BioElectronics Corp
Form 10-Q
May 12, 2010

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

FORM 10-Q

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

For Quarter Ended March 31, 2010

Commission File Number 021-74972

BIOELECTRONICS CORPORATION

(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	52-2278149 (I.R.S. employer identification number)

4539 Metropolitan Court
Frederick, Maryland 21704
(Address of principal executive offices and zip code)

Phone: 301.874.4890
Fax: 301.874.6935
(Registrant's telephone number, including area code)

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 Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such returns), (2) has been subject to such filing requirements for the past 90 days. YES o NO þ

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES o NO o

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 definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o	Smaller Reporting Company þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO þ

Number of shares of common stock, issued and outstanding as of May 11, 2010 is 1,471,998,871.

BIOELECTRONICS CORPORATION
FORM 10-Q

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

BioElectronics Corporation (A Development Stage Company)
Condensed Balance Sheets

	March 31, 2010 (Unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 93,561	$ 296,352
Trade and other receivables, net	89,591	402,003
Trade receivables assigned to related party, net	503,136	-
Trade receivable from related parties	109,970	165,297
Inventory	357,478	201,359
Prepaid expenses and others	157,802	102,635
Total current assets	1,311,538	1,167,646
Property and equipment	138,319	93,502
Less: Accumulated depreciation	(84,873)	(79,921)
Property and equipment, net	53,446	13,581
Total assets	$ 1,364,984	$ 1,181,227
Liabilities and stockholders' deficiency		
Current liabilities:		
Accounts payable	$ 193,620	$ 85,661
Accrued expenses	57,579	43,241
Notes payable	2,711	12,654
Financing of receivables with related party	53,584	-
Total current liabilities	307,494	141,556
Long-term liabilities:		
Related party notes payable	2,298,197	1,824,176
Total liabilities	2,605,691	1,965,732
Commitments and contingencies		
Stockholders' deficiency:		
Common stock, par value $0.001 per share, 1,500,000,000 shares authorized at March 31, 2010 and December 31, 2009 and 1,471,998,871 and 1,470,998,871 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively	1,471,999	1,470,999
Additional paid-in capital	8,446,426	8,408,986

Deficit accumulated during the development stage		(11,159,132)		(10,664,490)
Total stockholders' deficiency		(1,240,707)		(784,505)
Total liabilities and stockholders' deficiency	$	1,364,984	$	1,181,227

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

3

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Operations
(Unaudited)

	For the three months ended March 31, 2010	2009	Period from April 10, 2000 (Inception) to March 31, 2010
Sales	$ 281,767	$ 294,581	$ 3,733,351
Cost of Goods Sold	121,063	75,883	1,635,556
Gross profit	160,704	218,698	2,097,795
General and Administrative Expenses:			
Depreciation and Amortization	6,771	3,645	103,484
Investor Relations Expenses	45,899	5,390	1,640,460
Legal and Accounting Expenses	200,936	18,698	983,987
Sales Support Expenses	71,767	93,792	1,499,697
Other General and Administrative Expenses	300,575	138,866	7,486,709
Total General and Administrative Expenses	625,948	260,391	11,714,337
Loss from Operations	(465,244)	(41,693)	(9,616,542)
Interest Expense and Other:			
Interest Expense	(29,398)	(19,797)	(1,506,738)
Loss on Disposal of Assets	-	-	(35,852)
Total Interest Expense and Other	(29,398)	(19,797)	(1,542,590)
Loss Before Income Taxes	(494,642)	(61,490)	(11,159,132)
Provision for Income Tax Expense	-	-	-
Net loss	$ (494,642)	$ (61,490)	$ (11,159,132)
Net loss Per Share - Basic and Diluted	$ (0.00)	$ (0.00)	N/A
Weighted Average Number of Shares Outstanding - Basic and Diluted	1,471,332,204	400,727,694	N/A

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

BioElectronics Corporation (A Development Stage Company)
Condensed Statements of Cash Flows
(Unaudited)

	For the three months ended March 31, 2010	2009	Period from April 10, 2000 (Inception) to March 31, 2010
Cash flows from Operating Activities:			
Net loss	$ (494,642)	$ (61,490)	$ (11,159,132)
Adjustment to Reconcile Net Loss to Net Cash Used In Operating Activities:			
Depreciation and amortization	6,771	3,645	105,055
Provision for bad debts	-	-	58,255
Amortization of non-cash debt issuance costs	-	-	725,373
Non-cash expenses	-	649	1,455,978
Stock-based employee compensation expense	36,190	-	74,131
Non-cash interest related to notes payable	-	5,017	592,418
Non-cash interest related to related party notes payable	29,021	14,780	116,724
Adjustment of related party notes payable	-	77,397	(266,490)
Amortization of loan costs	-	-	129,852
Increase in related party notes payable for services rendered	-	-	562,776
Loss on disposal of property and equipment	-	-	35,852
Changes in Assets and Liabilities			
(Increase) Decrease in:			
Trade and other receivables	346,203	(62,011)	(279,350)
Trade receivables assigned to related party	(536,927)	-	(536,927)
Inventory	(156,119)	(74,422)	(357,478)
Trade receivable from related parties	55,327	-	55,327
Prepaid expenses and others	(56,986)	(1,152)	(146,966)
Increase (Decrease) in:			
Accounts payable	107,959	(38,609)	333,868
Accrued expenses	16,588	(3)	268,271
Customer deposits	-	(79,376)	-
Net cash used in operating activities	(646,615)	(215,575)	(8,232,463)
Cash flows from Investing Activities			
Acquisition of property and equipment	(44,817)	-	(173,546)
Net cash Used in Investing Activities	(44,817)	-	(173,546)
Cash flows from Financing Activities			
Proceeds from note payable, net of loan costs of $10,000	-	-	1,090,148
Payments on note payable	(9,943)	(51,000)	(538,162)
Proceeds from related party notes payable	445,000	96,600	5,249,953
Proceeds from financing of receivables with related party	64,916	-	64,916
Payments on related party notes payable	-	(8,600)	(969,803)

Payments for financing of receivables with related party		(11,332)		-		(11,332)
Proceeds from issuance of common stock		-		147,000		3,623,837
Other		-		-		(9,987)
Net cash provided by financing activities		488,641		184,000		8,499,570
Net increase (Decrease) in cash		(202,791)		(31,575)		93,561
Cash- Beginning of Period		296,352		55,278		-
Cash- End of Period	$	93,561	$	23,703	$	93,561
Supplemental Disclosures of Cash Flow Information:						
Cash paid during the periods for:						
Interest	$	377	$	-	$	67,009
Supplemental Schedule of Non-Cash Investing and Financing Activities:						
Conversion of debt and accrued interest into common stock	$	-	$	163,640		N/A
Issuance of common stock from accrued expense	$	2,250	$	-		2,250
Conversion of warrants into common stock	$	-	$	-	$	5,336
Prepaid insurance expense through issuance of notes	$	-	$	-	$	12,654
Equipment purchases financed through capital leases and notes payable	$	-	$	-	$	9,986

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

5

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The unaudited condensed financial statements included herein have been prepared by BioElectronics Corporation (the "Company", "we" or "us"), a Maryland corporation without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly state such information. All such adjustments are of a normal recurring nature. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such rules and regulations.

The year-end condensed balance sheet data were derived from audited financial statements but do not include all disclosures required by accounting principles generally accepted in the United States of America. Certain reclassifications were made to the prior year financial statement amounts to conform to current year presentation. These financial statements should be read in conjunction with the audited financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on March 31, 2010.

The independent registered public accounting firm's report on the financial statements for the fiscal year ended December 31, 2009 states that because of recurring substantial losses from operations and a deficit accumulated during the development stage, there is substantial doubt about the Company's ability to continue as a going concern. A "going concern" opinion indicates that the financial statements have been prepared assuming the Company will continue as a going concern and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DEVELOPMENT STAGE COMPANY

As defined by ASC Topic 915, "Development Stage Entities" (formerly SFAS 7, "Accounting and Reposting by Development Stage Enterprises"), the Company is devoting substantially all of its present efforts to developing its business. Additionally, the Company has not yet commenced one of its planned principal activities, the sales of products in the U.S. retail market. All losses accumulated since inception have been considered as part of the Company's development stage activities. Costs of start-up activities, including organizational costs, are expensed as incurred.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TRADE RECEIVABLES

The Company maintains reserves on customer accounts where estimated losses may result from the inability of its customers to make required payments. These reserves are determined based on a number of factors, including the current financial condition of specific customers, the age of trade and other receivable balances and historical loss rate. The allowance for doubtful accounts was $33,791 at both March 31, 2010 and December 31, 2009. Bad debt expense for the three months ended March 31, 2010 and March 31, 2009 were both $0.

ADVERTISING COSTS

The Company expenses the costs associated with advertising as incurred. Costs incurred to fund the production of advertisements are reported as a prepaid expense if the related advertisement has not yet been broadcast. Prepaid advertising cost incurred to fund the production of Infomericals was $43,196 and $34,014 at March 31, 2010 and December 31, 2009, respectively. During the three months ended March 31, 2010, $1,819 of Infomercials costs were amortized. Amortization costs for the three months ended March 31, 2009 were $0.

ISSUANCE OF STOCK FOR NON-CASH CONSIDERATION

All issuances of the Company's stock for non-cash consideration are assigned a per share amount based on either the market value of the shares issued or the value of consideration received, whichever is more readily determinable. The majority of the non-cash consideration pertains to services rendered by consultants and others. The fair value of the services received was used to record the related expense and value attributed to the shares issued. On March 18, 2010, the Company issued 1,000,000 common shares to a consultant in respect of services provided in the year ended December 31, 2009. The shares were valued at $0.00225 per share (or $2,250 in aggregate) and were issued in payment of accrued liability related to services rendered by a consultant in 2009.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS

Disclosure of Fair Value Measurements
In January 2010, the Financial Accounting Standards Board ("FASB") issued a final Accounting Standards Update ("ASU") that sets forth additional requirements and guidance regarding disclosures of fair value measurements. The ASU requires the gross presentation of activity within the Level 3 fair value measurement roll forward and details of transfers in and out of Level 1 and Level 2 fair value measurements. It also clarifies two existing disclosure requirements within the current fair value authoritative guidance on the level of disaggregation of fair value measurements and disclosures on inputs and valuation techniques. The new requirements and guidance are effective for interim and annual periods beginning after December 15, 2009, which for us means our first quarterly period ending on March 31, 2010, except for the Level 3 roll forward requirements which is effective for interim and annual periods beginning after December 15, 2010, which for us means our first quarterly period ending on March 31, 2011. The adoption of the disclosures effective this quarter did not have an impact on our financial position, results of operations or cash flows. Additionally, we do not expect the adoption of the disclosures which were deferred until the first quarter 2011 to have an impact on our financial position, results of operations or cash flows.

Stock Based Compensation
ASU 2010-13 provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in ASU 2010-13 are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010 and are not expected to have a significant impact on the Company's financial statements.

Accounting for the Transfers of Financial Assets
In June 2009, the FASB issued new guidance relating to the accounting for transfers of financial assets. The new guidance, which was issued as SFAS No. 166, Accounting for Transfers of Financial Assets, an amendment to SFAS No. 140, was adopted into Codification in December 2009 through the issuance of Accounting Standards Updated ("ASU") 2009-16. The new standard eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity's continuing involvement in and exposure to the risks related to transferred financial assets. The new guidance is effective for fiscal years beginning after November 15, 2009. The Company does not expect that the provisions of the new guidance will have a material effect on its financial statements.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for Variable Interest Entities
In June 2009, the FASB issued revised guidance on the accounting for variable interest entities. The revised guidance, which was issued as SFAS No. 167, Amending FASB Interpretation No. 46(R), was adopted into Codification in December 2009 through the issuance of ASU 2009-17. The revised guidance amends FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities, in determining whether an enterprise has a controlling financial interest in a variable interest entity. This determination identifies the primary beneficiary of a variable interest entity as the enterprise that has both the power to direct the activities of a variable interest entity that most significantly impacts the entity's economic performance, and the obligation to absorb losses or the right to receive benefits of the entity that could potentially be significant to the variable interest entity. The revised guidance requires ongoing reassessments of whether an enterprise is the primary beneficiary and eliminates the quantitative approach previously required for determining the primary beneficiary. The Company does not expect that the provisions of the new guidance will have a material effect on its financial statements.

Revenue Recognition
In October 2009, the FASB issued ASU 2009-13, Multiple-Deliverable Revenue Arrangements. The new standard changes the requirements for establishing separate units of accounting in a multiple element arrangement and requires the allocation of arrangement consideration to each deliverable based on the relative selling price. The selling price for each deliverable is based on vendor-specific objective evidence ("VSOE") if available, third-party evidence if VSOE is not available, or estimated selling price if neither VSOE or third-party evidence is available.

ASU 2009-13 is effective for revenue arrangements entered into in fiscal years beginning on or after June 15, 2010. The Company does not expect that the provisions of the new guidance will have a material effect on its financial statements.

In October 2009, the FASB issued Accounting Standards Update No. 2009-14, "Certain Revenue Arrangements That Include Software Elements" ("ASU No. 2009-14"). ASU No. 2009-14 amends guidance included within ASC Topic 985-605 to exclude tangible products containing software components and non-software components that function together to deliver the product's essential functionality. Entities that sell joint hardware and software products that meet this scope exception will be required to follow the guidance of ASU No. 2009-13. ASU No. 2009-14 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption and retrospective application are also permitted. The Company does not expect that the provisions of the new guidance will have a material effect on its financial statements.

Subsequent Events
ASU 2010-09 amends ASC Subtopic 855-10, "Subsequent Events – Overall" ("ASC 855-10") and requires an SEC filer to evaluate subsequent events through the date that the financial statements are issued but removed the requirement to disclose this date in the notes to the entity's financial statements. The amendments are effective upon issuance of the final update and accordingly, the Company has adopted the provisions of ASU 2010-09 during the quarter ended March 31, 2010. The adoption of these provisions did not have a significant impact on the Company's financial statements.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 3 – GOING CONCERN

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. The Company has incurred substantial losses from operations. The Company sustained a net loss of $494,642 for the three months ended March 31, 2010. The Company is currently seeking financing to provide the needed funds for operations. However, the Company can provide no assurance that it will be able to obtain the financing it needs to continue its efforts for market acceptance, obtain U.S. FDA approval, maintain operations and alleviate doubt about its ability to continue as a going concern.

NOTE 4 - INVENTORY

The components of inventory as of March 31, 2010 and December 31, 2009 are:

	March 31, 2010	December 31, 2009
Raw materials	$ 69,961	$ 27,900
Finished goods	287,517	173,459
	$ 357,478	$ 201,359

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at March 31, 2010 and December 31, 2009:

	March 31, 2010	December 31, 2009
Machinery & Equipment	$ 131,437	$ 86,620
Leasehold improvements	6,882	6,882
	138,319	93,502
Less: accumulated depreciation	(84,873)	(79,921)
Total property and equipment, net	$ 53,446	$ 13,581

Depreciation expense on property and equipment amounted to $4,952 and $3,645 for the three months ended March 31, 2010 and March 31, 2009, respectively.

NOTE 6 – INSURANCE PREMIUM FINANCING

During 2009, the Company entered into an insurance premium financing agreement with an independent company to purchase insurance policies for directors' and officers' liability, general liability and product liability. The annual interest rate was 6.26%. The remaining balance of the amount financed was $12,654 as of December 31, 2009 and $9,943 payment was made during the three months ended March 31, 2010. The interest expense for this note was $100 for the three months ended March 31, 2010. The outstanding payable balance at March 31, 2010 was $2,711, which is due in full by May 31, 2010.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 7 – FINANCING OF RECEIVABLES WITH RELATED PARTY

The Company entered into an agreement (the "Agreement") on March 5, 2010, with Jarenz LLC ("Jarenz"), a related party, pursuant to which Jarenz is providing accounts receivable financing and collection services to the Company.

The Agreement provides for the Company to assign certain accounts receivable balances to Jarenz in exchange for a Cash Advance Amount of up to 80% of the face value of the receivables transferred; such amount determined upon discussions between the parties. Following collection of the related receivable, Jarenz pays the balance thereof to BioElectronics minus the initial down payment and a discount fee earned by Jarenz.

Jarenz's discount fee is a percentage, between 1% to 9.5%, of the Cash Advance Amount based upon the number of days elapsing between the date of purchase by Jarenz and the date of collection of the related accounts receivable.

The Company accounts for transactions under the Agreement as secured borrowings since the Company has not surrendered control of the transferred accounts receivable to Jarenz under the Agreement. The Company reports the proceeds received from Jarenz as a current liability. The discount fee and any subsequent interest payments are recorded as interest expense in the Statement of Operations. The accounts receivable balance at March 31, 2010 includes receivables amounting to $536,927 which have been assigned to Jarenz under the Agreement. The Company recorded an allowance for doubtful accounts of $33,791 against this receivable as of March 31, 2010.

As at March 31, 2010, Jarenz received $85,247 from the assigned receivables which was not yet forwarded to the Company. Interest expense of $277 was recorded for the three months ended March 31, 2010. Jarenz is a limited liability company, whose owner is the daughter of the President of the Company.

NOTE 8 – RELATED PARTY NOTES PAYABLE

On January 1, 2005, the Company entered into an unsecured revolving convertible promissory note agreement ("the Revolver") with IBEX, LLC ("IBEX") a related party, for a maximum limit of $2,000,000, with interest at the Prime Rate plus 2% (5.25% for the three months ended March 31, 2010), and all accrued interest and principal due on or before January 1, 2015, whether by the payment of cash or by conversion into shares of the Company's common stock. The Revolver is convertible at various conversion prices based on the VWAP for the 10 trading days preceding the date of conversion. IBEX, LLC is a limited liability company, whose President is the daughter of the President of the Company. The balance of the Revolver was $1,304,626 as at March 31, 2010.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 8 – RELATED PARTY NOTES PAYABLE (CONTINUED)

In addition to the Revolver as described above, on August 1, 2009, the Company entered into a convertible promissory note agreement with IBEX, for $519,920, with simple interest at 8% per annum. All accrued interest and principal are due on or before August 31, 2011, whether by the payment of cash or by conversion into shares of the Company's common stock. The promissory note is convertible equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price of $.019 per share. According to the Security Agreement dated August 1, 2009, the Company grants IBEX a security interest in, all of the right, title, and interest of the Company, in and to all of the Company's personal property and intellectual property, and all proceeds or replacements as collaterals.

On February 9, 2010, the Company entered into a convertible promissory note agreement with IBEX, for $135,000, with simple interest at 8% per annum. All accrued interest and principal are due on or before February 2, 2012, whether by the payment of cash or by conversion into shares of the Company's common stock. The promissory note is convertible equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price of $.01 per share. According to the Security Agreement dated February 9, 2010, the Company grants IBEX a security interest in, all of the right, title, and interest of the Company, in and to all of the Company's personal property and intellectual property, and all proceeds or replacements as collaterals.

On March 31, 2010, the Company entered into a convertible promissory note agreement with IBEX, for $310,000, with simple interest at 8% per annum. All accrued interest and principal are due on or before March 31, 2012, whether by the payment of cash or by conversion into shares of the Company's common stock. The promissory note is convertible equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price of $.01 per share.

Total interest expense incurred on the related party notes payable for the three months ended March 31, 2010 and 2009 was $29,021 and $14,780, respectively.

BioElectronics Corporation (A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE 9 – LOSS PER SHARE

The following table sets forth the computation of basic and diluted share data:

	Three months ended March 31, 2010	2009
Common Stock:		
Weighted average number of shares outstanding – basic	1,471,332,204	400,727,694
Effect of dilutive securities:		
Options and Warrants	-	-
Weighted average number of shares outstanding – diluted	1,471,332,204	400,727,694
Options and Warrants not included above (anti-dilutive)		
Options to purchase common stock	51,550,000	350,000
Warrants to purchase common stock	332,000	4,844,444
	51,882,000	5,194,444

NOTE 10 – SHARE BASED COMPENSATION

On November 30, 2004, as amended March 22, 2005, the Company adopted the BioElectronics Equity Incentive Plan ("the Plan"), for the purpose of providing incentives for officers, directors, consultants and key employees to promote the success of the Company, and to enhance the Company's ability to attract and retain the services of such persons. The Plan initially reserved 10 million shares of common stock for issuance, which was amended to 100 million shares on March 1, 2010. The issuance can be in the forms of options or shares. The options may be incentive, nonqualified or stock appreciation rights. The shares may be issued for performance.

As of March 31, 2010, the Company had 40,365,000 shares available for future grant under the Plan.

Restricted Stock

The following table is a summary of activity related to restricted stock grants to directors, consultants and key employees for the three months ended March 31, 2010:

Restricted shares granted		53,750,000
Weighted average grant date fair value per share	$	0.01515
Aggregate grant date fair value	$	814,045