BioElectronics Corporation

UNAUDITED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

Trading Symbol: BIEL
CUSIP Number: 09062H108

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.

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BioElectronics Corporation
Balance Sheets
(Unaudited)

	September 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 28,377	$ 92,906
Trade and other receivables, net	187,833	64,718
Inventory	219,108	294,982
Other Current Assets	12,617	15,534
Total current assets	447,935	468,140
Property and equipment	181,061	181,061
Less: Accumulated depreciation	(181,061)	(180,232)
Property and equipment, net	-	829
Total assets	$ 447,935	$ 468,969
Liabilities and stockholders' deficiency		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,691,823	$ 956,069
Deferred revenue	536,330	536,330
Related party notes payable, current portion	7,800,971	6,588,895
Notes Payable, current portion	742,849	723,188
Total current liabilities	10,771,973	8,804,482
Noncurrent liabilities:		
Related party notes payable	3,234,980	4,166,457
Notes Payable	551,833	520,679
Total noncurrent liabilities	3,786,813	4,687,136
Total liabilities	14,558,786	13,491,618
Stockholders' deficiency:		
Common stock, par value $0.001 per share, 25,000,000,000 shares authorized at September 30, 2019 and December 31, 2018, respectively, and 22,917,518,736 and 20,706,218,020 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively.	22,917,519	20,706,218
Additional paid-in capital	-	1,032,484
Accumulated deficit	(37,028,370)	(34,761,351)
Total stockholders' deficiency	(14,110,851)	(13,022,649)
Total liabilities and stockholders' deficiency	$ 447,935	$ 468,969

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BioElectronics Corporation
Statements of Operations
For the Three and Nine Months Ended September 30, 2019 and 2018
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Sales	$ 113,019	$ 211,980	$ 583,963	$ 896,989
Cost of Goods Sold	40,373	120,488	184,346	485,967
Gross profit	72,646	91,492	399,617	411,022
General and Administrative Expenses:				
Investor Relations Expenses	3,924	4,592	17,851	17,740
Legal and Accounting Expenses	18,107	23,762	59,303	123,745
Sales Support Expenses	72,474	185,283	293,829	589,349
Research and Development	223,370	196,109	522,929	421,697
Other General and Administrative Expenses	365,878	160,762	645,757	577,670
Total General and Administrative Expenses	683,753	570,508	1,539,669	1,730,201
Loss from Operations	(611,107)	(479,016)	(1,140,052)	(1,319,179)
Interest Expense	(207,188)	(250,438)	(719,567)	(690,518)
Loss Before Income Taxes	(818,295)	(729,454)	(1,859,619)	(2,009,697)
Provision for Income Tax Expense	-	-	-	-
Net loss	$ (818,295)	$ (729,454)	$ (1,859,619)	$ (2,009,697)
Net loss Per Share - Basic and Diluted	$ (0.00004)	$ (0.00004)	$ (0.00009)	$ (0.00010)
Weighted Average Number of Shares Outstanding - Basic and Diluted	22,267,911,507	19,573,064,561	21,811,868,378	19,400,827,395

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Statements of Cash Flows
For the Nine Months Ended September 30, 2019 and 2018
(Unaudited)

	2019	2018
Cash Flows From Operating Activities:		
Net Loss	$ (1,859,619)	$ (2,009,697)
Depreciation and amortization	829	1,657
Provision for bad debts	25,413	37,627
Non-Cash Interest on notes payable	14,881	20,917
Non-Cash Interest on related party notes payable	634,016	589,447
(Increase) Decrease in:		
Trade and other receivables	(148,528)	(127,992)
Inventory	75,874	(26,540)
Prepaid Expenses and Other Current Assets	2,917	-
Increase (Decrease) in:		
Accounts payable and accrued expenses	735,754	139,223
Deferred revenue	-	151,968
Net Cash Used In Operating Activities	(518,463)	(1,223,390)
Cash Flows Used In Investing Activities	-	-
Cash Flows From Financing Activities		
Proceeds from note payable	276,485	845,126
Payments on note payable	(240,551)	(169,219)
Exercise of Stock Options		7,750
Proceeds from related party notes payable	418,000	538,782
Net Cash Provided By Financing Activities	453,934	1,222,439
Net Increase (Decrease) In Cash	(64,529)	(951)
Cash- Beginning of Period	92,906	8,894
Cash- End of Period	$ 28,377	$ 7,943
Supplemental Disclosures Of Cash Flow Information:		
Cash paid during the periods for interest	$ 96,468	$ 70,531
Supplemental Schedule of Non-Cash Investing and Financing Activities:		
Conversion of debt and accrued interest into common stock	$ 771,417	$ 320,670
Issuance of convertible debt with beneficial conversion interest	$ 418,000	$ 1,105,783

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NOTE 1- NATURE OF BUSINESS

BioElectronics is an electroceutical company that develops wearable, neuromodulation devices to safely mitigate neurological diseases and improve quality of life. Our innovative pulsed shortwave therapy technology (PSWT) that uses low power pulsed electromagnetic fields regulate electrical activity of the nervous system. The neuromodulation basis of PSWT presents significant opportunities for BioElectronics to develop optimized technology for diabetic neuropathy, postoperative surgery, chronic wounds, and other applications.

Our current OTC product line includes ActiPatch® Musculoskeletal Pain Therapy, Allay® Menstrual Pain Therapy, Smart Insole™ Heel Pain Therapy, and RecoveryRx® Post-operative and Chronic Wounds Therapy. The US FDA clearance is for our flagship product the ActiPatch® Musculoskeletal Pain Therapy, developed to relieve chronic pain. ActiPatch is a drug-free, wearable nonprescription medical device that provides 720-hours (90, 8-hour treatments) of on/off therapy. Most users obtain relief with only 8 hours per day of use, so the device will generally last several months, depending on use.

In February 2017, BioElectronics announced that it received over-the-counter use market clearance from the US FDA for ActiPatch® for the adjunctive treatment of musculoskeletal pain related to plantar fasciitis of the heel, and osteoarthritis of the knee. On July 1, 2019 the Company announced that it has received market clearance from the United States Food and Drug Administration (US FDA) for its RecoveryRx® medical device, for the treatment of postoperative pain. The 510k application for the treatment of general musculoskeletal pain is under review.

The chronic pain market is larger than diabetes, heart disease, and cancer combined, with 20% of adults globally suffering from chronic pain. ActiPatch addresses the unmet need for 1.5 billion worldwide chronic pain sufferers. The Company's medical devices modulate the body's nerve activity to dampen the pain perception, which reduces drug use. RecoveryRx will be an ideal choice in reducing postoperative pain and exposure to long-term effects of opioid/NSAID therapy.

Ken McLeod, PhD. Director of Clinical Science and Engineering Research, Binghamton University Sate University of New York, explains in a short video how the technology and ActiPatch works at http://actipatch.com/why-actipatch/ . The technology has the potential to become the standard of care throughout the healthcare continuum across the OTC and healthcare markets. BioElectronics' technology offers significant opportunities in menstrual pain, heel pain, migraine headaches, diabetic neuropathy, postoperative surgery, chronic wounds, bone growth stimulation, and other applications.

The Company has focused attention on international customers to expand its distributions and sales. The Company has established distribution agreements with distributors in the United Kingdom, Sweden, Southeast Asia, Canada, Australia, Spain, Italy and Austria. The distribution agreements grant the right to sell BioElectronics' products in certain territories. The distributors are responsible for advertising and promotion in their assigned territories. In addition, the distributors are subject to minimum annual product purchases, minimum initial purchases, and minimum inventory requirements.

The United Kingdom's National Health Services has recently reduced its funding for hip and knee replacement surgeries. We anticipate the restoration of this budget allowance in the near future.

NOTE 1- NATURE OF BUSINESS (Continued)

The transfer of our UK over-the-counter product sales to reimbursable prescription sales behind the pharmacy counter mandates that the customer obtain a prescription from their assigned physician. As a prescription product, ActiPatch is available for free to 80 to 90% of the population in all 14,000 pharmacies. ActiPatch therapy has proven to be successful for managed care providers, with clinical economic evidence of a 58% reduction in office visits and a 36% reduction in medication costs, and an overall 41% saving in chronic pain sufferers' costs.

As of September 30, 2019, the Company has three substantive orders that have been received, and are currently being held to ship and record, pending international market clearances.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Update (“ASU”) of the Financial Accounting Standards Board (“FASB”). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, the Company’s management evaluates its estimates, which include, but are not limited to, estimates related to accrued expenses, stock-based compensation expense, and reported amounts of revenues and expenses during the reported period. The Company bases its estimates on historical experience and other market-specific or other relevant assumptions that it believes to be reasonable under the circumstances. Actual results may differ from those estimates or assumptions.

Cash and Cash Equivalents

Cash and cash equivalents consist of funds held with commercial banks and financial institutions. The Company considers all investments in highly liquid financial instruments with an original maturity of three months or less at the date of purchase to be cash equivalents.

Fair Value Measurements

The Company's financial instruments include cash and cash equivalents. The Company follows the guidelines in ASC 820, "*Fair Value Measurements and Disclosures"*. Fair value is defined as the price that would be received from selling an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company applies the following fair value, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 - Quoted prices in active markets for identical assets and liabilities.

Level 2 - Observable inputs, other than quoted prices, in active markets for identical assets and liabilities in inactive markets, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques, including option pricing models and discounted cash flow models.

The Company periodically evaluates financial assets and liabilities subject to fair value measurements to determine the appropriate level at which to classify them each reporting period. This determination requires the Company to make subjective judgments as to the significance of inputs used in determining fair value and where such inputs lie within the ASC 820 hierarchy.

The Company had no assets or liabilities that were measured using quoted prices for similar assets and liabilities or significant unobservable inputs (Level 2 and Level 3 assets and liabilities, respectively) as of September 30, 2019 and December 31, 2018. The carrying value of cash held in money market funds of $28,377 and $92,906 as of September 30, 2019 and December 31, 2018, respectively, is included in cash and cash equivalents and approximates market values based on quoted market prices (Level 1 inputs).

Concentration of Credit Risk

Credit risk represents the risk that the Company would incur a loss if counterparties failed to perform pursuant to the terms of their agreements. Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents. These deposits and funds may be redeemed upon demand and, therefore, bear minimal risk. The Company does not anticipate any losses on such balances.

Property and Equipment

Property and equipment includes leasehold improvements, office furniture and computers, and all are recorded at cost and depreciated on a straight-line basis over estimated useful lives of five years. Upon retirement or disposition of assets, the costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations.

Expenditures for repairs and maintenance are charged to operations as incurred; major replacements that extend the useful life are capitalized.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Company sells its products to wholesale distributors, directly to hospitals and clinics, and now also directly to consumers with the US FDA market clearance. Revenue is recognized when evidence of an arrangement exists, pricing is fixed and determinable, collection is reasonably assured, and shipment has occurred. Payment is due in most cases on a net basis of 60 days. If the customer is deemed not credit worthy, payment in advance is required. Payments received in advance of when revenue is recognized are recorded as deferred revenue on the balance sheets and recognized as revenue when the goods are shipped and all other general revenue recognition criteria have been met. No allowance for sales returns is required for the nine months ended September 30, 2019 and 2018. Defective units are replaced at the request of the customer.

Accrued Liabilities

The Company is required to estimate accrued liabilities as part of the process of preparing its financial statements. The estimation of accrued liabilities involves identifying services that have been performed on the Company's behalf, and then estimating the level of service performed and the associated cost incurred for such services as of each balance sheet date. Pursuant to the Company's assessment of the services that have been performed, the Company recognizes these expenses as the services are provided.

Research and development expenses

Research and development costs are charged to expense as incurred in performing research and development activities. The costs include employee compensation costs, facilities and overhead, clinical study costs, regulatory and other related costs.

Stock-based compensation expense

The Company accounts for its stock-based compensation awards to employees and directors in accordance with FASB ASC Topic 718, *Compensation-Stock Compensation* ("ASC 718"). ASC 718 requires all stock-based payments to employees, including grants of employee stock options and restricted stock, to be recognized in the statements of operations based on their grant date fair values. Compensation expense related to awards to employees is recognized on a straight-line basis based on the grant date fair value over the associated service period of the award, which is generally the vesting term. Share-based payments issued to non-employees are recorded at their fair values, and are periodically revalued as the equity instruments vest and are recognized as expense over the related service period in accordance with the provisions of ASC 718 and FASB ASC Topic 505, *Equity,*("ASC 505") and are expensed using an accelerated attribution model.

The Company estimates the fair value of its stock options using the Black- Scholes option pricing model, which requires the input of subjective assumptions, including (a) the expected volatility of the Company's stock price, (b) the expected term of the award, (c) the risk-free interest rate,

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) expected dividends and (e) the estimated fair value of the Company's common stock on the measurement date. The Company's actual historical stock price volatility data is the basis for expected volatility.

Income taxes

Income taxes are recorded in accordance with FASB ASC Topic 740, *Income Taxes* ("ASC 740"), which provides for deferred taxes using an asset and liability approach. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and the tax reporting basis of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The Company provides a valuation allowance against net deferred tax assets unless, based upon the available evidence, it is more likely than not that the deferred tax assets will be realized. The Company has evaluated available evidence and concluded that the Company may not realize the benefit of its deferred tax assets; therefore, a valuation allowance has been established for the full amount of the deferred tax assets.

The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740. When uncertain tax positions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit will more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances. As of September 30, 2019 and December 31, 2018, the Company does not have any significant uncertain tax positions. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

Earnings per share

Basic earnings per share attributable to common stockholders is calculated by dividing net loss attributable to common stockholders by the weighted average shares outstanding during the period, without consideration for common stock equivalents.

Diluted earnings per share attributable to common stockholders is calculated by adjusting weighted average shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury-stock and if-converted methods. For purposes of the diluted net loss per share attributable to common stockholders' calculation, stock options, unvested restricted stock, and warrants are considered to be common stock equivalents but have been excluded from the calculation of diluted net loss per share attributable to common stockholders, as their effect would be anti-dilutive for all periods presented. Therefore, basic and diluted net loss per share were the same for all periods presented.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements

The Company adopts new pronouncements relating to generally accepted accounting principles applicable to the Company as they are issued, which may be in advance of their required effective date. Management does not believe that any pronouncement not yet effective but recently issued would, if adopted, have a material effect on the accompanying financial statements.

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 $59,193 at September 30, 2019 and $29,193 at December 31, 2018.

Inventory

Inventory is valued at the lower of cost or market using the first-in, first-out method. Market is current replacement cost.

Stockholders' Equity Transactions

On June 18, 2009, the Company authorized to increase the number of common shares from 750,000,000 to 1,000,000,000, with multiple increases to get to 16,000,000,000 in 2016, and additional increases to 20,000,000 in 2017, and to 25,000,000 in 2018. These increases are a result of the continued requirement to cover the potential issuance of common stock resulting from the conversion of debt to equity. The holders of the remaining shares to be issued upon conversion or exercise of equity instruments can sell those shares into the public market. The resale of these shares could have a negative impact on the stock price, and these conversions would have a dilutive impact on our shareholders. As a result, our net income per share could decrease for future periods, and the market price of our common stock could decline.

NOTE 3 – GOING CONCERN

The Company has incurred substantial losses from operations. The Company sustained a net loss of $1,859,619 for the nine months ended September 30, 2019, and a cumulative net loss since inception of $37.0 million. 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, and to maintain operations, and thus there is substantial doubt of the Company's ability to continue as a going concern.

NOTE 4 - INVENTORY

The components of inventory consisted of the following as of:

	September 30, 2019	December 31, 2018
Raw materials	$ 102,519	$ 198,571
Prepaid inventory	71,068	17,990
Finished goods	45,521	78,421
	$ 219,108	$ 294,982

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of:

	September 30, 2019	December 31, 2018
Machinery & Equipment	$ 174,179	$ 174,179
Leasehold improvements	6,882	6,882
	181,061	181,061
Less: accumulated depreciation	181,061	180,232
Total property and equipment, net	$ -	$ 829

For the nine months ended September 30, 2019 and 2018, depreciation expense on property and equipment amounted to $829 and $1,658, respectively.

NOTE 6 – NOTES PAYABLE

In May 2013, the Company finalized a line of credit agreement with the Export-Import Bank of the United States (EXIM Bank), with the terms modified though a Loan, Security and Guaranty agreement dated May 16, 2015. This agreement was further amended on January 8, 2018, whereas EXIM Bank agreed to a revised repayment schedule, with a new effective interest rate of 5.23%, with monthly payments of $3,200 through November 15, 2023, and the remaining principal of $396,468 due at that time.

During the first quarter of 2018, the Company entered into a convertible note agreement with McLeod Holdings, receiving financing of $72,000, with an interest rate of 8% per annum and convertible at a rate of $.0003 per share.

During the second quarter of 2018, the Company entered into a convertible note agreement with Timothy Kim, receiving financing of $200,000, with an interest rate of 8% per annum and convertible at a rate of $.0013 per share.

NOTES PAYABLE (Continued)

During the second quarter of 2018, the Company entered into a convertible note agreement with Abhinav Humar, receiving financing of $160,000, with an interest rate of 8% per annum and convertible at a rate of $.0013 per share.

During the second quarter of 2018, the Company entered into a convertible note agreement with James Eason, receiving financing of $135,000, with an interest rate of 8% per annum and convertible at a rate of $.001 per share.

In July 2018, the Company obtained $200,000 in short-term financing with WebBank, with future receivables as collateral, requiring weekly payments of $4,770 for 52 weeks. An additional $82,000 was loaned to the Company under this financing agreement, with additional weekly payments of $3,286 in 2018, and an additional $26,485 loaned in the first quarter of 2019. In May 2019, the remaining debt was paid off at the same time a new loan to the Company with a principal of $200,000 was issued, with weekly payments of $4,735 due in June 2020.

In September 2019, the Company obtained $50,000 in short-term financing with Fox Capital, with future receivables as collateral, requiring weekly payments of $3,020 for 23 weeks.

Total interest expense on external financing for the nine months ended September 30, 2019 and 2018 amounted to $111,348 and $91,478, respectively. The corresponding shares to be issued upon the conversion of the external convertible debt amounts to 728,820,063 shares as of September 30, 2019.

NOTE 7 – RELATED PARTY NOTES PAYABLE

IBEX Promissory Convertible Notes Payable

IBEX, LLC is a limited liability company, whose President is the daughter of the former President of the Company, and is now the President of the Company, effective in November 2019. Beginning on August 1, 2009, the Company started entering into convertible promissory note agreements with IBEX with simple interest at 8% per annum. All accrued interest and principal on the various notes payable are due on or before the end of the month two years from the date of issuance, whether by the payment of cash or by conversion into shares of the Company's common stock, unless otherwise extended with new terms. According to the original 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 collateral for the convertible promissory note agreements. The Security Agreement has been subordinated to the EX-IM Bank.

The conversion prices on the convertible notes payable have generally been 50% or less of the pink sheet closing price of the common stock on the date the notes or advances are issued to reflect the restricted nature of the stock into which the notes could be converted and the Board of Directors'

NOTE 7 – RELATED PARTY NOTES PAYABLE (Continued)

belief that the closing stock price is not reflective of the fair market value of the common stock due to the price volatility, and lack of an active market for trading shares resulting in limited trading volume of share transactions. The Board of Directors is active in negotiating conversion prices for each issuance and takes into consideration all information in establishing the issuance date fair market value.

Starting in 2012 and continuing through September 30, 2019, the Company has extended the maturity dates by up to two years on several separate notes through multiple agreements with IBEX, as a result of insufficient cash to make payments on amounts owed. In exchange for the extensions, the conversion prices were changed to 50% of the existing market price of the Common Stock on the date of the maturity. Due to the drop in stock prices since the original note issuances, the corresponding shares to be issued on the conversion of these IBEX notes has increased to 21,407,606,752 at September 30, 2019.

During the nine months ended September 30, 2019 and 2018, the Company borrowed $100,000 and $67,900, respectively, through additional promissory notes with IBEX.

During the nine months ended September 30, 2019, there were $357,432 of IBEX notes converted into 741,640,000 shares of common stock, while no IBEX notes were converted during 2018.

Total interest expense on the IBEX convertible promissory notes payable for the nine months ended September 30, 2019 and 2018 was $347,097 and $329,914, respectively. The balance owed to IBEX amounted to $6,024,348 at September 30, 2019, and $5,936,530 as of December 31, 2018.

Other Related Party Loans

The Company has entered into convertible promissory note agreements with various other related parties of the Company. Other related parties consist of family members of the President of the Company, the former Chairman of the company, and a limited liability company, St. John's LLC, which is owned by a family member of the President of the Company.

Each of the promissory notes bears simple interest at 8% per annum, and all accrued interest and principal is due on the maturity date. At the option of the holder, the promissory notes are convertible into common shares of the Company's stock at a conversion rate equal to the quotient of (i) a sum equal to the entire outstanding principal and interest, divided by (ii) the conversion price.

Similar to the IBEX promissory convertible notes, the conversion prices per the terms of the note agreements are based on the fair value of the OTC closing price of the Company's stock as of the date of issuance, discounted based on the factors previously discussed in the disclosures related to the IBEX Revolver Agreement.

NOTE 7 – RELATED PARTY NOTES PAYABLE (Continued)

During the nine months ended September 30, 2019, $770,639 of other related party loans were converted into 1,472,865,826 shares of common stock, while the Company received $318,000 for loans provided by other related parties during this time.

Due to the drop in stock prices since the original note issuances, and the new notes, the corresponding shares to be issued on the conversion of these other related party loans has increased to 19,848,773,872 at September 30, 2019.

Total interest expense on the other related party promissory notes payable for the nine months ended September 30, 2019 and 2018 was $290,265 and $258,401, respectively.

The balance of the other related party notes payable amounted to $5,011,602 and $4,818,822 as of September 30, 2019 and December 31, 2018, respectively.

NOTE 8 – INCOME TAXES

The Company has not provided for income tax expense for the nine months ended September 30, 2019, because of a significant net operating loss carry-forward of approximately $36 million. The net operating losses expire in various years through 2039.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible.

Based on available evidence, Company's management believes that it is more likely than not that the Company will not be able to realize the benefit of its net deferred tax assets as of September 30, 2019 and December 31, 2018, and that a full valuation reserve is needed to reduce the net deferred tax asset value to $0 for each year.

NOTE 9 – NET LOSS PER SHARE

Basic net loss per common share is determined by dividing net loss by the weighted-average number of common shares outstanding during the period, without consideration of common stock equivalents. Diluted net income per share is computed by dividing net income by the weighted-average number of common stock equivalents outstanding for the period.

NOTE 9 – NET LOSS PER SHARE (Continued)

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

	Nine Months Ended September 30,			
		2019		2018
Net Loss	$	(1,859,619)	$	(2,009,697)
Basic and Diluted Net Loss per Common Share	$	(0.00009)	$	(0.00010)
Weighted Average Number of Shares Outstanding - Basic and Diluted		21,811,868,378		19,400,827,395
Options and Shares Not Included Above (Antidilutive):				
Nonvested and Vested Restricted Share Awards		100,000,000		100,000,000
Options to Purchase Common Stock		1,593,700,000		1,563,700,000
		1,693,700,000		1,663,700,000

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, in the form of stock options and restricted shares.

Restricted Stock and Stock Option Awards

A summary of the Company’s restricted stock and stock option activity for the nine months ended September 30, 2019 is as follows:

Nonvested Restricted Shares	Shares		Weighted-average grant date fair value
Balance at December 31, 2018	100,000,000	$	0.00035
Granted	-		-
Vested	-		-
Forfeited			-
Balance at September 30, 2019	100,000,000	$	0.00035

Stock options	Shares		Weighted-average exercise price	Weighted-average remaining contractual term (years)
Balance at December 31, 2018	1,593,700,000	$	0.0020	5.6
Granted	-			
Exercised	-			
Forfeited	-		-	
Balance at September 30, 2019	1,593,700,000	$	0.0020	5.4

NOTE 10 – SHARE BASED COMPENSATION (Continued)

Compensation expense for restricted stock and stock options for the nine months ended September 30, 2019 and 2018, amounted to $26,778 and $81,131, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

In the ordinary course of conducting its business, the Company may become involved in various legal actions and other claims, some of which are currently pending. Litigation is subject to many uncertainties and management may be unable to accurately predict the outcome of individual litigated matters. Some of these matters may possibly be decided unfavorably towards the Company.

BioElectronics received notice in June 2019 that Endonovo Therapeutics, Inc. filed a lawsuit against BioElectronics in the United States District Court for the Central District of California. The lawsuit asserts that BioElectronics' ActiPatch® medical device infringes Endonovo's US Patent Nos. 7,740,574 and 7,758,490. The lawsuit requests relief that is characteristic of patent infringement lawsuits, including damages and injunctive relief.

BioElectronics has been a leader in the non-thermal shortwave therapy landscape since 2001, and has carefully developed its proprietary technology and innovative products while respecting the intellectual property rights of competitors, including those of Endonovo. BioElectronics has undertaken steps to swiftly and vigorously defend itself by engaging legal counsel. The Company cannot provide additional insights at this time.

In February 2016, the Securities and Exchange Commission instituted a public administrative and cease-and desist proceedings, pursuant to Section 8A of the Securities Act of 1933 against the Company, its late President, and IBEX, LLC, owned by the late President's daughter Kelly Whelan, a major debtholder. The SEC objected to IBEX's stock and convertible note sales and the reinvestment of proceeds back into the Company. Ibex maintained that all note and stock sales were to qualified investors in accordance with SEC Rule 144, held for longer than the SEC mandated holding period, and were supported by proper legal opinions. The SEC argued that BioElectronics and IBEX, LLC were under the common control of Andrew Whelan and Kelly Whelan which invalidated the Rule 144 exemption. Additionally, the SEC asserted improper timing of two sales transactions in the audited fiscal year 2009 financial statements.

This SEC case was settled on December 21, 2018 and served to respondents' counsel Corrigan and Morris on April 22, 2019, Respondents BioElectronics, IBEX, A. Whelan, and K. Whelan shall, pay jointly and severally, disgorgement of $166,640 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3), as follows: (i) within 30 days of the entry of this Order, $16,640; (ii) within 180 days of the entry of this Order, $16,640; and (iii) within 365 days of the entry of this Order, $133,360. If

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Respondents BioElectronics, St. John's, and A. Whelan shall, pay jointly and severally, disgorgement of $25,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3), as follows: (i) within 30 days of the entry of this Order, $2,500; (ii) within 180 days of the entry of this Order, $2,500; and (iii) within 365 days of the entry of this Order, $20,000. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. As of September 30, 2019, this full obligation of $191,640 has been recorded in accrued expenses by the Company on its balance sheet.

The Company is involved, on a continuing basis, in monitoring our compliance with environmental laws and in making capital and operating improvements necessary to comply with existing and anticipated environmental requirements. While it is impossible to predict with certainty, management currently does not foresee such expenses in the future as having a material effect on the business, results of operations, or financial condition of the Company.

NOTE 12 – CONCENTRATIONS

As of September 30, 2019, approximately 81% of trade receivables was with four customers. For the nine months ended September 30, 2019, approximately 88% of sales was from seven customers, and 50% of accounts payable as of September 30, 2019 was with seven vendors.

NOTE 13 – SUBSEQUENT EVENTS

The Company's CEO/President, Andrew Whelan, died suddenly on October 7th, 2019. On November 13th pursuant to Section 1 and Section 9 of Article V of the Corporation's bylaws adopted on February 27, 2001 the Board of Directors has appointed the individuals identified below to the office(s) opposite her/his name, each to hold such office until the next regular annual meeting of the Board and until her/his successor is elected and qualified, or until her/his earlier death, resignation, or removal:

John R. Martinez	Secretary; Vice President, Engineering
Keith E. Nalepka	Vice President, Sales
Kelly A.Whelan	President; Chief Executive Officer; Treasurer
Patricia A. Whelan	Chairman of the Board

NOTE 13 – SUBSEQUENT EVENTS (Continued)

Further, pursuant to Section 2 of Article III of the Corporation's Bylaws, the Board has previously set the number of directors that constitute the entire Board at three (3) directors; and that each of the individuals identified below is hereby appointed as a director of the Corporation, each to hold such position until the next annual meeting of the Corporation's stockholders and until her/his successor is elected and qualifies:

Keith E. Nalepka
Kelly A. Whelan