the New Jersey Division objects to the petition. The New Jersey Commission has deemed our application complete and has granted us a transactional waiver to conduct business under the current license agreement with Bally's Park Place, Inc.

In connection with our license application, the New Jersey Division conducted an investigation of us as the applicant and our individual qualifiers to determine suitability for licensure. In order for a CSI license to be issued by the New Jersey Commission, we had to demonstrate, by clear and convincing evidence, our good character, honesty and integrity, financial stability, integrity and responsibility.

The New Jersey Commission has broad discretion regarding the issuance, renewal, suspension or revocation of CSI supplier licenses. If our CSI supplier license application is denied, we will not be able to transact business with New Jersey casinos. There is no guarantee that we will be granted an initial license or that, following the issuance of an initial CSI license or any renewal thereof, we will continue to be granted renewals of the license. The New Jersey Commission may impose conditions on the issuance of a license. In addition, the New Jersey Commission has the authority to impose fines or suspend or revoke a license for violations of the New Jersey Act, including the failure to satisfy applicable licensure requirements. A CSI supplier license is issued for an initial period of two years and is thereafter renewable for four-year periods.

The New Jersey Commission approved our petition to conduct business as a licensed casino service industry supplier with Bally's Park Place on July 16, 2010, and this license expired in January 2011; however we continue to assess our renewal options as we seek new customers in New Jersey.

Nevada State Laws and Regulations. The sale and distribution of casino games in Nevada is subject to: (i) Nevada state laws; (ii) local laws; (iii) the regulations and ordinances of the Nevada Gaming Commission; (iv) the regulations and ordinances of the Nevada State Gaming Control Board; and (v) various county and municipal regulatory authorities (collectively, the "Nevada Gaming Authorities"). The laws, regulations and ordinances of the Nevada Gaming Authorities address the responsibility, financial stability, character and other relevant characteristics of gaming equipment manufacturers, distributors and operators as well as those persons with a financial interest in such gaming operations. The Nevada Gaming Authorities have enacted such laws, regulations and ordinances in order to strictly regulate all persons, locations, practices, and activities related to the operation of licensed gaming devices and establishments in order to prevent cheating and fraudulent practices, and in order to maintain the effective control over the financial practices of licensees of the Nevada Gaming Authorities.

To date, the Company has not registered with the Nevada Gaming Commission as a publicly traded company. Nevertheless, the Company anticipates registering with such Commission and thereafter will likely be required to periodically submit detailed financial and operating reports to the Commission, and to furnish any other information as required by the Commission. In addition, any licenses granted by the Nevada Gaming Authorities will require periodic payments of fees and taxes and will be limited in their transferability. Upon receiving a license from the Nevada Gaming Authorities, our officers, directors and key employees may be required to file applications with the Nevada Gaming Authorities and may be required to receive licenses suitable for them.

Any gaming devices sold or otherwise distributed for use or play in Nevada must be manufactured by licensed manufacturers and distributed or sold by licensed distributors. All gaming devices manufactured for use or play in Nevada must be approved by the Nevada Gaming Commission before distribution or exposure for play. The approval process for gaming devices includes rigorous testing by the Nevada State Gaming Control Board, a field trial, and a determination as to whether the gaming device meets strict technical standards set forth in the regulations of the Nevada Gaming Commission.

Since the Company is not subject to the Nevada Gaming Authorities at this time, we are not aware of any potential objections which the Nevada Gaming Authorities may have to the Company's products. However, upon submission of an application and the requisite paperwork to the Nevada Gaming Authorities, the Company, its products, its officers, directors, and key employees, and anyone having a material relationship or involvement with us or any gaming products may be subject to investigation by the Nevada Gaming Authorities, and any applications for licensure may be denied based upon information discovered during any background investigations. The Nevada Gaming Authorities may deny applications for licensing for any cause they deem reasonable.

Minnesota State Laws and Regulations. In order to operate a gambling-related business in Minnesota, a license, issued by the Gambling Control Board is required. The Gambling Control Board is authorized to regulate lawful gambling to ensure it is conducted in the public interest, issue, suspend and revoke licenses to organizations, distributors, and manufacturers, promulgate rules, register gambling equipment, impose civil penalties, and investigate alleged violations. The Gambling Control Board conducts background investigations and criminal investigations relating to lawful gambling and tribal reservation gambling. In order to be issued a license to manufacture or distribute gambling equipment or devices under Minnesota law, the applicant must first submit a complete application to the Gaming and Enforcement Division. Once the Gaming and Enforcement Division successfully completes its investigation of the applicant's personal, business and financial relationships and associations and determines that the applicant meets the requirements for a license, and ensures public safety and integrity in the industry, as required by state law, a license, renewable annually, is issued by the Gambling Control Board.

Currently, we have not submitted an application to the Gaming and Enforcement Division to operate a gambling-related business in Minnesota. Nonetheless, we are aware that, as part of the application process, we will be required to provide detailed financial and operating reports, furnish any other information as required to receive approval for licensure, and prepay fees to cover the related investigation expenses.

Oklahoma State Laws and Regulations. Our focus in Oklahoma gaming is limited to tribal nations. The individual tribes/nations are solely responsible for licensing their gaming vendors and each tribe/nation has different licensing requirements, procedures and associated license fees for vendors with Class II nonbanked card games authorized or not explicitly prohibited in Oklahoma.

Federal Regulation. The most important piece of federal legislation potentially affecting our business will be the Indian Gaming Regulatory Act of 1988 ("IGRA"). The Company does not, however, expect this federal gaming law to become a primary concern until such time as the Company attempts to license its games to gaming establishments located in tribal lands, if ever.

Native American gaming is governed by the IGRA, which also established the National Indian Gaming Commission, or NIGC, and granted the NIGC regulatory powers over certain aspects of Native American gaming. The IGRA classifies games that may be played on Native American lands into three categories, each of which is subject to different regulations, as follows:

- Class I gaming, which includes traditional Native American social and ceremonial games. Class I gaming is regulated exclusively at the Native American tribal level.
- Class II gaming, which includes bingo and, if played at the same location where bingo is offered, pull tabs and other games similar to bingo. Class II gaming is regulated by individual Native American tribes, with the NIGC having oversight of the tribal regulatory process. States that allow bingo and games similar to bingo to be conducted by any other entity or for any other purpose, such as bingo at charities or schools, may not regulate Class II gaming, and therefore receive no tax revenues from income the tribes derive from Class II gaming.
- Class III gaming, which includes all other forms of gaming that are not included in either Class I or Class II, including slot machines and most table games. Class III gaming may be conducted only pursuant to contracts called “compacts,” which are negotiated between individual states and individual Native American tribes located within that state, and subsequently approved by the U.S. Bureau of Indian Affairs. The compacts typically include provisions entitling the state to receive revenues at mutually agreed-upon rates from the income a tribe derives from Class III gaming activities.

In the event our Winner's Pot Poker game is played at Native American gaming facilities, it will be a Class III table game under the IGRA.

Tribal-State Compacts. Native American tribes cannot offer Class III gaming unless, among other things, they are parties to compacts with the states in which they operate. The tribal-state compacts typically include provisions entitling the state to receive revenues from the income a tribe derives from Class III gaming activities. Like any written agreement, compacts can be subject to interpretive and other ambiguity and disputes. The terms of particular compacts may affect the desire of subject Native American gaming facilities to accept our games.

Native American Regulation of Gaming; Sovereign Immunity. The IGRA requires that Native American tribes adopt and submit for NIGC approval the ordinances that regulate tribes' conduct of gaming. While these ordinances vary from tribe to tribe, they commonly provide for the following:

- Native American ownership of the gaming operation
- Establishment of an independent tribal gaming commission
- Use of gaming net revenues for Native American government, economic development, health, education, housing or related purposes
 - Independent audits, including specific audits of all contracts for amounts greater than \$25,000
 - Native American background investigations and licenses
 - Adequate safeguards for the environment, public health and safety, and
 - Dispute-resolution procedures.

Any one or more of these typical ordinances may represent barriers to the entry of our games in Native American gaming facilities or, even if we are able to license gameplay to a Native American gaming facility, may result in a less advantageous stream of licensing revenue from those operations.

In addition, Native American tribes generally enjoy sovereign immunity from suit similar to that of the states and the United States. In order to sue a Native American tribe (or an agency or instrumentality of a Native American tribe), the Native American tribe must have effectively waived its sovereign immunity with respect to the matter in dispute. In any contracts we may enter into with Native American customers, we will likely attempt to provide that any dispute regarding interpretation, performance or enforcement shall be submitted to, and resolved by, arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association and that any award, determination, order or relief resulting from such arbitration is binding and may be entered in any federal court having jurisdiction. Even if we are able to effectively bargain or negotiate for such a provision, we could be precluded from judicially enforcing any rights or remedies against a tribe without a waiver, limited or otherwise, of the tribe's sovereign immunity. These rights and remedies include, but are not limited to, our right to enforce any arbitration decision in our favor.

In general, we have little control over the various licensing, registration and suitability review processes and outcomes in the various states. It is possible that we may not be able to obtain the required or desired licenses, registrations or approvals suitably fast enough to exploit potential opportunities with casinos or gaming establishments. It is also possible that our applications for licenses or renewals, regulations or findings of suitability may be rejected by state regulatory authorities.

Research and Development

To date, we have relied on outside parties for game development. Currently, we do not have employees with experience in game development or have plans to hire employees focused on research and development activities. In addition, we do not presently expect to incur any material capital expenditures during the next 12 months for game development purposes. Accordingly, we plan to develop new gaming products either by utilizing the services of outside developers, sales agents and regulatory and compliance service providers or through the acquisition of existing games or devices. The limited availability of funds may hinder the Company's ability to acquire the rights to new games and market them adequately.

Intellectual Property

We currently own the rights to United States Patent Number 5,839,732, issued on November 24, 1998, that relates to our current Winner's Pot Poker table game. This patent was acquired from Select Video, Inc., a Delaware corporation, pursuant to an Asset Purchase Agreement dated March 10, 2006. In addition, we own a federally registered trademark for "WINNER'S POT POKER," Registration Number 2,172,043, issued on July 7, 1998, which was acquired pursuant to that same agreement. Finally, we also own registered trademarks for "POKER MAGIC" and to "AC (ATLANTIC CITY) STUD POKER," which we similarly acquired pursuant to the Asset Purchase Agreement. Other than the trademark "Poker Magic" which we have adopted as our corporate name, we do not have any current plans for the sale or license of such other trademarks. We do not have any currently pending applications for unissued patents, trademarks or copyrights.

Our business model contemplates our licensing of intellectual-property rights. We expect that this will be accomplished pursuant to terms and conditions of license agreements (or agreements differently captioned but containing licensing provisions). To date, our efforts have been focused on entering into such agreements with gaming establishments in Minnesota and New Jersey, including Bally's Park Place, Inc., which is an affiliate of Harrah's Entertainment. As indicated elsewhere in this filing, we have entered into a License Agreement with Bally Park Place, Inc., a New Jersey corporation, pursuant to which we have granted Bally's Park Place, Inc. a non-exclusive license to use Winner's Pot Poker at two different gaming locations.

The expiration dates of our patent rights vary based on their filing and issuance dates. We intend to continue to actively file for patent protection, where reasonable, within the United States. We expect also to seek protection for our future products by filing for copyrights and trademarks in the United States.

Our ability to enforce our intellectual-property rights is subject to general litigation risks. Typically, when a party seeks to enforce its intellectual-property rights, it is often subjected to claims that the intellectual-property right is invalid, or is licensed to the party against whom the claim is being asserted. We cannot be certain that our intellectual-property rights will not be infringed upon, that others will not develop products in violation of our intellectual-property rights, or that others may assert, rightly or wrongly, that our intellectual-property rights are invalid or unenforceable. In instances where we will rely on trade secrets for the protection of our confidential and proprietary business information, we cannot be certain that we would have adequate remedies for any such breach or that our trade secrets will not otherwise become discovered or independently developed by competitors. In general, defending intellectual-property rights is expensive and consumes considerable time and attention of management. The Company's involvement in intellectual-property litigation would likely have a materially adverse effect on the Company, even if the Company were ultimately successful in defending its intellectual-property rights.

Employees

Currently, we do not have any employees. Mr. Douglas M. Polinsky, the Chief Executive Officer and Chairman of our Board of Directors, and Joseph A. Geraci, II, our Chief Financial Officer and a director of the Company, both serve as consultants to the Company in their officer capacities. We rely on sales and marketing agents and outside professional services on an as-needed basis. We believe that using consultants to perform necessary operational functions is currently more cost effective than hiring full-time employees, and such practice affords us flexibility in directing our resources during our development stage.

ITEM 1A RISK FACTORS

You should consider the following risk factors, in addition to the other information presented or incorporated by reference into this Annual Report on Form 10-K, in evaluating our business and any investment decision relating to

our securities.

We have no significant operating history upon which to evaluate our business, and we are subject to all of the risks and uncertainties frequently encountered with start-up enterprises.

The Company was founded as a Minnesota corporation in January 2006. As a result, we have no significant operating history upon which to evaluate our likelihood of success. To date, we have had only one customer, Bally's Park Place, Inc., license our Winner's Pot Poker game. Bally's began use of one full-week unit of our Winner's Pot Poker game in June 2008 on a month-to-month basis; added a weekend-only unit in early 2009 and then transitioned use of the full-week unit to a second weekend-only unit in July 2009; and then, effective December 2010, terminated their use of both weekend-only units. Due to our lack of a significant operating history, you should consider our business in light of all of the risks and uncertainties inherent in establishing a new business. Our results of operations for the years ended December 31, 2010 and 2009 reflect net losses of \$148,550 and \$167,409, respectively. Ultimately, our operations may not be successful, and we may be unable to generate sufficient revenues or achieve profitability.

We will need to raise additional capital in the near future to fund our operations, and such capital may not be available to us in sufficient amounts or on acceptable terms.

We will require additional sources of financing before we can generate revenues needed to sustain operations. In particular, management believes that our current cash is sufficient to continue operations through March 2011. Our operations, as currently conducted and anticipated to be conducted, generate costs related to the marketing and distribution of our current products, and ongoing consulting, legal and accounting expenses. Even if we successfully benefit from current or future opportunities, additional financing may be required to expand or continue being involved in such opportunities.

Additional financing could be sought from a number of sources, including but not limited to additional sales of equity or debt securities, or loans from banks, other financial institutions or affiliates of the Company. We cannot, however, be certain that any such financing will be available on terms favorable to us if at all. If additional funds are raised by the issuance of our equity securities, such as through the issuance of stock, convertible securities, or the issuance and exercise of warrants, then the ownership interest of our existing shareholders will be diluted. If additional funds are raised by the issuance of debt or other equity instruments, we may become subject to certain operational limitations, and such securities may have rights senior to the rights of our common shareholders. If adequate funds are not available on acceptable terms, we may be unable to fund the current operations, expansion or growth of our business.

We have a history of operating losses and have received a “going-concern” qualification from our independent registered public accounting firm.

We have incurred operating losses and negative cash flows from operations since inception. As of December 31, 2010, we had an accumulated shareholders’ deficit of approximately \$841,000. We generate minimal revenues, and revenues from our one customer decreased beginning in July 2009 and discontinued after December 2010. These factors, among others, raise substantial doubt about our ability to continue as a going concern. Our financial statements included in this Annual Report on Form 10-K do not include any adjustments related to recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should we be unable to continue as a going concern.

Our independent registered public accounting firm included an explanatory paragraph in their report on our financial statements indicating that such deficit accumulated during the development stage raises substantial doubt as to our ability to continue as a going concern. The likelihood of our success must be considered in light of the expenses, difficulties and delays frequently encountered in connection with development stage businesses and the competitive environment in which we will operate. Our ability to achieve profitability is dependent in large part on placing our Winner’s Pot Poker game into numerous gaming establishments for a considerable period of time. There can be no assurance that the Company will successfully market its Winner’s Pot Poker game or operate profitably.

Our games and any services we may develop may not be accepted, or continue to be accepted, by gaming facilities or consumers.

Our games, even if successfully developed and tested, will be competing against existing games and products for floorspace in the gaming marketplace. There can be no assurance that gaming facilities will agree to license or continue to license our games for play at their facilities, or license any services we may develop for use in the gaming industry. Moreover, even if successfully developed, tested and marketed to gaming facilities, our games will be competing for player attention against existing games and products that are likely to be more proven in their ability to attract players. There can be no assurance that the gaming-market consumers will accept and play our games or other games using any services we may provide.

Before our games and any gaming-related services we may offer may be used commercially in various jurisdiction, both our Company, including our principal shareholders, officers, directors, and key employees, and the applicable games (and services) themselves must be reviewed by appropriate gaming authorities as part of a licensing process.

Before our games may be played at any gaming facilities (other than during any testing period permitted by applicable regulations), we and our games and any gaming-related services we offer must be licensed by the appropriate gaming authority or authorities. Generally, the process for licensure in the various states is complex and time consuming, and there is no guarantee that we or our games and services will be approved. Furthermore, the financial situation of the Company, as well as the backgrounds of its officers, directors, key employees, and shareholders holding five percent or more of our capital stock will also be reviewed as part of the licensing process. We have little control over the outcome of any license-application process, and our failure or the failure of any of the other above-indicated licensees, for any reason, to obtain licenses that may be necessary for operation in any state or states would likely have a negative impact on our business and prospects. Moreover, any approval of one of our games (or services) does not ensure that we will later be able to receive the necessary licenses for future games or services that we may develop.

The gaming industry is heavily regulated and changes in regulation by gaming authorities may adversely impact our ability to operate in our existing markets or expand our business.

The manufacture and distribution of gaming machines, development of systems and the conduct of gaming operations are subject to extensive federal, state, local and foreign regulation by various regulatory authorities. Our ability to continue to operate in certain jurisdictions or our ability to expand into new jurisdictions could be adversely affected by: (i) delays in adopting legislation to permit or expand gaming in new and existing jurisdictions; (ii) unfavorable public referenda, such as referenda to increase taxes on gaming revenues; (iii) unfavorable legislation affecting or directed at manufacturers or gaming operators; (iv) adverse findings of non-compliance with applicable governmental gaming regulations, (v) delays in approvals from regulatory agencies; a limitation, conditioning, suspension or revocation of any of our gaming licenses; (vi) unfavorable determinations or challenges of suitability by gaming regulatory authorities with respect to our officers, directors, significant shareholders or key personnel; (vii) the adoption of new laws and regulations, or the repeal or amendment of existing laws and regulations; and (viii) the legalization or deregulation of other forms of gaming that could attract attention away from our games.

We lack product and business diversification, which creates a risk that our future revenues and earnings will be susceptible to fluctuations.

Our primary business activity is the license of our Winner's Pot Poker game to casinos and entertainment facilities. If we are unable to diversify our business products and services through development or acquisition of additional gaming devices or services, we may experience significant fluctuations in our revenues and earnings. Such fluctuations could result from legal or regulatory changes in one or more jurisdictions, changes in economic conditions in the jurisdictions where we license our Winner's Pot Poker game, or result from other risks or adverse events befalling the Company. Our susceptibility to fluctuations or the actual happening of significant fluctuations in our revenues or earnings could cause our Company to be perceived as a less stable and therefore less attractive investment in general, which would likely negatively affect our ability to obtain additional financing an acceptable terms.

General economic conditions affect our industry, and accordingly, our results of operations could be adversely affected by poor general economic conditions.

The United States experienced a significant economic slowdown from 2008 through 2010 with national unemployment figures hovering close to 10%. Illustrative of the effect that the general economy has had on the gaming industry in general, the New Jersey Casino Control Commission reported \$3.9 billion in overall casino revenues for 2009, a 13.2% decline over 2008. Table game revenues fell to \$1.22 billion, a 13.5% reduction over table game revenues in 2008. The Commission attributes the decline in revenues to the weak national economy, increased competition from neighboring states where table games have just been legislatively approved, and the partial ban on smoking in the gaming establishments.

Although Nevada saw modest improvement in gaming revenues in November 2009, we believe that the continued high unemployment figures, significant number of mortgage foreclosures, and generally poor economic conditions in the United States will continued to limit consumers' discretionary spending on entertainment in general and gaming-related activities during 2011. As a consequence, we also expect that casinos and other gaming establishments generally will still be less interested in expanding the range and number of games offered in their venues. If poor economic conditions persist, it is possible that our efforts to generate interest in our Company's games will be adversely affected and, ultimately, may not succeed. In such case, we will likely be unable to place our games in the significant number of venues required for us to attain profitability and our entire business and viability may be threatened.

Our intellectual-property protections may be insufficient to properly safeguard our technology.

The gaming industry is constantly employing new technologies in both new and existing markets. We rely on patents to protect our products and will continue to apply for patents protecting our technologies. Notwithstanding these safeguards, our competitors may still be able to obtain our technology or imitate our products. Furthermore, others may independently develop products similar or superior to ours.

The intellectual-property rights of others may prevent us from developing new products or entering new markets.

The gaming industry is characterized by the rapid development of new technologies, which requires us to continuously introduce new products using these technologies and innovations, as well as to expand into new markets that may be created. Therefore, our success depends in part on our ability to continually adapt our products and systems to incorporate new technologies and to expand into markets that may be created by new technologies. However, to the extent technologies are protected by the intellectual-property rights of others, including our competitors, we may be prevented from introducing products based on these technologies or expanding into markets created by these technologies. If the intellectual-property rights of others prevent us from taking advantage of innovative technologies, our financial condition, operating results or prospects may be harmed.

We operate in an extremely competitive environment.

The market for gaming products and services is a difficult one in which to compete since there are a number of established, well-financed and well-known companies that will compete with our planned products. The development of a successful new game or gaming product by a competitor could adversely affect the market demand for our games or services and impair our ability to generate revenues.

Our inability to protect our intellectual property could impair our ability to compete.

Our success and ability to compete depend in significant part upon proprietary intellectual property. Our proprietary intellectual property currently consists of certain patent, trademark, copyright and other intellectual-property rights we obtained pursuant to our Asset Purchase Agreement with Select Video. We currently rely and intend to rely in the future on a combination of patent, copyright, trademark, and nondisclosure agreements to protect our proprietary and confidential information. Nevertheless, if any such agreements are breached or our rights are infringed, we may not have adequate remedies available to us.

We are highly dependent on the services provided by certain executives and key personnel.

Our success depends in significant part upon the continued service of certain senior management and other key personnel. In particular, the Company is materially dependent upon the services of Douglas M. Polinsky, our Chief Executive Officer and Chairman and Joseph A. Geraci, II, our Chief Financial Officer and a director of the Company. We do not currently have employment agreements with the management of the Company, nor do we expect to enter into employment agreements with any such individuals.

Our officers and directors, together with certain affiliates, possess significant voting power with respect to our common stock, which could limit your influence on corporate matters.

Our officers and directors collectively possess beneficial ownership of 4,628,500 shares of our common stock, which currently represents approximately 42.0% of our common stock. As a result, our directors and officers, together with other significant shareholders, will have the ability to greatly influence, if not control, our management and affairs through the election and removal of our directors, and all other matters requiring shareholder approval, including the future merger, consolidation or sale of all or substantially all of our assets. This concentrated control could discourage others from initiating any potential merger, takeover or other change-of-control transaction that may otherwise be beneficial to our shareholders. Furthermore, this concentrated control will limit the practical effect of your participation in Company matters, through shareholder votes and otherwise.

Our articles of incorporation grant our board of directors the power to designate and issue additional shares of common and/or preferred stock.

Our authorized capital consists of 250,000,000 shares of capital stock. Unless otherwise specifically so designated upon issuance, all shares of capital issued by the Company shall be common stock. Pursuant to authority granted by our articles of incorporation, our board of directors, without any action by our shareholders, may designate and issue shares in such classes or series (including other classes or series of preferred stock) as it deems appropriate and establish the rights, preferences and privileges of such shares, including dividends, liquidation and voting rights. The rights of holders of other classes or series of stock that may be issued could be superior to the rights of holders of our common shares. The designation and issuance of shares of capital stock having preferential rights could adversely affect other rights appurtenant to shares of our common stock. Furthermore, any issuances of additional stock (common or preferred) will dilute the percentage of ownership interest of then-current holders of our capital stock and may dilute the Company's book value per share.

Our stock is thinly traded, which may make it difficult to sell shares of our common stock.

As a new public reporting corporation, our common stock is thinly traded on the OTC bulletin board and we expect that our common stock will generally remain thinly traded. A low trading volume will generally make it difficult for our shareholders to sell their shares as and when they choose. Furthermore, low trading volumes are generally understood to depress market prices. As a result, our shareholders may not always be able to resell shares of our common stock publicly at the time and prices that they feel are fair or appropriate.

Our common stock qualifies as a “penny stock,” which may make it difficult to sell shares of our common stock.

Our common stock is categorized as a “penny stock” subject to the requirements of Rule 15g-9 under the Securities and Exchange Act of 1934. Under this rule, broker-dealers who sell penny stocks must provide purchasers of these stocks with a standardized risk-disclosure document prepared by the SEC. Under applicable regulations, our common stock will generally remain a “penny stock” until and for such time as its per-share price is \$5.00 or more (as determined in accordance with SEC regulations), or until we meet certain net asset or revenue thresholds. These thresholds include the possession of net tangible assets (i.e., total assets less intangible assets and liabilities) in excess of \$2,000,000 in the event we have been operating for at least three years or \$5,000,000 in the event we have been operating for fewer than three years, and the recognition of average revenues equal to at least \$6,000,000 for each of the last three years. We do not anticipate meeting any of the foregoing thresholds in the foreseeable future.

The penny-stock rules severely limit the liquidity of securities in the secondary market, and many brokers choose not to participate in penny-stock transactions. As a result, there is generally less trading in penny stocks. If you become a holder of our common stock, you may not always be able to resell shares of our common stock in public broker's transaction, if at all, at the times and prices that you feel are fair or appropriate.

We have no intention of paying dividends on our common stock.

To date, we have not paid any cash dividends and do not anticipate the payment of cash dividends in the foreseeable future. Accordingly, the only return on an investment in shares of our common stock, if any, may occur upon a subsequent sale of such shares.

ITEM 1B UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2 PROPERTIES

Office space is currently provided to the Company by Great North Capital Consultants, Inc. (f/k/a Great North Capital Corp.), a Minnesota corporation, beneficially owned by Douglas M. Polinsky, our Chairman and Chief Executive Officer, at 130 West Lake Street West, Wayzata, Minnesota. Great North Capital Consultants, Inc. does not currently charge the Company any rent for the use of the premises. The space being used by the Company is minimal with an immaterial value of rent expense. The premises are adequate for the Company's current and anticipated future use. The Company does not currently lease or own any real property.

ITEM 3 LEGAL PROCEEDINGS

None.

ITEM 4 RESERVED

PART II

ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is listed for trading on the over-the-counter bulletin board under the symbol "POKR.OB." The transfer agent and registrar for our common stock is Pacific Stock Transfer Company, 4045 South Spencer Street, Suite 403, Las Vegas, NV 89119. The following table sets forth the high and low bid prices for our common stock as reported by the OTC Bulletin Board in 2010 and 2009. The Company's common shares did not begin trading on the OTC Bulletin Board until May 2009. These quotations reflect inter-dealer prices, without retail mark-up, markdown, or commission, and may not represent actual transactions. Trading in the Company's common stock during the period represented was sporadic, exemplified by low trading volume and many days during which no trades occurred.

	Market Price (High/Low) 2010	Market Price (High/Low) 2009
For the Fiscal Year	0.02 -	
First Quarter	\$ 0.25	\$ -
Second Quarter	\$ 0.51	\$ 0.15
Third Quarter	\$ 0.08	\$ 0.06
Fourth Quarter	\$ 0.06	\$ 0.06

Holders

As of the date of this filing, we had approximately 175 holders of record of our common stock.

Dividends

We have not paid any dividends on our common stock and do not anticipate paying any such dividends in the near future. Instead, we intend to use any earnings for future acquisitions and expanding our business. Nevertheless, at this time there are no restrictions on our ability to pay dividends on our common stock other than those arising under the Minnesota Business Corporations Act.

Securities Authorized for Issuance Under Equity Compensation Plans

As of December 31, 2010, Poker Magic, Inc. had no outstanding options, warrants or other rights to purchase any equity securities of the Company under any equity compensation plan or "individual compensation arrangement" (as defined in Item 201 of Regulation S-K). Furthermore, as of the date of this filing, the Company is not a party to any equity compensation plan, nor is the Company obligated under any "individual compensation arrangement" to issue any options, warrants, rights or other securities. Nevertheless, the Company is not required by applicable state law or the

listing standards of any self-regulatory agency (e.g., the OTC Bulletin Board, NASD, AMEX or NYSE) to obtain the approval of its security holders prior to issuing any such compensatory options, warrants or other rights to purchase securities of the Company.

Recent Sales of Unregistered Securities

On December 31, 2010, we issued a total of 175,000 shares of common stock to two individuals in consideration of consulting services rendered to the Company. The services rendered were accounting and marketing services and such services were valued in the aggregate at \$10,500. The Company offered and sold the shares in reliance on the exemptions from registration set forth in Section 4(2) of the Securities Act of 1933. In this regard, the Company relied in part on representations from the recipients of the shares that they were (i) acquiring the shares for investment purposes only and not with a view toward distribution, and (ii) either alone or through a purchaser representative, knowledgeable and experienced in financial and business matters such that they were capable of evaluating the risks of the investment. In addition, all certificates representing the shares offered and sold contained a restrictive legend indicating that such shares constituted "restricted securities" under the Securities Act of 1933.

On March 31, June 30, September 30, and December 31, 2010, we issued shares of common stock to our Chief Executive Officer (aggregating to 435,000 shares) and Chief Financial Officer (aggregating to 435,000 shares) for officer compensation. The Company offered and sold the shares in reliance on the exemption from registration set forth in Sections 4(2) and 4(5) (formerly Section 4(6)) of the Securities Act of 1933. In this regard, the recipients of the shares were (i) "accredited investors" as defined in Rule 501 under the Securities Act and (ii) executive officers of the Company. In addition, all certificates representing the shares offered and sold contained a restrictive legend indicating that such shares constituted "restricted securities" under the Securities Act of 1933.

ITEM 6

SELECTED FINANCIAL DATA

Not applicable.

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Management's Discussion and Analysis of Financial Condition and Results of Operations set forth below should be read in conjunction with our audited financial statements, and notes thereto, filed together with this Form 10-K.

Forward-Looking Statements

Some of the statements made in this section of our report are forward-looking statements. These forward-looking statements generally relate to and are based upon our current plans, expectations, assumptions and projections about future events. Our management currently believes that the various plans, expectations, and assumptions reflected in or suggested by these forward-looking statements are reasonable. Nevertheless, all forward-looking statements involve risks and uncertainties and our actual actions or future results may be materially different from the plans, objectives or expectations, or our assumptions and projections underlying our present plans, objectives and expectations, which are expressed in this report. An example of specific factors that might cause our actual results to differ from our current expectations include but are not limited to:

- Our lack of a significant prior operating history to provide our management with a basis to better evaluate certain likelihoods
 - Our need for additional financing
- The significant risk that our game may not be accepted by casinos or gaming establishments or, ultimately, by gaming consumers and enthusiasts
- Our inability to obtain required registrations, licenses and approvals with or from appropriate state gaming authorities
 - Changes in legal and regulatory regimes applicable to our business or our games
 - Our inability to effectively protect our intellectual property, or
 - Our inability, for any reason, to retain our executive management personnel.

The foregoing list is not exhaustive. In light of the foregoing, prospective investors are cautioned that the forward-looking statements included in this filing may ultimately prove to be inaccurate—even materially inaccurate. Because of the significant uncertainties inherent in such forward-looking statements, the inclusion of such information should not be regarded as a representation or warranty by Poker Magic, Inc. or any other person that our objectives, plans, expectations or projections that are contained in this filing will be achieved in any specified time frame, if ever.

Results of Operations

Item	2010	2009	% Change (Year Over Year)	% of 2010 Net Loss	% of 2009 Net Loss
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Revenues	\$3,000	6,050	(50.4)%	(2.1)%	(3.6)%
Cost of Revenues	12,111	12,916	(6.2)%	8.2	%	7.7	%
Operating Expenses:								
General Operating Expenses	5,648	9,812	(42.4)%	3.8	%	5.8	%
Legal and Accounting Expenses	64,637	96,050	(32.7)%	43.5	%	57.4	%
Executive Management Compensation in Stock	60,000	54,000	11.1	%	40.4	%	32.3	%
Other Income (Expense)	(9,154)	(681)	1,244.2	%	6.2	%	0.4	%
Net Loss	\$148,550	167,409	(11.3)%	N/A		N/A	

As the table above demonstrates, during 2010 and 2009 we had revenues of \$3,000 and \$6,050, respectively, and incurred \$12,111 and \$12,916, respectively, in revenue-related costs. The significant increase in our cost of revenues for fiscal year was related to an increase in consulting expense and marking our inventory, which consists of felts used in playing the Winner's Pot Poker game, to the lower of cost or market. During both 2010 and 2009, we had one contract with one client. That contract terminated in December 2010 so we anticipate lower, if any, revenues in fiscal 2011 compared to fiscals 2010 and 2009. Our cost of revenues primarily include advertising, amortization, and royalty expenses.

During both 2010 and 2009, we were focused primarily on efforts to (i) ensure temporary regulatory approval and compliance of the Winner's Pot Poker game, and (ii) obtain the agreement of casinos and gaming establishments to provide gaming table space to the Winner's Pot Poker game.

During 2010 and 2009, we incurred selling, general and administrative expenses aggregating \$130,285 and \$159,862 respectively, a decrease of 18.5%. A discussion of the various components of our general and administrative expenses for 2010 and 2009 appears below.

General Operating Expenses. Our general operating expenses, which primarily include consulting, stock transfer fees, travel and miscellaneous office supply expenses, decreased from \$9,812 for the year ended December 31, 2009 to \$5,648 for the year ended December 31, 2010 due to a significant reduction in consulting fees and travel-related expenses.

Legal and Accounting Expenses. Our legal and accounting expenses decreased from \$96,050 in 2009 to \$64,637 in 2010, or 32.7%. This significant decrease was due to certain one-time expenses incurred in fiscal 2009 and continued efficiency and cost-saving measures identified during fiscal 2010. As we continue to seek gaming regulatory compliance and licenses, prepare and file periodic reports with the SEC under the Securities and Exchange Act of 1934, our Sarbanes-Oxley compliance efforts, and generally seek to comply with the various legal, accounting and governance rules and regulations applicable to public reporting companies, we anticipate our professional fees expenses will constitute the majority of our general operating expenses during fiscal 2011.

Executive Management Compensation. Executive management compensation aggregated to \$60,000 of share issuance, for the year ended December 31, 2010 compared to \$54,000, which consisted of \$42,000 in share issuance and \$12,000 in contributed capital, for the year ended December 31, 2009. We presently expect that compensation expense arising from share issuances to our executive management in fiscal 2011 will remain consistent with our fiscal 2010 as we plan to continue to issue shares in lieu of cash payment for the services they render to the Company in their executive capacities.

Interest expense for the year ended December 31, 2010 was \$9,154 compared to \$873 for the year ended December 31, 2009. The significant increase in our interest expense in fiscal 2010 is attributed to the short-term notes utilized to finance the Company's operations. We anticipate our interest expense to increase in fiscal 2011 as the short-term notes are renewed and additional notes issued to continue funding the Company's operations while we seek other sources of income and funding.

For the year ended December 31, 2009, our net loss was \$167,409 compared to our net loss of \$148,550 for the year ended December 31, 2010, a decrease of 11.3%. As indicated in the table above, this decrease is attributable to reductions in our selling, general and administrative expenses as previously discussed.

Our officer compensation expense in fiscal year 2010 was in stock issuance and 2009 was a combination of stock issuance and contributed capital. Our consultant expense in both fiscal years 2010 and 2009 was a combination of cash payments and stock issuance. We anticipate that compensation expense in fiscal 2011 for executive management

to be in the form of shares and consultant service compensation to be a combination of cash payments and issuance of shares. We also anticipate both compensation expense for our executive management and consultant service compensation levels in 2011 to remain stable with fiscal 2010 levels. Furthermore, we do not anticipate hiring employees in the near future and expect instead, where necessary or appropriate, to continue to rely on services provided by consultants.

We anticipate that our professional expenses will remain stable during fiscal 2011 as we gained process efficiencies in both 2010 and 2009 which minimized our professional expenses to the extent feasible. Nevertheless, as we seek gaming regulatory compliance and licenses, we anticipate incurring additional expenses relating to the applications, licensing and compliance process. In fact, we expect that any future revenues that may be gained from licenses obtained in 2011 will be completely offset by expenses relating to the application, licensing and compliance process.

Liquidity and Capital Resources

The net loss for 2010 was \$148,550 or \$0.01 per share, compared with a loss in 2009 of \$167,409 or \$0.02 per share.

Summary cash flow data is as follows:

	Year Ended December 31,	
	2010	2009
Cash flows provided (used) by :		
Operating activities	\$ (62,383)	\$ (87,986)
Investing activities	-	-
Financing activities	60,000	(51,667)
Net increase (decrease) in cash	(2,383)	(139,653)
Cash, beginning of period	5,464	145,117
Cash, end of period	\$ 3,081	\$ 5,464

The decrease in cash used in operating activities was primarily the result of a reduction in overall operating expenses, including advertising and travel expenses, and the completion of one-time tasks which reduced legal and professional services costs.

As of December 31, 2010, we had \$3,081 cash on hand and current liabilities of \$96,720, of which \$87,627 is notes and interest payable to Lantern Advisers, LLC, a Minnesota limited liability company owned equally by Douglas Polinsky and Joseph A. Geraci, II (each of whom is an officer and director of the Company) and to Douglas Polinsky and Joseph A. Geraci, II for personal loans to the Company. As of the date of this filing, our management believes we have sufficient capital to continue operations through March 2011. Thereafter, we expect we will require additional capital. If we are unable to obtain additional financing when needed, we may be required to abandon our business or our status as a public reporting company.

Management continues to aggressively pursue other business opportunities for the Company including but not limited to the continued marketing of its Winner's Pot Poker game and seeking of additional investment capital. However, there is no guarantee that management will be successful in their endeavors and may be required to abandon our business or our status as a public reporting company.

Presently, we anticipate that additional financing could be sought from a number of sources, including but not limited to additional sales of equity or debt securities, or loans from banks, other financial institutions or affiliates of the Company. We cannot, however, be certain that any such financing will be available on terms favorable to us if at all. If additional funds are raised by the issuance of our equity securities, such as through the issuance of stock, convertible securities, or the issuance and exercise of warrants, then the ownership interest of our existing shareholders will be diluted. If additional funds are raised by the issuance of debt or other equity instruments, we may become subject to certain operational limitations, and such securities may have rights senior to the rights of our common shareholders. If we are unable to obtain additional financing when needed, we may be required to abandon our business or our status as a public reporting company.

Intellectual-property rights and trademarks are the foundation for our product offerings. We currently own the rights to United States Patent Number 5,839,732, issued on November 24, 1998, that relates to our current Winner's Pot Poker table game. This patent was acquired from Select Video, Inc., a Delaware corporation, pursuant to an Asset Purchase Agreement dated March 10, 2006. In addition, we own a federally registered trademark for "WINNER'S POT POKER," Registration Number 2,172,043, issued on July 7, 1998, which was acquired pursuant to that same

agreement. Finally, we own registered trademarks for “POKER MAGIC” and to “AC (ATLANTIC CITY) STUD POKER,” which we also acquired pursuant to the Asset Purchase Agreement with Select Video. Other than the trademark “Poker Magic” which we have adopted as our corporate name, we do not have any current plans for the sale or license of such other trademarks. We do not have any currently pending applications for un-issued patents, trademarks or copyrights. The expiration dates of our patent rights vary based on their filing and issuance dates.

Trends and Uncertainties

As a development-stage company involved in the gaming business, we believe we can identify certain broad trends in our revenues and expenses, and components thereof. We also believe that the most significant risks and uncertainties surrounding our business relate to revenues and expenses, and regulatory and financing matters. These trends and uncertainties are discussed below.

Revenues

As indicated above, from inception through December 31, 2010 (and presently), the Company has been primarily focused sequentially on the acquisition of the intellectual property forming the basis for its Winner's Pot Poker table game and, thereafter, efforts to ensure at least temporary regulatory compliance of the game and obtain the agreement of casinos and gaming establishments to provide gaming table space to the Winner's Pot Poker game.

These efforts culminated in our license agreement with Bally's Park Place, Inc. d/b/a/ Bally's Atlantic City, permitting Bally's, on a non-exclusive basis, to use one unit of the Winner's Pot Poker game on a trial basis at no charge until such time that the New Jersey Casino Control Commission ended the test period for the game. We entered into that license agreement on December 26, 2007. We had earlier (on August 22, 2007) secured the issuance of temporary rules and amendments governing the implementation of Winner's Pot Poker in Atlantic City casinos. The amendments and rules added Winner's Pot Poker to the list of authorized table games in New Jersey, governed the physical characteristics of the Winner's Pot Poker game layout, defined the card deck for use with the Winner's Pot Poker game, specified the terms of the use of the cards during Winner's Pot Poker game play, and contained technical proposals governing the operation of Winner's Pot Poker. We had also earlier obtained a transactional waiver from the New Jersey Casino Control Commission for the licensure requirement applicable to casino service industry (CSI), which waiver permitted us to legally license to Bally's Park Place, Inc. the play of our Winner's Pot Poker game in Bally's Atlantic City casinos.

After a successful trial period, we amended our license agreement with Bally's Park Place, Inc. on June 26, 2008. Under the amended license agreement, Bally's Park Place, Inc. paid the Company a license fee in the amount of (i) \$475 per month for the right to use our Winner's Pot Poker game in the Atlantic City casinos for up to seven days per week, and (ii) \$200 per month for the right to use of our Winner's Pot Poker game in the Atlantic City casinos on weekends only during that month. On August 22, 2007, the New Jersey Casino Control Commission adopted temporary regulations governing the Winner's Pot Poker game; and on July 16, 2010 the Commission approved our petition to conduct business as a licensed casino service industry supplier with Bally's Park Place. This license expired in January 2011; however we continue to assess our renewal options as we seek new customers in New Jersey. It is extremely difficult to anticipate how much success we will have in our efforts to license our games to establishments other than Bally's Park Place, if any at all, and thereby generate additional revenues since our license agreement with Bally's has terminated.

Since approximately May 2006, we have also been focused on securing Winner's Pot Poker licensing arrangements with various other casinos and gaming establishments. In particular, our management has met with the management or representatives of numerous casinos or gaming establishments during the past year in an effort to secure additional licensing arrangements. To date, our licensing efforts have been focused on entering into such agreements with casinos and gaming establishments in Minnesota, New Jersey, Nevada, and Oklahoma.

Based on our prior license agreement with Bally's Park Place, Inc., we recognized revenue from operations during fiscal 2008 through fiscal 2010. Given the termination of that license agreement, it is uncertain whether we will be able to generate revenues in the future. Instead, we expect that we must continue to market our game to casinos and gaming establishments that present suitable opportunities for us, and that the most efficient way for us to begin generating more significant revenues will be to consummate a definitive license agreement with Harrah's Entertainment or some other enterprise that involves a wider group of gaming-related affiliates and establishments. For example, Harrah's Entertainment, indirectly (through subsidiaries and other affiliates) operates approximately 40 casinos across the United States. It is extremely difficult to anticipate, however, how much success we will have in our efforts to license our games to gaming establishments and thereby generate additional revenues.

Expenses

As indicated above under the caption “Results of Operations,” our selling, general and administrative expenses overall decreased in 2010 over 2009 and are expected to remain stable in 2011. However, we expect to make applications and seek gaming regulatory compliance and licenses that will increase that component of our selling, general and administrative expenses for 2011. Because our business has a short operating history and our present revenues are limited, in general it is difficult to accurately forecast our expenses and impact of those expenses on our operating results.

Regulation

Currently, we have yet to obtain the final licensure required in the states of Nevada, New Jersey and Minnesota, which jurisdictions have been the focus of our marketing efforts thus far. In particular, we expect that we will require at least the following licenses, registrations and approvals in the near future to permit us to license our gaming products to casinos and gaming establishments in the relevant jurisdictions:

- Casino service industry (CSI) supplier license issued by the New Jersey Casino Control Commission (which license would be more broad and flexible than the current transactional waiver which the Company has thus far secured from the New Jersey Casino Control Commission)

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 represent approximately 90% of the total outstanding post-merger stock.

Equity Compensation Plan Information

The following table sets forth certain information about our equity compensation plans and agreements as of December 31, 2005:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	0	0	0
Equity compensation plans not approved by security holders	0	0	1,040,625
Total	0	0	1,040,625

In December 2005, our board approved our 2005 Equity Incentive Plan (the “2005 Plan”) and set aside 1,250,000 shares for grants pursuant to incentive and non-qualified stock options, stock appreciation rights, restricted stock awards and performance stock awards. The 2005 Plan has not been approved by our stockholders and accordingly, no “incentive stock options,” as defined in the Internal Revenue Code, can be granted until such approval is obtained. The 2005 Plan is currently administered by our board of directors. On January 5, 2006 the Company issued an aggregate of 209,375 shares under the Plan to employees and consultants. As of December 31, 2005 there were no options to purchase shares outstanding under the 2005 Plan.

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.

Plan of Operations

bioMETRX is a developer of proprietary biometrics-based products for the home security and electronics market, located on Long Island, New York.

Founded in 2001, bioMETRX is focused on developing a line of home security and electronics products branded under the name smartTOUCH™ which includes biomedical enabled residential door locks, central station alarm keypads, thermostats and garage/gate openers. Our products utilize fingerprint recognition technology designed to augment or replace conventional security methods such as keys, keypads, and PIN numbers.

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 will either be licensed or sold through manufacturers/retailers worldwide when deemed commercially viable. bioMETRX, to date, has not introduced its products and services commercially and is considered a development stage enterprise. 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 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. 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.

From inception (February 1, 2001) through December 31, 2005, bioMETRX has not generated any revenues. During the period from inception (February 1, 2001) through December 31, 2005, bioMETRX had net losses totaling \$13,751,338. During the year ended December 31, 2005, net losses totaled \$12,173,969. From inception through December 31, 2005, bioMETRX' general and administrative expenses totaled \$12,494,325 or 90.9% of total expenses, while for the year ended December 31, 2005 general and administrative expenses totaled \$11,074,632 or 91.0% of total expenses. From inception through December 31, 2005, bioMETRX incurred stock-based compensation of \$10,385,001 or 75.5% of expenses, of which \$10,072,501 or 82.7% of total expenses was incurred during the year ended December 31, 2005. Research and development costs were \$519,166 or 3.8% of total expenses incurred in the period from inception through December 31, 2005, while research and development costs during the year ended December 31, 2005 totaled \$361,490 or 3.0% of total expenses.

Liquidity and Capital Resources

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 Two Hundred and Thirty Three Thousand Three Hundred and Thirty-Four (233,334) shares of its common stock and Forty Six Thousand Six Hundred and Sixty-Seven (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.

As of December 31, 2005 bioMETRX had total assets of \$531,291 and total current assets of \$514,755. At December 31, 2005 bioMETRX had total liabilities of \$793,669 and total current liabilities of \$793,667 bioMETRX' working capital deficit at December 31, 2005 was \$278,914 and an equity deficiency of \$262,378.

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.

Item 7. Financial Statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheet of bioMetrx, Inc. and Subsidiaries (A Development Stage Company) (“the Company”) as of December 31, 2005, and the related consolidated statements of operations, changes in stockholders’ deficit and cash flows for the years ended December 31, 2005 and 2004 and for the period February 1, 2001 (inception) to December 31, 2005. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of bioMetrx, Inc. and Subsidiaries as of December 31, 2005 and the results of their operations and their cash flows for the years ended December 31, 2005 and 2004 and for the period February 1, 2001 (inception) to December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company is a development stage company whose operations have generated recurring losses and cash flow deficiencies for the years ended December 31, 2005 and 2004. In addition, as of December 31, 2005 the Company has a significant working capital deficit and stockholders’ deficit. These factors raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The consolidated financial statements for the year ended December 31, 2005 have been restated (see Note 10).

WOLINETZ, LAFAZAN & COMPANY, P.C.

Rockville Centre, New York
April 7, 2006 (Except for Note 10, as to which the date is February 2, 2007)

BIOMETRX, INC. AND SUBSIDIARIES
(A Development Stage Company)
CONSOLIDATED BALANCE SHEET - (restated)
December 31, 2005

ASSETS**Current Assets:**

Cash	184,116
Restricted Cash	66,427
Marketable Securities	461
Loans Receivable- Stockholder/ Officer	201,598
Loans Receivable- Employee	3,000
Prepaid Expenses	59,153
Total Current Assets	514,755

Other Assets:

Security Deposit	16,536
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TOTAL ASSETS	\$	531,291
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LIABILITIES AND STOCKHOLDERS' DEFICIT**Current Liabilities:**

Accounts Payable	221,883
Accrued Taxes Payable	37,003
Accrued Payroll - Related Parties	310,000
Accrued Settlement of Threatened Litigation	368,750
Commissions Payable	224,783

Total Current Liabilities	1,162,419
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TOTAL LIABILITIES	1,162,419
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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	
5,947,914 shares issued and outstanding	5,948
Additional Paid-In-Capital	13,308,776
Deferred Compensation	(194,514)
Deficit Accumulated in the Development Stage	(13,751,338)

Total Stockholders' Deficit		(631,128)
TOTAL LIABILITIES AND STOCKHOLDERS'		
DEFICIT	\$	531,291

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

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

	YEAR ENDED DECEMBER 31, 2005 (restated)	YEAR ENDED DECEMBER 31, 2004 (restated)	FOR THE PERIOD FEBRUARY 1, 2001 (INCEPTION) TO DECEMBER 31, 2005 (restated)
REVENUES	\$ -	\$ -	\$ -
Costs and Expenses:			
General and Administrative Expenses	11,074,632	639,639	12,494,325
Research and Development Expenses	361,490	128,575	519,166
Contract Buyouts Issued In Stock	356,000	-	356,000
Settlement of Threatened Litigation	368,750	-	368,750
Total Costs and Expenses	12,160,872	768,214	13,738,241
Loss before Other Income (Expense)	(12,160,872)	(768,214)	(13,738,241)
Other Income (Expense)			
Interest Expense	(7,012)	-	(7,012)
Unrealized Loss on Marketable Securities	(6,085)	-	(6,085)
Total Other Income (Expense)	(13,097)	-	(13,097)
NET LOSS	\$ (12,173,969)	\$ (768,214)	\$ (13,751,338)
Weighted Average Common Shares			
Outstanding	4,026,446	3,554,606	
Net Loss per Common Share (Basic and Diluted)	\$ (3.02)	\$ (0.22)	

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

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

	FOR THE YEAR ENDED DECEMBER 31, 2005 (restated)	FOR THE YEAR ENDED DECEMBER 31, 2004	FOR THE PERIOD FEBRUARY 1, 2001 (INCEPTION) TO DECEMBER 31, 2005 (UNAUDITED) (restated)
<u>Cash Flows from Operating Activities:</u>			
Net Loss	\$ (12,173,969)	\$ (768,214)	\$ (13,751,338)
Adjustment to reconcile net loss to net cash used in operating activities:			
Compensatory Element of Stock and Warrant Issuances	10,072,501	-	10,385,001
Amortization of Deferred Compensation	201,736	58,333	307,986
Unrealized Loss on Marketable Securities	6,085	-	6,085
Change in Operating Assets and Liabilities:			
(Increase) in Security Deposits	(16,536)	-	(16,536)
(Increase) in Prepaid Expenses	(59,150)	-	(59,150)
Increase in Accrued Taxes Payable	10,369	16,206	37,003
Increase (Decrease) in Accrued Expenses	(49,298)	85,374	36,076
Increase in Accrued Settlement of Threatened Litigation	368,750	-	368,750
Increase in Accrued Payroll - Related Parties	180,000	420,000	960,000
Net Cash Used in Operating Activities	(1,459,512)	(188,301)	(1,726,123)
<u>Cash Flows from Financing Activities:</u>			
Restricted Cash	(96,427)	-	(96,427)
Proceeds of Loans	-	25,000	25,000
Advances to Stockholder/Officer	(79,570)	(142,704)	(381,598)
Repayment of Related Party Loans	(109,736)	-	(109,736)
Advances to Employee	(3,000)	-	(3,000)
Repayments of Loans	-	(25,000)	(25,000)
Proceeds from Issuances of Common Stock	2,125,000	362,000	2,724,750
	(223,750)	-	(223,750)

Commissions Paid on Sales of Common Stock				
Net Cash Provided by Investing Activities	1,612,517	219,296	1,910,239	
Net Increase in Cash	153,005	30,995	184,116	
Cash, Beginning	31,111	116	-	
Cash, Ending	\$ 184,116	\$ 31,111	\$	184,116
<u>Supplemental Cash Flow Information:</u>				
Cash Paid During the Period for:				
Interest	\$ 7,012	\$ -	\$	7,012
Income Taxes	\$ -	\$ -	\$	-
<u>Supplemental Disclosures of Cash Flow Information:</u>				
Non Cash Financing Activities:				
Common Stock Issued as Commissions on				
Sale of Common Stock	\$ 725,668	\$ 208,750	\$	1,168,918
Accrued Commissions on Sales of				
Sales of Common Stock	\$ 224,783	\$ -	\$	224,783
Issuance of Common Stock as Payment				
of Accrued Officers' Salaries	\$ 650,000	\$ -	\$	650,000
Common Stock Issued as Settlement of				
Threatened				
Litigation	\$ 368,750	\$ -	\$	368,750
Issuance of Common Stock - Deferred				
Compensation	\$ 390,000	\$ -	\$	390,000

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

BIOMETRX, INC. AND SUBSIDIARIES
(A Development Stage Company)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD FEBRUARY 1, 2001 (INCEPTION) TO DECEMBER 31, 2005
(restated)

	Common Stock		Additional Paid In Capital	Deficit Accumulated During the Development Stage	Deferred Compensation	Total
	Shares	Amount				
BALANCE, FEBRUARY 1, 2001	-	\$ -	\$ -	\$ -	\$ -	\$ -
Shares issued at December 31, 2001 pursuant to initial capitalization	1,500,000	1,500	-	-	-	1,500
Common Stock issued for services valued at \$1.00 per share.	275,000	275	274,725	-	-	275,000
Net loss for the period ended December 31, 2002	-	-	-	(275,046)	-	(275,046)
BALANCE, December 31, 2001	1,775,000	1,775	274,725	(275,046)	-	1,454
Common Stock issued at \$1.00 per share.	5,000	5	4,995	-	-	5,000
Net loss for the period ended December 31, 2003	-	-	-	(7,573)	-	(7,573)
BALANCE, December 31, 2002	1,780,000	1,780	279,720	(282,619)	-	(1,119)
Common Stock issued at \$1.00 per share.	231,250	231	231,019	-	-	231,250
Common Stock issued for services.	75,000	75	149,925	-	(112,500)	37,500
Common Stock issued as commissions on sales of common stock.	129,500	130	129,370	-	-	129,500
			(129,500)			(129,500)

Amortization of deferred compensation.	-	-	-	-	47,917	47,917
Net loss for the period ended December 31, 2003	-	-	-	(526,536)	-	(526,536)
BALANCE, December 31, 2003	2,215,750	2,216	660,534	(809,155)	(64,583)	(210,988)

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

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BIOMETRX TECHNOLOGIES, INC.
(A Development Stage Company)
STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT) - (continued)
FOR THE PERIOD FEBRUARY 1, 2001 (INCEPTION) TO DECEMBER 31, 2005
(restated)

	Common Stock			Additional Paid In Capital	Deficit Accumulated During the Development Stage	Deferred Compensation	Total
	Shares	Amount					
Common Stock issued \$1.00 per share.	27,000	\$ 27	\$ 26,974	\$ -	\$ -	\$ -	\$ 27,001
Common Stock issued \$4.00 per share.	83,750	84	334,916	-	-	-	335,000
Common Stock issued as commissions on sales of common stock valued at \$1.00 per share	8,750	9	8,741 (8,750)				8,750 (8,750)
Common Stock issued as commissions on sales of common stock valued at \$4.00 per share	50,000	50	199,950 (200,000)	-	-	-	200,000 (200,000)
Amortization of deferred compensation.	-	-	-	-	58,333		58,333
Net loss for the period ended December 31, 2004	-	-	-	(768,214)			(768,214)
BALANCE, December 31, 2004	2,385,250	2,386	1,022,365	(1,577,369)	(6,250)		(558,868)
Common Stock issued \$.40 per share upon exercise of stock options.	18,750	19	7,481				7,500
Common Stock issued \$1.60 per share.	125,000	125	199,875	-	-	-	200,000
Common Stock issued \$2.00 per share.	37,500	37	74,963	-	-	-	75,000
Common Stock issued \$4.00 per share.	26,250	26	104,974	-	-	-	105,000
	25,000	25	99,975				100,000

Common Stock issued for Services valued at \$4.00 per share						
Common Stock issued for Services valued at \$4.00 per share	125,000	125	499,875			500,000
Common Stock issued for Services valued at \$4.00 per share	17,500	18	69,982			70,000
Common Stock issued for Services valued at \$4.00 per share	28,125	28	112,472			112,500
Common Stock issued for Services valued at \$1.00 per share	10,000	10	9,990			10,000
Common Stock issued for Services valued at \$3.56 per share	100,000	100	355,900			356,000
Common Stock issued for Services valued at \$5.20 per share	62,500	63	324,937			325,000
Issuance of Common Stock purchase options for services - Related Party	-	-	4,725,000			4,725,000
Common Stock issued \$0.40 per share upon exercise of stock options - Related Party	31,250	31	12,469	-	-	12,500
Common Stock issued \$0.80 per share - Related Party	562,500	563	449,437	-	-	450,000
Common Stock issued \$0.80 per share upon exercise of stock warrants - Related Party	281,250	281	224,719			225,000
Common Stock issued \$2.00 per share - Related Party	175,000	175	349,825	-	-	350,000
Common Stock issued \$3.00 per share - Related Party	233,334	233	699,767	-	-	700,000
Common Stock issued for Services valued at \$11.00 per share - Related Party	187,500	187	2,062,313	-		2,062,500
Common Stock issued for Services valued at \$4.00 per share -	181,250	181	724,819			725,000

Related Party

Common Stock issued as consideration for Accrued Salaries valued at \$2.00 per share - Related Party	235,000	235	469,765	470,000
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The accompanying notes are an integral part of these financial statements.

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BIOMETRX TECHNOLOGIES, INC.*(A Development Stage Company)***STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT) - (continued)
FOR THE PERIOD FEBRUARY 1, 2001 (INCEPTION) TO DECEMBER 31, 2005**

(restated)

	Common Stock		Additional Paid In Capital	Deficit		Total
	Shares	Amount		Accumulated During the Development Stage	Deferred Compensation	
Common Stock issued as commissions on sales of common stock valued at \$4.40 per share	164,924	165	725,500	-	-	725,665
		-	(725,665)	-	-	(725,665)
Effect of recapitalization due to reverse merger	810,031	810	(319,804)			(318,994)
Penalty shares issued to Related Party in connection with non-registration valued at \$4.80 per share	25,000	25	119,975			120,000
Penalty shares issued to Related Party in connection with non-registration valued at \$4.80 per share	25,000	25	119,975			120,000
Penalty shares issued to Related Party in connection with non-registration valued at \$3.20 per share	25,000	25	79,975			80,000
Penalty shares issued to Related Party in connection with non-registration valued at \$7.96 per share	25,000	25	198,975			199,000
	25,000	25	109,975			110,000

**Penalty shares issued
to Related Party in
connection
with non-registration
valued at \$4.40 per
share**

Issuance of 25,000 Common Stock purchase options for services - Related Party @ \$7.20 per share.		180,000		(180,000)	-
Issuance of 18,750 Common Stock purchase options for services - Related Party @ \$6.30 per share.		157,500		(105,000)	52,500
Issuance of 18,750 Common Stock purchase options for services - Related Party @ \$6.30 per share.		157,500		(105,000)	52,500
Issuance of 62,500 Common Stock purchase options for services @ \$4.04 per share.		252,500			252,500
Issuance of 25,000 Common Stock purchase options for services - Related Party @ \$4.00 per share.		100,000			100,000
Amortization of deferred compensation.	-	-	-	-	201,736
Commissions paid on sales of common stock.	-	-	(223,750)	-	(223,750)
Commissions accrued on sale of Common Stock		(224,783)			(224,783)
Net loss for the period ended December 31, 2005	-	-	-	(12,173,969)	(12,173,969)

BALANCE,
December 31, 2005 **5,947,914** \$ **5,948** \$ **13,308,776** \$ **(13,751,338)** \$ **(194,514)** \$ **(631,128)**

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 CONSOLIDATED FINANCIAL STATEMENTS
(restated)

Note 1. Description of Business and Nature of Operations

Description of Business

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

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

1. Change the Company’s name to bioMETRX Technologies, Inc.
2. Increase the total number of shares that the corporation is authorized to issue to 10,000,000 common shares, each with a par value of \$0.01.
3. Authorize a 4000 to 1 split of the then outstanding common shares.

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

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

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

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

On September 30, 2005 the Company formed two subsidiary companies, smartTOUCH Medical, Inc and smartTOUCH Security, Inc. The two subsidiaries were incorporated in the State of Delaware. smartTOUCH Security, Inc tests and markets the

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

Company's biometrically secured garage door openers, thermostats, deadbolts and home alarm keypads. smartTOUCH Medical, Inc designs, tests and markets biometrically secured medical crash carts, rolling medicine carts, portable patient medical information devices and, security and retrieval systems for electronic medical records.

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

Nature of Operations

Founded in 2001, the Company is focused on developing simple-to-use, cost-efficient finger print activation products under the trade name SmartTOUCH[®]. The Company's engineers and manufactures biometrically enabled security products. These products utilize fingerprint recognition technology designed to augment or replace conventional security methods such as keys, keypads, and PIN numbers.

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

Note 2 - Basis of Presentation

The Company is a development stage company with no revenues and has incurred net losses of \$12,173,969 and \$768,214 during the years ended December 31, 2005 and 2004 respectively. In addition, the Company has a working capital deficiency of \$647,664 and a stockholders' deficiency of \$631,128 at December 31, 2005 These factors raises substantial doubt about the Company's ability to continue as a going concern.

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

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Note 2 - Basis of Presentation (Continued)

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.

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

Note 3 - Summary of Significant Accounting Policies

Principles of Consolidation

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

Revenue Recognition

Revenues will be recognized at the time our products are shipped.

Cash and Cash Equivalents

The company considers all highly-liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments

The Company classifies its marketable securities as trading securities. Management determines the appropriate classification of our investments at the time of acquisition and reevaluates such determination at each balance sheet date. Trading securities are carried at fair value, with unrealized holding gains and losses and are included in other income. Realized gains and losses are determined using the specific identification method based on the trade date of the transaction.

Fair Value of Financial Instruments

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

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Note 3 - Summary of Significant Accounting Policies (Continued)

Advertising and Marketing Expenses

The costs of advertising and marketing expenses are expensed as incurred. Advertising and marketing expenses for the years December 31, 2005 and 2004 were \$30,133 and \$8,749 respectively

Research and Development

Research and development costs are expensed as incurred. Research and development costs amounted to \$361,490 and \$128,575 for the years ended December 31, 2005 and 2004, respectively.

Use of Estimates

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

Reclassifications

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

Stock Based Compensation

The Company follows the provisions of Statement of Financial Accounting Standards (“SFAS”) No.123, “Accounting for Stock Based Compensation” and SFAS 148 “Accounting for Stock Based Compensation, Transition and Disclosure.” The provisions of SFAS 123 allow companies either to expense the estimated fair value stock options or to continue to follow the intrinsic value method set forth in Accounting Principles Board Opinion No. 25 - “Accounting for Stock Issued to Employees” (APB 25), but disclose the pro forma effects on net income (loss) had the fair value of the options been expensed. The Company has elected to apply APB 25 in accounting for its stock option incentive plans. The provisions of SFAS 148 require that disclosures of the pro forma effect of using the fair value method of accounting for stock-based employee compensation be displayed prominently and in tabular format. All outstanding employee options vested prior to December 31, 2005, therefore there would be no impact on compensation cost for the Company’s stock option plans during the years presented utilizing the fair value method set forth in SFAS 123,.

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Note 3 - Summary of Significant Accounting Policies (Continued)**Stock Based Compensation (Continued)**

In accordance with APB 25 and related interpretations, compensation expense for stock options is recognized in income based on the excess, if any, of the quoted market price of the stock at the grant date of the award or other measurement date over the amount an employee must pay to acquire the stock. For awards that generate compensation expense as defined under the APB 25, the Company calculates the amount of compensation expense and recognizes the expense over the contractual period of the award.

	For the Year Ended December 31,			
	2005		2004	
Net Loss Applicable to Common Stockholders, as reported	\$	(12,173,969)	\$	(768,214)
Add: stock-based employee compensation expense included in reported net loss applicable to common stockholders		5,220,000		-
Less: total stock-based employee compensation expense determined under the fair value-based method of all awards		5,280,938		-
Proforma Net Loss Applicable to Common Stockholders	\$	(12,234,907)	\$	(768,214)
Basic and Diluted Net Loss Applicable to Common Stockholders:				
As reported	\$	(3.02)		(.22)
Proforma	\$	(3.04)		(.22)

The fair value during the year ended December 31, 2005 was estimated at the date of grant using the Black-Scholes option-pricing using the following weighted-average assumptions:

Assumptions	2005
Risk-free rate	3.1%
Annual rate of dividends	0
Volatility	62.17%
Average Life	1.86 years

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Our employee stock options have characteristics significantly different from those of traded options and changes in the subjective input assumptions can materially affect the fair value estimate. During 2005, the estimated fair value of the options granted to employees was \$3.02 per unit.

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Note 3 - Summary of Significant Accounting Policies (Continued)

Income Taxes

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

The tax effects of temporary differences that gave rise to the deferred tax assets and deferred tax liabilities at December 31, 2005 and 2004 were primarily attributable to net operating loss carry forwards. Since the Company has a history of losses a full valuation allowance has been established. In addition, utilization of net operating loss carry-forwards are subject to a substantial annual limitation due to the "Change in Ownership" provisions of the Internal Revenue Code. The annual limitation may result in the expiration of net operating loss carry-forwards before utilization.

Loss per Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. The common stock issued and outstanding with respect to the pre-merger Marketshare stockholders has been included since January 1, 2004. Diluted loss per common share is the same as basic loss per share, as the effect of potentially diluted securities are anti-dilutive.

Recently Issued Accounting Pronouncements.

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement No 123R ("SFAS 123R"). "Share-Based Payment." SFAS 123(R) revises SFAS No 123 and eliminates the alternative to use the intrinsic method of accounting under the APB No 25. SFAS 123(R) requires all public companies accounting for share based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments to account for these types of transactions using a fair value-based method as set forth in APB No. 25 "Accounting for Stock Issued to Employees". As such the Company generally recognizes no compensation cost for employee stock options. SFAS No 123 (R) eliminates the alternative to use APB No 25's intrinsic value method of accounting. Accordingly, the adoption of SFAS No 123(R)'s fair value method will have an impact on our results of operations, although it will have no impact on our overall financial position. The impact of adoption of SFAS No. 123 (R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. This statement will be effective for the Company with the quarter beginning January 1, 2006.

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Note 3 - Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements (Continued)

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 be 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 May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections--a replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS 154"). This Statement replaces APB Opinion No. 20, "Accounting Changes," and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements," and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. When a pronouncement includes specific transition provisions, those provisions should be followed. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Consequently, the Company will adopt the provisions of SFAS 154 for its fiscal year beginning January 1, 2006. Management currently believes that adoption of the provisions of SFAS No. 154 will not have a material impact on the Company's consolidated financial statements.

Note 4 - Restricted Cash

Restricted cash represents cash held in escrow by corporate counsel to satisfy pre-merger liabilities. Such restricted cash will be released after satisfaction of certain requirements of the Merger Agreement (see Note 1).

BIOMETRX, INC. AND SUBSIDIARIES
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Note 5 - 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

The Company was incorporated with the name "M2 Extreme Sports Centers, Inc." in the State of Delaware on February 1, 2001. On November 8, 2001 the Company's certificate of incorporation was amended to change its name to "Biostat Technologies S.P.A., Inc." and 1,500,000 shares of no par common voting stock was issued to the sole shareholder for \$.001 per share.

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

- 1) Change the corporation's name to "Biometrx Technologies, Inc."
- 2) Increase the total number of shares that the corporation is authorized to issue to 10,000,000 common shares, each with a par value of \$.001.
- 3) Authorize a 4000 to 1 split of then outstanding common shares.

During December 2004, the Board of Directors authorized an increase of bioMETRX's common stock from 10,000,000 to 20,000,000 shares, each having a par value of \$.001.

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

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Note 5 - Stockholders' Deficit (Continued)

Common Stock (Continued)

On June 1, 2005 bioMETRX Technologies merged with and into Merger Sub. The merger was treated as a reorganization of bioMETRX Technologies (reverse merger) for accounting purposes pursuant to which bioMETRX Technologies is treated as the continuing entity although MarketShare is the legal acquirer. The consideration for the Merger was 3,554,606 restricted shares of MarketShare's common stock and the issuance of 45,507 Common Stock Purchase Warrants to the holders of corresponding instruments of bioMetrX Technologies. Simultaneously with the Merger, certain stockholders of MarketShare surrendered 552,130 shares of MarketShare's common stock which was cancelled and returned to the status of authorized and unissued. In addition, 75,000 shares of the MarketShare's common stock were deposited by these stockholders into escrow to cover contingent liabilities, if any. The aggregate amount of shares of MarketShare common stock issued to the shareholders of bioMETRX Technologies pursuant to the merger represented approximately 90% of MarketShare's issued and outstanding common stock after the merger and related cancellation of outstanding shares by certain former insiders.

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

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

All share and per share data have been retrospectively restated to reflect these recapitalizations.

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

During November 2001 the Company issued 275,000 shares of common stock valued at \$275,000 (\$1.00 per share) for services rendered.

During December 2002 the Company sold 5,000 shares of common stock for \$5,000 (\$1.00 per share).

During 2003 the Company sold 231,250 shares of common stock for \$231,250 (\$1.00 per share).

During 2003 the Company issued 75,000 shares of common stock valued at \$150,000 (\$2.00 per share) for services pursuant to consulting agreements.

During 2003 the Company issued 129,500 shares of common stock valued at \$129,500 (\$1.00 per share) as commissions on sales of common stock.

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Note 5 - Stockholders' Deficit (Continued)

Common Stock (Continued)

During 2004 the Company sold 27,000 shares of common stock for \$27,000 (\$1.00 per share).

During 2004 the Company sold 83,750 shares of common stock for \$335,000 (\$4.00 per share).

During 2004 the Company issued 8,750 shares of common stock valued at \$8,750 (\$1.00 per share) as commissions on sales of common stock.

In April 2005 the Company entered into a consulting agreement with Steven Horowitz and Arnold Kling, for general financial consulting services in connection with potential merger and fund raising activities. In connection with this agreement the Company issued 125,000 shares of common stock valued at \$4.00 per share. The Company recognized charges amounting to \$500,000 in the year ended December 31, 2005.

In 2005 the Company issued 175,000 shares of common stock valued at \$2.00 per share to Mark Basile/CEO for accrued payroll owed him. The Company issued 60,000 shares of common stock valued at \$2.00 cents per share to Steven Kang for accrued payroll owed him.

During 2005, the Company issued 18,750 shares of common stock for \$7,500, (\$.40 per share) upon exercise of stock options.

During 2005, the Company sold 125,000 shares of common stock for \$200,000, (\$1.60 per share).

During 2005, the Company sold 37,500 shares of common stock for \$75,000, (\$2.00 per share).

During 2005, the Company sold 26,250 shares of common stock for \$105,000, (\$4.00 per share).

During 2005, the Company issued 31,250 shares of common stock for \$12,500, (\$.40 per share) to a related party upon exercise of stock options.

In December 2005, the Company issued 281,250 shares of common stock for \$225,000, (\$.80 per share) to a related party upon exercise of stock warrants.

During 2005, the Company sold 175,000 shares of common stock for \$350,000, (\$2.00 per share) to a related party.

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Note 5 - Stockholders' Deficit (Continued)

Common Stock (Continued)

In July 2005, the Company sold 233,334 shares of common stock and 46,667 common stock purchase warrants, exercise price \$.75 per share, for \$700,000 (\$3.00 per share) to Russell Kuhn, a related party. Pursuant to the Subscription Agreement, the Company agreed to file with the Securities and Exchange Commission ("SEC") a Registration Statement covering the Shares. Such Registration Statement has not been filed by the Company and accordingly the Company has recorded 125,000 penalty shares. These penalty shares will continue to be issued at the rate of 25,000 shares per month until a Registration Statement has been filed with the SEC.

During 2005, the Company issued 164,924 shares of common stock valued at \$725,665 (\$4.40 per share) as commissions on sales of common stock pursuant to a finder's fee agreement (see Note 7).

In September 2005, the Company entered into two one year consulting contracts with Steven Horowitz and Arnold Kling to provide general corporate services, and in connection therewith the Company issued 62,500 common stock purchase warrants valued at \$252,500 using the Black-Scholes pricing model. The warrants have an exercise price of \$2 and a term of 7 years.

In October 2005, in conjunction with the issuance of 562,500 shares of common stock valued at \$450,000 (\$.80 per share) to Russell Kuhn, a related party, the Company also issued to Mr. Kuhn, 60-day common stock purchase warrants to purchase an additional 562,500 shares at \$.80 per share. As of December 31, 2005, Mr. Kuhn exercised 281,250 options for gross proceeds of \$225,000 to the Company. In addition, the Board of Directors voted to extend the remaining options for another 30 days.

During 2005, the Company issued 125,000 shares of common stock valued at \$629,000 to a related party as a penalty for non registration of shares.

On July 5, 2005 the Company's Board of Directors resolved to the following common stock and stock option issuances:

- 125,000 shares of common stock to an officer valued at \$1,825,000.
- 187,500 common stock purchase options, exercise price \$2.00 per share, to an officer valued at \$2,362,500.
- 187,500 common stock purchase options, exercise price \$2.00 per share, to the Company's CEO valued at \$2,362,500.

In 2005 the Company issued 70,625 shares of common stock valued at \$282,500 (\$4 per share) for services.

In 2005 the Company issued 10,000 shares of common stock valued at \$10,000 (\$1 per share) for services.

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Note 5 - Stockholders' Deficit (Continued)**Common Stock (Continued)**

In December 2005 the Company issued 100,000 shares of common stock valued at \$356,000 (\$3.56 per share) for contract buyout.

In November 2005 the Company issued 62,500 shares of common stock valued at \$325,000 (\$5.20 per share) for services.

During 2005 the Company sold 175,000 shares of common stock valued at \$350,000 (\$2 per share) to a related party to a consultant.

During 2005 the Company issued 181,250 shares of common stock valued at \$725,000 (\$4 per share) for services to a related party.

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.

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. Awards under the Plan for the year ended December 31, 2005 amounted to 209,375 shares of common stock.

Stock Options

The Company has issued stock options to employees and consultants which are fully vested.

Stock option share activity and weighted average exercise price for the years ended December 31, 2005 and 2004 were as follows:

	2005		2004	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
2005 Equity Incentive Plan				
Balance - January 1,	-	\$ -	-	\$ -
Options Granted	375,000	2	-	-
Options Cancelled	-	-	-	-
Options Exercised	-	-	-	-
Balance - December 31,	375,000	\$ 2	-	\$ -

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Note 5 - Stockholders' Deficit (Continued)**Stock Options (Continued)**

Exercise Price	Options Outstanding			Options Exercisable	
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life in Years	Shares	Weighted Average Exercise Price
\$ 2.00	375,000	\$ 2.00	4.50	375,000	\$ 2.00

Other Options	2005		2004	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance - January 1,	-	\$ -	-	\$ -
Options Granted	75,000	.40	-	-
Options Cancelled	-	-	-	-
Options Exercised	(50,000)	-	-	-
Balance - December 31,	25,000	\$.40	-	\$ -

Exercise Price	Options Outstanding			Options Exercisable	
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life in Years	Shares	Weighted Average Exercise Price
\$ 0.40	25,000	\$ 0.40	-	-	\$ -

Warrants

At December 31, 2005 the Company had warrants outstanding as follows:

Exercise Price	Shares	Expiration Date
\$.80	281,250	January 27, 2006
\$ 2.00	62,500	September 7, 2012
\$ 2.40	26,349	July 5, 2010
\$ 2.80	26,349	July 5, 2010
\$ 3.20	26,349	July 5, 2010
\$ 3.60	26,348	July 5, 2010
\$ 4.00	26,349	July 5, 2010
	475,494	

At December 31, 2005, the weighted average exercisable price of the outstanding warrants was \$3.97 and the weighted average remaining contractual life of the warrants was 5.32 years.

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Note 6- Related Party Transactions

Loans Receivable - Stockholder/Officer

These advances are non-interest bearing, unsecured, and payable on demand. These advances were made to the Company's CEO and majority stockholder prior the reverse merger by bioMetrx Technologies. At December 31, 2005 the advances amounted to \$201,598.

Note 7 - Commitments and Contingencies

Employment Contracts

We have full-time employment agreements with three of our four executive officers, Mark Basile Steven Kang and Lorraine Yarde. Frank Giannuzzi has a part-time employment agreement.

Mr. Basile's employment agreement, originally entered into in February 2002, and amended on February 6, 2006 has an initial term of five years from the date of the Amendment and a base salary of:

\$360,000 for Calendar Year 2006
 \$500,000 for Calendar Year 2007
 \$560,000 for Calendar Year 2008
 \$620,000 for Calendar Year 2009
 \$700,000 for Calendar Year 2010

In addition to the base salary for 2006, Mr. Basile received a \$80,000 bonus upon execution of his amended contract. The \$80,000 will have to be returned to the Company on a pro rata basis should Mr. Basile terminate his employment with the Company prior to the first anniversary of his amended employment agreement. Mr. Basile also receives a \$1,500 per month car allowance and a five million dollar (\$5,000,000) term life insurance policy naming Mr. Basile's family as the beneficiary thereof.

Upon signing the Amendment, Mr. Basile also received options to purchase up to 1,250,000 shares of the Company's common stock at the following prices:

Number of Shares	Exercise Price
*250,000	\$1.00
250,000	\$2.00
250,000	\$3.00
250,000	\$4.00
250,000	\$5.00

*Shares are included under the Company's 2005 Equity Incentive Plan

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Note 7 - Commitments and Contingencies (Continued)

Employment Contracts (Continued)

After the initial term, Mr. Basile's agreement automatically renews for additional one-year periods. Under the terms of this agreement, any accrued compensation may be converted into shares of the Company's common stock at \$2.00 per share. Bonuses, if any, are to be paid at the sole discretion of the Board of Directors.

In January 2004, the Company entered into a four-year employment agreement with Steven Kang. The annual base salary is \$120,000 per year. Under the terms of this agreement, any accrued compensation may be converted into shares of the Company's common stock at \$2.00 per share. After the initial term, Mr. Kang's agreement automatically renews for additional one-year periods. Mr. Kang received 62,500 shares of common stock on the second anniversary of his employment contract. Bonuses, if any, are to be paid at the sole discretion of the Board of Directors.

Ms. Yarde's employment agreement, originally entered into in August 2005, and amended in January 2006, in the capacity of Chief Operating Officer, has an initial term of three years commencing on the date of the Amendment. Mr. Yarde's annual base salary is \$150,000 per year. Upon signing the Amendment Ms. Yarde was granted 250,000 options to purchase the Company's common stock at \$.40 per share. After the initial term, Ms. Yarde's agreement automatically renews for additional one-year periods. Bonuses, if any, are to be paid at the sole discretion of the Board of Directors.

On June 1, 2005 the Company entered into employment agreements with a new Chief Financial Officer and the former Chief Operating Officer. Each agreement calls a for base salary of \$18,000 for services on a part-time basis. If after the initial term the Company elects to continue the officer on a full time basis, the annual salaries will increase to \$80,000 for the Chief Financial Officer and \$90,000 for the former Chief Operating Officer. The employment agreements also provide for discretionary bonuses and other employment related benefits. Both agreements also call for the granting of stock options to purchase 25,000 shares at \$.40 per share of the Company's common stock at various times through the term of the agreement. Both agreements have an initial term of one year with an additional one year extension.

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

Note 7 - Commitments and Contingencies (Continued)**Finder's Fee Agreement**

The Company entered into a Finder's Fee Agreement with Harbor View Capital Group, Inc. ("Harbor View") on March 11, 2005 whereby the Company will compensate the Finder 15% cash for funds raised by Finder and shares of the Company's common stock equal to 15% of the amount of the financing attained by the Finder. Subsequently, this arrangement was amended by the two parties, to allow the Finder's Fee to be paid at the rates of 10% and 22% of the Company's common stock.

Consulting Agreements

In November, 2005 bioMetrx and its wholly owned subsidiary SmartTOUCH Medical, Inc. entered into a consulting agreement with Wendy Borow-Johnson. Pursuant to the agreement, bioMetrx issued to Ms. Borow-Johnson Two Hundred and Fifty Thousand (250,000) shares of its common stock. In addition, upon the one (1) year anniversary of the consulting agreement, bioMetrx will issue to Ms. Borow-Johnson an additional Two Hundred and Fifty Thousand (250,000) shares of its common stock. Ms. Borow-Johnson shall be paid a monthly retainer of \$2,500 per month in addition to reimbursement of travel and other related expenses incurred. The consulting agreement also provides that in the event the Company spins off SmartTOUCH Medical, Ms. Borow-Johnson shall have the right to acquire a 20% stake in such company for an aggregate purchase price of \$10,000. Ms. Borow-Johnson shall provide services to SmartTOUCH Medical, Inc. those functions commonly associated with the role of President of the subsidiary.

In April 2005, the Company entered into two short term research and development agreements aggregating \$220,000.

Lease Obligations

The Company operates its business in leased facilities. The Company currently leases approximately 1800 square feet for its corporate office facilities located at 500 North Broadway, Jericho, New York. The lease expires January 31, 2009. The Company also leases two executive offices at 33 South Service Road, Jericho, New York for \$3,400 per month. The lease for these offices expires July 31, 2006.

Approximate future minimum commitments under these leases are as follows:

Year Ending December 31,		
2006	\$	64,000
2007		46,000
2008		52,000
2009		4,000
	\$	166,000

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

Note 7 - Commitments and Contingencies (Continued)

Lease Obligations (Continued)

Rent expense under the office leases was approximately \$29,000 and \$0 for the years ended December 31, 2005 and 2004, respectively.

Settlement of Threatened Litigation

In 2006 the Company agreed to settle a monetary claim arising in November 2005 made by a former consultant. The Company agreed to settle such claim by issuing to the former consultant 125,000 shares of common stock. Such shares have been valued at \$368,750 and have been accrued at December 31, 2005 and charged to operations (see Note 10).

Legal Proceedings

From time to time, the Company is named in legal actions in the normal course of business. In the opinion of management, the outcome of these matters, if any, will not have a material impact on the financial condition or results of operations of the Company.

Note 8 - Income Taxes

At December 31, 2005 the Company had net operating loss carry forwards for Federal tax purposes of approximately \$5,000,000 which are available to offset future taxable income, if any, through 2025. Under Federal Tax Law IRC Section 382, certain significant changes including the reverse merger transaction of 2005, may restrict the utilization of these loss carry forwards.

At December 31, 2005, the Company had a deferred tax asset of approximately \$2,100,000 representing the benefit of its net operating carry forwards. The Company has not recognized the tax benefit because realization of the tax benefit is uncertain and thus a valuation allowance has been fully provided against the deferred tax asset. The difference between the Federal Statutory Rate of 34% and the Company's effective tax rate of 0% is due to an increase in the valuation of allowance of approximately \$1,500,000.

Note 9 - Subsequent Events

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.

On February 8, 2006, the Company sold an aggregate of 183,750 shares of common stock to Mr. Russell Kuhn for aggregate proceeds of \$147,000 or \$.80 per share. In addition, Kuhn exercised 281,250 warrants, at an exercise price of \$.80 per share for proceeds of \$225,000. In connection with this transaction, the Company paid a finder's fee to Harbor View of \$33,750 and issued to Harbor View 102,300 shares of its common stock.

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

Note 9 - Subsequent Events (Continued)

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

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

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

On March 21, 2006, the Company received debt financing in the aggregate amount of \$100,000 from Hane Petri and Josph 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 common stock to Petri and Panico as debt issuance costs.

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

NOTE 10 - RESTATEMENT

The Company previously issued December 31, 2005 consolidated financial statements which have been restated to reflect the following changes: (i) penalty shares issued and valued at \$629,000 that were originally charged to additional paid-in capital have been charged to operations; (ii) common stock purchase options and warrants that were originally deferred have been charged to operations for a net charge of \$222,500; (iii) a settlement of threatened litigation has been accrued and charged to operations in the amount of \$368,750. The following schedule provides disclosure of the effects of the restatement.

	December 31, 2005 as previously reported	December 31, 2005 as corrected	Change
Total Assets	\$ 531,291	\$ 531,291	\$ -
Total Liabilities	\$ 793,669	\$ 1,162,419	\$ 368,750
Total Stockholders' Deficit	\$ (262,378)	\$ (631,128)	\$ (368,750)

	For the Year Ended December 31, 2005 as previously reported	For the Year Ended December 31, 2005 as corrected	Change
Net Loss	\$ (10,953,719)	\$ (12,173,969)	\$ (1,220,250)
Loss Per Common Share	\$ (2.72)	\$ (3.02)	\$ (.30)

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In addition, the Company believes there were no reportable events as defined in Item 304(a)(1)(iv)(B) of Regulation S-B.

The Company provided M&K with a copy of the foregoing statements and requested that M&K provide it with a letter addressed to the Securities and Exchange Commission stating whether it agrees with the foregoing statements. A copy of M&K's letter, dated April 25, 2005, was filed as Exhibit 16.1 to Current Report on Form 8-K filed with the SEC on April 25, 2005.

Item 8A. Controls and Procedures.

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934, as amended. Based on that evaluation, our management including the chief executive officer and the chief financial officer, concluded that as of the date of the evaluation our disclosure controls and procedures were not effective to provide reasonable assurance that information required to be disclosed in the Company's periodic filings under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including those officer, to allow timely decisions regarding required disclosure.

However, as a result of reviewing the Company's consolidated financial statements for the year ended December 31, 2005, the Company's CFO and its independent auditor discovered that penalty shares issued and valued at \$629,000 that were originally charged to additional paid-in capital have been charged to operations, compensation-based stock options and warrants that were originally deferred have been charged to operations for a net charge of \$222,500 and a settlement of a threatened legal action has been accrued and charged to operation in the amount of \$368,750. As a result, the Company is reporting an additional loss of \$1,220,250.

The Company's former Chief Financial Officer was responsible for properly recording the Company's issuances of its securities. However, he improperly recorded such issuances which directly led to the errors discussed above and in the explanatory notes. In addition, the Company did not have a system in place to check the recordation of the issuances of the Company's securities. During the third and fourth quarter of 2006, the Company's new Chief Financial Officer discovered these errors which led to the revisions to the financial statements. The Company has recently hired a Certified Public Accountant to manage and to assist the CFO with our internal accounting of the Company's books and records. In addition, each issuance of securities is evaluated and discussed between such internal accountant and the Chief Financial Officer to insure these issuances are properly recorded. We have completed a full review of our accounting practices and we intend on implementing additional process improvements in the future.

The Company's CEO and CFO concluded that the Company's disclosure controls and procedures as of December 31, 2005 were not adequate. This conclusion is based on the fact that material weaknesses existed at the end of December 31, 2005. As discussed above, the Company's new CFO identified the material weaknesses, primarily related to the Company's treatment of securities based compensation and its treatment of the issuance of penalty shares not being charged to the Company's operation. The CFO concluded that this material weakness existed since the quarter ended June 30, 2005, which has caused the Company to restate its financial statements dating back to the quarter ended June 30, 2005 and for each subsequent period.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(a) of the Exchange Act.

Directors and Executive Officers

The members of the Board of Directors serve until the next annual meeting of shareholders, or until their successors have been elected. The officers serve at the pleasure of the Board of Directors. The following are the directors and executive officers of the Company:

Name	Age	Position	Held Position Since
Mark Basile	47	Chief Executive Officer and Chairman	2002
Steven Kang	41	Chief Technical Officer and Director	2004
Frank Giannuzzi	26	Chief Financial Officer and Director	2005
Lorraine Yarde	36	Chief Operating Officer and President of smartTOUCH Consumer Products, Inc.	2005
Wendy Borow-Johnson	50	President of smartTOUCH Medical, Inc.	2005

Mark R. Basile is the Company's founder, Chairman of The Board and CEO. Since founding the Company in 2001, Mr. Basile has been responsible for its overall strategic direction, capital transactions, business development, executive hires, and the management of its overall operations. Mr. Basile has assembled a highly qualified team, completed the introduction of the first products, and developed strong relationships with prospective industry partners. In 1999, Mr. Basile founded and became CEO of Sickbay Health Media, Inc., a publicly owned company. During his tenure at Sickbay, Mr. Basile led several diverse initiatives and operations including the repositioning of the company to reflect the internet marketplace in which it competed directly with WebMD, the acquisition of publisher Healthline Publications and expanded the company's health information content and distribution. Mr. Basile left Sickbay in April 2001. Mr. Basile is also one of the co-founding members of the eHI - *e-Health Initiative*, the single largest not-for-profit trade organization that promotes awareness and develops platforms for electronic health through interactivity of its membership. Mr. Basile began his career as a private practice attorney in 1988. Mr. Basile received a BS in Economics and BA in Political Science from Hofstra University in 1985, and a Juris Doctorate from Touro Law School in 1988.

Steven Kang is bioMETRX Chief Technical Officer and President of bioMETRX Technologies, Inc., and a director of bioMETRX, Inc. Mr. Kang has been employed in the computer field for over 16 years. He has been involved with bioMETRX from the inception of bioMETRX Technologies, initially as a part-time consultant in the development of the Company's products. He has been CTO since the Company's inception and President of Technologies since October of 2005. Prior to 2001, Mr. Kang served as a consultant specializing in architecting and developing mission-critical systems for companies including AOL Time Warner, St. Vincent's Hospital, Simon & Schuster, Toys R Us, and Columbia Artists Management, Inc. Prior thereto, Mr. Kang was the Director of Software Development at Brave New Consultants, a small computer consulting firm in New York, New York, where Mr. Kang helped to develop the first modern system for the New York Stock Exchange to monitor the financial activities of its member firms. He also helped develop a large claims processing system which the international accounting firm of Peat Marwick used to settle claims for highly publicized class actions litigations. Mr. Kang is an advisor to venture capital firms on new and emerging technologies and conducted "technical" audits of startup companies for due diligence purposes. Mr. Kang is an Oracle partner and a certified Database expert who regularly teaches, trains, and hires skilled professionals for his clients. Mr. Kang holds a Bachelors of Science and Masters Degree in Computer Science from New York University where he studied database design, artificial intelligence, and robotics.

Frank Giannuzzi currently serves on a part-time basis as the Company's Chief Financial Officer and a member of the Board of Directors. Mr. Giannuzzi oversees the Company's finances and its accounting in compliance with Sarbanes Oxley Rules and Regulations. Frank Giannuzzi has seven years of experience directing the financial structure, financial and accounting operations for other entities. He is the co-founder and co-owner of GTC Capital Corp., and National Land Services, LLC, and continues to serve as Chief Financial Officer for these organizations, where he is actively involved in operations including managing the accounting and financial aspects of the businesses in compliance with the New York State Banking Department regulations. Mr. Giannuzzi began his financial career with tenure as Director of Finance of an international import/export company GIA Brothers. His responsibilities there included monitoring currency trades, cash-flows, inventories, account receivables and payables, budgets and projections.

Mr. Giannuzzi holds a Bachelor of Science Degree in Finance from Villanova University, and has also studied international finance at The John Cabot International School of Business in Rome. It is intended that Mr. Giannuzzi will join the Company full-time during the second quarter of 2006.

Lorraine Yarde is Chief Operating Officer for bioMETRX Inc., and President of smartTOUCH Consumer Products, Inc. Ms. Yarde is currently responsible for the day to day operations of bioMETRX and the sales direction, focus and the complete concept to market life cycle for new product development for smartTOUCH Consumer Products. Ms. Yarde has over 15 years experience in Sales/Sales Management, Marketing and Business Development, predominantly in the fields of software, engineering and computer consulting, holding various senior management positions with complete operational accountability for a number of computer consulting organizations. At those entities, Ms. Yarde had been responsible for providing direction, driving revenue, and securing and maintaining successful business relationships with prestigious companies, such as Estee Lauder, Pfizer, Schering Plough and Henry Schein. As an entrepreneur, Ms. Yarde owned and operated a successful family run Commercial Flooring organization, which at its peak, employed over 20 installers and performed work for major construction firms such as Turner Construction. Notable installation accounts included Home Depot, Circuit City and Toys r Us.

Wendy Borow-Johnson is President of smartTOUCH Medical, Inc. Wendy Borow-Johnson currently is the Senior Vice President of Networks Group Turner Media Group, Inc. Healthy Living Channel. She was previously chairperson and principal owner of the consulting firm CMSA Inc., in Chicago, specializing in transactional media. Previously, she was the President and CEO of Recovery Television Network, the only media outlet dedicated to “Recovery” reaching over 16 million cable households. Ms. Borow-Johnson is the founding Chairman of the Board of eHI - e-Health Initiative. She was the e-healthcare expert and co-host of Alexander Haig’s World Business Review: Special Reports on Health. She has consulted with and for over 15 major on-line and media companies including ATT, Insight Digital Cable and AOL, and many investments banking groups, on media and emerging technology. She has been a frequent speaker, talk show guest and expert on integrated advertising, transaction based media, healthcare policy and communications. Her background included extensive advertising agency, media and public service experience. She was the first woman Vice President of the American Medical Association. Ms. Borow-Johnson is a Phi Beta Kappa Magna Cum Lude graduate of Goucher College and was named alumni of the decade for the 1970’s. She has a Masters Degree in Counseling from Goddard College and a certificate in psychotherapy from Harvard’s Judge Baker Guidance Center. Ms. Borow-Johnson has agreed to “head-up” smartTOUCH Medical.

The Company has not established an Audit Committee of the Board of Directors, or any other committee of the Board.

COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires directors and certain officers of the Company, as well as persons who own more than 10% of a registered class of the Company’s equity securities (“Reporting Persons”), to file reports with the Securities and Exchange Commission. The Company believes that during fiscal 2005, all Reporting Persons timely complied with all filing requirements applicable to them.

To the Company’s knowledge, based solely on review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended December 31, 2005 all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent shareholders were complied with.

Code of Ethics

We have adopted a Code of Ethics and Business Conduct for Officers and Directors and a Code of Ethics for Financial Executives that applies to all of our executive officers, directors and financial executives.

Item 10. Executive Compensation

Summary Compensation Table

The table below shows certain compensation information for services rendered in all capacities for the fiscal years ended December 31, 2003, 2004 and 2005. Other than as set forth herein, no executive officer's salary and bonus exceeded \$100,000 in any of the applicable years. The following information includes the dollar value of base salaries, bonus awards, the number of stock options granted and certain other compensation, if any, whether paid or deferred.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year Ended December 31	Annual Compensation		Long Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Restricted Stock Awards (\$)	Options/SARS (#)	
Mark Basile President, CEO and Chairman	2005	\$ 360,000	-	-	-	187,500(2)	-
	2004	\$ 360,000	-	-	-	-	-
	2003	\$ 360,000	-	-	-	-	-
Steven Kang Chief Technology Officer; Director	2005	\$ 120,000	\$ 12,000	-	\$ 1,825,000(1)	187,500(2)	-
	2004	\$ 120,000	-	-	-	-	-
	2003	-	-	-	-	-	-
Lorraine Yarde Chief Operating Officer	2005	\$ 33,334	-	-	-	25,000(2)	-
	2004	-	-	-	-	-	-
	2003	-	-	-	-	-	-

(1) On July 5, 2005, Mr. Kang was issued 125,000 shares of the Company's common stock. The Company's common stock was \$14.60 on the date of the issuance.

(2) The estimated fair value of these awards are \$2,362,500 for Messrs. Kang and Basile and \$180,000 for Ms. Yarde.

Employment Contracts

We have full-time employment agreements with three of our four executive officers, Mark Basile Steven Kang and Lorraine Yarde. Frank Giannuzzi has a part-time employment agreement.

Mr. Basile's employment agreement, originally entered into in December 2002, and amended on February 6, 2006 has an initial term of five years from the date of the Amendment and a base salary of:

\$360,000 for Calendar Year 2006

\$500,000 for Calendar Year 2007

\$560,000 for Calendar Year 2008

\$620,000 for Calendar Year 2009

\$700,000 for Calendar Year 2010

In addition to the base salary of 2006, Mr. Basile also received an \$80,000 bonus upon execution of his amended contract. The \$80,000 will have to be returned to the Company on a pro rata basis should Mr. Basile terminate his employment with the Company prior to the first anniversary of his amended employment agreement. Mr. Basile also receives a \$1,500 per month car allowance and a five million dollar (\$5,000,000) term life insurance policy naming Mr. Basile's family as the beneficiary thereof.

Upon signing the Amendment, Mr. Basile also received options to purchase up to 1,250,000 shares of the Company's common stock at the following prices:

Number of Shares	Exercise Price
*250,000	\$1.25
250,000	\$2.00
250,000	\$3.00
250,000	\$4.00
250,000	\$5.00

(*These options are included in the Company's 2005 Equity Incentive Plan)

After the initial term, Mr. Basile's agreement automatically renews for additional one-year periods. Under the terms of this agreement, any accrued compensation may be converted into shares of the Company's common stock at \$2.00 per share. Bonuses, if any, are to be paid at the sole discretion of the Board of Directors.

In January 2004, the Company entered into a four-year employment agreement with Steven Kang. The annual base salary is \$120,000 per year. Under the terms of this agreement, any accrued compensation may be converted into shares of the Company's common stock at \$2.00 per share. After the initial term, Mr. Kang's agreement automatically renews for additional one-year periods. Mr. Kang received 62,500 shares of common stock on the second anniversary of his employment contract. Bonuses, if any, are to be paid at the sole discretion of the Board of Directors.

Ms. Yarde's employment agreement, originally entered into in August 2005, and amended in January 2006, has an initial term of three years commencing on the date of the Amendment. Mr. Yarde's annual base salary is \$150,000 per year. Upon signing the Amendment Ms. Yarde was granted 250,000 options to purchase our common stock at \$.40 per share. After the initial term, Ms. Yarde's agreement automatically renews for additional one-year periods. Bonuses, if any, are to be paid at the sole discretion of the Board of Directors.

Stock Options**OPTIONS/SAR GRANTS TABLE**

Option/SAR Grants in the Last Fiscal Year
Individual Grants

Name and Principal Position	Fiscal Year	Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Sh)	Expiration Date
Mark Basile	2005	187,500	41.7%	\$2.00	7/1/10
President, CEO and Chairman of the Board	2004	-0-	0.0%	-0-	--
Steven Kang	2005	187,500	41.7%	\$2.00	7/1/10
Chief Technology Officer and Director	2004	-0-	0.0%	-0-	--
Lorraine Yarde	2005	25,000	.06%	\$.40	1-26-09
Chief Operating Officer	2004	-0-	0.0%	-0-	--

OPTIONS/SAR EXERCISES AND YEAR-END VALUE TABLE

Aggregated Options/SAR Exercises in Last Fiscal Year and FY-End Options/SAR Value

Name and Principal Position	Fiscal Year	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Unexercised Options/SARs at FY-End (#) Exercisable / Unexercisable	Value of Unexercised In-the-money Options/SARs at FY-End (\$) Exercisable / Unexercisable
Mark Basile	2005	-0-	-0-	(E)187,500	(E) 697,500
President, CEO and Chairman of the Board	2004	-0-	-0-	(E)-0- / (U)-0-	(E)\$0 /(U)\$0
Steven Kang	2005	-0-	-0-	(E)187,500	(E) 697,500
Chief Technology Officer and Director	2004	-0-	-0-	(E)-0- / (U)-0-	(E)\$0 /(U)\$0
Lorraine Yarde	2005	12,500	\$62,500	(U)12,500	(U)\$46,500
Chief Operating Officer	2004	-0-	-0-	(E)-0- / (U)-0-	(E)\$0 /(U)\$0

2005 Incentive Stock Option Plan

The Company, in 2005, adopted a 2005 Equity Incentive Plan (the “Plan”). The Plan designates and authorizes the Board of Directors to grant or award to eligible participants of the Company and its subsidiaries and affiliates, until December 2015, stock options, stock appreciation rights, restricted stock performance stock awards and Bonus Stock awards for up to 1,250,000 shares of common stock of the Company. The Company issued 646,875 options and/or bonus shares under the plan.

The following is a general description of certain features of the Plan:

1. **Eligibility.** Officers, directors and other key employees and consultants of the Company, its subsidiaries and its affiliates who are responsible for the management, growth and profitability of the business of the Company, its subsidiaries and its affiliates are eligible to be granted stock options, stock appreciation rights, and restricted or deferred stock awards under the Plan. Directors are eligible to receive Stock Options.
2. **Administration.** The Incentive Plan is administered by the Stock Option Committee of the Company. The Board, in the absence of the establishment of this Committee, acts in the capacity of this Committee. The Stock Option Committee has full power to select, from among the persons eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to any participants and to determine the specific terms of each grant, subject to the provisions of the Incentive Plan.
3. **Stock Options.** The Plan permits the granting of non-transferable stock options that are intended to qualify as incentive stock options (“ISO’s”) under section 422 of the Internal Revenue Code of 1986 and stock options that do not so qualify (“Non-Qualified Stock Options”). The option exercise price for each share covered by an option shall be determined by the Board of Directors, but shall not be less than 100% of the fair market value of a share on the date of grant. The term of each option will be fixed by the Stock Option Committee, but may not exceed 10 years from the date of the grant in the case of an ISO or 10 years and two days from the date of the grant in the case of a Non-Qualified Stock Option. In the case of 10% stockholders, no ISO shall be exercisable after the expiration of five (5) years from the date the ISO is granted.
4. **Stock Appreciation Rights.** Non-transferable stock appreciation rights (“SAR’s”) may be granted in conjunction with options, entitling the holder upon exercise to receive an amount in any combination of cash or unrestricted common stock of the Company (as determined by the Stock Option Committee), not greater in value than the increase since the date of grant in the value of the shares covered by such right. Each SAR will terminate upon the termination of the related option.
5. **Restricted Stock.** Restricted shares of the common stock may be awarded by the Stock Option Committee subject to such conditions and restrictions as they may determine. The Stock Option Committee shall also determine whether a recipient of restricted shares will pay a purchase price per share or will receive such restricted shares without, any payment in cash or property. No Restricted Stock Award may provide for restrictions beyond ten (10) years from the date of grant.

6. Performance Stock. Performance shares of Common Stock may be awarded without any payment for such shares by the Stock Option Committee if specified performance goals established by the Committee are satisfied. The designation of an employee eligible for a specific Performance Stock Award shall be made by the Committee in writing prior to the beginning of the period for which the performance is based. The Committee shall establish the maximum number of shares to stock to be issued to a designated Employee if the performance goal or goals are met. The committee reserves the right to make downward adjustments in the maximum amount of an Award if, in its discretion unforeseen events make such adjustment appropriate. The Committee must certify in writing that a performance goal has been attained prior to issuance of any certificate for a Performance Stock Award to any Employee.

7. Bonus Stock. The committee may award shares of Common Stock to Eligible Persons, without any payment for such shares and without any specified performance goals. The Employees eligible for bonus Stock Awards are senior officers and consultants of the Company and such other employees designated by the Committee.

8. Transfer Restrictions. Grants under the Plan are not transferable except, in the event of death, by will or by the laws of descent and distribution.

9. Termination of Benefits. In certain circumstances such as death, disability, and termination without cause, beneficiaries in the Plan may exercise Options, SAR's and receive the benefits of restricted stock grants following their termination or their employment or tenure as a Director as the case may be.

10. Change of Control. The Plan provides that (a) in the event of a "Change of Control" (as defined in the Plan), unless otherwise determined by the Stock Option Committee prior to such Change of Control, or (b) to the extent expressly provided by the Stock Option Committee at or after the time of grant, in the event of a "Potential Change of Control" (as defined in the Plan), (i) all stock options and related SAR's (to the extent outstanding for at least six months) will become immediately exercisable; (ii) the restrictions and deferral limitations applicable to outstanding restricted stock awards and deferred stock awards will lapse and the shares in question will be fully vested; and (iii) the value of such options and awards, to the extent determined by the Stock Option Committee, will be cashed out on the basis of the highest price paid (or offered) during the preceding 60-day period, as determined by the Stock Option Committee. The Change of Control and Potential Change of Control provisions may serve as a disincentive or impediment to a prospective acquirer of the Company and, therefore, may adversely affect the market price of the common stock of the Company.

11. Amendment of the Plan. The Plan may be amended from time to time by majority vote of the Board of Directors provided as such amendment may affect outstanding options without the consent of an option holder nor may the plan be amended to increase the number of shares of common stock subject to the Plan without stockholder approval.

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Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth, as of April 4, 2006, the number and percentage of shares of Common Stock of the Company, owned of record and beneficially, by each person known by the Company to own 5% or more of such stock, each director of the Company, and by all executive officers and directors of the Company, as a group:

<u>Name and Address</u>	<u>Number of Shares</u>	<u>Percentage</u>
Mark Basile	2,986,098 (1)(2)	41.67%
500 N. Broadway Jericho, NY 11753		
Steven Kang	709,161 (3)	11.16%
500 N. Broadway Jericho, NY 11753		
Lorraine Yarde	262,500 (4)	4.21%
500 N. Broadway Jericho, NY 11753		
Frank Giannuzzi	20,870 (5)	0.3%
500 N. Broadway Jericho, NY 11753		
The Naples Trust (6)	1,130,600	18.9%
736 Carlisle Road Jericho, NY 11753		
Russell Kuhn	1,184,094 (7)	19.52%
8680 Greenback Lane Orangevale, CA 95662		
Officers and directors as a group (4 persons) (1)(2)(3)(4)(5)	3,978,629	57.34%

(1) Includes 1,130,600 shares held by The Naples Trust. Mr. Basile's mother-in-law is the trustee for The Naples Trust and Mr. Basile's wife is the beneficiary.

(2) Includes 1,375,000 shares of common stock issuable upon the exercise of stock options to purchase a like number of shares.

(3) Includes 375,000 shares of common stock issuable upon the exercise of stock options to purchase a like number of shares.

(4) Includes 250,000 shares of common stock issuable upon the exercise of stock options to purchase a like number of shares.

(5) Includes 6,250 shares of common stock issuable upon the exercise of stock options to purchase a like number of shares.

(6) Mr. Basile's mother-in-law is the trustee for The Naples Trust and Mr. Basile's wife is the beneficiary.

(7) Includes 86,238 shares of common stock issuable upon the exercise of stock options to purchase a like number of shares.

Item 12. Certain Relationships and Related Transactions.

None.

Item 13. Exhibits

Exhibit No.	Description of Exhibit	If Incorporated by Reference, Document with which Exhibit was Previously Filed with SEC
3.1	Certificate of Incorporation	Annual Report on Form 10-K for the year ended December 31, 1987, filed March 30, 1988
3.1	Certificate of Amendment to Certificate of Incorporation filed May 2, 1988	Annual Report on Form 10-K for the year ended December 31, 1988 filed December 28, 1989
3.1	Certificate of Amendment to Certificate of Incorporation filed September 12, 1990	Annual Report on Form 10-K for the year ended December 31, 1990 filed April 15, 1991
3.1.1	Certificate of Amendment to Certificate of Incorporation filed August 26, 2003	Annual Report on Form 10-K for the year ended December 31, 2003
3.1.2	Certificate of Amendment to Certificate of Incorporation filed August 28, 2003	Annual Report on Form 10-K for the year ended December 31, 2003
3.1.3	Certificate of Amendment to Certificate of Incorporation filed December 14, 2004	Contained herein.
3.1.4	Certificate of Amendment to Certificate of Incorporation filed September 23, 2005	Contained herein.
3.1.5	Certificate of Amendment to Certificate of Incorporation filed March 10, 2006	Contained herein.
3.2	Bylaws	Annual Report on Form 10-K for the year ended December 31, 2003
4	Designation of Preference with respect to Series A Preferred Stock, filed August 23, 2000	Annual Report on Form 10-KSB for the year ended December 31, 2000, filed April 2, 2001
4.1	Amended Designation of Preference with respect to Series A Preferred Stock, filed August 23, 2000	Current Report on Form 8-K, filed July 18, 2003

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10.1	Asset Purchase Agreement dated October 7, 2004 between the Registrant and Palomar Enterprises, Inc.	Current Report on Form 8-K, filed October 13, 2004
10.2	Capital Stock Purchase Agreement dated October 7, 2004 between shareholders of the Registrant and Palomar Enterprises, Inc.	Current Report on Form 8-K, filed October 13, 2004
10.3	Agreement and Plan of Merger dated as of April 27, 2005 between the Registrant, its Merger Subsidiary and bioMETRX Technologies, Inc.	Current Report on Form 8-K, filed May 3, 2005
10.4	Subscription Agreement dated July 5, 2005 between the Registrant and Russell Kuhn	Current Report on Form 8-K, filed July 8, 2005
10.5	Common Stock Purchase Warrant issued to Russell Kuhn on July 5, 2005	Current Report on Form 8-K, filed July 8, 2005
10.6	Employment Agreement dated December 12, 2002 between Mark Basile and bioMetrx Technologies, Inc.	Contained herein.
10.7	Amendment to Employment Agreement dated February 6, 2006 between the Registrant and Mark Basile	Contained herein.
10.8	Employment Agreement dated January 1, 2004 between Steven Kang and bioMetrx Technologies, Inc.	Contained herein
10.9	Employment Agreement dated August 5, 2005 between Lorraine Yarde and bioMetrx Technologies, Inc.	Contained herein
10.10	Amendment to Employment Agreement dated January 26, 2006 between the Registrant and Lorraine Yarde	Contained herein.
10.11	Finder's Fee Agreement dated November 28, 2005 between the Registrant and Harbor View Group, Inc.	Contained herein.
10.12	Finder's Fee Agreement dated February 8, 2006 between the Registrant and Harbor View Group, Inc.	Contained herein.
10.13	Subscription Agreement dated October 28, 2005 between the Registrant and Russell Kuhn	Current Report on Form 8-K, filed November 1, 2005

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10.14	Common Stock Purchase Warrant issued to Russell Kuhn on October 28, 2005	Current Report on Form 8-K, filed November 1, 2005
10.15	Settlement Agreement dated January 12, 2006 between the Registrant and Adam Laufer, Esq.	Contained herein.
10.16	Consulting agreement dated November 7, 2005 between the Registrant and Wendy Borow-Johnson	Quarterly Report on Form 10-QSB for the quarter ended September 30, 2005, filed November 18, 2005
10.17	2005 Equity Incentive Plan	Registration Statement on Form S-8 filed December 23, 2005
10.18	Form of Stock Option issued pursuant to 2005 Equity Incentive Plan	Contained herein.
10.19	Form of Stock Option issued outside of plan	Contained herein.
16	Letter on Change In Certifying Accountants	Current Report on Form 8K, filed August 20, 2003 and an amendment thereto on Form 8K/a filed March 5, 2004.
16.1	Letter on Change In Certifying Accountants	Current Report on Form 8K, filed April 25, 2005
21	List of Subsidiaries	Contained herein.
31.1	Certification of Chief Executive Officer of Periodic Report pursuant to Rule 13a-14a and Rule 15d-14(a).	Contained herein.
31.2	Certification of Principal Financial Officer of Periodic Report pursuant to Rule 13a-14a and Rule 15d-14(a).	Contained herein.
32.1	Certification pursuant to 18 U.S.C. Section 1350.	Contained herein.
32.2	Certification pursuant to 18 U.S.C. Section 1350.	Contained herein.
99.2	Code of Ethics, as Adopted by the Board of Directors	Annual Report on Form 10-K for the year ended December 31, 2003

Item 14. Principal Accountant Fees and Services.

Audit Fee

The aggregate fees billed for the most recent fiscal year for professional services rendered by the principal accountant for the audit of bioMETRX, Inc. and Subsidiary's annual financial statement and review of financial statements included in bioMETRX, Inc. and Subsidiary's 10-QSB reports and services normally provided by the accountant in connection with statutory and regulatory filings or engagements were \$25,000 and \$27,000 for years ended 2005 and 2004, respectively.

Audit-Related Fees

Audit related fees for the fiscal year ended 2005 were \$900. This fee was in connection with the Registration Statement filed on form S-8.

Tax Fees

Fees for tax compliance, tax advice and tax planning for the years 2005 and 2004 was \$-0-.

All Other Fees

There were no other aggregate fees billed in either of the last two fiscal years for products and services provided by the principal accountant, other than the services reported above.

We do not have an audit committee currently serving and as a result our board of directors performs the duties of an audit committee. Our board of directors will evaluate and approve in advance, the scope and cost of the engagement of an auditor before the auditor renders audit and non-audit services. We do not rely on pre-approval policies and procedures.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

bioMETRX, INC.

Dated: March 12, 2007

By: /s/ Mark Basile

Mark Basile, Chief Executive Officer