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<SMALL-BUSINESS>	YES	</SMALL-BUSINESS>

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U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2009

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to .

Commission File Number 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)

Securities registered under Section 12(b) of the Exchange Act:
None.

Securities registered under Section 12(g) of the Exchange Act:
None.

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

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

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. (1) Yes No (2) Yes No

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 (§232.45 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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

The aggregate market value of the ordinary shares, \$0.001 par value per share ("Shares"), of the registrant held by non-affiliates on June 30, 2009 was \$26,961,010.

The Company is authorized to issue 1,500,000,000 Shares. As of March 30, 2010, the Company has issued and outstanding 1,461,998,871 Shares.

DOCUMENTS INCORPORATED BY REFERENCE
None.

BIOELECTRONICS CORPORATION

FORM 10-K

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The statements contained in this Report that are not historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our financial condition, results of operations and business, which can be identified by the use of forward-looking terminology, such as "estimates," "projects," "plans," "believes," "expects," "anticipates," "intends," or the negative thereof or other variations thereon, or by discussions of strategy that involve risks and uncertainties. Management wishes to caution the reader of the forward-looking statements that such statements, which are contained in this Report, reflect our current beliefs with respect to future events and involve known and unknown risks, uncertainties and other factors, including, but not limited to, economic, competitive, regulatory, technological, key employee, and general business factors affecting our operations, markets, growth, services, products, licenses and other factors discussed in our other filings with the Securities and Exchange Commission, and that these statements are only estimates or predictions. No assurances can be given regarding the achievement of future results, as actual results may differ materially as a result of risks facing us, and actual events may differ from the assumptions underlying the statements that have been made regarding anticipated events. Factors that may cause our actual results, performance or achievements, or industry results, to differ materially from those contemplated by such forward-looking statements include, without limitation:

- The availability of additional funds to successfully pursue our business plan;
- The cooperation of industry service partners that have signed agreements with us;
- Our ability to market our services to current and new customers and generate customer demand for our products and services in the geographical areas in which we operate;
- The highly competitive nature of our industry;
- Our ability to retain key personnel;
- Our ability to maintain adequate customer care and manage our churn rate;
- Our ability to maintain, attract and integrate internal management, technical information and management information systems;
- Our ability to manage rapid growth while maintaining adequate controls and procedures;
- The availability and maintenance of suitable vendor relationships, in a timely manner, at reasonable cost;
- General economic conditions.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause our actual results to be materially different from any future results expressed or implied by us in those statements.

These risk factors should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. All written and oral forward looking statements made in connection with this Report that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Given these uncertainties, we caution investors not to unduly rely on our forward-looking statements. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Further, the information about our intentions contained in this document is a statement of our intention as of the date of this document and is based upon, among other things, the existing regulatory environment, industry conditions, market conditions and prices, the economy in general and our assumptions as of such date. We may change our intentions, at any time and without notice, based upon any changes in such factors, in our assumptions or otherwise.

PART I

ITEM 1. BUSINESS.

1. Form and year of organization: BioElectronics Corporation (“the Company”) was formed as a Maryland Corporation in April 2000.

2. Description of the Company’s business as a smaller reporting company.

a. Principal products or services and their markets: BioElectronics Corporation is the maker of inexpensive, drug-free, anti-inflammatory medical devices and patches; its primary SIC code is 3845. The Company's wafer thin patches contain an embedded microchip and battery that deliver pulsed electromagnetic energy, a clinically proven and widely accepted anti-inflammatory and pain relief therapy that heretofore has only been possible to obtain from large, facility-based equipment. BioElectronics markets and sells its current products under the brand names ActiPatch®, Allay™, RecoveryRx™ and HealFast™.

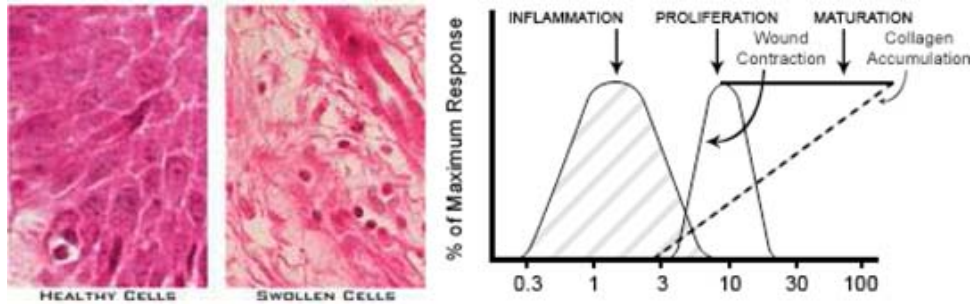
The dermal patch delivery system creates a multitude of new product opportunities for chronic and acute inflammatory conditions. The market potential is estimated at \$10 billion or 400 million incidents worldwide, according to a study titled “Report on BioElectronics, Corp. – Sizing the Market Opportunity and Assessing Possible Outcomes for the Company.” The current market for medical devices is ⅓ United States, ⅓ Europe, and ⅓ Asia. The distinctive value proposition of the device is the delivery of drug-free therapy that reduces pain and inflammation and accelerates healing by 30% to 50% when compared with the present standard methods of patient care. The current major applications are:

- Medical Surgeries
- Chronic Wounds
- Oral Surgeries
- Sprains and Strains
- Lower Back Pain
- Chronic Repetitive Stress Injuries, Heel Pain, Carpal Tunnel, Bursitis, etc.

The Company manufactures a medical device that reduces inflammation without the use of drugs, topical ointments, heat or cold therapy. Inflammation occurs following a variety of insults such as surgery, lacerations of the skin and soft tissues, sprains and strains, (including those of the low back), repetitive stress injuries such as plantar fasciitis, carpal tunnel syndrome, and tennis elbow. The Company has branded its device for many applications and separated the market for the products into four distinct segments- retail products designed for consumer use, a women’s health product, medical professional products and veterinary use products.

How the device works:

The body's natural response to soft tissue trauma is a localized inflammatory reaction. The damaged cells separate to prevent the transmission of infection. The cells leak fluid and cellular components break down while the cellular debris causes inflammation, swelling and pain.



This inflammatory response, which has a physiologic protective action, in fact creates an environment in which the healing process is actually prolonged or stalled in chronic wounds.

The devices use proven medical technology to truncate the body's inflammatory response (i.e. breaks the cycle of chronic inflammation). It does this by delivering pulsed electromagnetic energy directly to the affected area and driving out the edematous fluid along with byproducts of the damaged tissue. This provides a well-demonstrated and significant overall improvement in the restorative and recovery process following injury. As a result the pain associated with soft tissue injury is often substantially reduced.

The Retail Products and Market

The Company has developed distinct retail treatment kits.

Five kits are marketed as ActiPatch® Therapy for Pain - for Back, Knee, Wrist, Tennis Elbow, and Heel Pain. The kits are unique to the market as drug free, anti-inflammatory therapeutic agents that rapidly and safely reduce pain, swelling and healing times.



Each retail kit is designed for either 360 or 720 hours of use and includes a free extremity wrap and an unconditional money back guarantee. Priced at \$39.95, the cost benefit of these kits is an overwhelming sales proposition. These products are currently available in the retail environment in Canada and Europe.

Women's Health Product and Market

The Allay™ Menstrual Pain Therapy kit addresses dysmenorrhea, the painful monthly cramps experienced by 40% of women during sometime in their life. The market for drug-free relief is enormous. Current treatment such as heat pads and medications such as NSAIDs are not as effective, nor as safe.



Medical Professionals Market

The Company has been marketing to the U.S. medical market for almost three years. Most of the past sales efforts have centered on plastic surgery and podiatry. Sales increases have been very slow, partly due to the lack of clinical evidence, partly due to the lack of a skilled sales force and partly due to less than desirable product design. In 2008, the Company redesigned the product line, refocused on the plastic surgery, Orthopedic and Sports Medicine markets and branded this line under the trademark name RecoveryRx™. This current product line consists of five distinct kits:



- Jaw Surgery Recovery Kit
- General Surgery Recovery Kit
- Breast Recovery Kit
- C-Section Recovery Kit
- Eye Surgery Recovery Kit

Also in development are products for hernias and other surgeries including Dental and Oral surgery. Additionally, the medical products are being used and tested for eye disease, noses surgeries, skin grafts, and wound care. Finally, the Company recently obtained reimbursement approval from the Maryland state Medicaid program for kidney compromised patients, and we believe that we can also obtain reimbursement for cardiovascular and diabetic patients.

The Veterinary Market

The Company has a distribution agreement with eMarkets Group of North Caldwell, New Jersey. The products are marketed under the trade names HealFast and the HealFast PetPatch. The products are a drug-free therapy for horses, cats and dogs that reduce swelling and pain, while speeding healing of muscle and tendon injuries, sores and incisions. There are currently approximately 162 million companion animals in the United States and about 7 million horses.

b. Distribution methods of the products or services: Most of the sales are through distribution agreements with companies which sell items on a wholesale basis to retail outlets, such as drug stores and medical supply outlets.

c. Status of any publicly announced new product or service: During 2009, our focus was on developing product, obtaining additional domestic and international distribution channels, conducting market research, completing additional clinical trials, eliminating debt, and strengthening the balance sheet. The motivations for continued clinical trials are marketing enrichment and obtaining additional U.S. Food and Drug Administration (FDA) approved therapeutic indications for existing and future products. Securing additional U.S. FDA approval is central to market entry and product acceptance. Below are listed currently planned or underway clinical studies:

Plantar Fasciitis (Heel Pain) Study – Chief Investigator, Joel Brook, D.P.M. – A double-blind randomized study spanning a 7-day treatment period. Subjects recorded pain levels using a Visual Analogue Scale (VAS). Subjects also kept a log of medication taken during the 7-day treatment period. Clinical data demonstrated a reduction in pain in the active ActiPatch group and a large clinically significant difference in pain medication usage. The active ActiPatch group took 55% less medication taken than the placebo ActiPatch group.

Delayed Onset Muscle Soreness Study – Chief Investigator, Sheena Kong, M.D. - This was an observational study to evaluate the treatment of Delayed Onset Muscle Soreness (DOMS). After a vigorous resistance training exercise regimen designed to induce DOMS, 102 study participants were placed into one of three groups: 1) a control group; 2) a group that utilized the ActiPatch device; and 3) a group that received over-the-counter strength acetaminophen in the form of Extra Strength Tylenol after a vigorous resistance training exercise regimen designed to induce DOMS. The data yielded by this study appears to demonstrate that the use of ActiPatch for the treatment of Delayed Onset Muscle Soreness (DOMS) is both safe and effective. Additionally, the data yielded by the study appears to demonstrate that the continuous use of ActiPatch will result in significantly less DOMS-related pain and muscle soreness compared to a treatment regimen consisting of an OTC dosage of acetaminophen.

Primary Dysmenorrhea (Menstrual Pain) Study – Primary Investigator, Barry Eppley, M.D.D.M.D. – This clinical study was a placebo controlled, double-blind, prospective randomized trial comparing the efficacy and effectiveness of an active Allay device to an inactive (placebo) Allay device. The primary outcome measure was reduction of menstrual pain in comparison with prior baseline scores. The intensity of pain was measured using a VAS. Of the active group, 77.1% reported either complete elimination or reduction in their typical menstrual pain symptoms. Allay was demonstrated to be a safe and effective drug-free method for the treatment of primary dysmenorrhea. It may be used as a primary treatment method for those women with moderate dysmenorrhea who prefer not to take oral medication. In more severe cases of dysmenorrhea, it could be an adjuvant treatment to reduce the amount of oral medications needed. Further controlled clinical studies are needed for further evaluation.

d. Competitive business conditions and the smaller reporting company's competitive position in the industry and methods of competition: The manufacture, distribution and sale of medical devices and equipment designed to relieve swelling and pain or to treat chronic wounds is competitive and some of the Company's competitors possess significant product sales, and greater experience, financial resources, operating history and marketing capabilities than us. For example, Diapulse Corporation of America, Inc. manufactures and markets devices that are deemed by the U.S. FDA to be substantially equivalent to some of the Company's products. Regensis Biomedical and Ivivi Technologies also manufacture and market devices that deliver PEMF therapy. A number of other manufacturers, both domestic and foreign, and distributors market shortwave diathermy devices that produce deep tissue heat and may be used for the treatment of certain of the medical conditions that the Company's products are used for. The Company's products may also compete with pain relief drugs and pain relief medical devices, as well as other forms of treatment.

The Company's ability to compete effectively with other companies is materially dependent upon the proprietary nature of its technologies. We rely primarily on patents and trade secrets to protect our technologies. There can be no assurance that the Company will not be required to resort to litigation to protect its patented technologies and other proprietary rights or that we will not be the subject of additional patent litigation to defend its existing and proposed products and processes against claims of patent infringement or any other intellectual property claims. Such litigation could result in substantial costs, diversion of management's attention, and diversion of Company resources.

The Company strives to protect its trade secrets, including the processes, concepts, ideas and documentation associated with our technologies, through the use of confidentiality agreements and non-competition agreements with our current employees and with other parties to whom we have divulged such trade secrets. If our employees or other parties breach our confidentiality agreements and non-competition agreements or if these agreements are not sufficient to protect our technology or are found to be unenforceable, our competitors could acquire and use information that we consider to be our trade secrets, and we may not be able to compete effectively. Some of the Company's competitors have substantially greater financial, marketing, technical and manufacturing resources, and we may not be profitable if our competitors are also able to take advantage of our trade secrets.

The Company may decide for business reasons to retain certain knowledge that it considers proprietary as confidential and elect to protect such information as a trade secret, as business confidential information or as know-how. In that event, the Company must rely upon trade secrets, know-how, confidentiality and non-disclosure agreements and continuing technological innovation to maintain our competitive position. There can be no assurance that others will not independently develop substantially equivalent proprietary information or otherwise gain access to or disclose such information.

The Company's ability to commercially exploit its products must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the development of new medical devices and products. We believe that in order to continue to be competitive, we need to develop and maintain sufficient market share. Our methods of competition include continuing our efforts to develop and sell products, which, when compared to existing products, perform more efficiently and are available at prices that are acceptable to the market; displaying our products and providing associated literature at major industry trade shows; and pursuing alliance opportunities for the distribution of our products. We further believe that our competitive advantages with respect to our products include: the clinical efficacy of our technology and products, the benefits of treatments utilizing our products, which include treatments that are non-invasive and painless, are free from known side-effects and are not susceptible to overdose or abuse, do not require special training to implement, may be applied to any part of the body; and the relevant experience of the members of our consultants including, among others, Dr. David Genecov, an internationally recognized surgeon, and Dr. Kenneth McLeod, a principal innovator in PEMF technology.

e. Sources and availability of raw materials and the names of principal suppliers: The raw materials used as components in Company's products, mainly bandaging material and electronic circuit boards, are readily available worldwide. The Company's manufacturers work on behalf of many similar companies, and possess additional capacity to fulfill Company's anticipated needs.

f. Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including duration: The rights to the technology and patents supporting the development of the current product line were acquired by BioElectronics in 2000. Prior to that time, the previous owners of the technology and patents had invested over \$4.65 million in electronic engineering prototypes, production runs, and in confirming clinical studies. The Company has been issued U.S. Patent #7551957B2 and has additional patents pending in the United States and worldwide.

g. Need for any government approval of principal products or services. If government approval is necessary and the smaller reporting company has not yet received that approval, discuss the status of the approval within the government approval process:

- The Company was granted its first approval from the U.S. FDA under a 510(k) in August 2002. Prior to U.S. FDA approval and the establishment of its research and development group, PAW, LLC (the family of Andrew Whelan, President) paid and expensed the cost of development.

- In December 2004, the Company received ISO and CE (European Common Market) certification. In 2005, Health Canada approved ActiPatch® Therapy for the relief of pain in musculoskeletal complaints.
- In early 2008, the Company redesigned its product and manufacturing process and established new disease specific products and distinct medical and retail product lines. It also shifted its attention to international sales.

Generally during its history, with regard to its efforts in 2009 and beyond, the Company cannot assure that it will be successful in obtaining U.S. FDA clearance, and without such clearance, we will be unable to enter the relief of pain and discomfort associated with primary dysmenorrhea market in the United States. There are numerous medications used in the treatment of pain and discomfort associated with primary dysmenorrhea, and if we receive clearance to market this product, we intend to offer it as an alternative to such medications. These commonplace medications have been required to carry warning labels due to potential dangerous side-effects (and some withdrawn altogether), as compared to our non-invasive, drug-free alternative device with no known side-effects.

h. Effect of existing or probable governmental regulations on the business: After a device is placed on the market, within the United States, numerous regulatory requirements apply. These include:

- Quality System Regulations, or QSR, which require finished device manufacturers, including contract manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all aspects of the manufacturing process;
- labeling regulations and U.S. FDA prohibitions against the promotion of products for uncleared, unapproved or "off-label" uses;
- medical device reporting regulations, which require that manufacturers report to the U.S. FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction of that or a similar company device were to recur; and
- post-market surveillance regulations, which apply when necessary to protect the public health or to provide additional safety and effectiveness data for the device.

The U.S. FDA has broad post-market and regulatory enforcement powers. The Company is subject to unannounced inspections by the U.S. FDA to determine the Company's compliance with the QSR and other regulations, and these inspections include the manufacturing facilities of BioElectronics Corporation. Our location has been registered with the U.S. FDA as a Medical Device establishment. Such registration is renewable annually, and although we do not believe that the registration will fail to be renewed by the U.S. FDA, there can be no assurance of such renewal. The failure of the Company to obtain any annual renewal would have a material adverse effect on us.

Failure to comply with applicable regulatory requirements can result in enforcement action by the U.S. FDA or the Department of Justice, which may include any of the following sanctions, among others:

- fines, injunctions and civil penalties;
- mandatory recall or seizure of our products;
- operating restrictions and partial suspension or total shutdown of production;
- refusing our requests for 510(k) clearance or pre-market approval of new products or new intended uses;
- withdrawing 510(k) clearance or pre-market approvals that are already granted; and
- criminal prosecution.

The U.S. FDA also has the authority to require us to repair, replace or refund the cost of any medical device that has been manufactured for us or distributed by us. If any of these events were to occur, they could have a material adverse effect on our business. We also are subject to a wide range of federal, state and local laws and regulations, including those related to the environment, health and safety, land use and quality assurance. We believe that we are in complete compliance with these laws and regulations as currently in effect, and our compliance with such laws will not have a material adverse effect on our capital expenditures, earnings and competitive and financial position.

The primary regulatory environment in Europe is that of the European Union, which consists of 27 countries encompassing most of the major countries in Europe. Three member states of the European Free Trade Association have voluntarily adopted laws and regulations that mirror those of the European Union with respect to medical devices. Other countries, such as Switzerland, have entered into Mutual Recognition Agreements and allow the marketing of medical devices that meet European Union requirements.

The European Union has adopted numerous directives and European Standardization Committees have promulgated voluntary standards regulating the design, manufacture, clinical trials, labeling and adverse event reporting for medical devices. Devices that comply with the requirements of a relevant directive will be entitled to bear a CE conformity marking (which stands for *Conformite Europeenne*), indicating that the device conforms with the essential requirements of the applicable directives and, accordingly, can be commercially distributed throughout the member states of the European Union, the member states of the European Free Trade Association and countries which have entered into a Mutual Recognition Agreement. The method of assessing conformity varies depending on the type and class of the product, but normally involves a combination of self-assessment by the manufacturer of the product and a third-party assessment by a Notified Body, an independent and neutral institution appointed by a country to conduct the conformity assessment. This third-party assessment may consist of an audit of the manufacturer's quality system and specific testing of the manufacturer's device. An assessment by a Notified Body in one member state of the European Union, the European Free Trade Association or one country which has entered into a Mutual Recognition Agreement is required in order for a manufacturer to commercially distribute the product throughout these countries. ISO 9001 and ISO 13845 certifications are voluntary harmonized standards. Compliance establishes the presumption of conformity with the essential requirements for a CE Marking.

i. **Estimate of the amount spent during each of the last two fiscal years on research and development activities, and if applicable, the extent to which the cost of such activities is borne directly by customers:** The Company's R&D costs have been minimal. New product research and development is done by in-house engineers and a consulting biophysicist

j. **Number of total employees and number of full-time employees:** Currently, the Company employs 9 full time staff members and contracts for consulting services with an additional 3 persons. None of the Company's employees are represented by unions or collective bargaining agreements. We believe that our relationships with our employees are good.

3. Reports to security holders. The following will be disclosed in any registration statement the Company files under the Securities Act of 1933:

i. Though not required to deliver an annual report to security holders, the Company will voluntarily send an annual report, which will include audited financial statements;

ii. The Company has voluntarily agreed to become a reporting company with the Securities and Exchange Commission and subject to its reporting requirements, including the filing of periodic reports and any other required information;

iii. That the public may read and copy any materials file by the Company with the Commission at the SEC's Public Reference Room at 100 F Street, NE., Washington, DC 20549, on official business days during the hours of 10 a.m. to 3 p.m. State that the public may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission and state the address of that site (<http://www.sec.gov>). The Company maintains its own website at <http://www.BIELCorp.com>, where it will also post this information.

ITEM 1A. RISK FACTORS. The Company is not required to provide the information required by this Item because the Company is a smaller reporting company.

ITEM 1B. UNRESOLVED STAFF COMMENTS. The Company is not required to provide the information required by this Item because the Company is a smaller reporting company.

ITEM 2. PROPERTIES. The Company's principal corporate office is located at 4539 Metropolitan Court, Frederick, Maryland 21704 where it leases approximately 3,000 square feet. The Company uses approximately 1,600 square feet for its production and packaging facility and 1,400 square feet for its executive offices. The approximate rental amount is \$5,800 per month. The lease term expires in 2011.

ITEM 3. LEGAL PROCEEDINGS.

The Company and Andrew Whelan, President & CEO are defendants in a lawsuit brought by a plaintiff who is seeking damages arising from a breach by the Company of certain alleged oral contractual obligations. The plaintiff claims that, pursuant to these alleged obligations, he would have been entitled to receive common stock from the Company as compensation for rendering certain services to the Company. The matter was submitted to arbitration at which the plaintiff prevailed and a judgment was entered against BioElectronics Corporation, PAW, LLC and Andrew Whelan in the amount of \$1,217,919.10. The Company and Mr. Whelan have filed a Petition to Vacate Arbitration Award. As of this date, there has been no ruling on the motion. The Company believes the plaintiff's claims to be without merit and the arbitrator's decision to have been possible only by a manifest disregard of the law. The Company intends to defend the lawsuit and pursue any counterclaims vigorously.

ITEM 4 (REMOVED AND RESERVED). Not applicable.

PART II

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

Market for Securities

The Company's common stock currently trades via PinkSheets at <http://www.OTCMarkets.com>, under the symbol BIEL. The high and low closing price for each quarterly period of our last two fiscal years is listed below:

	High	Low
Fiscal 2008		
1 st Quarter	\$ 0.054	\$ 0.0255
2 nd Quarter	0.045	0.02
3 rd Quarter	0.0224	0.006
4 th Quarter	0.0125	0.0037
Fiscal 2009		
1 st Quarter	\$ 0.0045	\$ 0.001
2 nd Quarter	0.049	0.0011
3 rd Quarter	0.12	0.021
4 th Quarter	0.103	0.04

* The quotations reflect inter-dealer prices, without mark-up, mark-down or commission and may not represent actual transactions.

Penny Stock Considerations

The Company's shares will be "penny stocks" as that term is generally defined in the Securities Exchange Act of 1934 to mean equity securities with a price of less than \$5.00. Our shares thus will be subject to rules that impose sales practice and disclosure requirements on broker-dealers who engage in certain transactions involving a penny stock.

Under the penny stock regulations, a broker-dealer selling a penny stock to anyone other than an established customer or accredited investor must make a special suitability determination regarding the purchaser and must receive the purchaser's written consent to the transaction prior to the sale, unless the broker-dealer is otherwise exempt. Generally, an individual with a net worth in excess of \$1,000,000 or annual income exceeding \$100,000 individually or \$300,000 together with his or her spouse is considered an accredited investor. In addition, under the penny stock regulations the broker-dealer is required to:

- * Deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the Securities and Exchange Commissions relating to the penny stock market, unless the broker-dealer or the transaction is otherwise exempt;
- * Disclose commissions payable to the broker-dealer and our registered representatives and current bid and offer quotations for the securities;
- * Send monthly statements disclosing recent price information pertaining to the penny stock held in a customer's account, the account's value and information regarding the limited market in penny stocks; and
- * Make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction, prior to conducting any penny stock transaction in the customer's account.

Because of these regulations, broker-dealers may encounter difficulties in their attempt to sell shares of our common stock, which may affect the ability of selling stockholders or other holders to sell their shares in the secondary market and have the effect of reducing the level of trading activity in the secondary market. These additional sales practice and disclosure requirements could impede the sale of our securities, if our securities become publicly traded. In addition, the liquidity for our securities may be decreased, with a corresponding decrease in the price of our securities. Our shares in all probability will be subject to such penny stock rules and our stockholders will, in all likelihood, find it difficult to sell their securities.

Holders

As of December 31, 2009, the Company had 16,011 holders of record of its common stock.

Securities as Compensation

The Company effected multiple transactions using its Common Stock as compensation in 2009, 2008 and 2007 to non-employees pursuant to consulting services agreements. These issuances were made in reliance upon Section 4(2) of the Securities Act of 1933. The mandated tabular disclosure is contained in Item 12, *infra*, and an explanatory schedule is contained in Item 15, *infra*.

Dividends

The Company has not declared any cash dividends on our common stock since its inception and do not anticipate paying such dividends in the foreseeable future. We plan to retain any future earnings for use in our business. Any decisions as to future payments of dividends will depend on our earnings and financial position and such other facts, as the board of directors deems relevant.

Recent Sales of Unregistered Securities

In years of 2007, 2008 and 2009, the Company sold unregistered securities, the proceeds of which were used for day-to-day operating capital, by filing Form D Notice of Sale of Securities Pursuant to Regulation D, Section 4(6) and/or Uniform Limited Offering Exemption with the Securities and Exchange Commission. There was no underwriter related to the transactions, nor any commissions paid. A schedule of these series of transactions is provided in exhibit contained in Item 15, *infra*.

ITEM 6. SELECTED FINANCIAL DATA. The Company is not required to provide the information required by this Item because the Company is a smaller reporting company.

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

This Form 10-K may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve a number of risks and uncertainties including, without limitation, those identified under Item 1A. "Risk Factors" and elsewhere in this Form 10-K. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this report. Readers are urged to carefully review and consider the various disclosures made in this report and in our other filings with the SEC that attempt to advise interested parties of the risks and factors that may affect our business.

INTRODUCTION

We are the maker of inexpensive, drug-free, anti-inflammatory medical devices and patches. Our wafer thin patches contain an embedded microchip and battery that deliver pulsed electromagnetic energy, a clinically proven and widely accepted anti-inflammatory and pain relief therapy that heretofore has only been possible to obtain from large, facility-based equipment. We market and sell our products under the brand names ActiPatch®, Allay™, RecoveryRx™ and HealFast™.

During 2009, our focus was on developing product, obtaining additional domestic and international distribution channels, conducting market research, completing additional clinical trials, eliminating debt, and strengthening the balance sheet. The motivations for continued clinical trials are marketing enrichment and obtaining additional U.S. Food and Drug Administration (FDA) approved therapeutic indications for existing and future products. Securing additional U.S. FDA approval is central to market entry and product acceptance.

Our customers include pharmacies, supermarkets, physicians, direct response television and distributors. Plastic surgery is the only domestic market segment with current U.S. FDA market clearance. Consequently, until additional clearances are received from the U.S. FDA, domestic sales are restricted primarily to medical providers, and the majority of sales will be located outside the United States. As of December 31, 2009, we have established distribution agreements with distributors in Korea, Singapore, Malaysia, Canada, Columbia, Italy, Scandinavia, Saudi Arabia, Japan, Benelux, the Balkans, Austria, Australia, China and South America. The international market is expected to further expand going forward and to eventually constitute two-thirds of our total sales.

MAJOR GOALS, SIGNIFICANT ACTIVITIES AND RESULTS DURING 2009

BioElectronics' operational plan is centered on marketing oriented functions. We believe our product set is very strong, our quality is very high, our ISO-certified production capabilities are extensive, and our Company is structured for accelerated growth. Over the past 24 months, the Company has significantly strengthened its product lines, improved product quality, created new packaging, and redesigned marketing materials. During the year ended December 31, 2009, we reduced our level of debt, improved our cash position and significantly reduced our overhead expenses. We believe we now have a robust product line with strong features and functions and are taking further actions to strengthen our balance sheet and establish profitable operations.

We have several major goals to continue the advancement of its business operations, including: 1) completing additional clinical trials; 2) obtaining additional U.S. FDA and international product market clearances; 3) continuing to build our four primary brands; 4) building domestic distribution, including direct response television commercials and drug/grocery store-based distribution; and 5) continuing to expand our already growing international distribution network.

Completion of Clinical Trials

We have been aggressively pursuing the completion of several clinical trials. Our heel/foot clinical trial was recently conducted in October 2009 yielding a strong product advocacy and 100% safety. Future additional clinical trials include: cesarean section recovery, breast augmentation recovery, and menstrual pain and cramping associated dysmenorrhea. Our international distribution groups also sponsored other clinical trials. Upon completion of these studies, the data may be used in U.S. FDA submissions and to support our marketing claims both domestically and abroad.

Additional U.S. Government FDA and International Regulatory Body Filings

Our product is currently classified as a high risk, Class III device. We have U.S. FDA market clearance for the treatment of edema following blepharoplasty. We have filed two additional 510(k) market clearance applications for "relief of musculoskeletal pain" and "relief of menstrual cycle pain and discomfort" for over-the-counter sales. Even though the U.S. FDA is reluctant to give us over-the-counter clearance for a Class III device, we are currently pursuing both reclassification and approval of the pending applications. As we expand internationally, we are required to and do obtain additional market clearance in each country.

Continue to Build Our Four Primary Markets

We augmented our marketing team in 2009 with two experienced Brand Managers to help build our brands. In the coming months, we plan to add additional brand management staff to further assist our marketing efforts.

Because BioElectronics has only limited U.S. FDA clearance of its products, mass distribution to direct consumers in the United States is prohibited. We believe U.S. FDA clearance for some of our products is forthcoming, and thus, we are currently in the process of identifying and building a domestic distribution network.

Continued Expansion of Our Already Growing International Distribution Network

BioElectronics has made steady, significant progress in building an international distribution network. Due to the Company obtaining over-the-counter sales approval for its products in Canada, Europe and other markets, it has had regular interest from international distribution companies to market and distribute the product lines. Our strategy has been to partner with distributors that have the experience and financial ability to place our products into the consumer goods retail sales channels. We have seen success in executing this strategy relative to Canada, Western Europe and Italy. As retail distribution is a core strategy, the Company is regularly in negotiations with existing and future distributors, and hopes to sign additional contracts with qualified distributors in Asia, Europe, South/Central America and Australia.

As part of its intent to regularly expand the distribution of its products, BioElectronics in 2009 expanded its television presence around the world via the international Direct Response Televisions (DRTV) campaign. To establish its DRTV program, the Company has developed television materials produced by leading companies it has retained (Schulberg Media Works for English-speaking markets, and RC Productions for Hispanic markets) for both the Actipatch Back Pain product and the Allay Menstrual Pain Therapy product. Subsequently, the commercials are extremely helpful with establishing partnerships with major DRTV companies to test our products in many countries. The Company contracted with TeleDEPOT in Latin America, where it completed a very successful test in some of the countries. In Canada, we are partnering with Northern Response, one of the world's largest DRTV companies. Northern Response is also looking for further opportunities in six additional international locations that show interest in our products. The Canadian test is scheduled to begin on April 5, 2010. In Australia and New Zealand, Brand Developers will test the Back Pain commercial.

Other Issues Relative to Plan of Operations

Cash Requirements - BioElectronics is currently in a strong current asset position with its current assets significantly exceeding current liabilities, yielding a current ratio well above one. As is typical for most growth companies, BioElectronics may, in the future, need to raise additional funds to finance its working capital requirements. It is unknown at this time how much, if any, additional funds will be needed to execute our business plan, as it is highly dependent upon our sales growth trajectory over the coming quarters.

Research and Development – Our technologies are already highly developed and many of our products are currently on the international market. We are designing several new products based on our core technologies with developmental costs being financed through normal cash flows.

Expected Purchase or Sale of Plant and Significant Equipment - BioElectronics does not anticipate any major purchases or sales of plant or significant equipment.

Expected Changes in the Number of Employees - We are currently recruiting new talent, and it is expected the majority of our hiring will focus on marketing personnel, although our support and manufacturing staff will also be expanded. Our hiring plans are dependent upon revenue growth rates over the coming quarters.

RESULTS OF OPERATIONS

Our principal activity, to sell and market in the U.S. retail market, has not yet commenced due to the lack of U.S. FDA approval for our product. As a result, we consider ourselves a development stage entity in accordance with FASB Accounting Standards Codification Topic 915, “Development Stage Enterprise”, and accordingly present, in our financial statements, the results of operations and other disclosures for the company for the period from our inception, April 10, 2000, to December 31, 2009.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Revenue. Revenue from operations for the years ended December 31, 2009 and 2008 amounted to approximately \$1,146,000 and \$717,000, respectively, an increase of \$429,000 or 60% over the prior year. The following table summarizes the company’s domestic, international and veterinary (related party) revenues earned during the years ended December 31, 2009 and 2008:

	For the Years Ended December 31,			
	2009		2008	
	Amounts	Percentage	Amounts	Percentage
Domestic	\$ 263,815	23%	\$ 254,927	36%
International	610,785	53%	461,828	64%
Veterinary	271,047	24%	-	-
	<u>\$ 1,145,647</u>	<u>100%</u>	<u>\$ 716,755</u>	<u>100%</u>

International sales increased by approximately \$149,000 or 32% in 2009 from 2008 as a result of new distributorship agreements signed in 2009 and increased sales through agreements signed in prior years. Revenues from international sales for the year ended December 31, 2009 include \$150,000 of sales related to a bill and hold transaction. The units will be shipped in 2010 to help meet the distribution 2010 purchase obligation.

Veterinary revenues of \$271,047 were recorded in connection with a distribution agreement signed on February 9, 2009 with eMarkets, a company owned and controlled by a member of the board of directors and sister of our president. The agreement provides for eMarkets to be the exclusive distributor of our veterinary products to customers in certain countries outside of the United States for a period of three years. The specialized veterinary products sold to eMarkets include approximately \$216,000 of revenues related to bill and hold transactions and for which the related product is expected to be delivered during the fourth quarter of 2010.

Cost of Goods Sold and Gross Margin. Costs of goods sold for the years ended December 31, 2009 and 2008 amounted to approximately \$390,000 and \$509,000, respectively. Gross margin increased from approximately 29% of sales for the year ended December 31, 2008 to approximately 66% for the year ended December 31, 2009. The increase was the result of higher sales prices per unit, lower production costs (which arose primarily from improvements in productivity) and a substantially lower defect rate. We expect gross margins on our products to be in the range of 66% to 70% of sales in the future, depending on product mix and sales prices. This gross margin range is consistent with other medical device and pharmaceutical companies.

General and Administrative Expense. For the year ended December 31, 2009, general and administrative expenses amounted to approximately \$904,000 as compared to \$2,040,000 in 2008, a decrease of \$1,136,000 or 56% over the prior year. The decrease in general and administrative expenses in 2009 was primarily driven by reduced consulting expenses.

General and administrative expenses of approximately \$904,000 for the year ended December 31, 2009 included approximately \$147,000 in sales support expenses, approximately \$34,000 in consulting expense, approximately \$15,000 in depreciation and approximately \$709,000 in other general and administrative expenses.

General and administrative expenses of approximately \$2,040,000 for the year ended December 31, 2008, consisted of approximately \$439,000 in sales support expenses, approximately \$551,000 in consulting expense, approximately \$15,000 in depreciation and \$1,035,000 in other general and administrative expenses.

Interest Expense. Interest expense decreased to approximately \$111,000 for the year ended December 31, 2009 from \$192,000 in the comparable period in 2008. The decrease in interest expense was attributed to the payoff of senior secured convertible notes, during the year ended 2009.

Net Loss. Net losses decreased from approximately \$2,024,000 during 2008 to approximately \$260,000 during 2009. Losses were minimized primarily due to a significant increase in sales and reduction in costs.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Revenue. Revenue from operations for the years ended December 31, 2008 and 2007 were approximately \$717,000 and \$603,000, respectively, an increase of \$114,000 or 19% over the prior year. The following table summarizes the company's domestic and international revenues earned during the years ended December 31, 2008 and 2007:

	For the Years Ended December 31,			
	2008		2007	
	Amounts	Percentage	Amounts	Percentage
Domestic	\$ 254,927	36%	\$ 232,871	39%
International	461,828	64%	370,239	61%
	<u>\$ 716,755</u>	<u>100%</u>	<u>\$ 603,110</u>	<u>100%</u>

The primary contributor to the increase in revenue is continued expansion of international and domestic markets.

Cost of Goods Sold and Gross Margin. Costs of goods sold for the years ended December 31, 2008 and 2007 were approximately \$509,000 and \$170,000, respectively. Gross margin decreased from 72% for the year ended December 31, 2007 to 29% for the year ended December 31, 2008, as a result of higher production costs which arose primarily from improvements in product design and packaging.

General and Administrative Expense. For the year ended December 31, 2008, general and administrative expenses amounted to approximately \$2,040,000 as compared to \$1,818,000 in 2007, an increase of \$222,000 or 12% over the prior year. The slight increase in general and administrative expenses in 2008 was primarily driven by the increase in sales support expenses and payroll expense related to the hiring of vice president in international sales.

General and administrative expenses of approximately \$2,040,000 for the year ended December 31, 2008 consisted of approximately \$439,000 in sales support expenses, approximately \$551,000 in consulting expense, approximately \$15,000 in depreciation and \$1,035,000 in other general and administrative expenses.

General and administrative expenses of approximately \$1,818,000 for the year ended December 31, 2007 consisted of approximately \$343,000 in sales support expenses, approximately \$543,000 in consulting expense, approximately \$19,000 in depreciation and approximately \$912,000 in other general and administrative expenses.

Interest Expense. Interest expense decreased to approximately \$192,000 for the year ended December 31, 2008 from \$588,000 in the comparable period in 2007. The increase in interest expense was primarily attributable to the amortization of discount on warrants of approximately \$351,000, as related to the senior convertible notes agreement. Such expense was fully amortized by the end of December 31, 2007.

Net Loss. Net losses increased slightly from approximately \$2,003,000 during 2007 to approximately \$2,024,000 during 2008. This slight increase is due to lower gross margin and higher general and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

Our sources of funds are primarily cash flows from financing activities. We raise funds for our operations by borrowing on notes, agreements with third parties and related parties, and selling equity in the capital markets. We are still operating as a development stage company, in which we are devoting substantially all of our present efforts to developing our business. For every year since our inception, we have generated negative cash flow from operations. At December 31, 2009, our cash and cash equivalents were approximately \$296,000. Since the end of fiscal 2008, the increase of approximately \$241,000 in our cash and cash equivalents resulted primarily from the issuance of related party notes payable during the year.

Since our inception on April 10, 2000, the majority of our financing has been provided by the Company's founders including the CEO, certain board members, and their immediate family and associates. As of December 31, 2009, all of the Company's financing was provided by these related parties through long-term notes payable. We present these notes payable as long-term liabilities in our financial statements, as the holders of these notes (who are related parties) have no current intention to pursue repayment of these amounts.

At December 31, 2009, we had positive working capital of approximately \$1,026,000 as compared to negative working capital of approximately \$1,164,000 at December 31, 2008. The negative working capital at December 31, 2008 arose due to the low level of current assets (which was the result of low level of sales and higher expenses to that date), and balances due to suppliers (reported as accounts payable and accrued expenses) and under our senior secured notes payable. The senior secured convertible notes were repaid and converted to equity in 2009.

On January 1, 2005, we 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%, 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 our 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. As of December 31, 2009, an amount of approximately \$1,288,000 was drawn from the Revolver.

Additionally, on August 1, 2009, we 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 our 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 \$0.019 per share.

Net Cash Used In Operating Activities. Net cash used in operating activities amounted to approximately \$1,363,000, \$521,000 and \$1,335,000 in the years ended December 31, 2009, 2008 and 2007, respectively.

Net cash used in operating activities of approximately \$1,363,000 in the year ended December 31, 2009 was primarily because of the increase in trade and other receivables of approximately \$333,000, decrease in accrued expenses of approximately \$216,000, decrease in accounts payable of approximately \$181,000, increase in due from related party of approximately \$165,000, and increase in inventory of approximately \$136,000. Non-cash reconciling items mainly include stock-based compensation expense of approximately \$243,000 and adjustment to related party notes payable of approximately \$266,000.

Net cash used in operating activities of approximately \$521,000 in the year ended December 31, 2008 was primarily because of the decrease in trade and other receivables of approximately \$130,000, increase in accrued expenses of approximately \$261,000, decrease in inventory of approximately \$126,000, and increase in customer deposits of approximately \$119,000. Non-cash reconciling items mainly include stock-based compensation expense of approximately \$400,000 and approximately \$247,000 increase in related party notes payable for services rendered.

Net cash used in operating activities of approximately \$1,335,000 in the year ended December 31, 2007 was primarily because of the increase in inventory of approximately \$128,000 and decrease in accounts payable of approximately \$148,000. Non-cash reconciling items mainly include amortization of non-cash debt issuance costs of approximately \$351,000, non-cash interest related to convertible notes payable of approximately \$205,000 and increase in related party notes payable for services rendered of approximately \$309,000.

Net Cash Used in Investing Activities. We did not make any significant investments in fixed or other long-term assets during the years ended December 31, 2009, 2008, and 2007 and therefore, did not have any substantial cash flows from investing activities.

Net Cash Provided by Financing Activities. Net cash provided by financing activities amounted to approximately \$1,604,000 and \$547,000 in the years ended December 31, 2009 and December 31, 2008, respectively.

During the year ended December 31, 2009, the Company generated \$2,597,860 in cash from financing activities through the issuance of notes payable to related parties (amounting to \$1,725,360) and the sale of common shares to investors (amounting to \$872,500). The proceeds received from these activities were used to repay certain notes payable (amounting to \$994,025) and to fund operations during the year.

During the year ended December 31, 2008, the company generated \$547,021 in cash from financing activities through the issuance of notes payable to related parties (amounting to \$461,371) and the sale of common shares to investors (amounting to \$198,250). The funds received were used to repay certain notes payable (amounting to \$112,600) and to fund operations.

Net cash provided by financing activities for the year ended December 31, 2008 was approximately \$547,000 compared to approximately \$1,243,000 in 2007. The decrease of approximately \$696,000 was primarily because of the reduction in proceeds obtained from related party notes payable by approximately \$501,000.

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. We have incurred substantial losses from operations in 2009 and prior years, including a net loss of \$259,977 for the year ended December 31, 2009. The Company also has an accumulated deficit as of December 31, 2009 of \$10,644,490.

We are currently looking for additional financing to provide funds for operations and complete our developmental activities. However, we can provide no assurance that we will be able to obtain financing on reasonable terms and at sufficient levels to enable us to complete developmental activities, receive U.S. FDA approval and develop sufficient sales revenue and achieve profitable operations. Until sufficient financing has been received to complete our developmental activities, there exists substantial doubt as to our ability to continue as a going concern. Our auditors have issued an opinion for the year ended December 31, 2009, which states that there is substantial doubt about our ability to continue as a going concern.

OBLIGATIONS AND CONTRACTUAL COMMITMENTS

The following table reflects our current contractual commitments as of December 31, 2009:

	Payments Due by Period				
	Total	2010	2011-2012	2013-2014	Thereafter
Operating leases	\$ 120,030	\$ 60,895	\$ 55,096	\$ 4,039	\$ —
Long-term liabilities ⁽¹⁾	1,824,176	—	536,222	—	1,287,954
Total contractual obligations	<u>\$ 1,944,206</u>	<u>\$ 60,895</u>	<u>\$ 591,318</u>	<u>\$ 4,039</u>	<u>\$ 1,287,954</u>

(1) These liabilities represent the Revolver loan and the convertible promissory note with IBEX.

At December 31, 2009, we had available a \$2,000,000 revolving credit facility with approximately \$1,288,000 balance with IBEX, a related party. For additional information regarding our credit facility and operating leases, see Notes 7 and 12, respectively, of our financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Our estimates and assumptions are based upon a combination of historical information and various other assumptions believed to be reasonable under the particular circumstances. Actual results could differ from those estimates. Certain of the accounting policies which most impact our consolidated financial statements and that require management to make difficult, subjective or complex judgments are described below. See also "Note 2. Summary of Significant Accounting Policies," to our consolidated financial statements included in Item 15 of this Annual Report on Form 10-K.

Development Stage Company

We devote substantially all of our present efforts to developing our business. One of our principal operations, to sell and market in the U.S. retail market, has not yet commenced as of December 31, 2009 pending U.S. FDA clearance approval. All losses accumulated since inception have been considered as part of our development stage activities. Costs of start-up activities, including organizational costs, are expensed as incurred.

Revenue Recognition

We recognize revenue when evidence of an arrangement exists, such as the presence of an executed sales agreement, pricing is fixed and determinable, collection is reasonably assured and shipment has occurred or title of the goods has been transferred to our buyers. Payment is due on a net basis in 30 days. If the customer is deemed not credit worthy, payment in advance is required. Our agreement with customers includes a right of return. An allowance for returns has been provided for the years ended December 31, 2009, 2008 and 2007. Defective units are replaced at the request of the customer.

We enter into bill and hold arrangements from time-to-time with certain distributors, pursuant to which of our products are purchased by our distributor for shipment at a later date. We recognize revenue on bill and hold arrangements when the following 7 criteria have been met: 1) the risk of ownership has passed to the buyer; 2) the buyer has made a fixed commitment to purchase the goods, preferably in writing; 3) the buyer, and not the seller, has requested that the transaction is on a bill and hold basis; 4) there is a fixed schedule for delivery of the goods, indicating a delivery date that is reasonable and consistent with the buyer's business purpose; 5) the buyer has not retained any specific performance obligations such that the earnings process is not complete; 6) the ordered goods are segregated from the seller's inventory and is not being used to fill other orders; and 7) the product must be complete and ready for shipment. In addition, payment must be received and/or fixed payment dates be agreed with the customer pursuant to which the risk of collection is reduced to a minimal level.

Inventories

Our inventories consist of raw materials, supplies and finished goods. All inventories are valued at lower of average cost or market determined under the first-in, first-out method. We periodically review our inventories and identify items considered outdated or obsolete. Such items are reduced to their estimated net realizable value.

Issuance of stock in exchange for services received

We receive services from consultants and others in exchange for shares of our common stock. All issuances of our stock in exchange for services received are assigned a per share amount determined with reference to either the market value of the shares issued or the value of consideration received, whichever is more readily determinable. Due to the low price and lack of trading in our stock, we believe that the fair value of the services received is more readily determinable, and therefore, we used it to record the related expense in the statement and value attributed to the common shares issued.

Our accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of the relevant authoritative guidance, in which the measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete.

NEW ACCOUNTING STANDARDS

Accounting Standards Codification

In June 2009, the FASB issued Statement of Financial Accounting Standards (“SFAS”) No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (the “Codification”). This standard replaces SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, and establishes only two levels of U.S. generally accepted accounting principles (“GAAP”), authoritative and nonauthoritative. The FASB ASC has become the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. All other nongrandfathered, non-SEC accounting literature not included in the Codification will become nonauthoritative. This standard is effective for financial statements for interim or annual reporting periods ending after September 15, 2009. The adoption of the Codification changed our references to GAAP accounting standards but did not impact our results of operations, financial position or liquidity.

Participating Securities Granted in Share-Based Transactions

Effective January 1, 2009, we adopted a new accounting standard included in ASC 260, *Earnings Per Share* (formerly FASB Staff Position (“FSP”) Emerging Issues Task Force (“EITF”) 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*). The new guidance clarifies that non-vested share-based payment awards that entitle their holders to receive nonforfeitable dividends or dividend equivalents before vesting should be considered participating securities and included in basic earnings per share. Our adoption of the new accounting standard did not have a material effect on previously issued or current earnings per share.

Fair Value Measurement and Disclosure

Effective January 1, 2009, we adopted a new accounting standard included in ASC 820, *Fair Value Measurements and Disclosures* (“ASC 820”) (formerly FASB FSP No 157-2, *Effective Date of FASB Statement No. 157*), which delayed the effective date for disclosing all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis (at least annually). This standard did not have a material impact on our financial statements.

In April 2009, the FASB issued new guidance for determining when a transaction is not orderly and for estimating fair value when there has been a significant decrease in the volume and level of activity for an asset or liability. The new guidance, which is now part of ASC 820 (formerly FSP 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*), requires disclosure of the inputs and valuation techniques used, as well as any changes in valuation techniques and inputs used during the period, to measure fair value in interim and annual periods. In addition, the presentation of the fair value hierarchy is required to be presented by major security type as described in ASC 320, *Investments — Debt and Equity Securities*. The provisions of the new standard were effective for interim periods ending after June 15, 2009. The adoption of the new standard on April 1, 2009 did not have a material effect on our financial statements.

In April 2009, we adopted a new accounting standard included in ASC 820, (formerly FSP 107-1 and Accounting Principles Board (“APB”) 28-1, *Interim Disclosures about Fair Value of Financial Instruments*). The new standard requires disclosures of the fair value of financial instruments for interim reporting periods of publicly traded companies in addition to the annual disclosure required at year-end. The provisions of the new standard were effective for the interim periods ending after June 15, 2009. Our adoption of this new accounting standard did not have a material effect on our financial statements.

In August 2009, the FASB issued new guidance relating to the accounting for the fair value measurement of liabilities. The new guidance, which is now part of ASC 820, provides clarification that in certain circumstances in which a quoted price in an active market for the identical liability is not available, a company is required to measure fair value using one or more of the following valuation techniques: the quoted price of the identical liability when traded as an asset, the quoted prices for similar liabilities or similar liabilities when traded as assets, or another valuation technique that is consistent with the principles of fair value measurements. The new guidance clarifies that a company is not required to include an adjustment for restrictions that prevent the transfer of the liability and if an adjustment is applied to the quoted price used in a valuation technique, the result is a Level 2 or 3 fair value measurement. The new guidance is effective for interim and annual periods beginning after August 27, 2009. Our adoption of the new guidance did not have a material effect on our financial statements.

Derivative Instruments and Hedging Activities

Effective January 1, 2009, we adopted a new accounting standard included in ASC 815, *Derivatives and Hedging* (SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of SFAS No. 133*). The new accounting standard requires enhanced disclosures about an entity’s derivative and hedging activities and is effective for fiscal years and interim periods beginning after November 15, 2008. Since the new accounting standard only required additional disclosure, the adoption did not impact our financial statements.

Other-Than-Temporary Impairments

In April 2009, the FASB issued new guidance for the accounting for other-than-temporary impairments. Under the new guidance, which is part of ASC 320, *Investments — Debt and Equity Securities* (formerly FSP 115-2 and 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*), an other-than-temporary impairment is recognized when an entity has the intent to sell a debt security or when it is more likely than not that an entity will be required to sell the debt security before its anticipated recovery in value. The new guidance does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities and is effective for interim and annual reporting periods ending after June 15, 2009. Our adoption of the new guidance did not have a material effect on our financial statements.

Subsequent Events

In May 2009, the FASB issued new guidance for subsequent events. The new guidance, which is part of ASC 855, *Subsequent Events* (formerly SFAS No. 165, *Subsequent Events*) is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this guidance sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The new guidance is effective for fiscal years and interim periods ended after June 15, 2009 and will be applied prospectively. Our adoption of the new guidance did not have a material effect on our financial statements. Management has evaluated the impact of events occurring after December 31, 2009 up to the date of issuance of these financial statements. These statements contain all necessary adjustments and disclosures resulting from that evaluation.

INTEREST RATE AND FOREIGN EXCHANGE RISK

We are subject to interest rate risk on our notes payable and related party notes payable. We do not expect our business, results of operations, financial position or cash flows to be affected to any significant degree by a sudden change in market interest rates. We operate our business within the United States and sell to the United States and certain international locations such as Italy, Canada, Saudi Arabia, Scandinavia, Netherlands and Singapore. We execute all transactions in U.S. dollars, and, therefore, we have no foreign exchange risk.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have minimal market risk inherent in our financial position. We do not have any derivative financial instruments and do not hold any derivative financial instruments for trading purposes. Our market risk primarily represents the potential loss arising from adverse changes in market interest rates. Our results from operations could be impacted by decreases in interest rates on our cash and cash equivalents. Additionally, we may be exposed to market risk from changes in interest rates related to any debt that may be outstanding under our related party notes payable. We do not expect our cash flows to be affected to any significant degree by a sudden change in market interest rates.

We operate our business within the United States and sell to the United States and certain international locations such as Italy, Canada, Saudi Arabia, Scandinavia, Netherlands and Singapore. We execute all of our transactions in U.S. dollars and therefore do not have any foreign currency exchange risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our audited Financial Statements are contained pursuant to Item 15 of this Form 10-K, as Exhibit 99.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND FINANCIAL DISCLOSURE. Not Applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Attached as exhibits to this Annual Report on Form 10-K are certifications of our President and Chief Executive Officer (“CEO”) which are required pursuant to Rule 13a-14 of the Exchange Act. This “Controls and Procedures” section of this Annual Report on Form 10-K includes information concerning the controls and controls evaluation referenced in the certifications. This section of the Annual Report on Form 10-K should be read in conjunction with the certifications for a more complete understanding of the matters presented.

Evaluation of disclosure controls and procedures

We evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report on Form 10-K are recorded, processed, summarized and reported within the time periods specified by the SEC. Disclosure controls are also designed to ensure that such information is accumulated and communicated to our CEO and other management, as appropriate, to allow timely decisions regarding required disclosure.

Based on the evaluation, our President and Chief Executive Officer after evaluating the effectiveness of our “disclosure controls and procedures” (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), have concluded that, subject to the inherent limitations noted in this Part II, Item 9A, as of December 31, 2009, our disclosure controls and procedures were not effective due to the existence of several material weaknesses in our internal control over financial reporting, as discussed below.

Management's annual report on internal control over financial reporting

Management is responsible for establishing and maintaining internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our management evaluated, under the supervision and with the participation of our President and Chief Executive Officer, the effectiveness of our internal control over financial reporting as of December 31, 2009.

Based on its evaluation under the framework in *Internal Control — Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission, our management concluded that our internal control over financial reporting was not effective as of December 31, 2009, due to the existence of significant deficiencies constituting material weaknesses, as described in greater detail below. A material weakness is a control deficiency, or combination of control deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

Limitations on Effectiveness of Controls

Our management, including our President and Chief Executive Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additional controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Material Weaknesses Identified

In connection with the preparation of our financial statements for the year ended December 31, 2009, certain significant deficiencies in internal control became evident to management that, in the aggregate, represent material weaknesses, including,

(i) Lack of a sufficient number of independent directors for our board and audit committee. We currently only have one independent director on our board, which is comprised of three directors, and on our audit committee, which is comprised of one director. Although we are considered a controlled company, whereby a group holds more than 50% of the voting power and as such are not required to have a majority of our board of directors be independent, it is our intention to have a majority of independent directors in due course.

(ii) Lack of a financial expert on our audit committee. We currently do not have an audit committee financial expert, as defined by SEC regulations, on our audit committee.

(iii) Insufficient segregation of duties in our finance and accounting functions due to limited personnel. During the year ended December 31, 2009, we had one person on staff that performed nearly all aspects of our financial reporting process, including, but not limited to, access to the underlying accounting records and systems, the ability to post and record journal entries and responsibility for the preparation of the financial statements. This creates certain incompatible duties and a lack of review over the financial reporting process that would likely result in a failure to detect errors in spreadsheets, calculations, or assumptions used to compile the financial statements and related disclosures as filed with the SEC. These control deficiencies could result in a material misstatement to our interim or annual consolidated financial statements that would not be prevented or detected.

As part of the communications by Berenfeld, Spritzer Shechter & Sheer LLP, (“Berenfeld, Spritzer”), with our Audit Committee with respect to Berenfeld, Spritzer’s audit procedures for fiscal 2009, Berenfeld, Spritzer informed the audit committee that these deficiencies constituted material weaknesses, as defined by Auditing Standard No. 5, “An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements and Related Independence Rule and Conforming Amendments,” established by the Public Company Accounting Oversight Board (“PCAOB”).

Plan for Remediation of Material Weaknesses

We intend to take appropriate and reasonable steps to make the necessary improvements to remediate these deficiencies. We intend to consider the results of our remediation efforts and related testing as part of our year-end 2010 assessment of the effectiveness of our internal control over financial reporting.

We have implemented certain remediation measures and are in the process of designing and implementing additional remediation measures for the material weaknesses described in this Annual Report on Form 10-K. Such remediation activities include the following:

- At an appropriate time, we will recruit one or more additional independent board members to join our board of directors. Such recruitment will include at least one person who qualifies as an audit committee financial expert to join as an independent board member and as an audit committee member.
- We will hire or engage additional qualified and experienced accounting personnel as necessary to review our quarter-end closing processes as well as provide additional oversight and supervision within the accounting department.

In addition to the foregoing remediation efforts, we will continue to update the documentation of our internal control processes, including formal risk assessment of our financial reporting processes.

Changes in Internal Controls over Financial Reporting

There were no significant changes in internal control over financial reporting during the fourth quarter of 2009 that materially affected, or are reasonably likely to materially affect, our internal control over financing reporting.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Richard Staelin, Ph. D	Age 70	Chairman of the Board, Director
Andrew Whelan	Age 65	President / CEO / Director / CFO
Mary Whelan	Age 57	Director

Richard Staelin, Ph. D., Chairman of the Board

Dr. Staelin joined the board in 2006. He is the Edward and Rose Donnell Chaired Professor of Business Administration at Duke's Fuqua School of Business and the President of Informs Society for Marketing Scientists. He was an Associate Dean at The Fuqua School of Business, Duke University for 10 years, past Executive Director of Marketing Science Institute and has held numerous positions at the American Marketing Association (AMA) and The Institute of Management Science (TIMS). He was an editor or an editorial board member of Marketing Science, Journal of Marketing Research, the Journal of Marketing, the Journal of Consumer Psychology and the Journal of Consumer Research. He has also consulted for the FDA and the FTC. At December 31, 2009, Dr. Staelin owns approximately 950,000 shares of BioElectronics common stock.

Andrew J. Whelan, CEO, CFO, President and Board Member

Mr. Whelan is a founder of the Company and has served as the President and Chairman of the Board of Directors since April 2000. He is a seasoned business executive with a strong financial, consulting and management background. From 1993 to April 2000, Mr. Whelan served as the President of P.A. Whelan & Company, Inc., a consulting firm owned by Mr. Whelan and his wife that specialized in the health care industry. Mr. Whelan was also a founder of Drug Counters, Inc., a chain of managed care retail pharmacies, where he served as President and Chief Executive Officer from 1992 until 1993. Drug Counters was sold to Diagnostek, Inc. in 1994. From 1984 until 1992, Mr. Whelan served as Chairman of the Board of Directors and President of Physicians' Pharmaceutical Services, Inc., a public company of which he was a founder. Physicians Pharmaceutical Services was a charter member of the Maryland Chapter of Inc's Fastest Growing Companies in America. Mr. Whelan received his B.S. in accounting from St. Peter's College. Mr. Whelan does not currently own BioElectronics common stock.

Mary K. Whelan, Board Member

Ms. Whelan has served as a director of the Company since April 2002. Ms. Whelan also served as Vice President - Marketing from September 2002 until July 2003 and as Secretary from February 2002 until September 2004. Ms. Whelan currently is Founder and CEO, Revalent Media, Inc., a mobile marketing company. She was previously EVP at mPhase Technologies. She worked more than 20 years at AT&T Corp., Lucent Technologies, Inc. and Bell Labs. During that time, Ms. Whelan successfully launched many high technology products. Ms. Whelan served as Vice President - eBusiness at Lucent Technologies. Prior to that, Ms. Whelan served as Lucent's Vice President - Strategic Communications and Market Operations, in which capacity she was responsible for Lucent Technologies' global marketing operations, including marketing communications and customer programs, and for the global sales support environment for the worldwide sales force. That environment included channel development, sales training, recognition and compensation. Ms. Whelan received extensive experience in all aspects of marketing and public relations at AT&T. She also had P&L responsibility for AT&T's Directory business. Ms. Whelan is the sister of Andrew Whelan. At December 31, 2009, eMarkets Group, owned by Ms. Whelan, beneficially owns approximately 2.3 million shares of BioElectronics common stock.

Involvement in certain legal proceedings. No officer, director, or persons nominated for such positions, promoter or significant employee has been involved in the last five years in any of the following:

- Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- Any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and
- Being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Regulation S-K Item 405:

Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Company under 17 CFR 240.16a-3(e) during its most recent fiscal year and Form 5 and amendments thereto furnished to the Company with respect to its most recent fiscal year, and any written representation referred to in paragraph (b)(1) of this section, the Company is not aware of any director, officer, beneficial owner of more than ten percent of any class of equity securities of the Company registered pursuant to Section 12 that failed to file on a timely basis, as disclosed in the above Forms, reports required by Section 16(a) during the most recent fiscal year or prior years.

Regulation S-K Item 406:

The Company has adopted a written Code of Ethics applicable to its overall operations, including its principal executive, financial or accounting officer.

Regulation S-K Item 407(c)(3):

None.

Regulation S-K Item 407(d)(4) and (5):

The Company does not fulfill the requirements for this disclosure. However, the Company has an audit committee, consisting solely of Dr. Staelin.

ITEM 11. EXECUTIVE COMPENSATION.

2009 Summary Compensation Table

The following table sets forth the aggregate cash and other compensation paid, if any, for the years ended December 31, 2009 and 2008, to the Company's Principal Executive Officer and each of its other executive officers whose annual salary and non-equity incentive compensation for the fiscal years ended December 31, 2009 and 2008 exceeded \$100,000 (the "Named Executive Officers").

Name and Principal Position	Year	Salary (\$) (note 1)	Stock Awards (\$) (note 1)	Option Awards (\$) (note 1)	Non-Equity Incentive Plan Compensation (\$) (note 2)	All Other Compensation (\$) (note 1)	Total (\$)
Andrew J. Whelan (1) (2) (3) President, Chief Executive Officer and Chief Financial Officer	2009	—	—	—	—	150,000	150,000
	2008	—	—	—	—	150,000	150,000

- (1) Mr. Whelan is paid as an independent contractor for services provided. Mr. Whelan did not receive any stock awards, option awards, non-equity incentive plan compensation, employee benefits or other compensation of any type in respect of the years ended December 31, 2009 or 2008.
- (2) Except for Mr. Whelan, the Company did not employ any other executive during the years ended December 31, 2009 and 2008, whose annual salary and non equity compensation for the years exceeded \$100,000.
- (3) During the years ended December 31, 2009 and 2008, the Company did not record any expense in its financial statements related to the issuance of stock options or equity compensation awards.

Narrative Disclosure to Summary Compensation Table

Employment Agreements

There is no written employment or similar agreement between the Company and Mr. Whelan.

Mr. Whelan is a founder of the Company and has served as the President, Chief Executive Officer, and Chief Financial Officer since April 2000. Mr. Whelan also served as the Chairman of the Board of Directors from April 2000 to July 2009, until such role was transferred to Richard Staelin. Following this date, Mr. Whelan serves as a member of the Board of Directors. Mr. Whelan was paid \$150,000 for services provided during the years ended December 31, 2009 and 2008. Mr. Whelan did not receive any other types of compensation, such as stock or option awards, non-equity incentive plan compensation or other compensation for the years ended December 31, 2009 and 2008.

Material Terms of Option Grants and Grants of Restricted Stock

There were no option grants or grants of restricted stock to Mr. Whelan during the years ended December 31, 2009 and 2008.

Material Terms of Non-Equity Incentive Awards

There were no non-equity incentive awards granted to Mr. Whelan for the years ended December 31, 2009 and 2008.

ADDITIONAL COMPENSATION DISCLOSURE NARRATIVE

Retirement Benefits

The Company does not currently maintain or support a 401(k) or other defined contribution pension plan for any of its employees.

Executive Perquisites

The Company did not provide executive perquisites to Mr. Whelan during the years ended December 31, 2009 and 2008.

Post-Employment Compensation

The Company has not undertaken to provide any post-employment compensation or post-employment benefits of any type to Mr. Whelan, or any other executive, as of December 31, 2009.

The Company does not have any contract, agreement, plan of arrangement with Mr. Whelan that provides for payments to him at, following, or in connection with the executive's resignation, retirement or termination, a change in control if the issuer, or a change in the executive's responsibilities following a change in control.

2009 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

The following table summarizes the unexercised options, nonvested stock and equity incentive plan awards outstanding and held by the Principal Executive Officer as of December 31, 2009:

Name	Option Awards				Stock Awards	
	No. of Securities Underlying Unexercised Options (#) Exercisable	No. of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	No. of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Andrew J. Whelan	—	—	—	—	—	—

Notes:

(1) Mr. Whelan did not have any outstanding equity awards as of December 31, 2009.

DIRECTOR COMPENSATION

2009 DIRECTOR COMPENSATION TABLE

The following table sets forth the cash and noncash compensation paid to the Company's directors in respect of services provided during the year ended December 31, 2009:

Name	Fees Earned or			Total
	Paid in Cash	Stock Awards	Option Awards	
	(\$)	(\$)	(\$) (1)	(\$)
Richard Staelin,	—	—	—	—
Andrew J. Whelan	—	—	—	—
Mary K. Whelan	—	—	—	—

- (1) There were no fees earned or paid (whether in the form of cash, stock or option awards) to any of the directors during the year ended December 31, 2009. In July 2009, 20,000,000 shares of common stock were issued to Mr. Staelin and Ms. Whelan respectively for their services as Board of Directors during the calendar year ended December 31, 2008. The value of the shares issued was recorded as directors' expenses for the year ended December 31, 2008 at \$0.00225 per share, or \$90,000 in total.
- (2) There were no outstanding option awards held by directors as of December 31, 2009.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal 2009, there is not a formal Compensation Committee. All Board of Directors participated in the material compensation decision. No interlocking relationships exist between any of these members of the Board or any executive officer of the Company.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Regulation S-K Item 201d: Securities authorized for issuance under equity compensation plans.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	-	\$ -	-
Equity compensation plans not approved by security holders	10,000,000	0.30	4,115,000
Total	10,000,000	\$ 0.30	4,115,000

Regulation S-K Item 403a: Security ownership of certain beneficial owners of more than five percent (5%).

None

Regulation S-K Item 403b: Security ownership of Management.

<u>(1) Title of class</u>	<u>(2) Name of beneficial owner</u>	<u>(3) Amount and nature of beneficial ownership</u>	<u>(4) Percent of class</u>
Common	Richard Staelin	950,000	0.06%
Common	Andrew J. Whelan	-	-
Common	Mary K. Whelan	2,318,472	0.16%

Unless otherwise indicated in the footnotes, the address for each principal shareholder is in the care of BioElectronics Corporation, 4539 Metropolitan Court, Frederick, Maryland 21704. To the best of the Company's knowledge, none of the Management's holdings may result in a future change in its control.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Regulation S-K Item 404:

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%, 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.

During the year ended December 31, 2007, IBEX converted \$910,000 of the Revolver's outstanding balance and received 26,000,000 shares of the Company's common stock at conversion prices ranging from \$.02 to \$.10 per share.

During the year ended December 31, 2008, IBEX converted \$722,400 of the Revolver's outstanding balance and received 57,000,000 shares of the Company's common stock at conversion prices ranging from less than \$.01 to \$.02 per share. At December 31, 2008, the balance of the Revolver was \$1,099,722.

During the year ended December 31, 2009, IBEX converted \$529,100 of the Revolver's outstanding balance and received 439,500,000 shares of the Company's common stock at conversion prices at less than \$.01 per share. At December 31, 2009, the balance of the Revolver was \$1,287,954.

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.

The Company has entered into related party loans with various stockholders of the Company. The loans are interest-bearing at rates consisting of prime plus 2.0% (5.25% at December 31, 2009 and 7.00% at December 31, 2008) and stated rates at 8% with no stated maturity dates. During the year ended December 31, 2009, the Company obtained an additional loan of \$1,033,249 from the shareholders and made payments of \$893,000. The amounts owed to the stockholders other than IBEX as of December 31, 2009 and 2008 were \$0 and \$498,757, respectively.

Additionally, the Company signed a distribution agreement on February 9, 2009 with eMarkets Group, LLC (eMarkets) a company owned and controlled by a member of the board of directors and sister of the company's president. The agreement provides for eMarkets to be the exclusive distributor of the company's line of products to customers in certain countries outside of the United States for a period of three years. The distribution agreement lists the prices to be paid for the company's products by eMarkets and provides for the company to provide training and customer support at its own cost to support the distributor's sales function. Revenues for the year ended December 31, 2009 include \$271,047 for sales and \$63,496 for cost of goods sold to eMarkets, a related party, and a balance due from such company at December 31, 2009 of \$165,297.

Regulation S-K Item 407(a):

The Company does not fulfill the requirements for this disclosure.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The following table represents aggregate fees billed to us during the years ended December 31, 2009 and 2008 by Berenfeld, Spritzer Shechter & Sheer LLP, our principal independent registered public accounting firm for the audit of our financial statements for 2008, 2007 and 2006.

Fiscal Year Ended December 31:	2009	2008
Audit Fees	\$ 29,800	\$ —
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total	\$ 29,800	\$ —

Audit fees primarily include services for auditing our financial statements along with reviews of our interim financial information. Berenfeld, Spritzer Shechter & Sheer LLP's work on these audits was performed by full time, regular employees and partners of the firm.

Audit-related fees include professional services rendered in connection with SEC registration statements. There were no audit related, tax or other fees billed during the years ended December 31, 2009 and 2008.

All fees described above were approved by our Audit Committee, and the Audit Committee considers whether the provision of the services rendered in respect of those fees is compatible with maintaining the auditor's independence.

PART IV

ITEM 15. EXHIBITS.

- 5.1 Securities as Compensation
- 5.2 Recent Sales of Unregistered Securities
- 10.1 Company's Code of Business Conduct and Ethics
- 31.1 Certification of Principal Executive Officer and Principal Financial Officer
- 99 Financial Statements Period from April 10, 2000 (Inception) to December 31, 2009
 - Report of Independent Registered Public Accounting Firm
 - Balance Sheets
 - Statements of Operations
 - Statement of Changes in Stockholders' Deficiency
 - Statement of Cash Flows
 - Notes to Financial Statements

Exhibits

Exhibit 5.1
Securities as Compensation

	Class	Share Issuance Dates	No. of Shares
<u>2007</u>	Consultants	Oct 07, Nov 07 and Dec 07	<u>1,555,000</u>
<u>2008</u>	Consultants, Employees and Board of Directors	Jan 08, Feb 08, April 08, May 08, July 08, Aug 08, Sept 08, Oct 08, Nov 08 and Dec 08	<u>45,338,500</u>
<u>2009</u>	Consultants, Employees and Board of Directors	Jan 09, February 17, 2009, March 10, 2009, April 1, 2009, April 7, 2009, April 23, 2009, April 24, 2009, April 30, 2009, May 8, 2009, June 23, 2009, July 15, 2009, July 22, 2009, July 23, 2009, July 28, 2009, July 30, 2009, August 19, 2009, September 11, 2009, October 19, 2009, November 24, 2009 and December 23, 2009	<u>149,051,667</u>

Exhibit 5.2
Recent Sales of Unregistered Common Stock

	Class	Share Issuance Dates	No. of Shares
<u>2007</u>			
	1 Individual Investors	Oct 07 and Nov 07	7,875,000
	2 Lenders (Conversion of Debts to Common Stock)	Jan 07, Aug 07, Sept 07, Oct 07, Nov 07 and Dec 07	33,366,847
			<u>41,241,847</u>
<u>2008</u>			
	1 Individual Investors	May 08, Jun 08, July 08, Sept 08, Oct 08, Nov 08, Dec 08	39,092,857
	2 Lenders (Conversion of Debts to Common Stock)	Jan 08, March 08, April 08 and May 08	63,709,683
			<u>102,802,540</u>
<u>2009</u>			
	1 Individual Investors	January 2, 2009, January 14, 2009, January 15, 2009, January 23, 2009, February 10, 2009, March 10, 2009, April 6, 2009, April 17, 2009, July 19, 2009, July 21, 2009, August 7, 2009, August 11, 2009, August 13, 2009, August 20, 2009 and October 30, 2009	145,169,809
	2 Lenders (Conversion of Debts to Common Stock)	February 13, 2009, February 20, 2009, February 26, 2009, March 11, 2009, March 17, 2009, March 20, 2009, March 30, 2009, April 7, 2009, April 14, 2009, May 8, 2009, May 8, 2009, May 14, 2009, June 1, 2009, June 16, 2009, June 19, 2009, June 29, 2009, June 30, 2009, July 6, 2009, July 8, 2009, July 9, 2009, July 20, 2009, July 22, 2009, July 23, 2009, July 28, 2009, August 7, 2009, August 13, 2009, August 14, 2009, August 19, 2009, September 11, 2009 and October 7, 2009	910,234,760
			<u>1,055,404,569</u>

Exhibit 10.1

CODE OF BUSINESS CONDUCT AND ETHICS

Introduction

This Code of Business Conduct and Ethics (the "Code") embodies the commitment of BioElectronics Corporation to conduct our business in accordance with all applicable laws, rules and regulations and the highest ethical standards. All employees and members of our Board of Directors are expected to adhere to those principles and procedures set forth in this Code that apply to them. We also expect the consultants we retain generally to abide by this Code. (For purposes of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated there under, Section I of this Code shall be our code of ethics for Senior Financial Officers (as defined below).)

The Code should be read in conjunction with Our Business Principles, which provide in part that, "Integrity and honesty are at the heart of our business. We expect our people to maintain high ethical standards in everything they do, both in their work for the firm and in their personal lives." Our Business Principles are attached to this Code.

Section I

A. Compliance and Reporting

Employees and directors should strive to identify and raise potential issues before they lead to problems, and should ask about the application of this Code whenever in doubt. Any employee or director who becomes aware of any existing or potential violation of this Code should promptly notify the Chief Executive Officer or the Chief Operating Officer (we refer to such contacts as "Appropriate Ethics Contacts"). The officer(s) will take such disciplinary or preventive action as it deems appropriate to address any existing or potential violation of this Code brought to his/her/their attention.

Any questions relating to how these policies should be interpreted or applied should be addressed to the Chief Executive Officer, Chief Operating Officer or the Board of Directors.

B. Personal Conflicts of Interest

A "personal conflict of interest" occurs when an individual's private interest improperly interferes with the interests of the Company. Personal conflicts of interest are prohibited as a matter of Company policy, unless they have been approved by the Company. In particular, an employee or director must never use or attempt to use his or her position at the Company to obtain any improper personal benefit for himself or herself, for his or her family members, or for any other person, including loans or guarantees of obligations, from any person or entity.

Service to the Company should never be subordinated to personal gain and advantage. Conflicts of interest should, to the extent possible, be avoided.

Any employee or director who is aware of a material transaction or relationship that could reasonably be expected to give rise to a conflict of interest should discuss the matter promptly with an the Chief Executive Officer, Chief Operating Officer or the Board of Directors.

C. Public Disclosure

It is the Company's policy that the information in its public communications, including SEC filings, be full, fair, accurate, timely and understandable. All employees and directors who are involved in the Company's disclosure process, including the Senior Financial Officers, are responsible for acting in furtherance of this policy. In particular, these individuals are required to maintain familiarity with the disclosure requirements applicable to the Company and are prohibited from knowingly misrepresenting, omitting, or causing others to misrepresent or omit, material facts about the Company to others, whether within or outside the Company, including the Company's independent auditors. In addition, any employee or director who has a supervisory role in the Company's disclosure process has an obligation to discharge his or her responsibilities diligently.

D. Compliance with Laws, Rules and Regulations

It is the Company's policy to comply with all applicable laws, rules and regulations. It is the personal responsibility of each employee and director to adhere to the standards and restrictions imposed by those laws, rules and regulations.

Section II

A. Corporate Opportunities

Employees and directors owe a duty to the Company to advance the Company's legitimate business interests when the opportunity to do so arises. Employees and directors are prohibited from taking for themselves (or directing to a third party) a business opportunity that is discovered through the use of corporate property, information or position, unless the Company has already been offered the opportunity and turned it down. More generally, employees and directors are prohibited from using corporate property, information or position for personal gain or competing with the Company.

Sometimes the line between personal and Company benefits is difficult to draw, and sometimes both personal and Company benefits may be derived from certain activities. The only prudent course of conduct for our employees and directors is to make sure that any use of Company property or services that is not solely for the benefit of the Company is approved beforehand by the Chief Executive Officer.

B. Confidentiality

In carrying out the Company's business, employees and directors often learn confidential or proprietary information about the Company, its clients/customers, prospective clients/customers or other third parties. Employees and directors must maintain the confidentiality of all information so entrusted to them, except when disclosure is authorized or legally mandated. Confidential or proprietary information includes, among other things, any non-public information concerning the Company, including its businesses, financial performance, results or prospects, and any non-public information provided by a third party with the expectation that the information will be kept confidential and used solely for the business purpose for which it was conveyed.

C. Fair Dealing

We have a history of succeeding through honest business competition. We do not seek competitive advantages through illegal or unethical business practices. Each employee and director should endeavor to deal fairly with the Company's clients, service providers, suppliers, competitors and employees. No employee or director should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any unfair dealing practice.

D. Equal Employment Opportunity and Harassment

Our focus in personnel decisions is on merit and contribution to the Company's success. Concern for the personal dignity and individual worth of every person is an indispensable element in the standard of conduct that we have set for ourselves. The Company affords equal employment opportunity to all qualified persons without regard to any impermissible criterion or circumstance. This means equal opportunity in regard to each individual's terms and conditions of employment and in regard to any other matter that affects in any way the working environment of the employee. We do not tolerate or condone any type of discrimination prohibited by law, including harassment.

E. Protection and Proper Use of Firm Assets

All employees should protect the Company's assets and ensure their efficient use. All Company assets should be used for legitimate business purposes only.

Section III. Waivers of This Code

From time to time, the Company may waive certain provisions of this Code. Any employee or director who believes that a waiver may be called for should discuss the matter with the Chief Executive Officer. Waivers for executive officers (including Senior Financial Officers) or directors of the firm may be made only by the Board of Directors or a committee of the Board.

Exhibit 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002**

I, Andrew J. Whelan, certify that:

1. I have reviewed this annual report on Form 10-K of BioElectronics Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of BioElectronics as of, and for the periods presented in this annual report;
4. I am the sole officer responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: March 31, 2010

s/ Andrew J. Whelan
Andrew J. Whelan
President, CEO and CFO
(Principal Executive Officer and Principal Financial Officer)

EXHIBIT 99

**BIOELECTRONICS CORPORATION
(A DEVELOPMENT STAGE COMPANY)**

**FINANCIAL STATEMENTS
PERIOD FROM APRIL 10, 2000 (INCEPTION) TO DECEMBER 31, 2009**

**BIOELECTRONICS CORPORATION (A DEVELOPMENT STAGE COMPANY)
PERIOD FROM APRIL 10, 2000 (INCEPTION) TO DECEMBER 31, 2009**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
BioElectronics Corporation
Frederick, Maryland

We have audited the accompanying balance sheets of BioElectronics Corporation (A Development Stage Company) as of December 31, 2009 and 2008 and the related statements of operations, changes in stockholders' deficiency and cash flows for the three year period ended December 31, 2009 and for the period from April 10, 2000 (Inception) to December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BioElectronics Corporation as of December 31, 2009 and 2008 and the results of its operations and its cash flows for the three year period ended December 31, 2009 and for the period from April 10, 2000 (Inception) to December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has substantial losses from operations which raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also discussed in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/Berenfeld Spritzer Shechter & Sheer, LLP
Fort Lauderdale, Florida
March 31, 2010

BioElectronics Corporation (A Development Stage Company)
Balance Sheets
December 31, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 296,352	\$ 55,278
Trade and other receivables, net	402,003	68,878
Inventory	201,359	65,092
Due from related party	165,297	-
Prepaid expenses and others	102,635	5,791
Total current assets	1,167,646	195,039
Property and equipment	93,502	93,502
Less: Accumulated depreciation	(79,921)	(65,342)
Property and equipment, net	13,581	28,160
Security deposits	-	900
Total assets	\$ 1,181,227	\$ 224,099
Liabilities and stockholders' deficiency		
Current liabilities:		
Accounts payable	\$ 85,661	\$ 407,151
Accrued expenses	43,241	258,753
Notes payable	12,654	574,092
Customer deposits	-	119,398
Total current liabilities	141,556	1,359,394
Long-term liabilities:		
Related party notes payable	1,824,176	1,598,479
Total liabilities	1,965,732	2,957,873
Commitments and contingencies		
Stockholders' deficiency:		
Common stock, par value \$0.001 per share, 1,500,000,000 and 750,000,000 shares authorized at December 31, 2009 and 2008 respectively; 1,470,998,871 and 266,542,635 shares issued and outstanding at December 31, 2009 and 2008, respectively	1,470,999	266,542
Additional paid-in capital	8,408,986	7,404,197
Deficit accumulated during the development stage	(10,664,490)	(10,404,513)
Total stockholders' deficiency	(784,505)	(2,733,774)
Total liabilities and stockholders' deficiency	\$ 1,181,227	\$ 224,099

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

BioElectronics Corporation (A Development Stage Company)
Statements of Operations
For the Years Ended December 31, 2009, 2008 and 2007
And for the Period from April 10, 2000 (Inception) to December 31, 2009

	2009	Years ended December 31, 2008	2007	Period from April 10, 2000 (Inception) to December 31, 2009
Sales	\$ 1,145,647	\$ 716,755	\$ 603,110	\$ 3,451,584
Cost of Goods Sold	390,342	508,541	169,921	1,514,493
Gross profit	755,305	208,214	433,189	1,937,091
General and Administrative Expenses:				
Depreciation and Amortization	14,579	15,099	19,419	96,713
Investor Relations Expenses	33,895	551,288	543,108	1,594,561
Sales Support Expenses	147,037	439,359	343,219	1,427,930
Other General and Administrative Expenses	708,745	1,034,595	912,193	7,969,185
Total General and Administrative Expenses	904,256	2,040,341	1,817,939	11,088,389
Loss from Operations	(148,951)	(1,832,127)	(1,384,750)	(9,151,298)
Interest Expense and Other:				
Interest Expense	(111,026)	(192,083)	(588,042)	(1,477,340)
Loss on Disposal of Assets	-	-	(30,262)	(35,852)
Total Interest Expense and Other	(111,026)	(192,083)	(618,304)	(1,513,192)
Loss Before Income Taxes	(259,977)	(2,024,210)	(2,003,054)	(10,664,490)
Provision for Income Tax Expense	-	-	-	-
Net loss	\$ (259,977)	\$ (2,024,210)	\$ (2,003,054)	\$ (10,664,490)
Net loss Per Share - Basic and Diluted	\$ (0.00)	\$ (0.01)	\$ (0.02)	N/A
Weighted Average Number of Shares Outstanding - Basic and Diluted	982,246,684	178,826,253	90,906,674	N/A

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

BioElectronics Corporation (A Development Stage Company)
 Statement of Changes in Stockholders' Deficiency
 For the Period from April 10, 2000 (Inception) to December 31, 2009

	Capital Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total
	Shares	Amount			
Balance at April 10, 2000 (Inception)	-	\$ -	\$ -	\$ -	\$ -
Net Loss	-	-	-	(34,124)	(34,124)
Contribution of assets	-	-	8,000	-	8,000
Issuance of common stock for services rendered	22,150,000	22,150	(8,000)	(13,150)	1,000
Balance at December 31, 2000	22,150,000	22,150	-	(47,274)	(25,124)
Net Loss	-	-	-	-	-
Balance at December 31, 2001	22,150,000	22,150	-	(47,274)	(25,124)
Net Loss	-	-	-	-	-
Balance at December 31, 2002	22,150,000	22,150	-	(47,274)	(25,124)
Net Loss	-	-	-	(568,087)	(568,087)
Sale of common stock at \$.03 per share	3,950,000	3,950	112,100	-	116,050
Sale of common stock at \$.0496 per share	800,000	800	38,900	-	39,700
Sale of common stock at \$.35 per share	40,000	40	13,960	-	14,000
Balance at December 31, 2003	26,940,000	26,940	164,960	(615,361)	(423,461)
Net loss	-	-	-	(792,799)	(792,799)
Common stock dividend	15,800,577	15,800	-	(15,800)	-
Issuance of common stock for services rendered	2,245,649	2,246	110,036	-	112,282
Sale of common stock at \$.3540 per share	678,000	678	239,322	-	240,000
Sale of common stock at \$.4286 per share	149,333	149	63,851	-	64,000
Sale of common stock at \$.30 per share	83,333	83	24,917	-	25,000
Sale of common stock at \$.01 per share	5,020,000	5,020	45,180	-	50,200
Balance at December 31, 2004	50,916,892	50,916	648,266	(1,423,960)	(724,778)
Net loss	-	-	-	(1,914,053)	(1,914,053)
Fair value of warrants issued in connection with financing arrangements	-	-	542,460	-	542,460
Issuance of common stock for services rendered	2,128,000	2,128	205,043	-	207,171
Sale of common stock at \$.30 per share	3,420,000	3,420	1,022,580	-	1,026,000
Sale of common stock at \$.0833 per share	4,600,000	4,600	378,785	-	383,385
Sale of common stock at \$.0959 per share	800,000	800	75,912	-	76,712
Sale of common stock at \$.1475 per share	1,000,000	1,000	146,500	-	147,500
Balance at December 31, 2005	62,864,892	62,864	3,019,546	(3,338,013)	(255,603)
Net loss	-	-	-	(3,039,236)	(3,039,236)
Issuance of common stock for services rendered	7,099,856	7,100	433,481	-	440,581
Fair value of warrants issued in connection with financing arrangements	-	-	182,913	-	182,913
Sale of common stock at \$.1667 per share	240,000	240	39,760	-	40,000
Sale of common stock at \$.10 per share	400,000	400	39,600	-	40,000
Issuance of common stock for conversion of debt	5,000,000	5,000	495,000	-	500,000
Stock based compensation expense	-	-	23,941	-	23,941
Balance at December 31, 2006	75,604,748	75,604	4,234,241	(6,377,249)	(2,067,404)
Net loss	-	-	-	(2,003,054)	(2,003,054)
Issuance of common stock for services rendered	1,555,000	1,555	51,145	-	52,700
Sale of common stock at \$.035 per share	6,000,000	6,000	204,000	-	210,000
Sale of common stock at \$.04 per share	750,000	750	29,250	-	30,000
Sale of common stock at \$.0444 per share	1,125,000	1,125	48,875	-	50,000
Issuance of common stock for conversion of debt	33,366,847	33,367	1,470,471	-	1,503,838
Stock based compensation expense	-	-	14,000	-	14,000
Balance at December 31, 2007	118,401,595	118,401	6,051,982	(8,380,303)	(2,209,920)
Net loss	-	-	-	(2,024,210)	(2,024,210)
Issuance of common stock for services rendered	45,338,500	45,338	355,007	-	400,345
Sale of common stock at \$.035 per share	2,000,000	2,000	68,000	-	70,000
Sale of common stock at \$.0026 per share	8,500,000	8,500	14,000	-	22,500
Sale of common stock at \$.005 per share	5,000,000	5,000	20,000	-	25,000
Sale of common stock at \$.0032 per share	6,250,000	6,250	13,750	-	20,000
Sale of common stock at \$.00351 per share	5,700,000	5,700	14,300	-	20,000
Sale of common stock at \$.0035 per share	11,642,857	11,643	29,107	-	40,750
Issuance of common stock for conversion of debt	63,709,683	63,710	838,051	-	901,761
Balance at December 31, 2008	266,542,635	\$ 266,542	\$ 7,404,197	\$ (10,404,513)	\$ (2,733,774)
Net loss	-	-	-	(259,977)	(259,977)
Issuance of common stock for services rendered	149,051,667	149,052	93,845	-	242,897
Sale of common stock at \$.0030 per share	9,000,000	9,000	18,000	-	27,000
Sale of common stock at \$.0020 per share	15,000,000	15,000	15,000	-	30,000
Sale of common stock at \$.0017 per share	11,500,000	11,500	8,500	-	20,000
Sale of common stock at \$.0015 per share	16,666,667	16,667	8,334	-	25,001
Sale of common stock at \$.0012 per share	55,500,000	55,500	11,100	-	66,600
Sale of common stock at \$.0013 per share	16,750,000	16,750	4,850	-	21,600
Sale of common stock at \$.02 per share	7,500,000	7,500	142,500	-	150,000
Sale of common stock at \$.028 per share	5,357,142	5,357	144,643	-	150,000
Sale of common stock at \$.0444 per share	2,250,000	2,250	97,750	-	100,000
Sale of common stock at \$.05 per share	5,646,000	5,646	276,654	-	282,300
Issuance of common stock for conversion of debt	905,788,207	905,788	182,724	-	1,088,512
Issuance of common stock for warrant exercises	4,446,553	4,447	889	-	5,336
Balance at December 31, 2009	1,470,998,871	\$ 1,470,999	\$ 8,408,986	\$ (10,664,490)	\$ (784,505)

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

BioElectronics Corporation (A Development Stage Company)
 Statements of Cash Flows
 For the Years Ended December 31, 2009, 2008 and 2007
 And for the Period from April 10, 2000 (Inception) to December 31, 2009

	2009	Years ended December 31, 2008	2007	Period from April 10, 2000 (Inception) to December 31, 2009
Cash flows from Operating Activities:				
Net loss	\$ (259,977)	\$ (2,024,210)	\$ (2,003,054)	\$ (10,664,490)
Adjustment to Reconcile Net Loss to Net Cash Used In Operating Activities:				
Depreciation and amortization	14,579	15,099	19,419	98,284
Provision for bad debts	-	-	12,000	58,255
Amortization of non-cash debt issuance costs	-	-	350,589	725,373
Non-cash expenses	242,898	400,346	52,700	1,455,978
Stock-based employee compensation expense	-	-	14,000	37,941
Non-cash interest related to notes payable	52,656	188,958	205,030	592,418
Non-cash interest related to related party notes payable	87,703	-	-	87,703
Write off of related party notes payable	(266,490)	-	-	(266,490)
Amortization of loan costs	-	3,125	63,100	129,852
Increase in related party notes payable for services rendered	-	247,345	309,181	562,776
Loss on disposal of property and equipment	-	-	30,262	35,852
Changes in Assets and Liabilities				
(Increase) Decrease in:				
Trade and other receivable	(333,125)	129,382	(98,760)	(625,553)
Inventory	(136,267)	126,443	(128,033)	(201,359)
Due from related party	(165,297)	-	-	-
Prepaid expenses and others	(84,190)	(1,512)	-	(89,980)
Deposits	900	-	-	-
Increase (Decrease) in:				
Accounts payable	(181,241)	13,923	(148,348)	225,909
Accrued expenses	(215,512)	260,543	(13,199)	251,683
Customer deposits	(119,398)	119,398	-	-
Net cash used in operating activities	(1,362,761)	(521,160)	(1,335,113)	(7,585,848)
Cash flows from Investing Activities				
Acquisition of property and equipment	-	(6,882)	-	(128,729)
Net cash Used in Investing Activities	-	(6,882)	-	(128,729)
Cash flows from Financing Activities				
Proceeds from note payable, net of loan costs of \$10,000	-	-	-	1,090,148
Payments on note payable	(62,000)	(100,000)	-	(528,219)
Proceeds from related party notes payable	1,725,360	461,371	962,787	4,804,953
Payments on related party notes payable	(932,025)	(12,600)	(10,100)	(969,803)
Proceeds from issuance of common stock	872,500	198,250	290,000	3,623,837
Other	-	-	-	(9,987)
Net cash provided by financing activities	1,603,835	547,021	1,242,687	8,010,929
Net increase (Decrease) in cash	241,074	18,979	(92,426)	296,352
Cash- Beginning of Year	55,278	36,299	128,725	-
Cash- End of Year	\$ 296,352	\$ 55,278	\$ 36,299	\$ 296,352
Supplemental Disclosures of Cash Flow Information:				
Cash paid during the years for:				
Interest	\$ -	\$ -	\$ -	\$ 66,632
Income taxes	\$ -	\$ -	\$ -	\$ -
Supplemental Schedule of Non-Cash Investing and Financing Activities:				
Conversion of debt and accrued interest into common stock	\$ 1,093,848	\$ 967,658	\$ 1,248,119	N/A
Conversion of warrants into common stock	\$ 5,336	\$ -	\$ -	\$ 5,336
Prepaid insurance expense through issuance of notes	\$ 12,654	\$ -	\$ -	\$ 12,654
Equipment purchases financed through capital leases and notes payable	\$ -	\$ -	\$ -	\$ 9,986

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

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

NOTE 1 - NATURE OF BUSINESS

BioElectronics Corporation was incorporated in April 2000 and began employee-based operations in 2003. BioElectronics Corporation (the "Company") is the maker of inexpensive, drug-free, anti-inflammatory medical devices and patches – its primary SIC code is 3845. The Company's wafer thin patches contain an embedded microchip and battery that deliver pulsed electromagnetic energy, a clinically proven and widely accepted anti-inflammatory and pain relief therapy that heretofore has only been possible to obtain from large, facility-based equipment. BioElectronics markets and sells its current products under the brand names ActiPatch®, Allay™ and RecoveryRx™.

The dermal patch delivery system creates a multitude of new product opportunities for chronic and acute inflammatory conditions. The market potential is estimated at \$10 billion or 400 million incidents worldwide. The distinctive value proposition of the device is the delivery of drug-free therapy that reduces pain and inflammation and accelerates healing by 30% to 50% when compared with the present standard methods of patient care. The current major applications are:

- Medical Surgeries
- Chronic Wounds
- Oral Surgeries
- Sprains and Strains
- Lower Back Pain
- Chronic Repetitive Stress Injuries, Heel Pain, Carpal Tunnel, Bursitis, etc.

The Company was granted its first approval from the FDA under a 510(k) in August 2002. Prior to FDA approval and the establishment of its research and development group, PAW, LLC (an entity owned by the family of Andy Whelan, President) funded the operations and costs of product development.

In December 2004, the Company received ISO and CE (European Common Market) certification. In 2005, Health Canada approved ActiPatch® Therapy for the relief of pain in musculoskeletal complaints.

In early 2008, the Company redesigned its product and manufacturing process and established new disease specific products and distinct medical and retail product lines. It also shifted its attention to international sales.

The accompanying financial statements are those of a development stage company. The Company is currently engaged in and devotes considerable time to planning, developing and testing Infomercials, product design changes, establishing sources of material supply and manufacturing subcontractors, recruiting distributors and establishing a market presence for its product.

The Company has focused attention on international customers to expand its distributions and sales. The Company has established distribution agreements with distributors in Korea, Singapore, Malaysia, Canada, Columbia, Italy, Scandinavia, Saudi Arabia, Japan, Benelux, the Balkans, Austria, Australia, China and South America. 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.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Company has prepared the financial statements in accordance with accounting principles generally accepted in the United States of America.

Effective September 30, 2009, the Financial Accounting Standards Board (“FASB”) established The FASB Accounting Standards Codification (“ASC”) (formerly Statement of Financial Accounting Standards (“SFAS”) No. 162, “The Hierarchy of Generally Accepted Accounting Principles”) as the source of authoritative accounting to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. Except for newly issued standards that have not been codified, references to codified literature have been updated to reflect this change.

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.

CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Company to significant concentration of credit risk, consist primarily of cash and cash equivalents. From time to time the Company may have bank deposits in excess of federally insured limits. The standard maximum deposit insurance amount protected by the Federal Deposit Insurance Corporation is \$250,000. As at December 31, 2009, the excess amount of bank deposits unprotected is approximately \$46,000. Management believes that the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The more significant estimates include inventory obsolescence reserve, useful lives for depreciation and amortization, salvage values of depreciable equipment, valuation of warrants and options, allowance for doubtful trade and other receivables and the utilization of deferred tax assets. Actual results could differ from those estimates.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TRADE AND OTHER 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 December 31, 2009 and 2008. Bad debt expense for the years ended December 31, 2009, 2008 and 2007 was \$3,385, \$17,095 and \$13,970, respectively.

CREDIT RISK ASSOCIATED WITH TRADE RECEIVABLE

In order to reduce the default risk associated with international revenue transactions, the Company secured most of international sales by a letter of credit or guaranteed by the Export Import Bank of the United States.

INVENTORIES

Inventories consist of raw materials, supplies and finished goods. All inventories are valued at lower of average cost or market determined under the first-in, first-out method. The Company periodically reviews inventories and items considered outdated or obsolete are reduced to their estimated net realizable value.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews its long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable as prescribed by ASC Topic 360-10-05, "Impairment or Disposal of Long-Lived Assets (formerly SFAS No. 144 "Accounting for the Impairment of Long-Lived Assets"). If the carrying amount of the asset, including any intangible assets associated with that asset, exceeds its estimated undiscounted net cash flow, before interest, the Company will recognize an impairment loss equal to the difference between its carrying amount and its estimated fair value. No impairment losses were recognized for the years ended December 31, 2009, 2008 or 2007.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. The Company provides for depreciation expense on a straight line basis over each asset's estimated useful life.

<u>ASSET CLASSIFICATION</u>	<u>USEFUL LIFE</u>
Machinery	5 years
Equipment	5 years
Leasehold Improvements	5 years

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additions to property and equipment and major improvements are capitalized. Gains and losses on dispositions are recognized immediately. Maintenance, repairs and minor replacements are expensed as incurred. Depreciation expense for the years ended December 31, 2009, 2008 and 2007 was \$14,579, \$15,099, and \$19,419, respectively.

REVENUE RECOGNITION

The Company sells its products to wholesale distributors and directly to hospitals and clinics. Revenue is recognized when evidence of an arrangement exists, pricing is fixed and determinable, collection is reasonably assured, and shipment has occurred or title to the goods has been transferred to the buyer. Payment is due on a net basis in 30 days. If the customer is deemed not credit worthy, payment in advance is required. The Company's agreement with customers includes a right of return, but the return history of products is immaterial. No allowance for returns is required for the years ended December 31, 2009, 2008 and 2007. Defective units are replaced at the request of the customer.

The Company enters into bill and hold arrangements from time to time with certain distributors pursuant to which the product is purchased by distributors for shipment at a later date. The Company recognizes revenue on bill and hold arrangements when the following seven criteria have been met: (1) the risk of ownership has passed to the buyer (2) the buyer has made a fixed commitment to purchase the goods, preferably in writing (3) the buyer, and not the seller, has requested that the transaction is on a bill and hold basis (4) there is a fixed schedule for delivery of the goods, indicating a delivery date that is reasonable and consistent with the buyer's business purpose (5) the buyer has not retained any specific performance obligations such that the earnings process is not complete (6) the ordered goods are segregated from the seller's inventory and is not being used to fill other orders and (7) the product must be complete and ready for shipment. In addition, payment must be received and/or fixed payment dates be agreed with the customer pursuant to which the risk of collection is reduced to a minimal level.

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. Advertising expenses for the years ended December 31, 2009, 2008 and 2007 are \$550, \$5,132 and \$4,515, respectively and are included in general and administrative expenses in the statements of operations. Prepaid advertising cost incurred to fund the production of Infomercials was \$34,014 and \$0 at December 31, 2009 and December 31, 2008, respectively.

INCOME TAXES

The Company provides for deferred taxes in accordance with ASC Topic 740, "Income Taxes" (formerly SFAS No. 109, "Accounting for Income Taxes), which requires an asset and liability approach for measuring deferred taxes and liabilities due to temporary differences existing at year-end using currently enacted rates (See Note 13). A valuation allowance is provided when necessary to reduce deferred tax assets to amounts expected to be realized.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company has adopted the provision within ASC Topic 740 for uncertain tax positions, which clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. The tax effects from an uncertain tax position can be recognized in the financial statements only if the position is “more-likely-than-not” of being sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the “more-likely-than-not” threshold, the largest amount of tax benefit that is greater than 50 percent likely of being recognized upon ultimate settlement with the taxing authority, is recorded. The provisions for uncertain tax positions became effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. These income tax returns are subject to examinations range from 2006 to 2008.

From time to time, the Company may be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to the financial results. Our policy is that we recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense.

RESEARCH AND DEVELOPMENT

Research and development are costs of clinical studies that are charged to operations as incurred. The Company incurred \$38,107, \$115,667 and \$41,288 of such costs for the years ended December 31, 2009, December 31, 2008 and December 31, 2007.

SHIPPING AND HANDLING FREIGHT FEES AND COSTS

All amounts billed to a customer in a sales transaction related to shipping and handling represent revenues earned and are reported as revenue. The costs incurred by the Company for shipping and handling are reported as part of cost of goods sold. The Company includes freight costs in cost of goods sold.

COMPENSATED ABSENCES

The Company does not accrue for compensated absences and recognizes the costs of compensated absences when paid to employees. Accordingly, no liability for such absences has been recorded in the accompanying financial statements. Management believes the effect of this policy is not material to the accompanying financial statements.

STOCK BASED COMPENSATION

Effective January 1, 2006, the Company adopted the provisions of ASC Topic 718, “Compensation – Stock Compensation,” (formerly SFAS No. 123R “Stock Based Payment”) requiring that compensation cost relating to stock based payment transactions be recognized in the financial statements. The cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee’s requisite service period (generally the vesting period of the equity award).

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior to January 1, 2006, the Company accounted for stock based compensation as permitted under ASC Topic 718, using the intrinsic value method. The fair value of options that were not vested as of January 1, 2006 was calculated using the Black-Scholes method and those amounts were recorded as stock-based compensation prospectively over the remaining service period.

NET LOSS PER SHARE

The Company calculates basic and diluted net loss per share in accordance with ASC Topic 260, "Earnings Per Share" (formerly SFAS No. 128, "Earnings Per Share"), which requires the presentation of "basic" and "diluted" net loss per share on the face of the statement of operations. Basic and diluted net loss per share is computed by dividing net loss by the weighted-average number of outstanding shares of common stock. Convertible debt instruments, warrants, and options to purchase common stock are included as common stock equivalents only when dilutive. For the years ended December 31, 2009, 2008 and 2007 the Company reported net losses, as a result there is no difference between basic and diluted shares for each of the years presented.

ISSUANCE OF STOCK FOR NON-CASH CONSIDERATION

All issuances of the Company's stock for non-cash consideration have been assigned a per share amount determined with reference to 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 in the statement and value attributed to the shares issued.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of ASC Topic 505-50, "Equity-Based Payments to Non-Employees" (formerly EITF No. 96-18, Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services and EITF No. 00-18, Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other Than Employees). The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete.

STOCKHOLDERS' EQUITY TRANSACTION

On June 18, 2009, the Company authorized to increase the number of authorized common shares from 750,000,000 to 1,000,000,000. Subsequently, on July 9, 2009, the Company further increased the authorized common shares to 1,500,000,000.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist primarily of cash, trade and other receivables, accounts payable, accrued liabilities, loans and notes payable. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair value is not necessarily indicative of the amounts the Company would realize in a current market exchange or from future earnings or cash flows. The Company adopted ASC Topic 820-10, "Fair Value Measurements and Disclosures" (formerly SFAS No. 157, "Fair Value Measurements"), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly including inputs in markets that are not considered to be active;
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

RECLASSIFICATIONS

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Standards Codification

In June 2009, the FASB issued Statement of Financial Accounting Standards (“SFAS”) No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (the “Codification”). This standard replaces SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*, and establishes only two levels of U.S. generally accepted accounting principles (“GAAP”), authoritative and nonauthoritative. The FASB ASC has become the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. All other nongrandfathered, non-SEC accounting literature not included in the Codification will become nonauthoritative. This standard is effective for financial statements for interim or annual reporting periods ending after September 15, 2009. The adoption of the Codification changed the Company’s references to GAAP accounting standards but did not impact the Company’s results of operations, financial position or liquidity.

Participating Securities Granted in Share-Based Transactions

Effective January 1, 2009, the Company adopted a new accounting standard included in ASC 260, *Earnings Per Share* (formerly FASB Staff Position (“FSP”) Emerging Issues Task Force (“EITF”) 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*). The new guidance clarifies that non-vested share-based payment awards that entitle their holders to receive nonforfeitable dividends or dividend equivalents before vesting should be considered participating securities and included in basic earnings per share. The Company’s adoption of the new accounting standard did not have a material effect on previously issued or current earnings per share.

Fair Value Measurement and Disclosure

Effective January 1, 2009, the Company adopted a new accounting standard included in ASC 820, *Fair Value Measurements and Disclosures* (“ASC 820”) (formerly FASB FSP No 157-2, *Effective Date of FASB Statement No. 157*), which delayed the effective date for disclosing all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis (at least annually). This standard did not have a material impact on the Company’s financial statements.

In April 2009, the FASB issued new guidance for determining when a transaction is not orderly and for estimating fair value when there has been a significant decrease in the volume and level of activity for an asset or liability. The new guidance, which is now part of ASC 820 (formerly FSP 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*), requires disclosure of the inputs and valuation techniques used, as well as any changes in valuation techniques and inputs used during the period, to measure fair value in interim and annual periods. In addition, the presentation of the fair value hierarchy is required to be presented by major security type as described in ASC 320, *Investments — Debt and Equity Securities*. The provisions of the new standard were effective for interim periods ending after June 15, 2009. The adoption of the new standard on April 1, 2009 did not have a material effect on the Company’s financial statements.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In April 2009, the Company adopted a new accounting standard included in ASC 820, (formerly FSP 107-1 and Accounting Principles Board (“APB”) 28-1, *Interim Disclosures about Fair Value of Financial Instruments*). The new standard requires disclosures of the fair value of financial instruments for interim reporting periods of publicly traded companies in addition to the annual disclosure required at year-end. The provisions of the new standard were effective for the interim periods ending after June 15, 2009. The Company’s adoption of this new accounting standard did not have a material effect on the Company’s financial statements.

In August 2009, the FASB issued new guidance relating to the accounting for the fair value measurement of liabilities. The new guidance, which is now part of ASC 820, provides clarification that in certain circumstances in which a quoted price in an active market for the identical liability is not available, a company is required to measure fair value using one or more of the following valuation techniques: the quoted price of the identical liability when traded as an asset, the quoted prices for similar liabilities or similar liabilities when traded as assets, or another valuation technique that is consistent with the principles of fair value measurements. The new guidance clarifies that a company is not required to include an adjustment for restrictions that prevent the transfer of the liability and if an adjustment is applied to the quoted price used in a valuation technique, the result is a Level 2 or 3 fair value measurement. The new guidance is effective for interim and annual periods beginning after August 27, 2009. The Company’s adoption of the new guidance did not have a material effect on the Company’s financial statements.

Derivative Instruments and Hedging Activities

Effective January 1, 2009, the Company adopted a new accounting standard included in ASC 815, *Derivatives and Hedging* (SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of SFAS No. 133*). The new accounting standard requires enhanced disclosures about an entity’s derivative and hedging activities and is effective for fiscal years and interim periods beginning after November 15, 2008. Since the new accounting standard only required additional disclosure, the adoption did not impact the Company’s financial statements.

Other-Than-Temporary Impairments

In April 2009, the FASB issued new guidance for the accounting for other-than-temporary impairments. Under the new guidance, which is part of ASC 320, *Investments — Debt and Equity Securities* (formerly FSP 115-2 and 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*), an other-than-temporary impairment is recognized when an entity has the intent to sell a debt security or when it is more likely than not that an entity will be required to sell the debt security before its anticipated recovery in value. The new guidance does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities and is effective for interim and annual reporting periods ending after June 15, 2009. The Company’s adoption of the new guidance did not have a material effect on the Company’s financial statements.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In May 2009, the FASB issued new guidance for subsequent events. The new guidance, which is part of ASC 855, *Subsequent Events* (formerly SFAS No. 165, *Subsequent Events*) is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this guidance sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The new guidance is effective for fiscal years and interim periods ended after June 15, 2009 and will be applied prospectively. The Company's adoption of the new guidance did not have a material effect on the Company's financial statements. Management has evaluated the impact of events occurring after December 31, 2009 up to the date of issuance of these financial statements. These statements contain all necessary adjustments and disclosures resulting from that evaluation.

Accounting Standards Not Yet Effective

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.

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.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$259,977 for the year ended December 31, 2009. The Company is currently looking for 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, U.S. FDA approval and to maintain operations and alleviate doubt about its ability to continue as a going concern.

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

NOTE 4 - INVENTORY

The components of inventory as of December 31, 2009 and 2008 are:

	<u>2009</u>	<u>2008</u>
Raw materials	\$ 27,900	\$ 21,662
Finished goods	173,459	43,430
	<u>\$ 201,359</u>	<u>\$ 65,092</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2009</u>	<u>2008</u>
Machinery & Equipment	\$ 86,620	\$ 86,620
Leasehold improvements	6,882	6,882
	93,502	93,502
Less: accumulated depreciation	(79,921)	(65,342)
Total property and equipment, net	<u>\$ 13,581</u>	<u>\$ 28,160</u>

Depreciation expenses recorded related to property and equipment were \$14,579, \$15,099 and \$19,419 for the years ended December 31, 2009, December 31, 2008 and December 31, 2007, respectively.

NOTE 6 - NOTES PAYABLE

Senior Secured Convertible Notes

On December 8, 2005, the Company entered into a Subscription Agreement wherein the Subscribers ("the Investors") agreed to purchase up to \$1 million of 8% promissory notes of the Company, convertible into shares of the Company's common stock at a per share convertible price set forth in the Agreement, and share purchase warrants to purchase shares of the Company's common stock. On the Initial Closing Date, the Investors purchased a total of \$750,000 of Senior Secured Convertible Notes ("the Initial Closing Notes").

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

NOTE 6 – NOTES PAYABLE (CONTINUED)

The Investors also agreed to purchase an additional \$250,000 (“the Second Closing Purchase Price”) of Notes (the "Additional Notes") on the Second Closing Date, which was defined as the third business day after the Actual Effective Date of the Registration Statement, which is described below. Both the Initial Closing Notes and the Additional Notes bear interest at a fixed rate of 8% per annum, payable monthly. The Initial Closing Notes and the Additional Notes were initially convertible into 3,000,000 shares and 1,000,000 shares, respectively, of the Company's common stock at the lesser of (a) the Fixed Conversion Price of \$0.25 per share, or (b) 85% of the Volume Weighted Average Price (“the VWAP”) for the 10 trading days preceding conversion. The Notes are collateralized by a security interest in substantially all of the Company’s assets.

The Company issued Class A share purchase warrants along with the Initial Closing Notes. One Class A warrant was issued to each Investor for each common stock share which would be issued to the Investor assuming the complete conversion of the Notes on such closing date at the conversion price in effect at that date (for a total 3,000,000 warrants). The warrant exercise price was equal to 120% of the closing bid price on the Initial Closing Date for the last trading day preceding the Initial Closing Date, not to exceed \$0.50 per share. The Class A warrants were exercisable until 5 years after each closing date.

The Company also issued Class B share purchase warrants to the Investors. An aggregate of 750,000 Class B warrants were issued to the Investors on the Initial Closing Date, and an aggregate of 250,000 Class B warrants were to be issued to the Investors on the Second Closing Date. The Company ultimately issued a total of 1,000,000 Class B warrants to the Investors. The warrant exercise price for the Class B warrants was \$0.55 per share. The Class B warrants were to be exercisable until the Registration Statement was effective, as described below, for 180 days.

The Subscription Agreement contained registration rights that were granted to the holders of the Company’s common stock issued upon note conversion. The registration rights contained a provision wherein a Registration Statement was to be filed with the U.S. Securities and Exchange Commission (“SEC”) within 45 days after the Initial Closing Date, and the Registration Statement had to be declared effective not later than 75 days after the Initial Closing Date, or within 115 days if there was an SEC review. Failure to comply with these dates would constitute a Non-Registration Event, which would make all principal and accrued interest on the notes become immediately due and payable, under which the Investors could assess, as Liquidated Damages, an amount calculated on a daily basis at a rate of 2% for each 30 days of the Purchase Price of the Notes remaining unconverted and purchase price of Shares issued upon conversion of the Notes. The Liquidated Damages, at the option of the Company, may be paid in cash or additional shares of its common stock. Also, the interest rate on the Notes would increase to a Default Rate of 15% per annum until the Registration Statement was filed.

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

NOTE 6 – NOTES PAYABLE (CONTINUED)

The Company filed a Registration Statement on February 13, 2006 but the statement was not declared effective within 75 days of the Initial Closing Date, therefore a Non-Registration Event was asserted by the Investors. As a result, the Investors allowed the Company to amend the Subscription Agreement on June 16, 2006 (“the June 16, 2006 Modification and Amendment Agreement”) in which the Company was permitted to file an amended Registration Statement no later than June 16, 2006. Due to the Non-Registration Event, liquidated damages were accrued through June 16, 2006, and were payable in the form of Notes. Additionally, the Notes Fixed Conversion Price was changed from \$0.25 to \$0.18 per share. The Company recorded liquidated damages of \$76,500 in 2006, and issued 443,000 Class B Warrants to the Investors. In the Modification and Amendment Agreement, the Investors agreed to accelerate a funding of an aggregate of \$100,000 of the Second Closing Purchase Price (“Interim Funding”). The balance of the Second Closing Purchase Price was to be funded on the Second Closing Date pursuant to the Subscription Agreement. The Investors also agreed to waive additional Liquidated Damages payable in connection with the initial 60 day period following the Closing Date of the Interim Funding.

On June 16, 2006, the Registration Statement was not declared effective, and it was withdrawn by the Company on July 13, 2006. As a result, the Company entered into a second Modification and Amendment agreement on August 14, 2006, under which the Company agreed to file an amendment to the Registration Statement no later than August 14, 2006. The second Modification and Amendment agreement resulted in the purchase by the Investors of \$100,000 of Notes (“the Interim Funding Notes”) under the Interim Funding provisions of the June 16, 2006 Modification and Amendment Agreement. The investors also agreed to waive the accrual of interest on liquidated damages for a period up to sixty days until October 14, 2006. If the Registration Statement was not filed and not declared effective by this date, interest on the liquidated damages would begin to accrue until the Registration Statement was declared effective.

The Registration Statement was filed on August 14, 2006, but was not declared effective on October 14, 2006. Therefore, interest on the Liquidated Damages of \$3,507 was accrued by the Company from October 14, 2006 to December 31, 2006, and was payable in the form of Notes.

During the year ended December 31, 2007, the Company issued 1,577,652 shares of the Company’s common stock at conversion prices ranging from \$.06 to \$.18 per share in complete satisfaction of an Investor’s convertible promissory notes. The principal amount of the notes, Liquidated Damages and accrued interest totaled \$133,749. In addition, the remaining Investors converted Notes, Liquidated Damages and accrued interest totaling \$175,070, into 2,654,576 shares of the Company’s common stock at conversion prices ranging from \$.06 to \$.07 per share. At December 31, 2007, the balance of the Notes, Liquidated Damages and accrued interest was \$847,118.

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

NOTE 6 – NOTES PAYABLE (CONTINUED)

On May 28, 2008, the Company entered into a third amendment of the Subscription Agreement, under which the Company immediately converted \$50,000 (total conversion of \$100,000) of the amounts owed to the two remaining investors, at a conversion price of \$.025 into 2,000,000 (4,000,000 total) shares of the Company's common stock. The fixed conversion price for the remaining face amount of the Notes and Additional Notes was changed to \$.06 per share. In addition, commencing 76 days after the date of the third amendment, August 11, 2008, the Company began making amortizing payments of \$20,000 monthly towards the outstanding amounts due on the Notes until the Notes were repaid in full, whether by the payment of cash or by conversion at the Company's election. The conversion rate for the \$20,000 payment amounts was to be calculated on the lesser of (a) the Fixed Conversion Price of \$.06 per share, or (b) 85% of the VWAP for the 10 trading days preceding the payment date. During the year ended December 31, 2008, the Company paid five monthly \$20,000 amortizing payments (\$100,000 total) towards the balance of the Notes. In addition, the Company issued 9,150,331 shares of the Company's common stock at conversion prices ranging from \$.03 to \$.04 per share in conversion of Notes, Liquidated Damages and accrued interest totaling \$240,308. At December 31, 2008, the balance of the Notes, Liquidated Damages and accrued interest were \$574,092.

During the first and second quarters of the year ended December 31, 2009, the Company made four cash payments during the year of 2009 totaling \$62,000 towards the balance of the Notes. There were further interest accruals totaling \$52,656 during the year of December 31, 2009. As at December 31, 2009, the Company converted the remaining balance of notes payable (\$564,748) into 466,488,207 shares of the Company's common stock, at a conversion price of \$.0012. The notes payable was fully converted as at December 31, 2009.

As required by ASC Topic 815, Accounting for Derivative Instruments and Hedging Activities, a discount of \$731,293 was recorded started December 8, 2005 against the face amount of the Notes that has been amortized over the two year term of the notes to their maturity date. The fair value of the warrants issued of \$731,293 was calculated using the Black Scholes option pricing model based on the following assumptions: (1) risk free interest rate of 4.21%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of the Company's common stock of 40%; and (4) an expected life of the warrants of 5 years. Additionally, the proceeds were allocated between the notes and warrants using the relative fair value method. During the years ended December 31, 2009, 2008 and 2007, amortization of the discount as interest expense was \$0, \$0, and \$350,589, respectively.

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

NOTE 6 – NOTES PAYABLE (CONTINUED)

The following table summarizes the activity of the Senior Secured Convertible Notes from December 31, 2005 through December 31, 2009:

	<u>Convertible Notes</u>
Balance, December 31, 2005	\$ 750,000
Proceeds from notes payable	100,000
Liquidated damages	76,500
Accrual of interest	110,965
Conversion of notes payable	<u>-</u>
Balance, December 31, 2006	1,037,465
Accrual of interest	117,772
Conversion of notes payable into 4,232,228 shares	<u>(308,119)</u>
Balance, December 31, 2007	847,118
Accrual of interest	67,282
Repayments of notes payable	(100,000)
Conversion of notes payable into 9,150,331 shares	<u>(240,308)</u>
Balance, December 31, 2008	574,092
Accrual of interest	52,656
Repayments of notes payable	(62,000)
Conversion of notes payable into 466,288,207 shares	<u>(564,748)</u>
Balance, December 31, 2009	<u><u>\$ -</u></u>

Interest expense incurred on the above notes, which included amortization of the note discount, for the years ended December 31, 2009, 2008 and 2007 was \$52,656, \$67,282, and \$468,361, respectively.

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 total amount financed was \$29,295 with payments of \$16,641 made during the year ended December 31, 2009. The interest expense for this note was \$982 per the year ended December 31, 2009. The outstanding payable balance at December 31, 2009 was \$12,654, which is due in full by May 31, 2010.

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

NOTE 7 – 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%, 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.

During the year ended December 31, 2007, IBEX converted \$910,000 of the Revolver’s outstanding balance and received 26,000,000 shares of the Company’s common stock at conversion prices ranging from \$.02 to \$.10 per share.

During the year ended December 31, 2008, IBEX converted \$722,400 of the Revolver’s outstanding balance and received 57,000,000 shares of the Company’s common stock at conversion prices ranging from less than \$.01 to \$.02 per share. At December 31, 2008, the balance of the Revolver was \$1,099,722.

During the year ended December 31, 2009, IBEX converted \$529,100 of the Revolver’s outstanding balance and received 439,500,000 shares of the Company’s common stock at conversion prices at less than \$.01 per share. At December 31, 2009, the balance of the Revolver was \$1,287,954.

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.

The Company has entered into related party loans with various stockholders of the Company. The loans are interest-bearing at rates consisting of prime plus 2.0% (5.25% at December 31, 2009 and 7.00% at December 31, 2008) and stated rates at 8% with no stated maturity dates. During the year ended December 31, 2009, the Company obtained an additional loan of \$1,033,249 from the shareholders and made payments of \$893,000. The amounts owed to the stockholders other than IBEX as of December 31, 2009 and 2008 were \$0 and \$498,757, respectively.

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

NOTE 7 – RELATED PARTY NOTES PAYABLE (CONTINUED)

Maturities of notes payable at December 31, 2009 are:

2010	\$	-
2011		536,222
2012		-
2013		-
2014		-
Thereafter		1,287,954
Total	\$	<u>1,824,176</u>

Interest expense incurred on the related party notes payable for the years ended December 31, 2009, 2008 and 2007 was \$57,388, \$124,800 and \$119,682, respectively.

NOTE 8 – LOSS PER SHARE

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

Common Stock:	2009	2008	2007
Weighted average number of shares outstanding – basic	982,246,684	178,826,253	90,906,674
Effect of dilutive securities:			
Options and Warrants	-	-	-
Weighted average number of shares outstanding – diluted	982,246,684	178,826,253	90,906,674
Options and Warrants not included above (anti-dilutive)			
Options to purchase common stock	350,000	350,000	350,000
Warrants to purchase common stock	332,000	4,844,444	5,144,444
	<u>682,000</u>	<u>5,194,444</u>	<u>5,494,444</u>

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

NOTE 9 - STOCK OPTION PLANS/STOCK 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 reserves 10 million shares of common stock for issuance. The options may be incentive, nonqualified or stock appreciation rights.

Option awards are granted with an exercise price equal to Company's bid price on the Pink Sheets on the date of grant, which is fair value. The options vest over three years of continuous service and are exercisable over five years from the date of grant.

On exercise of a stock appreciation right, the holder may receive shares of common stock and cash equal to the excess of the fair market value of the common stock at the date of exercise over the option price. Stock appreciation rights may be exercised five years from the date of grant. As of December 31, 2009 no stock appreciation rights have been granted.

The following table sets forth options, granted, cancelled, forfeited and outstanding:

	Number of Shares	Aggregate Grant Date Fair Value	Weighted Average Exercise Price
December 31, 2006	350,000	\$ 42,000	\$ 0.30
Granted	-	-	-
Exercised	-	-	-
Forfeited / Canceled	-	-	-
Outstanding, December 31, 2007	350,000	42,000	0.30
Granted	-	-	-
Exercised	-	-	-
Forfeited / Canceled	-	-	-
Outstanding, December 31, 2008	350,000	42,000	0.30
Granted	-	-	-
Exercised	-	-	-
Forfeited / Canceled	-	-	-
Outstanding, December 31, 2009	350,000	\$ 42,000	\$ 0.30

Summary information about the Company's stock options outstanding at December 31, 2009:

Exercise Price	Options Outstanding	Weighted Average Remaining Years of Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
\$.30	350,000	1.0	\$.30	350,000	\$.30

As of December 31, 2009, and 2008 the Company had 350,000 options exercisable and 4,115,000 available for future grant.

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

NOTE 9 - STOCK OPTION PLANS/STOCK BASED COMPENSATION (CONTINUED)

The Company adopted the provisions of ASC Topic 718 in the beginning of 2006. ASC Topic 718 requires that compensation cost relating to share-based payment transactions be recognized as an expense over the service period or vesting term. Accordingly, compensation costs recognized for the stock option plan for the years ended December 31, 2009, 2008 and 2007 totaled \$0, \$0, and \$14,000, respectively.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for options granted are:

Assumptions	
Risk-free interest rate	3.64%
Dividend yield	0%
Expected life of option grants	5 years
Expected stock price volatility	40%

The Company's computation of the expected stock price volatility is based primarily upon historical volatility and the expected term of the option. The expected term is based on the historical exercise experience under the share-based plans of the underlying award and represents the period of time the share-based awards are expected to be outstanding. The interest rate is based on the U.S. Treasury yield in effect at the time of grant for a period commensurate with the estimated expected life. The forfeiture rate is based on historical data.

NOTE 10 - WARRANTS

On April 4, 2005, the Company sold 3,420,000 shares of Common Stock for \$1,026,000 in a private placement and issued 3,911,500 warrants, including 491,500 agent's warrants, ("PPM Warrants") to purchase 3,911,500 shares of the Company's Common Stock.

On December 8, 2005, the Company issued \$750,000 of Senior Secured Convertible Notes and agreed to issue an additional \$250,000 of Notes (see Note 6). In connection with this financing, the Company issued warrants ("Investor Warrants") to purchase a total of 3,000,000 shares of the Company's common stock, and issued additional warrants ("Broker Warrants") to a broker to purchase 300,000 shares of the Company's common stock.

On August 14, 2006, the Company issued an additional \$100,000 of Senior Secured Convertible Notes (see Note 6). In connection with this financing, the Company issued warrants ("Additional Investor Warrants") to purchase a total of 1,000,000 shares of the Company's common stock, and issued additional warrants to a broker to purchase 69,444 shares of the Company's common stock. In addition, the Company accrued liquidated damages of \$76,500 due to the Non-Registration Event (see Note 6). In connection with these liquidated damages, the Company issued warrants to purchase a total of 443,000 shares of the Company's common stock.

During the years ended December 31, 2008, 2007 and 2006, no warrants were exercised. However, during the years ended December 31, 2008 and 2007, the Broker Warrants to purchase 300,000 shares of the Company's common stock expired and 3,579,500 of the PPM Warrants expired. During the year ended December 31, 2009, 4,512,444 warrants were exercised in cashless transactions, resulting in 4,446,553 shares of the Company's common stock.

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

NOTE 10 – WARRANTS (CONTINUED)

The warrants did not contain a beneficial exchange feature at the date of the agreement. As required by ASC Topic 815, Accounting for Derivative Instruments and Hedging Activities, the warrants were valued at \$731,293 and this value was recorded as a discount against the face amount of the Notes that has been amortized over the two year term of the notes to their maturity date. The fair value of the warrants issued of \$731,293 was calculated using the Black Scholes option pricing model based on the following assumptions: (1) risk free interest rate of 4.21%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of the Company's common stock of 40%; and (4) an expected life of the warrants of 5 years. Additionally, the proceeds were allocated between the notes and warrants using the relative fair value method. During the years ended December 31, 2009, 2008 and 2007, amortization of the discount as interest expense was \$0, \$0, and \$350,589 respectively.

The exercise price of the investor warrants are subject to adjustment in certain events, including split-ups or combinations of common stock, dividends payable in common stock, and the issuance of rights to purchase additional shares of common stock or to receive other securities or rights convertible into or entitling the holder to receive additional shares of common stock without payment of any consideration. In addition, if the Company sells any shares or any instrument convertible into such, at a price per share that is less than the conversion price, then the warrant price will automatically be lowered to that new price. The shares underlying the warrants are subject to a registration rights agreement. The outstanding warrants provide the holder with the right to convert one warrant for one share of the Company's common stock at the stated exercise price. The majority of the outstanding warrants have a cashless exercise feature.

The Investor Warrants, Additional Investor Warrants, and Broker Warrants are redeemable by the Company at a price of \$.01 per investor warrant at any time prior to their exercise or expiration upon 30 days written notice provided that the closing stock price for the Common stock for at least thirty days has been \$1.00 per share and the shares underlying the warrants have been registered.

At December 31, 2009 and 2008, 332,000 and 4,844,444 warrants were outstanding, respectively.

The following table summarizes information for warrants outstanding and exercisable at December 31, 2009:

Exercise Price	Number	Original Term (Years)	Options outstanding weighted average remaining life in years
\$0.33	332,000	5	0.67

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

NOTE 10 – WARRANTS (CONTINUED)

The following schedule summarizes the activity involving stock warrants for the years ended December 31:

	2009		2008	
	Shares Outstanding	Weighted Average Exercise Price	Shares Outstanding	Weighted Average Exercise Price
Beginning of year	4,844,444	\$ 0.452	5,144,444	\$ 0.448
Granted	-	-	-	-
Exercised	(4,512,444)	0.0012	-	-
Expired	-	-	(300,000)	0.39
End of year	<u>332,000</u>	<u>\$ 0.33</u>	<u>4,844,444</u>	<u>\$ 0.452</u>
Exercisable	<u>332,000</u>	<u>\$ 0.33</u>	<u>4,844,444</u>	<u>\$ 0.452</u>

NOTE 11 - VENDOR AND CUSTOMER CONCENTRATION

During the year ended December 31, 2009, four vendors accounted for more than 10% of the Company's total purchases, \$101,094, \$52,001, \$40,946, and \$30,125, totaling 78% of total purchases. Three customers accounted for 51% (23%, 15% and 13% respectively) of total revenues for 2009.

During the year ended December 31, 2008, one vendor accounted for more than 10% of the Company's total purchases or \$50,985. Three customers, new to the Company, accounted for 51% (17%, 11% and 23%, respectively) of total revenues.

For the year ended December 31, 2007, the Company had three vendors individually accounting for more than 10% of the Company's purchases, \$24,600, \$29,600 and \$11,900, totaling 66.39% of total purchases. A new customer to the Company accounted for 20% of total revenues.

The Company has never relied exclusively upon any of its vendors for on-going purchases, the components of the Company's products are all readily available commodities and the Company has multiple sources for procuring its inventory.

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

The Company leases warehouse, manufacturing and office space under various non-cancelable operating leases expiring in various years through 2011. The Company also leases office equipment under a non-cancelable operating lease expiring in 2014. In the normal course of business, operating leases are generally renewed or replaced by other leases. The future minimum lease payments as of December 31 for each of the next five years and in the aggregate, are as follows:

	PAYMENTS DUE BY PERIOD					
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
Operating leases	\$ 60,895	\$ 52,403	\$ 2,693	\$ 2,693	\$ 1,346	\$ 120,030

The amount of rental expenses were \$71,655, \$51,301 and \$39,803 for the year ended December 31, 2009, December 31, 2008 and December 31, 2007, respectively.

LITIGATION

Legal Matters

General

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.

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.

William Lyons v. BioElectronics Corporation

In 2005, a lawsuit was filed against the Company by William Lyons for alleged breach of contract and conversion claims associated with fees for services provided to the Company. Mr. Lyons alleged that Andrew Whelan, the president of the Company, the Company, and PAW II, a Maryland limited liability company, (collectively, "the Defendants") reached an agreement to convey stock to Mr. Lyons. The defendants deny that any such agreement was in place or that Mr. Lyons had the right to enforce such an agreement.

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

On May 29, 2009, through binding arbitration, Mr. Lyons was awarded approximately \$1.2 million for his claims. Subsequently, on June 25, 2009 the Company filed, in the Circuit Court of Frederick County, Maryland, a Petition to Vacate Arbitration Award issued by the arbitrator. The Motion was denied by the Court on December 30, 2009.

On January 14, 2010, the Court entered Judgment in favor of Mr. Lyons and against the Defendants jointly and severally in the amount of \$1,217,919. The matter is now on appeal in the Maryland Court of Special Appeals.

As of the date of this filing, the Court of Special Appeals has not ruled on the Appeal. However, the Defendants intend to pursue the appeal toward either settlement or reversal. It is management's opinion that, the court's decision will be reversed on appeal or the amount of damages will be reduced because the arbitrator used information beyond the evidence to reach his verdict. Management's position is also that any Judgment against the Corporation is improper because Mr. Whelan and the other Board members present had no authority to make this agreement on behalf of the Company. If the claims are not vacated by the Court, the Board of Directors will pursue collection of the damages from the Directors who participated in the action.

At this time, the Company cannot accurately estimate actual damages to the claimants since the appeal is still pending. As a result of all the uncertainties, the outcome cannot be reasonably determined at this time and the Company is unable to estimate the loss, if any, in accordance with ASC Topic 450 "Contingencies" (formerly SFAS No. 5, "Accounting for Contingencies").

NOTE 13 – INCOME TAXES

The income tax provision in the statements of operations for the years ended December 31, 2009, 2008 and 2007 consists of:

	2009	2008	2007
Current tax expense:			
U.S. federal	\$ -	\$ -	\$ -
State and local	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax expense:			
U.S. federal	-	-	-
State and local	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total income tax expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTE 13 – INCOME TAXES (CONTINUED)

For the years ended December 31, 2009, 2008 and 2007, the difference between the expected income tax benefit computed by applying the U.S. federal corporate income tax rate of 35% to loss before income taxes, and the reported income tax benefit is as follows:

	2009	2008	2007
Federal income tax benefit, at statutory tax rate	\$ (90,992)	\$ (708,600)	\$ (701,552)
State income taxes, net of related federal benefit	(8,138)	(156,857)	(67,149)
Nondeductible expenses	37,875	66,756	185,021
Change in valuation allowance	61,255	798,701	583,680
Total income tax benefit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities at December 31, 2009, 2008 and 2007 are presented below:

	2009	2008	2007
Allowance for doubtful accounts	\$ 13,639	\$ 13,639	\$ 13,364
Charitable contributions	2,502	2,502	2,452
Accrued expenses	121,891	104,438	-
Deferred tax assets-current	138,032	120,579	15,816
Less: Valuation allowance	(138,032)	(120,579)	(15,816)
Net deferred tax assets-current	-	-	-
Deferred tax assets-non-current:			
Net operating loss carryforwards	1,641,716	1,473,691	699,355
Capitalized start-up expenses	1,928,645	2,052,868	2,133,266
Deferred tax assets-non-current	3,570,361	3,526,559	2,832,621
Less: Valuation allowance	(3,570,361)	(3,526,559)	(2,832,621)
Net deferred tax assets-non-current	-	-	-
Total net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2009, the Company had net operating losses of approximately \$4.1 million that can be carried forward for up to twenty years and deducted against future taxable income (December 31, 2008 - \$3.7 million). The net operating losses expire in various years through 2029.

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. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

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

NOTE 13 – INCOME TAXES (CONTINUED)

Based on available evidence, the Company's managements believes 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 December 31, 2009, 2008 and 2007 and that full valuation allowance is needed to reduce the net deferred tax asset to \$0 for each year. The valuation allowance at December 31, 2009, 2008 and 2007 was \$3.6 million, \$3.5 million and \$2.8 million, respectively. The increase in deferred tax assets and the related valuation allowance was approximately \$61,000 for the year ended December 31, 2009 and \$800,000 for the year ended December 31, 2008, primarily due to the operating losses of the Company.

NOTE 14 – RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Note 7, BioElectronics signed a distribution agreement on February 9, 2009 with eMarkets Group, LLC (eMarkets) a company owned and controlled by a member of the board of directors and sister of the Company's president. The agreement provides for eMarkets to be the exclusive distributor of the company's line of products to customers in certain countries outside of the United States for a period of three years. The distribution agreement lists the prices to be paid for the company's products by eMarkets and provides for the company to provide training and customer support at its own cost to support the distributor's sales function.

Revenues for the year ended December 31, 2009 include \$271,047 for sales and \$63,496 for cost of goods sold to eMarkets, a related party, and a balance due from such company at December 31, 2009 of \$165,297.

NOTE 15 – ADDITIONAL INCOME STATEMENT DISCLOSURES

Gross margin increased from 29% of sales during the year ended December 31, 2008 to 66% of sales during the year ended December 31, 2009 as a result of higher unit prices, lower production costs which arose primarily from improvements in productivity and lower defect rate.

General and administrative expenses included \$551,288 and \$543,108 during December 31, 2008 and December 31, 2007, respectively, of investor relations expense which were paid in the form of common stock.

Interest expenses included amortization of non-cash debt issuance costs of \$350,589 during December 31, 2007. These debt issuance costs were fully amortized by the end of December 31, 2007.

NOTE 16 – SUBSEQUENT EVENTS

During 2010, the Company's focus has been on obtaining additional domestic and international distribution channels and completing additional clinical trials, eliminating debt and strengthening the balance sheet. The primary motivation for continued clinical trials is to obtain additional U.S. FDA approved therapeutic indications for existing and future products and to facilitate faster diffusion of the Company's medical product line by the medical community. Securing FDA approval is central to market entry and product acceptance.

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Fax Cover Sheet

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Project:	v179172	Form Type:	10-K
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