MARKETSHARE RECOVERY INC
Form 10QSB
May 19, 2005

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

FORM 10-QSB

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

For the Quarter Period Ended
March 31, 2005 Commission File No. 0-15807

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

Delaware	31-1190725
(State or jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

95 Broadhollow Road, Suite 101, Melville, New York	11747
(Address of Principal Executive Office)	(Zip Code)

Registrant's telephone number, including area code: (631) 385-0007

Former name, former address and former fiscal year, if changed since last report: N/A

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

Yes [X] No [ ]

The number of shares outstanding of the Registrant's Common Stock, $.001 par value, as of May 11, 2005 was 3,806,221.

PART I - FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

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MARKETSHARE RECOVERY, INC AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)

March 31, 2005

ASSETS

CURRENT ASSETS	
Cash in escrow	$ 45,000
Marketable securities	6,545
TOTAL CURRENT ASSETS	51,545
TOTAL ASSETS	$ 51,545

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

CURRENT LIABILITIES	
Loan Payable - Stockholder	$ 109,736
Advances on letter of intent	75,000
Accrued expenses, accounts payable and other current liabilites	180,940
TOTAL CURRENT LIABILITIES	365,676
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' DEFICIENCY	
Common stock - $0.001 par value; 50,000,000 shares authorized; 3,806,221 shares issued and outstanding	3,806
Additional paid-in capital	1,902,954
Accumulated deficit	(2,220,891)
TOTAL STOCKHOLDERS' DEFICIENCY	(314,131)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 51,545

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See notes to unaudited condensed consolidated financial statements.

MARKETSHARE RECOVERY, INC AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For The Period Ended March 31, 2005	For The Period Ended March 31, 2004
Net revenues - sale of distribution lists	$ --	$ 104,963
License fee revenue - related party	$ --	$ --
TOTAL NET REVENUES	$ --	$ 104,963
COST OF REVENUES	--	91,431
GROSS PROFIT	--	13,532
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	46,636	67,417
OPERATING LOSS	(46,636)	(53,885)
OTHER INCOME (EXPENSES)		
Interest expense - stockholders	(2,165)	(5,000)
Interest expense	--	--
Gain(Loss) on sale of marketable securities	--	764
Unrealized loss on marketable securities	(14,847)	(25,577)
TOTAL OTHER EXPENSES	(17,012)	(29,813)
LOSS BEFORE INCOME TAXES	(63,648)	(83,698)
PROVISION FOR INCOME TAXES	--	455
NET LOSS	$ (63,648)	$ (84,153)
Basic Net (Loss) Income Per Common Share	$ (0.02)	$ (0.37)
Diluted Net (Loss) Income Per Common Share	$ (0.02)	$ (0.37)
Weighted Average Number of Common Shares Outstanding - Basic	3,808,461	227,717

Weighted Average Number of Common Shares Outstanding - Diluted	3,808,461	227,717

See notes to unaudited condensed consolidated financial statements.

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MARKETSHARE RECOVERY, INC AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Period Ended March 31, 2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (63,648)	$ (84,153)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Compensatory element of stock issuances	--	40,271
Depreciation	--	88
Unrealized loss on marketable securities	14,847	--
Changes in operating assets and liabilities:		
Deferred revenue	--	60,956
Prepaid and other current assets	--	(51)
Due to affiliate	--	(45,567)
Accrued expenses and other current liabilities	18,802	44,451
Marketable securities	--	(1,308)
TOTAL ADJUSTMENTS	33,649	98,840
NET CASH PROVIDED BY(USED IN) OPERATING ACTIVITIES	(30,000)	14,687
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	--	(1,055)
NET CASH PROVIDED (USED IN) BY INVESTING ACTIVITIES	--	(1,055)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds letter of intent	75,000	--
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	75,000	--
	45,000	13,632
CASH - Beginning	--	9,877

CASH - Ending	$ 45,000	$ 23,509
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the years for:		
Income taxes	$ --	$ 455

See notes to unaudited condensed consolidated financial statements.

MARKETSHARE RECOVERY, INC. AND SUBSIDIARY
(Formerly Health and Leisure, Inc. and subsidiary)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Marketshare Recovery, Inc. and its subsidiary, which is wholly owned. All significant inter-company accounts and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, the accompanying condensed consolidated financial statements reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly the condensed consolidated financial position and results of operations and cash flows for the periods presented.

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

The condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has had recurring losses from operations and operating cash constraints that raise substantial doubt about the Company's ability to continue as a going concern. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. No assurance can be provided that the Company will be successful in locating additional financing or completing a reverse merger transaction (see Note 4).

NOTE 2 - Marketable Securities

The Company accounts for its investments in marketable securities in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Management determines the appropriate classification of all securities at the time of acquisition and re-evaluates such designation as of each balance sheet date. The Company has classified its marketable equity securities as trading securities and has

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NOTE 2 - Marketable Securities - continued

recorded such securities at fair value. The Company uses the specific identification method to determine realized gains and losses. Unrealized holding gains and losses are included in earnings.

Marketable securities are classified as current assets and are summarized as follows:

Marketable equity securities, at cost	$ 30,363
Marketable equity securities, at fair value	$ 6,545

NOTE 3 - Stockholders' Deficiency

Common Stock Cancelled

In March 2005, 2,642 shares of common stock were cancelled. These shares were originally issued in 2003 to a consultant for services to be provided. The consultant never provided those services and subsequently returned those shares.

NOTE 4 - Proposed Merger

On January 13, 2005 we entered into a letter of intent, which was amended on March 11, 2005 for a possible acquisition of a private development stage company 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. The transaction requires that the new subsidiary would provide funds to pay all of our outstanding debt and escrow funds to cover contingent or undisclosed liabilities and those that have not been settled prior to closing. The general structure of the transaction would involve the merger of the development stage company into a subsidiary to be formed and the consideration for the merger would consist solely of shares of the Company's common stock, which after giving effect to the issuance, cancellation of a substantial amount of shares held by principal stockholders and escrow of remaining shares for the same purposes as the cash escrow, would constitute 90% of the shares then outstanding. The letter of intent has binding confidentiality provisions and the consummation of any transaction is conditioned upon, among other things, the receipt of audited financial statements of the development stage company, the consent of the majority of the holders of the development stage company's common stock, the absence of material claims for appraisal on the part of the development stage company's holders, due diligence and the execution of a definitive merger agreement.

On April 27, 2005 the Company entered into entered into an Agreement and Plan of Merger, dated as of April 27, 2005 with its to be formed wholly owned subsidiary, MarketShare Merger Sub Inc., a Delaware corporation "Merger Sub") and bioMetrx Technologies, Inc. ("bioMetrx"), a developer of proprietary biometrics-based products for the home security and electronic markets. Under the terms of the Agreement, MarketShare will acquire 100% of the total outstanding capital stock of bioMetrx, by combining it with the Merger Sub.

Pursuant to the Agreement, MarketShare agreed to issue to the shareholders of bioMetrx approximately 14,000,000 restricted shares of its common stock. The merger consideration constitutes approximately 90% of the outstanding common stock of MarketShare, post acquisition. Changes to management of MarketShare, including the appointment of Mark Basile as President and CEO, the appointment of new directors and the change of MarketShare's corporate name bioMetrx, are expected to follow in the near future, after closing and subject to compliance with applicable SEC rules. When the corporate name change occurs, the Company will ask the OTCBB to change its trading symbol. Pending such change, MarketShare will continue to trade under the symbol "MKSH."

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ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BACKGROUND

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

MarketShare Recovery, the parent company's operating subsidiary similarly named MarketShare Recovery, Inc., was incorporated in New York in November 2000. The subsidiary, MarketShare Recovery, Inc. was a provider of online direct marketing solutions for enterprises. The solutions enabled corporations to create and deliver online direct marketing programs that drive revenue, influence behavior and deepen customer relationships. Our solutions provided customer insight and powerful program execution through a combination of hosted applications and technology infrastructure.

We had derived our revenues from the sale of solutions that enable businesses to proactively communicate with their customers online. Primarily, these services have consisted of the design and execution of online direct marketing campaigns and additional services provided by our Professional Services organization, including the development and execution of Customer Acquisition programs. Revenue for direct marketing and acquisition campaigns were recognized when persuasive evidence of an arrangement exists, the campaign has been sent, the fee was fixed or determinable and collection of the resulting receivables is reasonably assured. Revenue generated by our professional service organization was typically recognized as the service is provided.

Our ability to grow and operate our existing business was constrained by new technologies and e-mail filtering devices installed at internet service providers and on consumer's personal computers. These programs block our emails from reaching their final destination, which in turn affected our ability to effectively market our services. These technological obstacles have been put in place to combat spam however their effect has been more widespread and has adversely affected our ability to deliver our clients messages to our opt-in database of users. As a result, we found it harder to maintain and grow our business as we were not able to deliver as many advertisements for our clients and in turn had having difficulty in recruiting new sales persons as well as retaining members of our existing sales force.

In 2004, we entered into a database license agreement with 110 Media Group to use and to sublicense the use of our database for a term of ten years for a total license fee of $45,567. For financial reporting, revenue is recognized using the straight-line method, based upon the economic useful life of three years. At March 31, 2005, our remaining deferred revenue of $0 and we are no longer required to perform any further services nor incur any costs related to this agreement.

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As a result of the foregoing, we decided to discontinue that business and sought out new bossiness opportunities. On October 7, 2004, the Company entered into an Asset Purchase Agreement with Palomar Enterprises, Inc. (the "Agreement"). Pursuant to the Agreement, the Company agreed to purchase certain assets, including certain automotive notes and contracts, a business plan and model for an automotive financial services company and a data base of potential customers and $150,000 in cash from Palomar in exchange for 85%, a controlling interest.

On November 2, 2004, by mutual agreement, the Company and Palomar terminated the Agreement. As a result of the foregoing, there will be no change of control of the Company as reported in the Company's Form 8-K filed with the SEC on October 13, 2004.

The Company entered into an Agreement and Plan of Merger, dated as of April 27, 2005 with its to be formed wholly owned subsidiary, MarketShare Merger Sub Inc., a Delaware corporation ("Merger Sub") and bioMetrix Technologies, Inc. ("bioMetrix"), a developer of proprietary biometrics-based products for the home security and electronic markets. Under the terms of the Agreement, MarketShare will acquire 100% of the total outstanding capital stock of bioMetrix, by combining it with the Merger Sub.

Pursuant to the Agreement, MarketShare agreed to issue to the shareholders of bioMetrix approximately 14,000,000 restricted shares of its common stock and each holder of warrants or options of bioMetrix (approximately 402,500) will receive corresponding instruments in MarketShare being substantially the same rights, preferences as the original instrument issued by bioMetrix. The merger consideration constitutes approximately 90% of the outstanding common stock of MarketShare of a fully diluted basis, post acquisition. Changes to management of MarketShare, including the appointment of Mark Basile as President and CEO, the appointment of new directors and the change of MarketShare's corporate name to bioMetrix, are expected to follow in the near future, after closing and subject to compliance with applicable SEC rules. When the corporate name change occurs, the Company will ask the OTCBB to change its trading symbol. Pending such change, MarketShare will continue to trade under the symbol "MKSH."

Founded in 2001, bioMetrix is focused on developing a line of home security products called smartTOUCH which included biometrically enabled residential door locks, central station alarm keypads, thermostats and garage/gate openers. bioMetrix products utilize fingerprint recognition technology designed to augment or replace conventional security methods such as keys, keypads and PIN numbers.

BUSINESS OBJECTIVES

In the event the above transaction is not completed, the Company will seek one or more potential businesses that Management believes warrant the Company's involvement. As a result of its limited resources, the number of potential businesses available will be extremely limited. The Company will not restrict its search to any particular industry. Nevertheless, Management does not intend to become involved with a company that is an investment company under the Investment Company Act of 1940; with a company that is a broker or dealer of investment securities or commodities; or with any company in which the officers, directors or shareholders of the target company are officers or directors of the Company. These business objectives are extremely general and are not intended to be restrictive upon the discretion of Management. Except for the general limitations contained above, management has not developed and does not intend to develop specific criteria to be followed in the search for and selection of a business acquisition, Shareholders will therefore have extremely limited information as to Management's specific intentions and investors will be unable to determine even the industries which management might consider.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES:

The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosures. Certain of our accounting policies are considered critical as they are both important to the portrayal of our financial condition and results of operations and require judgments on the part of management about matters that are uncertain. We have identified the following accounting policies that are important to the presentation of our financial condition and results of operations.

REVENUE RECOGNITION

We had generated revenue from the sale of solutions that enable businesses to proactively communicate with their customers online.

MarketShare Recovery applies the provisions of Staff Accounting Bulletin104 "Revenue Recognition" and recognizes revenue when persuasive evidence of an arrangement exists, the service has been delivered, the fee is fixed or determinable and collection of the resulting receivables is reasonably assured. Customer Marketing revenues are recognized upon sending of the campaigns. Revenues attributable to one-time set-up fees for service initiation are deferred and recognized ratably over the term of the client's service agreement.

Customer Acquisition revenues are derived primarily from programs that assist clients in marketing their respective products or services. Customer Acquisition programs fall into two general categories: CPM mailing programs and CPA campaign programs. CPM mailing programs involve the execution and delivery of email campaigns to a defined number of individuals based on a fixed fee per number of e-mails delivered. The CPM, which stands for cost per thousand will vary based on the specificity of the demographic to whom the campaign is delivered to. CPA campaign programs are performance based campaigns which involve the execution and delivery of email campaigns wherein we are paid either a flat fee of a percentage of a successful sale or acquisition of a customer by one of our clients.

We assess probability of collection based on a number of factors, including our past transaction history with the customer and the credit-worthiness of the customer. New customers and certain existing customers may be subject to a credit review process which evaluates the customers' financial position and ultimately their ability to pay according to the original terms of the arrangement. Based on our review process, if it is determined from the outset or during the term of an arrangement that collection of the resulting receivable is not reasonably assured, then revenue is recognized on a cash-collected basis.

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RESULTS OF OPERATIONS

COMPARISON OF QUARTERS ENDED MARCH 31, 2005 AND 2004

Our net revenue decreased by 100% from $104,963 for the three months ended March 31, 2004 to $0 for the three months ended March 31, 2005. The decrease is due to discontinuation of operations. Cost of revenues decreased from $91,431 for the three months ended March 31, 2004 to $0 for the three months ended March 31, 2005. The decrease in cost of revenues is due to discontinued operations.

Selling, general and administrative expenses decrease by 30% from $67,417 for the three months ended March 31, 2004 to $46,636 for the three months ended March 31, 2005. This decrease is due to the decision to discontinue existing operations.

Other (expenses) income decreased by 43% from $(29,813) for the three months ended March 31, 2004 to $(17,012) for the three months ended March 31, 2005. This decrease is primarily due to a decrease in unrealized loss on marketable securities.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided (used) by operating activities during the three months ended March 31, 2005 amounted to $(30,000) compared to $14,687 during the three months ended March 31, 2004. The decrease in cash is due to the decision to discontinue existing operations.

Cash used in investing activities during the three months ended March 31, 2005 amounted to $0 compared to $1,055 during the three months ended March 31,2004.

Cash provided by financing activities during the three months ended March 31, 2005 amounted to $75,000 compared to $0 during the three months ended March 31, 2004. The company received an advance from a third party in connection with a letter of intent.

In view of our accumulated deficit and recurring losses, there is substantial doubt about our ability to continue as a going concern. In this regard, management adopted the plan to cease operations and seek out new business opportunities development of our video and website product lines as well as seeking additional capital through the private sale of our debt or equity securities. There is no assurance that we will complete the acquisition or that its business will achieve profitable operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We expect to fund operations on a minimal basis until we complete the transaction described above. There is no assurance that this transaction will be consummated. We do not currently have adequate cash reserves to continue to cover such anticipated expenditures and cash requirements. These factors, among others, raise substantial doubt about our ability to continue as a going concern.

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to income tax and marketing related agreements with our affiliates. 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.

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

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

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2003, the FASB issued Interpretation No. 46 (revised), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51," ("FIN 46R"). FIN 46R addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and, accordingly, should consolidate the variable interest entity ("VIE"). FIN 46R replaces FIN46 that was issued in January 2003. All public companies were required to fully implement FIN 46R no later than the end of the first reporting period ending after March 15, 2004. The adoption of FIN 46R had no impact on SiriCOMM's financial condition or results of operations.

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123R (revised 2004), Share-Based Payment, which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. Statement 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to

Employees, and amends FASB Statement No. 95, Statement of Cash Flows. The approach to accounting for share-based payments in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values and no longer allows pro forma disclosure as an alternative to financial statement recognition. The Company will be required to adopt Statement 123(R) at the beginning of its quarter ending March 31, 2006. The Company has not determined what financial statement impact Statement 123(R) will have on the Company.

COMMITMENTS

We do not have any commitments that are required to be disclosed in tabular form as of March 31, 2005.

OFF BALANCE SHEET ARRANGEMENTS

We do not have any off balance sheet arrangements.

ITEM 3: CONTROLS AND PROCEDURES

Pursuant to provisions of the Securities Exchange Act of 1934, the Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under their supervision, for the Company. They have designed such disclosure controls and procedures to ensure that material information relating to the Company, is made known to them by others within the Company, particularly during the periods when the Company's quarterly and annual reports are being prepared.

Changes in Internal Controls. During the first quarter of fiscal year 2005, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. However, we intend to continue to refine our internal controls on an ongoing basis. Our management and our independent auditors have reported to our board of directors certain matters involving internal controls that our independent auditors considered to be material weaknesses, under standards established by the American Institute of Certified Public Accountants. The material weakness relates to the December 31, 2004 financial closing process. Certain adjustments were identified in the annual audit process, related to the accounting for stocks received by customers, payment of commissions with marketable securities, as well as the lack of segregation of duties in the process of cash receipts and disbursements. In addition, there were instances where accounting analyses did not include evidence of a timely review. The adjustments related to these matters were made by the Company in connection with the preparation of the audited financial statements for the year ended December 31, 2004.

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Given these material weaknesses, management devoted additional resources to resolving questions that arose during our year-end audit. As a result, we are confident that our consolidated financial statements for the year ended December 31, 2004 and for this quarter ended March 31, 2005 fairly present, in all material respects, our financial condition and results of operations.

The material weaknesses have been discussed in detail among management, our board of directors and our independent auditors, and we are committed to addressing and resolving these matters fully and promptly, by putting in place the personnel, processes, technology and other resources appropriate to support our revenue recognition and financial close processes. In that regard we will contract a full time CPA who will serve as our CFO and will assist in the preparation of our financial statements, 10-QSB's and 10-KSB's. We have completed a full review of our revenue recognition policy and practices and have implemented a number of process improvements. We completed a review of our financial disclosure process and we have implemented needed improvements in this quarter ending March 31, 2005.

PART II - OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

None

ITEM 2: CHANGES IN SECURITIES AND USE OF PROCEEDS

(a) None

(b) None

(c) None

(d) Not Applicable

ITEM 3.: DEFAULTS UPON SENIOR SECURITIES

None

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

None

ITEM 5.: OTHER INFORMATION

On April 18, 2005, based upon the recommendation of and approval by our board of directors, MarketShare Recovery, Inc. (the "Company") dismissed Marcum & Kliegman LLP ("M&K") as its independent auditor and engaged Wolinetz, Lafazan & Co. P.C. to serve as its independent auditor for the fiscal year ending December 31, 2005.

M&K's reports on the Company's consolidated financial statements for each of the fiscal years ended December 31, 2004 and 2003 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. However, M&K's reports each contained an explanatory paragraph about the Company's ability to continue as a going concern.

During the years ended December 31, 2004 and 2003 and through April 18, 2005, there were no disagreements with M&K on any matter of accounting principle or practice, financial statement disclosure or auditing scope or procedure which, if not resolved to M&K's satisfaction, would have caused them to make references to the subject matter in connection with their reports of the Company's consolidated financial statements for such years.

ITEM 6.: EXHIBITS AND REPORTS ON FORM 8-K

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

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

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

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

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

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SIGNATURES

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

Dated: May ___, 2005 MARKETSHARE RECOVERY, INC.

By: /s/ Raymond Barton

Raymond Barton
Chief Executive Officer

By: /s/ Timothy Schmidt

Timothy Schmidt
Chief Financial Officer