BIOPHAN TECHNOLOGIES INC
Form 10-Q
January 20, 2009

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

FORM 10-Q

x QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: November 30, 2008

OR

o TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE EXCHANGE ACT OF 1934

For the transition period from ________________ to ________________

Commission File No. 0-26057

BIOPHAN TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Nevada<br>(State or other jurisdiction of incorporation or organization) | 82-0507874<br>(I.R.S. Employer Identification No.) |

15 Schoen Place
Pittsford, New York 14534
(Address of principal executive offices) (Zip Code)

(585) 267-4800
(Registrant's telephone number, including area code)

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

Yes x No o

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

Large Accelerated Filer o Accelerated Filer o Non-Accelerated Filer o Smaller Reporting Company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

Class outstanding as of January 16, 2009 - Common Stock, $.005 par value: 243,285,264 shares

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BIOPHAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED BALANCE SHEETS

| | November 30, 2008 (Unaudited) | February 29, 2008 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 1,426,652 | $ 6,970,205 |
| Accounts receivable, net | 200,700 | 114,566 |
| Prepaid expenses | 35,261 | 103,212 |
| Other current assets | 16,498 | 44,437 |
| Total current assets | 1,679,111 | 7,232,420 |
| Property and equipment, net | 116,292 | 309,692 |
| Other assets: | | |
| Intangible assets, net of amortization: | | |
| Myotech circulatory support system intellectual property | 1,780,328 | 17,120,242 |
| Other | 863,176 | 1,320,128 |
| Deferred financing costs, net of amortization of $0 and $683,283, respectively | - | 848,927 |
| Deposits | 206 | 206 |
| | 2,643,710 | 19,289,503 |
| Total assets | $ 4,439,113 | $ 26,831,615 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of capital lease obligation | $ 14,680 | $ 10,885 |
| Current portion of senior secured convertible notes payable, net of discount of $0 and $1,297,913 respectively | - | 1,428,251 |
| Accrued interest | 143,963 | 331,548 |
| Accounts payable and other accrued expenses | 1,283,975 | 779,132 |
| Note payable | - | 58,864 |
| Line of credit – related party | 180,000 | 1,200,000 |
| Due to related parties | 127,737 | 126,717 |
| Deferred revenue | 20,833 | 208,333 |
| Other current liabilities | 33,400 | - |
| Total current liabilities | 1,804,588 | 4,143,730 |
| Long-term liabilites: | | |
| Capital lease obligation | 2,758 | 14,795 |
| Line of credit – related party, net of current portion | 538,807 | - |
| Senior secured convertible notes payable, net of discount of $0 and $853,599 | - | 345,628 |
| Fair value of warrant liability | 269,487 | - |
| Other long-term liabilities | 22,867 | - |
| Total liabilities | 2,638,507 | 4,504,153 |

| | | |
|---|---|---|
| | | |
| Minority interest | - | 7,053,950 |
| | | |
| Stockholders' equity: | | |
| Common stock, $.005 par value: | | |
| Authorized, 250,000,000 issued, 243,285,264 and 119,128,504 shares, respectively | 1,216,426 | 595,643 |
| Additional paid-in capital | 72,082,974 | 78,015,527 |
| | 73,299,400 | 78,611,170 |
| Less treasury stock, 4,923,080 shares, at cost | (68,923) | (8,467,698) |
| | 73,230,477 | 70,143,472 |
| Deficit accumulated during the development stage | (71,429,871) | (54,869,960) |
| Total stockholders' equity | 1,800,606 | 15,273,512 |
| Total liabilities and stockholders' equity | $ 4,439,113 | $ 26,831,615 |

See Notes to Condensed Consolidated Financial Statements

BIOPHAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended November 30, 2008 | Three Months Ended November 30, 2007 | Nine Months Ended November 30, 2008 | Nine Months Ended November 30, 2007 | Period from August 1, 1968 (date of inception) to November 30, 2008 |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Sale of intellectual property | $ — | $ 11,000,000 | $ — | $ 11,000,000 | $ 11,000,000 |
| Development payments | — | 30,000 | 45,000 | 30,000 | 375,000 |
| License fees | 62,500 | 62,500 | 187,500 | 187,500 | 1,479,166 |
| Grant revenues | — | 25,000 | — | 100,000 | 100,000 |
| Testing services & consulting fees | 59,555 | 42,206 | 218,769 | 174,557 | 1,292,177 |
| | 122,055 | 11,159,706 | 451,269 | 11,492,057 | 14,246,343 |
| Operating expenses: | | | | | |
| Research and development | 264,060 | 457,711 | 876,281 | 2,101,399 | 19,030,450 |
| General and administrative | 1,011,760 | 1,582,984 | 2,827,144 | 4,614,719 | 31,440,667 |
| Write-down of intellectual property rights | — | — | — | — | 530,000 |
| | 1,275,820 | 2,040,695 | 3,703,425 | 6,716,118 | 51,001,117 |
| Operating (loss) income | (1,153,765) | 9,119,011 | (3,252,156) | 4,795,939 | (36,754,774) |
| Other income (expense): | | | | | |
| Interest income | 8,235 | 52,590 | 62,206 | 73,021 | 410,668 |
| Interest expense | (250,135) | (7,301,398) | (1,691,177) | (9,920,922) | (19,288,061) |
| Additional expense related to warrants | — | — | — | — | (7,304,105) |
| Change in fair value of warrant liability | 255,467 | — | (245,590) | 4,339,214 | 9,411,688 |
| Gain on sale of investment | — | 124,500 | — | 124,500 | 328,141 |
| Loss on extinguishment of debt | (2,057,804) | (3,189,187) | (2,057,804) | (3,189,187) | (5,926,794) |
| Gain on disposal of assets | — | 1,500 | — | 11,238 | 14,419 |
| Liquidated damages | — | — | — | (652,500) | (652,500) |
| Other income | 14,901 | 72,460 | 104,564 | 296,406 | 1,404,719 |
| Other expense | (1,064) | — | (16,673) | — | (87,201) |
| | (2,030,400) | (10,239,535) | (3,844,474) | (8,918,230) | (21,689,026) |
| Loss from continuing operations | (3,184,165) | (1,120,524) | (7,096,630) | (4,142,291) | (58,443,800) |
| Loss from operations of discontinued operations | (8,635,464) | (126,305) | (9,463,281) | (836,046) | (12,986,071) |
| Net loss | $ (11,819,629) | $ (1,246,829) | $ (16,559,911) | $ (4,978,337) | $ (71,429,871) |
| Net loss per common share –basic and diluted: | | | | | |
| Continuing operations | $ (0.014) | $ (0.012) | $ (0.039) | $ (0.047) | |

| | | | | |
|---|---|---|---|---|
| Discontinued operations | (0.036) | $ (0.001) | $ (0.052) | $ (0.010) |
| Net Loss | $ (0.050) | $ (0.013) | $ (0.091) | $ (0.057) |
| | | | | |
| Weighted average shares outstanding | 237,521,887 | 97,649,310 | 182,205,454 | 86,621,754 |

See Notes to Condensed Consolidated Financial Statements

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BIOPHAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Nine Months Ended November 30, 2008 | 2007 | Period from August 1, 1968 (date of inception) to November 30, 2008 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net loss | $ (16,559,911) | $ (4,978,337) | $ (71,429,871) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | |
| Amortization of intangible assets | 711,338 | 1,044,853 | 3,913,707 |
| Amortization of deferred financing costs | 278,834 | 372,700 | 962,117 |
| Depreciation and amortization | 57,228 | 95,974 | 433,886 |
| Loss (gain) on disposal of equipment | 57,072 | - | 74,753 |
| Loss (gain) on sale of investments | (105,120) | - | (442,370) |
| Non-cash charge related to notes and related warrants | - | 5,657,809 | 7,304,105 |
| Change in fair value of (derivative) warrant liability | 245,590 | (4,339,214) | (9,411,688) |
| Realized and unrealized losses on marketable securities | - | - | 66,948 |
| Loss (gain) on extinguishment of debt | 2,057,804 | 3,189,187 | 5,917,044 |
| Accrued interest on note converted to common stock | - | 855,722 | 887,226 |
| Amortization of discount on convertible notes payable | 704,002 | 3,138,290 | 9,490,053 |
| Write-down of intellectual property rights | 14,564,958 | - | 15,094,958 |
| Amortization of discount on payable to related party | - | - | 2,887,555 |
| Issuance of common stock for services | 94,662 | 298,398 | 758,964 |
| Fair value of beneficial conversion feature of debt | - | - | 3,021,197 |
| Issuance of common stock for interest | 544,873 | - | 1,080,349 |
| Grant of stock options for services | 138,031 | 2,182,148 | 9,459,290 |
| Expenses paid by stockholder | - | - | 2,640 |
| Minority interest and change in investment in subsidiary, net | (6,740,920) | (1,114,081) | (10,645,143) |
| Change in operating assets and liabilities: | | | |
| (Increase) in accounts receivable | (113,760) | (35,552) | (220,826) |
| (Increase) in due from related parties | - | (63,899) | (59,300) |
| Decrease (increase) in prepaid expenses | 67,951 | 35,117 | (35,261) |
| (Increase) decrease in other current assets | (42,698) | (6,521) | (45,797) |
| Decrease in deposits | - | 3,498 | 2,043 |
| Increase (decrease) in accounts payable and accrued expenses | 761,720 | (433,891) | 1,312,394 |
| Increase (decrease) in due to related parties | 10,334 | (36,823) | 93,555 |
| (Decrease) increase in deferred revenues | (187,500) | (187,500) | 20,833 |
| Net cash (used in) provided by operating activities | (3,455,512) | 5,679,678 | (29,506,639) |

See Notes to Condensed Consolidated Financial Statements

BIOPHAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Nine Months Ended November 30, 2008 | 2007 | Period from August 1, 1968 (date of inception) to November 30, 2008 |
|---|---|---|---|
| Cash flows from investing activities: | | | |
| Purchases of property and equipment | (1,069) | (11,363) | (645,986) |
| Sales of marketable securities | - | - | 2,369,270 |
| Sale (purchase) of investments | - | 63,000 | (100,000) |
| Net proceeds from sale of investments | 91,773 | - | 529,023 |
| Acquisition costs of intangible assets | - | - | (616,583) |
| Cash paid for investment in Myotech, net of cash received of $19,408 | - | - | (280,594) |
| Cash paid for acquisition of Biophan Europe, net of cash received of $107,956 | - | - | (258,874) |
| Purchases of marketable securities | - | - | (2,436,218) |
| Net cash used in investing activities | 90,704 | 51,637 | (1,439,962) |
| Cash flows from financing activities: | | | |
| Proceeds of bridge loans | - | - | 986,500 |
| Loan from stockholder | - | - | 143,570 |
| Line of credit borrowing from related party | - | - | 7,980,950 |
| Line of credit payments | (20,503) | - | (2,093,003) |
| Proceeds (repayments) of convertible notes payable | - | (17,188) | 7,250,000 |
| (Repayment) of convertible notes payable | (2,150,000) | (50,372) | (2,678,351) |
| Principal payments on capital lease obligation, net | (8,242) | (5,564) | (9,611) |
| Proceeds from sales of capital stock | - | 40,049 | 19,438,849 |
| Exercise of options | - | - | 658,467 |
| Exercise of warrants | - | - | 1,142,451 |
| Swing profits | - | - | 696,087 |
| Deferred financing costs | - | - | (1,030,120) |
| Deferred equity placement costs | - | - | (112,536) |
| Net cash (used in) provided by financing activities | (2,178,745) | (33,075) | 32,373,253 |
| Net (decrease) increase in cash and equivalents | (5,543,553) | 5,698,240 | 1,426,652 |
| Cash and equivalents, beginning | 6,970,205 | 2,418,551 | - |
| Cash and equivalents, ending | $ 1,426,652 | $ 8,116,791 | $ 1,426,652 |

See Notes to Condensed Consolidated Financial Statements

BIOPHAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Nine Months Ended November 30, 2008 | | Nine Months Ended November 30, 2007 | | Period from August 1, 1968 (date of inception) to November 30, 2008 | |
|---|---|---|---|---|---|---|
| Supplemental schedule of cash paid for: | | | | | | |
| Interest | $ | 42,901 | $ | 3,931 | $ | 288,950 |
| Supplemental schedule of non-cash investing and financing activities: | | | $ | | $ | |
| Allocation of proceeds from line of credit - related party to beneficial conversion feature and warrants | $ | - | $ | - | $ | 2,812,555 |
| Allocation of proceeds from notes payable and warrants | $ | - | $ | - | $ | 7,250,000 |
| Gain on sale of investment | $ | - | $ | 124,500 | $ | 124,500 |
| Change in fair value of warrants reclassified from equity to warrants liability | $ | 23,897 | $ | 6,154,792 | $ | 779,773 |
| Capital lease obligation | $ | - | $ | 6,318 | $ | 34,235 |
| Change in fair value of warrant liability | $ | 245,590 | $ | - | $ | 6,400,382 |
| Discount on senior secured convertible notes | $ | - | $ | - | $ | 2,636,612 |
| Forgiveness of debt - line of credit | $ | 732,166 | $ | - | $ | 1,782,166 |
| Issuance of common stock upon conversion of line of credit loans | $ | - | $ | 2,180,000 | $ | 4,158,450 |
| Issuance of common stock for principal payments for senior secured convertible notes | $ | 1,818,420 | $ | 3,143,231 | $ | 4,755,814 |
| Issuance of common stock for the acquisition of initial 35% interest in Myotech, LLC | $ | - | $ | - | $ | 8,467,698 |
| Transfer of treasury stock in connection with dissolution of Myotech, LLC | $ | 8,398,775 | | - | $ | 8,398,775 |
| Issuance of common stock in satisfaction of accounts payable | $ | - | $ | 168,854 | $ | 302,854 |
| Liabilities assumed in conjunction with acquisition of 51% interest in Biophan Europe and certain intellectual property rights | $ | - | $ | - | $ | 178,384 |
| Issuance of common stock upon of bridge loans | $ | - | $ | - | $ | 1,142,068 |
| Acquisition of intellectual property | $ | - | $ | - | $ | 425,000 |
| Intellectual property acquired through issuance of capital stock and assumption of related party payable | $ | - | $ | - | $ | 175,000 |

See Notes to Condensed Consolidated Financial Statements.

BIOPHAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
November 30, 2008

INTERIM FINANCIAL STATEMENTS:

The condensed consolidated financial statements as of November 30, 2008 and for the nine months ended November 30, 2008 and 2007 are unaudited. However, in the opinion of management of the Company, these financial statements reflect all adjustments, consisting solely of normal recurring adjustments, necessary to present fairly the financial position and results of operations for such interim periods. The results of operations for the interim periods presented are not necessarily indicative of the results to be obtained for a full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2008.

Certain amounts for prior periods have been reclassified to conform to the current period presentation of discontinued operations.

BASIS OF CONSOLIDATION:

The consolidated financial statements include the accounts of Biophan Technologies, Inc. ("Biophan"), its wholly owned subsidiaries, LTR Antisense Technology, Inc. ("Antisense") and Nanolution Technologies, Inc., formerly MRIC Drug Delivery Systems, LLC, ("Nanolution"), its majority owned subsidiaries Biophan Europe GmbH ("Biophan Europe"), formerly aMRIs GmbH, and TE Bio LLC ("TE Bio"), and Myotech, LLC ("Myotech"), collectively referred to as the "Company". During the nine months ended November 30, 2008, MR:Comp GmbH (“MR Comp”) was divested from Biophan Europe. The accounts of MR Comp are immaterial to the Company’s condensed consolidated financial statements. The Company does not anticipate incurring any future losses from MR Comp.  Another majority owned subsidiary, Myotech, was dissolved effective October 17, 2008. See the Investment in Myotech LLC and Discontinued Operations footnotes for further details. All significant inter-company accounts and transactions have been eliminated in consolidation.

COMPANY HISTORY:

The Company was incorporated under the laws of the State of Idaho on August 1, 1968 and on January 12, 2000, changed its domicile to Nevada by merging into a Nevada corporation, and on July 19, 2001, changed its name to Biophan Technologies, Inc.  From the inception of the current line of business on December 1, 2000, the Company has not generated any material revenues and operating profits. Therefore, the Company is in the development stage and will remain so until the realization of significant revenues and operating profits. The Company's ability to continue in business is dependent upon obtaining sufficient financing or attaining future profitable operations.

PRINCIPAL BUSINESS ACTIVITIES:

The primary mission is to develop and commercially exploit technologies for improving the performance of biomedical devices. The Company possesses technologies for enabling biomedical devices, both implantable and those used in diagnostic and interventional procedures, to be image compatible (to allow effective imaging of the device and its surrounding tissue) with MRI (magnetic resonance imaging). The Company also possesses technology for generating power for implantable devices from body heat, and a series of implantable devices including MRI-visible vascular implants such as a vena cava filter, a heart valve and an occluder for the treatment of atrial septal defects, a hole in the wall separating the left and right chambers of the heart. The Company's first licensee for several of these technologies is Boston Scientific (NYSE: BSX). The Company also owns all rights to develop the Myotech Circulatory Support System (CSS). The Myotech CSS has the potential to become a standard of care for treating acute heart failure including sudden cardiac arrest. See intangible assets below.

INTANGIBLE ASSETS:

In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the Company periodically evaluates whether current facts or circumstances indicate that the carrying value of its depreciable assets to be held and used may not be recoverable. If such circumstances are determined to exist, an estimate of undiscounted future cash flows produced by the long-lived asset, or the appropriate grouping of assets, is compared to the carrying value to determine whether impairment exists. If an asset is determined to be impaired, the loss is measured based on the difference between the asset's fair value and its carrying value. An estimate of the asset's fair value is based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including a discounted value of estimated future cash flows. The Company reports an asset to be disposed of at the lower of its carrying value or its estimated net realizable value.

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, goodwill is tested at least annually for impairment using a two-step process. The first step is to identify a potential impairment, and the second step measures the amount of the impairment loss, if any. Goodwill is deemed to be impaired if the carrying amount of a reporting unit's goodwill exceeds its estimated fair value. SFAS No. 142 requires that indefinite-lived intangible assets be tested for impairment using a one-step process, which consists of a comparison of the fair value to the carrying value of the intangible asset. Such intangible assets are deemed to be impaired if their net book value exceeds their estimated fair value.

All other intangible assets are evaluated for impairment in accordance with SFAS No. 144 as described above. The estimates of future cash flows, based on reasonable and supportable assumptions and projections, require management's judgment. Any changes in key assumptions about the Company's businesses and their prospects, or changes in market conditions, could result in an impairment charge.

During the three months ended November 30, 2008, management performed a test for impairment of the Myotech circulatory support system ("Myotech CSS") intellectual property which indicated an impairment to its carrying value. The Company then performed a valuation of the intellectual property utilizing the income approach methodology of valuation. This approach utilized estimated discounted cash flows from future royalty payments, assuming current market conditions and considering probabilities under several scenarios. As a result, the Company recorded a charge for impairment of approximately $14,565,000 which is included in the Company's loss from discontinued operations. The fair value of the Myotech CSS intellectual property is being amortized over the remaining life of the patents. See the Investment in Myotech LLC and Discontinued Operations footnotes for more details.

INCOME TAXES:

Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted rates expected to apply when the differences are expected to be realized. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Realization of the deferred income tax asset is dependent on generating sufficient taxable income in future years. The Company has recorded a 100% valuation allowance against net deferred tax assets due to uncertainty of their ultimate realization.

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BIOPHAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
November 30, 2008

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes" FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company adopted FIN 48 effective March 1, 2007. The adoption of FIN48 did not have a material effect on it's consolidated financial position or results of operations as the Company has no unrecognized tax liabilities and has not incurred any interest or penalties in any of its tax jurisdictions. It is the Company policy to charge interest and penalties incurred on the underpayment of income taxes to interest expense and other expense, respectively. The Company has open tax years beginning in fiscal years ended February 28, 2005 through February 29, 2008.

RECENT ACCOUNTING PRONOUNCEMENTS:

In September 2006, the FASB issued SFAS No. 157 ("SFAS 157"), "Fair Value Measurements." SFAS 157, as amended, defines fair value, establishes a framework for measuring fair value and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. However, on December 14, 2007, the FASB issued FSP FAS 157-2 which delays the Effective Date of FASB Statement 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP partially defers the effective date of Statement 157 to fiscal years beginning after November 15, 2008, and accordingly, the Company's adoption of this standard is limited to financial assets and liabilities and did not have a material effect on the Company's financial condition or results of operations. The Company is currently evaluating the impact of this standard with respect to its effect on nonfinancial assets and liabilities and has not yet determined the impact that it will have on the consolidated financial statements upon full adoption.

In October 2008, the FASB issued and made effective FASB Staff Position (FSP) SFAS 157-3, Determining the Fair Value of a Financial Asset when the Market for That Asset is Not Active. FSP 157-3 clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The adoption of FSP 157-3 did not have a material effect on the Company's financial statements.

In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"). SFAS No. 159 permits companies to elect to follow fair value accounting for certain financial assets and liabilities in an effort to mitigate volatility in earnings without having to apply complex hedge accounting provisions. The standard also establishes presentation and disclosure requirements designed to facilitate comparison between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company has not adopted the fair value option method permitted by SFAS No. 159.

In June 2007, the Financial Accounting Standards Board ratified EITF Issue No. 07-3, which clarifies the method and timing for recognition of nonrefundable advance payments for goods and services to be used or rendered in future research and development activities pursuant to an executory contractual arrangement. In particular, it addresses whether nonrefundable advance payments for goods or services that will be used or rendered for research and development activities should be expensed when the advance payment is made or when the research and development activity has been performed. This consensus is effective for financial statements issued for fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. The adoption of EITF 07-3 did not have a material impact on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS 141 (Revised 2007), Business Combinations. SFAS 141(R) retains the fundamental requirements of the original pronouncement requiring that the purchase method be used for all business combinations. SFAS 141(R) defines the acquirer as the entity that obtains control of one or more businesses in the business combination, establishes the acquisition date as the date that the acquirer achieves control and requires the acquirer to recognize the assets acquired, liabilities assumed and any non-controlling interest at their fair values as of the acquisition date. In addition, SFAS 141(R) requires expensing of acquisition-related and restructuring costs, remeasurement of earn out provisions at fair value, measurement of equity securities issued for purchase at the date of close of the transaction and capitalization of in-process research and development related intangibles in certain circumstances. SFAS 141(R) is effective for the first reporting period beginning on or after December 31, 2008. The Company is currently evaluating the impact of the implementation of SFAS 141(R) on its consolidated financial position, and results of operations.

In December 2007, the FASB issued SFAS 160, Non-controlling Interests in Consolidated Financial Statements an amendment of ARB 51. This Statement amends ARB 51 to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It also clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. It requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. Additionally, this Statement establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that does not result in a change in control. SFAS 160 is effective for the first annual reporting period beginning on or after December 31, 2008. The Company is currently evaluating the impact, if any, the adoption of SFAS 160 will have on its consolidated financial statements.

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In December 2007, the Financial Accounting Standards Board (FASB) ratified the Emerging Issues Task Force (“EITF”) opinion related to EITF Issue 07-1, “Accounting for Collaborative Arrangements.” The Task Force reached a consensus that a collaborative arrangement is a contractual arrangement that involves two or more parties, all of which are both (a) involved as active participants in a joint operating activity that is not conducted primarily through a separate legal entity and (b) exposed to significant risks and rewards that depend on the commercial success of the joint operating activity. This Issue also addresses (i) the income statement classification by participants in a collaborative arrangement for transactions with third parties and transactions between the participants and (ii) financial statement disclosures. The consensus on EITF Issue 07-1 is effective for fiscal years beginning after December 15, 2008, and for interim periods within those fiscal years. Entities should apply the consensus retrospectively to all periods presented for only those collaborative arrangement existing as of the the effective date, unless it is impractical to do so. The Company will adopt this new accounting pronouncement effective March 1, 2009, and does not anticipate any material impact on its financial condition or results of operations.

In March 2008, the FASB released SFAS 161, Disclosures about Derivative Instruments and Hedging Activities. SFAS 161 requires additional disclosures related to the use of derivative instruments, the accounting for derivatives and the impact of derivatives on the financial statements. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact, if any, the adoption of SFAS 161 will have on its consolidated financial statements.

In April 2008, the FASB issues FSP FAS 142-3, “Determination of Useful Life of Intangible Assets” (“FSP FAS 142-3”). FSP FAS 142-3 amends the factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FAS 142, “Goodwill and Other Intangible Assets.” FSP FAS 142-3 also requires expanded disclosure related to the determination of intangible asset useful lives. FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. The Company is currently evaluating the potential impact the adoption of FAS FSP 142-3 will have on its financial statements.

In May 2008, the FASB issued FASB Staff Position (“FSP”) APB 14-1, “Accounting for Convertible Debt Instruments that May be Settled in Cash upon Conversion (Include Partial Cash Settlement)” (“FSP APB 14-1”), which clarifies the accounting for convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement. FSP APB 14-1 specifies that an issuer of such instruments should separately account for the liability and equity components of the instruments in a manner that reflect the issuer’s non-convertible debt borrowing rate when interest costs are recognized in subsequent periods. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008, and retrospective application is required for all periods presented. The Company is currently evaluating the potential impact of the adoption of FSP APB 14-1 on its financial statements.

In May 2008, the FASB issued SFAS No. 162 ”The Hierarchy of Generally Accepted Accounting Principles”. The purpose of this statement is to improve financial reporting by providing a consistent framework for determining applicable accounting principles to be used in the preparation of financial statements presented in conformity with accounting principles generally accepted in the United States of America. SFAS No. 162 will become effective 60 days after the SEC’s approval. The Company believes the adoption of this standard on its effective date will not have a material effect on the financial statements.

In June 2008, the FASB issued FSP EITF 03-6-1 to address whether instruments granted in share-based payment transactions are participating securities prior to their vesting and therefore need to be included in the earnings per share calculation under the two-class method described in SFAS 128, "Earnings per Share." This FSP requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividends or dividend equivalents as participating securities and thus, include them in calculation of basic earnings per share. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. The Company does not anticipate a material impact on its financial statements or its computation of basic earnings per share upon adoption.

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INVESTMENT IN MYOTECH, LLC:

Effective November 30, 2005, we entered into a Securities Purchase Agreement for the acquisition of an initial 35% interest in Myotech, LLC ("Myotech"), a New York limited liability company, whereby we exchanged 4,923,080 shares of our common stock, par value $.005, for 3,768,488 Class A (voting) units of Myotech.

Based upon the terms of the Securities Purchase Agreement, we were obligated to purchase for cash consideration of $2.225 million an additional 811,037 Class A units and could have elected to acquire up to an additional 3,563,097 Class A units for further cash consideration of up to $9.775 million, over a 24-month period, which would have resulted in the Company owning a majority interest in Myotech. Through October 1, 2007, Biophan provided an aggregate of $4,636,040 of additional funding in exchange for 1,682,234 newly issued Class A units of Myotech, which raised our ownership percentage to 44.1%.

On October 2, 2007, we entered into a revised Securities Purchase Agreement with Myotech pursuant to which the Company agreed to purchase from Myotech up to an additional 15,496,547 Class A membership units for an aggregate purchase price of $3,200,000. Prior to the execution of the Agreement, Biophan owned 5,408,194 Class A membership units. Upon execution of the revised Agreement, Biophan purchased an additional 9,316,547 Class A membership units upon the payment of an aggregate initial purchase price of $1,200,000 bringing our ownership percentage as of November 30, 2007 to 68.02%. Thereafter, upon the satisfaction of certain conditions, Biophan had the right to purchase an additional 6,180,000 Class A membership units for a purchase price of $2,000,000, which would increase our ownership percentage to approximately 75%.

On June 30, 2008, we entered into an amendment to the Securities Purchase Agreement dated October 2, 2007, that upon completion of certain closing obligations, calls for us to purchase an additional 6,180,000 Class A membership units, for an aggregate purchase price of $2,000,000. Under the terms of this amendment, we have purchased a total of 1,854,000 Class A units for an aggregate total of $600,000, increasing our ownership to 70.6% as of October 17, 2008, the date of dissolution.

The increase in our equity interest under the October 2, 2007 revised Securities Purchase Agreement and the June 30, 2008 amendment to the Securities Purchase Agreement for consideration of $1,200,000 and $600,000, respectively, was at a per-unit price that was less than the then book value per unit. The aggregate excess of the book value over the cost, or negative goodwill, in the amount of $5,216,958 was allocated to reduce the stated value of the Myotech intellectual property in consolidation.

On October 17, 2008, the Company elected to dissolve Myotech LLC and distribute its net assets according to the terms of the Myotech LLC operating agreement.  All of the rights under the Myotech CSS patents were transferred to Biophan.  Management performed a test for impairment that included the income approach methodology of valuation, utilizing both discounted and undiscounted cash flows from future royalty payments, assuming current market conditions and considering probabilities under several scenarios.  As a result, the Company recorded a charge for impairment of approximately $14.565,000 which is included in the Company's loss from discontinued operations.See the Discontinued Operations footnote for more detail.

Prior to our obtaining a majority interest, we determined Myotech was a Variable Interest Entity within the meaning of FIN 46(R) and the Company is the primary beneficiary (as defined in FIN 46(R)). Consequently, the financial statements of Myotech have been consolidated with our consolidated financial statements for all periods ending on or after November 30, 2005, the date of our initial investment in Myotech. However, on October 17, 2008, when Myotech was dissolved the Company reclassified the results of Myotech operations for all prior periods into loss from discontinued operations.

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DISCONTINUED OPERATIONS:

Effective June 1, 2008, MR:Comp GmbH ("MR Comp") was divested from one of Biophan's majority owned subsidiaries, Biophan Europe GmbH ("Biophan Europe"). As a result, the Company recorded a gain from discontinued operations equal to $105,120. The rest of the accounts of MR Comp are immaterial to the Company's condensed consolidated financial statements.

On October 17, 2008, the Company elected to dissolve Myotech LLC ("Myotech"). As a result, all of the Myotech assets and liabilities were restated to their fair value and liquidated according to the Myotech LLC operating agreement. A loss on disposal of assets of $49,510 was recorded. The Company also recorded an impairment charge of $14,564,958 for the difference between the carrying amount and the fair value of the Myotech CSS technology. The net loss from Myotech operations and the impact of the minority interest in Myotech LLC were also accounted for in the loss from discontinued operations account. The following summarizes all of the activity in the loss from discontinued operations account during the three months ended November 30, 2008:

| | | 2008 |
|---|---|---|
| Loss on disposal of assets | $ | (49,510) |
| Impairment of intellectual property | | (14,564,958) |
| Loss from Myotech operations | | (232,737) |
| Minority interest | | 6,211,741 |
| Loss from operations of discontinued operations | $ | (8,635,464) |

Since it's inception, Myotech LLC did not generate any revenue. Therefore, there is no revenue included in the loss from discontinued operations for any period presented in the condensed consolidated statements of operations.

The results of Myotech operations, net of corporate overhead, have been reclassified into the loss from discontinued operations for all periods presented in the condensed consolidated statements of operations for the period ended November 30, 2008.

As part of the distribution of Myotech assets, 4,923,080 shares of Biophan common stock, par value $.005 were transferred from Myotech LLC to Biophan. On the date of transfer, the stock had a fair value of $68,923. The Company recorded a charge against paid in capital equal to $8,398,775 since the stock was previously accounted for as treasury stock in the consolidated financial statements.

On November 30, 2008, the divestiture of MR Comp and dissolution of Myotech were substantially complete. The Company does not anticipate future losses from either entity.

LINE OF CREDIT AGREEMENTS:

On May 27, 2005, we entered into a Line of Credit Agreement (LOC #1) with Biomed Solutions, LLC, at the time a related party, whereby Biomed agreed to provide a line of credit facility of up to $2 million. Upon the resignation of Biophan's former CEO, Michael Weiner, on October 3, 2007 Biomed was no longer deemed a related party.

Borrowings under the line bear interest at 8% per annum, are payable on demand and are convertible at Biomed's election into the Company's common stock at 90% of the average closing price for the 20 trading days preceding the date of borrowings under the line. In June 2005, the Company borrowed the entire $2 million under the line in two separate draws of $1 million each. In accordance with the agreement, Biomed received warrants to purchase 500,000 shares of the Company's common stock at an exercise price of 110% of the average closing price for the 20 trading days preceding the date of execution of the credit agreement. The Company recorded a discount on the borrowings of $958,160 due to the beneficial conversion feature of the note as well as for the value of the warrants which was valued utilizing the Black-Scholes Option Pricing Model. The discount was amortized as additional interest expense over the term of the note. In August 2005, Biomed elected to convert $1 million of the note plus accrued interest into 480,899 shares of common stock at which time the remaining discount related to the $1 million portion of the loan was fully expensed. On October 7, 2005, we repaid $500,000 of principal and all accrued interest on the loan. The balance of borrowings on the line was $500,000 at November 30, 2008 and 2007.

On January 24, 2006, we entered into an additional Line of Credit Agreement (“LOC #2”) with Biomed Solutions, LLC, pursuant to which Biomed committed to make advances to us, in an aggregate amount of up to $5,000,000. Amounts borrowed bear interest at the rate of 8% per annum, and principal and interest are convertible into shares of our Common Stock at the rate of $1.46 per share. Biomed's obligation to lend to us under LOC #2 expired on June 30, 2007, on which date the entire amount borrowed by us (and not converted into shares of our Common Stock) became due and payable. In connection with the establishment of the credit facility, we issued to Biomed a warrant to purchase up to 1,198,630 shares of our Common Stock at an exercise price of $1.89 per share. The Company recorded a discount on the borrowings of $1,678,425 due to the beneficial conversion feature of the note as well as for the value of the warrant.

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On October 11, 2006, in connection with our Securities Purchase Agreement dated October 11, 2006 with Iroquois Master Fund Ltd and other private investors (the "Purchase Agreement"), we amended our January 24, 2006 Line of Credit Agreement (LOC#2) with Biomed and the Convertible Promissory Note in the original principal amount of $5,000,000 issued by us to Biomed on January 24, 2006 pursuant to LOC#2. The amendment reduced the price at which the LOC#2 is convertible into shares of our Common Stock from $1.46 per share to a conversion price of $0.67. In connection with the Purchase Agreement, we also entered into a Subordination and Standstill Agreement (the "Subordination Agreement") with Biomed and the investors who are parties to the Purchase Agreement, pursuant to which Biomed agreed (i) to subordinate its rights to payment under the LOC#2 and LOC#1 in the original principal amount of $2,000,000 issued by us to Biomed on May 27, 2005 to the rights of the investors under the Notes and (ii) to convert the entire outstanding amount of principal and interest due under the LOC#2 in excess of $700,000 into shares of our common stock upon the effectiveness of an amendment to our Articles of Incorporation to increase the number of our authorized shares which was effective May 9, 2007. On July 19, 2007, Biomed converted $2,180,000 of principal and $195,899 of accrued interest into a total of 3,546,118 shares of our common stock leaving a balance outstanding at August 31, 2007 of $1,750,000. On November 5, 2007, Biophan and Biomed entered into a Settlement Agreement with SBI to settle all claims, causes of action and disputes between and among them. As a result of SBI’s forgiveness of Biomed’s debt, Biomed forgave $1,050,000 of the LOC#2 leaving a balance outstanding of $700,000 as of November 30, 2007. This forgiveness of debt by Biomed, a stockholder of the Company at that time, was recorded as a credit to additional paid-in capital in stockholders’ equity.

On September 23, 2008, the Company amended the line of credit agreements LOC#1 and LOC#2, extending the combined term to December 31, 2012 in exchange for monthly cash payments of $15,000. Accordingly, the Company paid $60,000 in cash during the quarter ended November 30, 2008. In addition to the September 23, 2008 amendment, the Company obtained a letter of understanding from Biomed outlining conditions in which certain expenses and accounts receivable from entities related to Biomed may be used to offset line of credit principal and interest. As a result, $732,167 was applied against the line of credit during the quarter ended November 30, 2008 of which $583,262 was credited to paid in capital since it related to forgiveness of debt by a Biomed stockholder who personally holds shares of Company stock.

The total balance of borrowings on the lines of credit was $718,807 plus accrued interest and $1,200,000 plus accrued interest at November 30, 2008 and 2007, respectively.

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SENIOR SECURED CONVERTIBLE NOTES:

On October 11, 2006, we entered into a Securities Purchase Agreement (the "Purchase Agreement") with 10 private investors led by Iroquois Master Fund Ltd ("Iroquois"). Pursuant to the Purchase Agreement, on October 12, 2006 we issued $7,250,000 of Senior Secured Convertible Notes (the "Notes") to the investors and received proceeds of $6,219,880 after paying estimated fees and expenses of $1,030,120 related to the transaction. The holders of the Notes may elect to convert the Notes at any time into shares of our common stock based upon a price of $0.67 per share (the "Conversion Price"). Interest on the outstanding principal amount under the Notes was payable quarterly at a rate equal to the six-month London InterBank Overnight Rate plus 500 basis points, with a minimum rate of 10% per annum and a maximum rate of 12% per annum, payable at our option in cash or shares of our common stock registered for resale under the Securities Act of 1933, as amended (the "Securities Act"). If we elected to make principal or interest payments in common stock, the number of shares issuable by us was based upon the lower of (i) 90% of the 20-day trailing average volume weighted average price per share as reported on Bloomberg LP (the "VWAPS") or (ii) the Conversion Price.  Principal on the Notes amortized and payments were due in 33 equal monthly installments commencing four months following issuance of the Notes, and was made at our option in cash or shares of our common stock registered for resale under the Securities Act. Our obligations under the Notes were secured by a first priority security interest in substantially all of our assets pursuant to a Security Agreement dated as of October 11, 2006 among us, the investors and Iroquois, as agent for the investors (the "Security Agreement").  The scheduled maturity date of the notes was October 2009.

As further consideration, we issued to the investors one-year warrants to purchase an aggregate of 10,820,896 shares of our common stock at a price of $0.67 per share. If the investors had elected to exercise these one-year warrants, they would have received additional five-year warrants to purchase the shares of our common stock equal to the number of shares purchased under the one-year warrants, with 50% of the additional warrants having an exercise price of 115% of the per share purchase price, and the remaining 50% of the additional five-year warrants having an exercise price of 125% of the per share purchase price. These one year warrants expired May 7, 2008. We also issued to the investors five-year warrants to purchase an aggregate of 10,820,896 shares of our common stock. The first five-year warrants allowed for the purchase of 5,410,448 shares of our common stock at an exercise price of $0.81 per share, and the second five-year warrants allowed for the purchase of 5,410,448 shares of our common stock at an exercise price of $0.89 per share. The warrants contain anti-dilution protection that, should we issue equity or equity-linked securities at a price per common share below the exercise price of the five-year warrants, it will automatically adjust the exercise price of the warrants to the price at which we issue such equity or equity-linked securities. The total fair value of the warrants was $14,554,105 which was calculated utilizing the Black-Scholes Option Pricing Model. The Company recorded a discount on the Notes of $7,250,000 for the fair value of the related warrants. The excess of the fair value of the warrants over the carrying value of the notes, which amounted to $7,304,105, was recognized as additional expense related to warrants in the statement of operations for the year ended February 28, 2007. The discount on the Notes was being amortized over the life of the Notes using the effective interest method. The discount amortization for the year ended February 29, 2008 and February 28, 2007 amounted to $3,200,692 and $1,707,066, respectively and is included in interest expense in the accompanying statements of operations.

On February 21, 2007, we entered into a Forbearance Agreement (the "Forbearance Agreement") with the investors pursuant to which the investors agreed that, during the period commencing on February 16, 2007 and ending on the earlier of (i) March 31, 2007 or (ii) the date on which any Termination Event (as defined in the Forbearance Agreement) first occurs (the "Forbearance Period"), they will forbear from exercising any and all of the rights and remedies which they may have against us or any of our assets under the Notes or the Purchase Agreement or at law or in equity as a result of any default under the Notes or as a result of the occurrence of certain events with respect to the Purchase Agreement. In exchange for entering into the Forbearance Agreement, we issued pro rata to the investors three-year warrants for the purchase of an aggregate of 60,000 shares of our common stock at an exercise price of $0.51 per share (the "Fee Warrants"). The warrants were valued at $19,980, utilizing the Black-Scholes Option Pricing Model and charged to expense. In consideration for a payment of $652,500 on October 9, 2007 all the existing defaults under the Notes or Purchase Agreement were waived.

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Upon the issuance of the Fee Warrants, the exercise prices of the five-year warrants issued to the investors pursuant to the Purchase Agreement (the "Original Warrants") for the purchase of an aggregate of 10,820,896 shares of our common stock were automatically adjusted from $0.81 per share and $0.89 per share, respectively, to $0.51 per share, and the number of shares of our common stock issuable upon exercise of the Original Warrants was automatically adjusted, proportionately, to an aggregate of 18,034,830 shares. In the Forbearance Agreement, the investors waived, with respect to the issuance of the Fee Warrants, application of similar anti-dilution adjustments contained in the Notes and in a third series of warrants for the purchase, on or before October 12, 2007, of an aggregate of 10,820,896 additional shares of our common stock at an exercise price of $0.67 per share (the "One Year Warrants"). Collins Stewart, LLC, formerly known as C.E. Unterberg Towbin, which holds a warrant for the purchase of 865,672 shares of our common stock at an exercise price of $0.67 per share, issued to it in connection with its services as exclusive placement agent under the Purchase Agreement, separately agreed to waive, with respect to the issuance of the Fee Warrants, application of the anti-dilution provisions set forth in that warrant. Because the anti-dilution adjustment to the Original Warrants is accounted for as a modification of the Original Warrants, we recorded an expense in the amount of $5,318,064 for this modification in the period ended February 28, 2007.

On October 3, 2007, we entered into Amendment No. 1 to the Securities Purchase Agreement, Senior Secured Convertible Notes, Warrants and Security Agreement with the independent private investors. Pursuant to the Amendment, we agreed to amend the Notes to provide that even if we elect to make a monthly installment payment in cash, the holder will have the right to request payment in common stock of the Company. In addition, the Conversion Price was reduced to $0.15. As of November 30, 2008 2,440,000 shares have been converted at $0.15. The Amendment also amended the warrants to reduce the exercise prices of the various warrants to $0.23. In exchange for the foregoing, the investors released certain intellectual property from the Security Agreement, allowing the Company to transfer and sell such intellectual property. Further, in the Amendment, we agreed to certain spending covenants in connection with the proceeds we received from the sale of the intellectual property under the Intellectual Property Assignment Agreement dated as of August 6, 2007 by and between Biophan and Medtronic, Inc. For accounting purposes, these amendments as they pertain to re-pricing of the convertible debt and warrants, have been treated as an extinguishment of the old debt. Accordingly, during fiscal 2008 the remaining unamortized discount on the old debt of $3,352,581 was written off, a loss on extinguishment of $3,189,187 on the old debt was recognized, and a new discount in the amount of $2,636,612 was recorded. In addition, a beneficial conversion charge to interest expense was recorded in the amount of $3,021,197.

On February 7, 2008, the Securities Purchase Agreement was amended further to, among other things, allow the Company to withdraw the Registration Statement on Form S-1 (SEC File Number 333-146930) which was filed with the Securities and Exchange Commission on October 25, 2007 on behalf of the Investors, without any liquidated damages or penalties or further obligations to file a registration statement in connection with any securities held by the Investors. While the Registration Statement was pending, in order to continue to satisfy its payment obligations to the Investors under the Agreement, the Company issued 11,869,235 shares of its common stock from November 30, 2007 through February 29, 2008. The shares were issued without registration under the Securities Act of 1933 in reliance on the exemption provided in Section 4(2) of such Act. In exchange, we agreed to change the definition of Market Price if the average for the 20 Trading Days ending immediately prior to the applicable Principal Payment Date is below $0.15 (the conversion price). Market Price will be calculated on 80% of the arithmetic average of the VWAP for each of the 20 Trading Days ending immediately prior to the applicable Principal Payment Date. The discount from the market price of 20% is recognized as additional interest expense.

On September 24, 2008, the Company executed a prepayment agreement with the holders of the Senior Secured Convertible Notes. Pursuant to the agreement, the holders of the Senior Secured Convertible Notes accepted a prepayment of the remaining $2.3 million in senior debt, in exchange for an aggregate cash payment of $2.15 million plus delivery of 14.2 million shares of the Company's common stock. Also, in connection with this transaction, note holders were offered additional shares in exchange for surrendering their warrants to purchase the Company's common stock, issued in connection with the Senior Secured Convertible Notes. Warrants to purchase 16.6 million shares of common stock were redeemed for 3.9 million shares of common stock, leaving outstanding warrants to purchase 23.4 million shares of the Company's common stock. The remaining warrants have an exercise price of $0.23 per share. All of the remaining unamortized discount associated with the warrants and unamortized financing costs were written off as a loss on extinguishment of debt.

The outstanding principal on the Senior Secured Convertible Notes was $0 and $4,716,220 at November 30, 2008 and 2007, respectively. In the unaudited condensed consolidated balance sheets, the Senior Secured Convertible Notes are presented net of the unamortized discount associated with the warrants issued in connection with the notes, equal to $0 and $2,446,259 at November 30, 2008 and 2007, respectively. During the quarter ended November 30, 2008, the Company recorded an associated loss on extinguishment of debt equal to $2,057,804 which consisted of the unamortized debt discount of $1,447,510, unamortized deferred financing costs of $570,093 and the balance of unpaid principle and interest of $40,201.

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FAIR VALUE OF WARRANT LIABILITY:

In accordance with the guidance provided by EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to and Potentially Settled in, a Company's Own Stock", we have recorded a liability for the fair value of the warrants related to the Senior Secured Convertible Notes from time to time in order to provide for the possibility that we would not be able to comply with the registration rights of the lenders as contained in the Securities Purchase Agreement because we did not have sufficient available authorized shares to execute a potential conversion of the Notes and related warrants and thus we would be required to settle the contract in cash. Therefore, we would be required to reclassify warrants from equity to a warrant liability account and based on the fair value of the warrants at the time, reverse this transaction when the condition no longer exists.

Accordingly, on July 10, 2008, the date the liability was triggered, the Company reclassified warrants with a value of $23,897 from equity to the warrant liability, and adjusted it to its fair value on August 31, 2008 and again on November 30, 2008 by recording a change in fair value in the Company's condensed consolidated statements of operations. On November 30, 2008, the fair value of the warrant liability was $269,487.

As noted above, the fair value of the warrant liability related to the Senior Secured Convertible Notes is volatile. Several factors and underlying assumptions are included in the Black-Scholes model utilized to derive the fair value of the warrants. The factors and assumptions are as follows:

1.) The number of warrants: varies from time to time dependent upon current period grants, conversion, forfeitures, and expirations,
2.) Term of expiration: expiration dates vary by grant and currently range from 1 to 3.5 years,
3.) Market price at the valuation date: $0.015/share at July 10, 2008; $0.013/share at November 30, 2008;
4.) Exercise price of the warrants: varies by grant,
5.) Dividend yield: assumed to be zero
6.) Interest rate; we use the US Federal Reserve – "Treasury constant maturities rates" at the measurement date matched to the maturities of the warrants. The rates change over time and the maturities of the warrants change over time.
7.) Company stock price volatility on a look-back basis as a proxy for expected future volatility in stock price. We use the look-back approach.

While most of these factors changed during the period from July 10, 2008 to November 30, 2008, the most significant factors impacting the change in fair value were the change in number of warrants, options granted, and the change in stock price.

STOCKHOLDERS' EQUITY:

The following changes in stockholders' equity took place during the nine months ended November 30, 2008:

| Event | Number of Shares Issued | Common Stock | Additional Paid in Capital |
|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Balance at February 29, 2008 | 119,128,504 | $ | 595,643 | $ | 78,015,527 |
| Shares issued for principal and interest on convertible notes | 120,555,441 | | 602,776 | | 1,761,093 |
| Shares issued to directors | 900,000 | | 4,500 | | 31,500 |
| Shares issued for services | 2,701,319 | | 13,507 | | 45,156 |
| Expenses paid by stockholder | - | | - | | 583,262 |
| Transfer of treasury stock | - | | - | | (8,467,698) |
| Stock option expense | - | | - | | 138,031 |
| Recognition of fair value of warrant liability | - | | - | | (23,897) |
| Balance at November 30, 2008 | 243,285,264 | $ | 1,216,426 | $ | 72,082,974 |

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STOCK-BASED COMPENSATION PLANS:

The Company accounts for stock-based compensation in accordance with SFAS No. 123R, "Share-Based Payment," using the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." The Company recognized expense under SFAS No. 123R in the amount of $138,031 for the nine months ended November 30, 2008. The related impact on basic and diluted earnings per share for the quarter ended November 30, 2008 was immaterial. There was no impact on the Company's cash flow.

The Company’s stock incentive plans consist of the Biophan Technologies, Inc. 2001 Stock Option Plan, the Biophan Technologies, Inc. 2006 Incentive Stock Plan and the Biophan Technologies, Inc. 2008 Incentive Stock Plan (the “Plans”) which are shareholder approved. The Plans provide for the grant of incentive and non-qualified stock options to selected employees, and the grant of non-qualified options and other stock-based awards to selected consultants, directors and advisory board members. The Plans are administered by the Compensation Committee of the Board and it is authorized to grant options or restricted stock awards up to 13,000,000 shares under the 2001 Plan, 7,500,000 shares under the 2006 Plan and 10,000,000 shares under the 2008 Plan. The Compensation Committee determines which eligible individuals are to receive options or other awards under the Plans, the terms and conditions of those awards, the applicable vesting schedule, the option price and term for any granted options, and all other terms and conditions governing the option grants and other awards made under the Plans. The Company typically funds exercised options with previously unissued shares. Non-employee directors also receive periodic restricted stock grants pursuant to the automatic grant program in effect for them under the 2008 Plan. Some of the Company's outstanding option agreements contain performance milestones as a condition for vesting. In accordance with Statement of Accounting Standard No. 123(R), "Share Based Payments," the Compensation Committee periodically evaluates the probability these milestones will be met and records compensation expense when it is determined that the conditions are probable of being satisfied. During the quarter ended November 30, 2008, none of the criteria for vesting of outstanding performance options were met.

The fair value of each option award was estimated on the date of grant using the Black-Scholes option valuation model using the following assumptions: Expected volatilities are based on the historical volatility of the Company's stock, management's estimate of implied volatility of the Company's stock, and other factors. The expected term of options granted is derived from the vesting period of the award, as well as historical exercise behavior, and represents the period of time that options granted are expected to be outstanding. The risk-free rate is calculated using the U.S. Treasury yield curve, and is based on the expected term of the option. The Company uses a combination of historical and expected data to estimate forfeitures.

The Black-Scholes option pricing model was used with the following weighted-average assumptions for options granted during the nine months ended November 30, 2008:

| | |
|---|---|
| Risk-free interest rate | 2.70% |
| Expected option life | 10.0 years |
| Expected volatility | 310.73% |
| Expected dividend yield | 0.0% |

Further information relating to stock options is as follows:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contract Life (years) |
|---|---|---|---|
| Outstanding options at 2/29/08 | 15,503,891 | $ 0.63 | |
| Granted | 1,700,000 | 0.02 | 9.63 |
| Exercised | - | - | - |
| Forfeited/expired | (662,912) | 0.89 | 4.00 |
| Outstanding options at 11/30/08 | 16,540,979 | $ 0.54 | 7.02 |
| | | | |
| Exercisable on 11/30/08 | 14,482,437 | $ 0.55 | 6.84 |

BIOPHAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2008

The following table summarizes our non-vested stock option activity for the nine months ended November 30, 2008

Non-vested stock option activity

| | No of Shares | | Wt'd Avg Grant-Date Fair Value |
|---|---|---|---|
| Non-vested stock options at 2/29/08 | 1,941,667 | $ | 0.73 |
| Granted | 1,700,000 | | 0.02 |
| Vested | (1,308,125) | | 0.22 |
| Forfeited/expired | (275,000) | | 1.05 |
| | | | |
| Non-vested stock options at 11/30/08 | 2,058,542 | $ | 0.51 |

As of November 30, 2008 there was approximately $62,000 of total unrecognized compensation cost related to unvested options. The cost is expected to be recognized over a weighted-average period of 2.2 years.

The options have contractual terms ranging from five to ten years. The aggregate intrinsic value of shares outstanding and exercisable was $0 at November 30, 2008 as the market price of the Company's common stock was below the weighted-average exercise price of substantially all of the options. Total intrinsic value of options exercised was $0 for the quarter ended November 30, 2008 as no options were exercised during this period.

At November 30, 2008, shares available for future stock option grants to employees and others under the 2001 Stock Option Plan, the 2006 Incentive Stock Plan and the 2008 Incentive Stock Plan were 879,480; 26,566 and 4,698,681 respectively.

EARNINGS PER SHARE:

If the Company had generated earnings during the nine-month period ended November 30, 2008, no common stock equivalent shares would have been added to the weighted average shares outstanding as no options have exercise prices below the average fair value of the Company’s stock during the period.

CONTINGENCIES:

We are not a party to any material legal proceedings and there are no material legal proceedings pending with respect to our property, except as noted below. We are not aware of any legal proceedings contemplated by any governmental authorities involving either us or our property. None of our directors, officers or affiliates is an adverse party in any legal proceedings involving us or our subsidiaries, or has an interest in any proceeding which is adverse to us or our subsidiaries.

On April 17, 2008, the Company reached an agreement in principle to terminate the Company’s forward funding commitments with Biophan Europe GmbH.  As a result, it’s likely the Company's ownership percentage in Biophan Europe will be reduced and the Company will no longer be required to consolidate this entity. Management believes this will not have a material effect on the Company's condensed consolidated financial statements in future periods. In addition, on May 5, 2008, Biophan Europe settled a dispute with a minority shareholder whereby Biophan Europe paid the shareholder $80,000 and agreed to issue 150,000 shares of the Company’s stock valued at approximately $2,250.

BIOPHAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2008

## ITEM 2 . MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward Looking Statements

This report on Form 10-Q contains statements that are considered forward-looking statements. Forward-looking statements give the Company's current expectations and forecasts of future events. All statements other than statements of current or historical fact contained in this report, including statements regarding the Company's future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. The words "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "plan," and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. These statements are based on the Company's current plans, and the Company's actual future activities and results of operations may be materially different from those set forth in the forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made. Any or all of the forward-looking statements in this report may turn out to be inaccurate. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. The forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and assumptions. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events occurring after the date hereof. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements contained in this report.

### GENERAL

Our primary mission is to develop and commercially exploit novel medical device technologies to improve the delivery of healthcare. We do not currently employ our own manufacturing or distribution channels but rather rely on relationships with sub-contractors and/or partner companies. We develop technology protected by strong intellectual property targeted at specific markets within the medical technology sector.

COMPANY BUSINESS

During the nine-month period ended November 30, 2008:

- We recognized approximately $451,000 in revenue from licensing, development payments, MRI testing, and consulting fees.

- We continue to focus our efforts to seek license or development partners for the Myotech Circulatory Support System (CSS), a lifesaving device that provides benefits and competitive advantages not possible with other circulatory support devices. This is a change from our past efforts which was focused on the development internally of the Myotech CSS. Refer to the "Discontinued Operations" discussion in the notes to the financial statements which will provide an overview for the change.

- We have continued our efforts to seek license partners for the MRI compatible devices and other technologies developed by Biophan and our Biophan Europe subsidiary.

- We have continued working under a Cooperative Research and Development Agreement (CRADA) with the FDA's Office of Science and Engineering Laboratories (OSEL) to research and define methods for measuring MRI safety of medical implants by examining the leads of cardiac rhythm management and neurostimulation devices.

- We have filed additional grant applications related to our other technologies, including technologies to employ patented pulsewidth modulation techniques to improve the battery life of implantable devices such as pacemakers, and patented technologies to employ chaos theory calculations to improve the diagnosis and treatment of atrial fibrillation. So far, we have filed over $10 million in grant applications this year.

- We completed the purchase of the patent assets of Nanoset LLC that had previously been exclusively licensed for medical applications. The purchase allows Biophan to exploit the technology disclosed in these patents and applications in non-medical markets and eliminates annual minimum royalty payments. The Nanoset patents cover the compositions of matter, manufacturing methods, and device designs that employ nanomagnetic materials that can potentially be used to shield against unwanted electromagnetic energy, enhance the quality of magnetic resonance images of implanted devices such as stents, or be used as contrast media for MRI procedures.

- We have continued to be funded by Medtronic under the assignment agreement between Biophan and that company to help them refine the patents they purchased to commercialize the technology.

RESULTS OF OPERATIONS

The following comments discuss the significant factors affecting the consolidated operating results of the Company comparing the three months ended November 30, 2008 to the three months ended November 30, 2007 and the nine months ended November 30, 2008 to the nine months ended November 30, 2007.

Comparison of the Three Months Ended November 30, 2008 to the Three Months Ended November 30, 2007.

Revenues :
Revenues decreased 99% or by $11,038,000 during the three month period ended November 30, 2008 as compared to the same period ended November 30, 2007. The decrease was primarily due to the $11,000,000 sale of intellectual

property to Medtronic in 2007. Development payments decreased $30,000 and grant revenue decreased $25,000 due to a government sponsored research program that was in place during 2007. Testing services and consulting fees, however, were higher in 2008 ($17,000) as a result of the technical transfer support arrangement put into place when the intellectual property was sold to Medtronic. The Company plans to continue to generate revenue under existing license arrangements, government research programs and is actively seeking a development partner for the Myotech Circulatory Support System.

Research and Development Expenses :
Research and development expenses decreased 42% or by $194,000 during the three months ended November 30, 2008 as compared to the same period ended November 30, 2007. After factoring out the decrease in non-cash stock-based compensation expense from 2007 to 2008 of $33,000 and the increase in depreciation and amortization of $23,000 the overall decrease is attributable to the planned reductions in spending on research and development projects ($268,000) and research and development salaries ($84,000), offset by increases in patent legal expenses ($71,000), consultants ($17,000) and overhead ($80,000). Further cost reduction measures in the research and development area will be dependent upon how successful the Company is in securing additional funding through research grants.

General and Administrative Expenses :
General and administrative expenses decreased by 36%, or $571,000 during the three months ended November 30, 2008 as compared to the same period ended November 30, 2007. After factoring out the decrease in non-cash stock-based compensation expense from 2007 to 2008 of $170,000 and a decrease in depreciation and amortization of $10,000, there were significant decreases in administrative salaries $478,000, and outside consulting $30,000, offset by increases in overhead $6,000 and legal and accounting $111,000. The Company has taken additional measures to reduce general and administrative overhead expenses, and therefore does not anticipate the same level of spending in fiscal 2010.

Other Income (Expense) :

Other Income (Expenses) consisted of the following during the three months ended November 30, 2008 and November 30, 2007, respectively:

| | 2008 | 2007 |
|---|---|---|
| Interest income | $ 8,000 | $ 53,000 |
| Interest expense | (250,000) | (7,301,000) |
| Gain on sale of investments and other assets | - | 126,000 |
| Change in fair value of warrant liability | 255,000 | - |
| Loss on extinguishment of debt | (2,058,000) | (3,189,000) |
| Other income and (expenses) | (15,000) | 72,000 |
| Total: | $ (2,030,000) | $ (10,239,000) |

The two major components of this category are interest expense and loss on extinguishment of debt. Interest expense was $7,051,000 greater during the three months ended November 30, 2007 as compared to the three months ended November 30, 2008 because of the interest that was recognized in 2007 as a result of the modification in the Senior Secured Convertible Notes on October 3, 2007. Also, on September 23, 2008, the Company prepaid the remaining balance of the Senior Secured Convertible Notes. Therefore, interest expense on the Senior Secured Convertible Notes was not incurred during the entire three month period, as compared to the quarter ended November 30, 2007. The loss on extinguishment of debt was approximately $1,131,000 less during the three months ended November 30, 2008 because the unamortized discount on the balance of the Senior Secured Convertibles was less than comparable balance immediately prior to executing Amendment No. 1 of the Senior Secured Convertible Notes on October 3, 2007. The decrease in interest income of $45,000 was related to the decrease in cash and cash equivalents balance between periods. The decrease in gain on sale of investment and other assets of $126,000 was due to the fact that the Company did not have comparable transactions during the three months ended November 30, 2008. Other income and expenses decreased by $57,000 as a result of the reduction in incremental services billings between periods, and the change in the fair value of the warrant liability ($255,000) is a result of the decrease in number of outstanding warrants relative to their change in fair value and the number of unissued shares of Company stock.

Loss From Discontinued Operations:

The increase in loss from discontinued operations in the condensed consolidated statements of operations for the three month period ended November 30, 2008 was a result of the dissolution of Myotech LLC. The loss from discontinued operations for the three months ended November 30, 2007 represents the losses generated from the operations of Myotech during that period. The loss from discontinued operations for the three months ended November 30, 2008 includes the losses generated from operations as well as the impairment of intellectual property, the write-off of unamortized acquisition costs and the impact of the dissolution on the minority interest in Myotech LLC.

The following comments discuss the significant factors affecting the consolidated operating results, financial condition and liquidity and cash flows of the Company for the nine months ended November 30, 2008 as compared to the nine months ended November 30, 2007.

Comparison of the Nine Months Ended November 30, 2008 to the Nine Months Ended November 30, 2007

Revenues :

Revenues decreased 96% or by $11,041,000 during the nine months ended November 30, 2008 as compared to the same period ended November 30, 2007. The decrease was primarily due to the $11,000,000 sale of intellectual property to Medtronic in 2007. Development payments decreased $30,000 and grant revenue decreased $100,000 due to a government sponsored research program that was in place during 2007. Testing services and consulting fees, however, were higher in 2008 ($89,000) as a result of the technical transfer support arrangement put into place when the intellectual property was sold to Medtronic and other technical consulting opportunities. The Company plans to continue to generate revenue under existing license arrangements, government research programs and is actively seeking a development partner for the Myotech Circulatory Support System.

Research and Development Expenses :

Research and development expenses decreased 56% or by $1,141,000 during the nine months ended November 30, 2008 as compared to the same period ended November 30, 2007. After factoring out the decrease in non-cash stock-based compensation expense from 2007 to 2008 of $599,000 and the increase in depreciation and amortization of $29,000, the overall decrease is attributable to the planned reductions in spending on research and development projects ($421,000) , research and development salaries ($211,000) and patent legal expenses ($32,000), offset by increases in consulting ($13,000) and overhead ($80,000). Further cost reduction measures in the research and development area will be dependent upon how successful the Company is in securing additional funding through research grants.

General and Administrative Expenses :

General and administrative expenses decreased by 37%, or $1,692,000 during the nine months ended November 30, 2008 as compared to the same period ended November 30, 2007. After factoring out the decrease in non-cash stock-based compensation expense from 2007 to 2008 of $1,445,000 and a decrease in depreciation and amortization of $8,000, there were significant decreases in administrative salaries $492,000 and overhead $37,000, offset by increases in consulting ($105,000) and legal and accounting ($185,000). The Company has taken additional measures to reduce general and administrative overhead expenses, and therefore does not anticipate the same level of spending in fiscal 2010.

Other Income (Expense) :

Other Income (Expenses) consisted of the following during the nine months ended November 30, 2008 and November 30, 2007, respectively:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| Interest income | $ | 62,000 | $ | 73,000 |
| | | | | |
| Interest expense | | (1,691,000) | | (9,921,000) |
| Gain on sale of investments and other assets | | - | | 136,000 |
| Liquidating damages | | - | | (653,000) |
| Change in fair value of warrant liability | | (246,000) | | 4,339,000 |
| | | | | |
| Loss on extinguishment of debt | | (2,058,000) | | (3,189,000) |
| Other income and (expenses) | | 88,000 | | 296,000 |
| Total: | $ | (3,845,000) | $ | (8,919,000) |

The three major components of this category are interest expense, the loss on extinguishment of debt and the change in the fair value of the warrant liability.  Interest expense was $8,230,000 greater during the nine months ended November 30, 2007 as compared to the nine months ended November 30, 2008 because in 2007 the interest that was recognized was as a result of the October amendment to the Senior Secured Convertible Notes. Furthermore, on September 23, 2008, the Company prepaid the remaining balance of the Senior Secured Convertible Notes.  As a result, the interest expense recorded from the Senior Secured Convertible Notes was not incurred during the entire nine month period as compared to the nine month period ended November 30, 2007. The loss on extinguishment of debt was approximately $1,131,000 less during the nine months ended November 30, 2008 because the unamortized discount on the balance of the Senior Secured Convertibles was less than the comparable balance immediately prior to executing Amendment No. 1 of the Senior Secured Convertible Notes.  The change in the fair value of the warrant liability ($4,585,000) was mostly driven by a $4,339,000 adjustment posted on May 8, 2007 following a special shareholder's meeting at which an increase in authorized shares was approved.  The balance of the change ($246,000) was a result of the decrease in number of outstanding warrants on September 24, 2008, relative to the change in their fair value and the number of unissued shares of Company stock on the balance sheet date. The decrease in interest income of $11,000 was related to the decrease in cash and cash equivalents balance between periods.  The decrease in gain on sale of investment and other assets of $136,000 was due to the fact that the Company did not have comparable transactions during the nine months ended November 30, 2008. Other income and expenses decreased by $208,000 as a result of the reduction in incremental services billings between periods.

Loss From Discontinued Operations:

The increase in  loss from discontinued operations in the condensed consolidated statements of operations for the nine month period ended November 30, 2008 was a result of the dissolution of it's majority-owned subsidiary, Myotech LLC. The loss from discontinued operations for the nine months ended November 30, 2007 represents the losses generated from the operations of Myotech during that period. The loss from discontinued operations for the nine months ended November 30, 2008 includes the losses generated from operations as well as the impairment of intellectual property, the write-off of unamortized acquisition costs and the impact of the dissolution on the minority interest in Myotech LLC.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

On October 3, 2007, we entered into Amendment No. 1 to the Securities Purchase Agreement, Senior Secured Convertible Notes, Warrants and Security Agreement with ten independent private investors led by Iroquois Master Fund Ltd ("Iroquois"). Pursuant to the Amendment and related agreements, certain events of default were cured and the investors released certain intellectual property for the Security Agreement, allowing the Company to transfer and sell certain intellectual property to Medtronic, Inc. Further, in the Amendment, we agreed to certain spending covenants in connection with the proceeds we received from the sale of the intellectual property under the Intellectual Property Assignment Agreement dated as of August 6, 2007 by and between Biophan and Medtronic. On October 5, 2007, we closed the transaction contemplated by the Intellectual Property Assignment Agreement, sold the foregoing intellectual property to Medtronic and received an aggregate of $11,000,000 as the sale price.

On September 24, 2008, Biophan Technologies, Inc. (the "Company") announced execution of a prepayment agreement with the holders of its Senior Secured Convertible Notes. Pursuant to the prepayment agreement, the holders of the Secured Convertible Notes accepted a prepayment of the remaining $2.3 million in senior debt, in exchange for an aggregate cash payment of $2.15 million plus delivery of 18 million shares of the Company's common stock. In connection with this transaction, note holders were offered additional shares in exchange for surrendering their warrants to purchase the Company's common stock, issued in connection with the Senior Secured Convertible Notes. Warrants to purchase 16.6 million shares of common stock were redeemed leaving outstanding warrants to purchase 23.4 million shares of the Company's common stock. All of the remaining warrants have an exercise price of $0.23 per share.

In addition to repaying the Senior Secured Convertible Notes, on September 23, 2008, the Company amended the line of credit agreements LOC#1 and LOC#2, extending the combined term to December 31, 2012 in exchange for monthly cash payments of $15,000. Accordingly, the Company paid $60,000 in cash during the quarter ended November 30, 2008. In addition to the September 23, 2008 amendment, the Company obtained a letter of understanding from Biomed outlining conditions in which certain shared expenses and accounts receivable from entities related to Biomed may be used to offset line of credit principal and interest. As a result, $732,167 was applied against the line of credit during the quarter ended November 30, 2008 of which $583,262 was credited to paid in capital since it related to forgiveness of debt by a Biomed stockholder who personally holds shares of Company stock.

At November 30, 2008, the Company has cash and cash equivalents of approximately $1.4 million and negative working capital. We believe the Company has adequate working capital resources for the upcoming seven to nine months of operations, however we can make no assurances as to the Company's ability to obtain sufficient financing or attain future profitable operations. The Company is currently pursuing licensing/developing partners for its technologies, including the Myotech CSS, and is also seeking strategic acquisition(s) and financing to extend its capital resources beyond this time frame. If we are unsuccessful in our efforts to obtain capital, this could adversely impact our ability to continue as a going concern.

Capital Resources

Our current strategic plan does not indicate a need for material capital expenditures in the conduct of research and development activities.

We currently employ seven full-time individuals, all in the U.S.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

Management is responsible for establishing and maintaining effective disclosure controls and procedures. As of November 30, 2008, our Chief Executive Officer and Chief Financial Officer participated with our management in evaluating the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)). Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the Securities and Exchange Commission (“SEC”) reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time period specified by the SEC’s rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. In light of the discussion of the material weakness set forth below, these officers have concluded that our disclosure controls and procedures were not effective. To address the material weakness described below, we performed additional analyses and other post-closing procedures to ensure our condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, management believes that the financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, result of operations and cash flows for the periods presented.

Management’s Report on Internal Control Over Financial Reporting.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, a public company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the board of directors, management and other personnel, 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 (“GAAP”) including those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has assessed the effectiveness of our internal control over financial reporting as of February 29, 2008 (the last annual Management's Assessment of Internal Control over Financial Reporting). In making this assessment, our management used the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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. In connection with management's assessment of our internal control over financial reporting described above, management has identified the following material weakness in the Company's internal control over financial reporting as of February 29, 2008:

The Company did not maintain effective controls over accounting for income taxes, specifically the application of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes " (as Amended), which requires management to 1.) identify and evaluate the tax implications of non-routine transactions, including those related to the acquisition of interest in subsidiaries and the senior secured convertible debt, among others, 2.) evaluate net operating loss carryforwards, 3.) prepare the provision for income taxes and income taxes payable (where applicable) including tax reserves, return to provision adjustments, and 4.) reconcile all differences between tax and financial reporting basis of its assets and liabilities, with its deferred income tax assets and liabilities. Company management does not possess the requisite knowledge or experience to adequately address the financial statement risks associated with certain complex transactions and as a consequence relied on the help of outside advisors (other than their independent auditors) to properly state the Company's financial statements.

As a result of the material weaknesses described above, our management concluded that as of February 29, 2008, we did not maintain effective internal control over financial reporting based on the criteria established in Internal Control — Integrated Framework issued by the COSO.

The annual report included on Form 10-K referred to above did not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the temporary rules of the SEC that permit the Company to provide only management's report in the aforementioned annual report on the Company's Form 10-K filed with the SEC on June 13, 2008.

Plan for Remediation of Material Weaknesses.

In response to the identified material weakness, management, with oversight from the Company's audit committee, plans to improve internal controls over accounting for income taxes by formalizing a periodic tax review process that includes the development of formalized policies and procedures, required periodic consultation with qualified outside advisors, documentation standards and workpaper review and approval guidelines. In addition, the Company intends to provide tax training and educational opportunities to Company employess to enhance internal awareness of tax-specific matters.

Notwithstanding the material weaknesses discussed above, management believes that the financial statements included in this report present fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented in accordance with U.S. generally accepted accounting principles.

Changes in Internal Control Over Financial Reporting.

There were no changes in our internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 under the Exchange Act during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We are not a party to any material legal proceedings and there are no material legal proceedings pending with respect to our property, except as noted below. We are not aware of any legal proceedings contemplated by any governmental authorities involving either us or our property. None of our directors, officers or affiliates is an adverse party in any legal proceedings involving us or our subsidiaries, or has an interest in any proceeding which is adverse to us or our subsidiaries.

### ITEM 1A. RISK FACTORS

Not applicable.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

At a special shareholder's meeting held on September 12, 2008, shareholders were asked to approve a proposal to amend the Company's Articles of Incorporation to increase the number of authorized shares of common stock to 800,000,000. This proposal was adjourned until December 1, 2008 (subject for further adjournment by those attending the reconvened meeting) or such earlier date as the Company obtains sufficient votes to approve this proposal. At the reconvened meeting on December 1, 2008, the meeting was further adjourned until February 4, 2009 (subject for further adjournment by those attending the reconvened meeting) or such earlier date as the Company obtains sufficient votes to approve this proposal.

Also at the special shareholders' meeting on September 12, 2008, the 2008 Incentive Stock Plan was approved, the shareholders ratified the appointment of Freed, Maxick & Battaglia, CPA's, P.C. to serve as the Company's independent registered public accounting firm for the fiscal year ended February 28, 2009 and the shareholders elected the following seven directors to hold office for the ensuing year and until the election and qualification of their respective successors: Stan Yakatan, John Lanzafame, Theodore A. Greenberg, Bonita L. Labosky, Guenter Jaensch, Travis E. Baugh and Harold Gubnitsky.

### ITEM 5. OTHER INFORMATION

Not applicable.

### ITEM 6. EXHIBITS

| Exhibit Number | Description of Exhibit |
|---|---|
| 3.1 | Articles of Incorporation, incorporated by reference to Exhibit 3.1 to Form 10-KSB for the year ended February 29, 2000, filed with the Securities and Exchange Commission (the "SEC") on June |

| | |
|---|---|
| | 13, 2000 (the "2000 10-KSB"). |
| 3.2 | Amendment to Articles of Incorporation, incorporated by reference to Exhibit 3.1(i) to Form 8-K filed with the SEC on December 15, 2000. |
| 3.3 | Certificate of Amendment to Articles of Incorporation, incorporated by reference to Exhibit 3.1(i) to Form 8-K filed with the SEC on August 27, 2001. |
| 3.4 | Certificate of Amendment to Articles of Incorporation, incorporated by reference to Exhibit 3.4 to Registration Statement on Form S-1, filed with the SEC on October 25, 2007. |
| 3.5 | Bylaws, incorporated by reference to Exhibit 3.4 to Form S-1/A filed with the SEC on May 24, 2007. |
| 4.1 | Stock Purchase Agreement dated May 27, 2005 between Biophan and SBI Brightline XI, LLC, incorporated by reference to Exhibit 3.2 to Form 10-SB filed with the SEC on May 13, 1999. |
| 4.2 | Amendment No. 1, dated January 8, 2006, to Stock Purchase Agreement by and between Biophan and SBI Brightline XI, LLC, Incorporated by reference to Exhibit 4.21 to Form 10-KSB/A for the year ended February 28, 2005, filed with the SEC on June 22, 2005 (the "2005 10-KSB"). |
| 4.3 | Line of Credit Agreement dated as of May 27, 2005 between Biophan and Biomed Solutions, LLC. incorporated by reference to Exhibit 4.1 to Form 8-K filed with the SEC on January 9, 2006. |
| 4.4 | First Amendment to Line of Credit Agreement between Biophan and Biomed Solutions, LLC, incorporated by reference to Exhibit 10.50 to the 2005 10-KSB. |
| 4.5 | Convertible Promissory Note of Biophan in the face amount of $2,000,000 payable to the order of Biomed Solutions, LLC dated May 27, 2005, incorporated by reference to Exhibit 4.2 to Form 10-Q for the period ended November 30, 2005, filed with the SEC on January 17, 2006 (the "Q3'05 10-Q"). |
| 4.6 | First Amendment to Convertible Promissory Note, incorporated by reference to Exhibit 4.22 to the 2005 10-KSB. |
| 4.7 | Stock Purchase Warrant issued to Biomed Solutions, LLC dated May 27, 2005, incorporated by reference to Exhibit 4.3 to the Q3'05 10-Q. |
| 4.8 | Rights Agreement among Myotech, LLC, the Members of Myotech, LLC and Biophan, incorporated by reference to Exhibit 4.23 to the 2005 10-KSB. |
| 4.9 | Line of Credit Agreement dated as of January 24, 2006 between Biophan and Biomed Solutions, LLC, incorporated by reference to Exhibit 4.1 to the Q3'05 10-Q. |
| 4.10 | Amendment No. 1, dated October 11, 2006, to Line of Credit Agreement by and between Biophan Technologies, Inc. and Biomed Solutions, LLC, incorporated by reference to Exhibit 4.1 to Form 8-K filed with the SEC on January 25, 2006 (the "January 25, 2006 8-K"). |
| 4.11 | Convertible Promissory Note of Biophan in the face amount of $5,000,000 payable to the order of Biomed Solutions, LLC dated January 24, 2006, ) incorporated by reference to Exhibit 10.2 to Form 8-K filed with the SEC on October 13, 2006 (the "October 13, 2006 8-K"). |
| 4.12 | Amended and Restated Convertible Promissory Note of Biophan Technologies, Inc., in the principal amount of $5,000,000, dated October 11, 2006, payable to the order of Biomed Solutions, LLC, incorporated by reference to Exhibit 4.2 to the January 25, 2006 8-K. |
| 4.13 | Stock Purchase Warrant for the Purchase of up to 1,198,630 Shares of Common Stock issued to Biomed Solutions, LLC, incorporated by reference to Exhibit 10.3 to the October 13, 2006 8-K. |
| 4.14 | Subordination and Standstill Agreement dated October 11, 2006, by and among Biophan Technologies, Inc., Biomed Solutions, LLC, and those Purchasers named therein, incorporated by reference to Exhibit 4.3 to the January 25, 2006 8-K. |
| 4.15 | Form of Senior Secured Convertible Notes due October 11, 2009 issued pursuant to the Securities Purchase Agreement, dated October 11, 2006, by and among Biophan Technologies, Inc. and those Purchasers named therein, incorporated by reference to Exhibit 10.4 to the October 13, 2006 8-K. |

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| 4.16 | Form of Senior Secured Convertible Notes due October 11, 2009 issued pursuant to the Securities Purchase Agreement, dated October 11, 2006, by and among Biophan Technologies, Inc. and those Purchasers named therein, incorporated by reference to Exhibit 4.2 to the October 13, 2006 8-K. |
| 4.17 | Form of One-Year Warrants issued pursuant to the Securities Purchase Agreement, dated October 11, 2006, by and among Biophan Technologies, Inc. and those Purchasers named therein, incorporated by reference to Exhibit 4.3 to the October 13, 2006 8-K. |
| 4.18 | Form of Three-Year Warrants issued pursuant to the Forbearance Agreement dated as of February 16, 2007 by and among Biophan Technologies, Inc. and the Note Holders named therein, incorporated by reference to Exhibit 4.4 to the October 13, 2006 8-K. |
| 4.19 | Amended and Restated 2001 Stock Option Plan, incorporated by reference to Exhibit 4.1 to Form 8-K filed with the SEC on February 27, 2007 (the "February 27, 2007 8-K"). |
| 4.20 | 2006 Incentive Stock Plan, incorporated by reference to Appendix A to Proxy Statement filed with the SEC on Schedule 14A on June 28, 2005. |
| 4.21 | Amendment No. 1 to Securities Purchase Agreement, Senior Secured Convertible Notes, Warrants and Security Agreement, by and among Biophan Technologies, Inc. and those Purchasers named therein, incorporated by reference to Exhibit 4.5 and 4.6 to Form 8-K filed with the SEC on October 5, 2007. |
| 4.22 | Consent and Authorization Agreement, dated October 3, 2007, incorporated by reference to Exhibit 4.5 and 4.6 to Form 8-K filed October 5, 2007. |
| 4.23 | 2008 Incentive Stock Plan, incorporated by reference to Exhibit 10.1 to Form S-8, filed with the SEC on March 24, 2008. |
| 4.24 | Settlement Agreement with SBI Brightline LLC, SBI Brightline XI LLC and Biomed Solutions LLC, dated November 5, 2007, incorporated by reference to Exhibit 10.1 to Form 8-K, filed with the SEC on November 9, 2007. |
| 5.1 | Opinion of Sichenzia Ross Friedman Ference LLP, incorporated by reference to Exhibit 5.1 to Form S-8, filed with the SEC on March 24, 2008. |
| 10.1 | Agreement dated as of February 24, 2005 among Biophan, aMRIs GmbH, Dr. Michael Friebe, Tomovation GmbH, Prof. Dr. Andreas Melzer, Dipl-Ing. Gregor Schaefers, and Dipl. Betriebsw. Andreas Pieper, incorporated by reference to Appendix A to Proxy Statement filed with the SEC on Schedule 14A on June 21, 2006. |
| 10.2 | Note and Pledge Agreement dated November 24, 2005 between Biophan, Tomovation GmbH and Prof. Dr. Andreas Melzer, incorporated by reference to Exhibit 2.4 to the 2005 10-KSB. |
| 10.3 | Termination of Stock Purchase Agreement between Biophan and SBI Brightline Consulting, LLC, incorporated by reference to Exhibit 4.10 to the 2005 10-KSB. |
| 10.4 | Investment Agreement dated June 30, 2005 between Biophan and Boston Scientific Scimed, Inc., incorporated by reference to Exhibit 4.20 to the 2005 10-KSB. |
| 10.5 | Securities Purchase Agreement, dated October 11, 2006, by and among Biophan Technologies, Inc. and those Purchasers named therein, incorporated by reference to Exhibit 4.5 to Form 10-Q for the period ended August 31, 2005, filed with the SEC on October 17, 2005. |
| 10.6 | Security Agreement, dated as of October 11, 2006, by and among Biophan Technologies, Inc., the Purchasers named therein and Iroquois Master Fund Ltd., as agent for the Purchasers, incorporated by reference to Exhibit 4.1 to Form 8-K, filed with the SEC on October 13, 2006. |
| 10.7 | Forbearance Agreement dated as of February 16, 2007 by and among Biophan Technologies, Inc. and the Note Holders named therein, incorporated by reference to Exhibit 10.1 to Form 8-K filed with the SEC on October 13, 2006. |
| 10.8 | License Agreement between Biophan, Xingwu Wang and Nanoset, LLC dated January 15, 2004, incorporated by reference to Exhibit 10.1 to Form 8-K, filed with the SEC on February 27, 2007. |
| 10.9 | |

Development Agreement between Biophan and Greatbatch Enterprises, Inc. dated February 28, 2001, incorporated by reference to Exhibit 10.50 to Registration Statement on Form SB-2 (File No. 333-109592) filed with the SEC on October 9, 2003.

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| 10.10 | License Agreement between Biophan and Johns Hopkins University, incorporated by reference to Exhibit 10.28 to Amendment No. 2 to Registration Statement on Form SB-2/A (File No. 333-102526) filed with the SEC on May 1, 2003. |
| 10.11 | AMP-Biophan License Agreement dated February 24, 2005 between Biophan and aMRIs Patent GmbH (Confidential treatment has been granted with respect to certain positions of this Agreement, incorporated by reference to Exhibit 10.23 to Amendment No. 1 to Registration Statement filed with the SEC on Form SB-2/A (File No. 333-102526) on March 14, 2003. |
| 10.12 | License Agreement dated June 30, 2005 between Biophan and Boston Scientific Scimed, Inc., incorporated by reference to Exhibit 10.46 to the amended 2005 10-KSB. |
| 10.13 | Capital Pledge Agreement dated February 24, 2005 among Biophan, TomoVation GmbH, and Prof. Dr. Andreas Melzer, incorporated by reference to Exhibit 10.2 to Amended Form 10-Q for the period ended August 31, 2005, filed with the SEC on January 9, 2006. |
| 10.14 | Securities Purchase Agreement between Biophan and Myotech, LLC, dated November 30, 2005, incorporated by reference to Exhibit 10.48 to the 2005 10-KSB. |
| 10.15 | Letter Agreement, Amendment and Waiver of Certain Conditions to Closing, between Biophan and Myotech, LLC, dated December 21, 2005, incorporated by reference to Exhibit 10.1 to the Q3'05 10-Q. |
| 10.16 | Amendment No. 2 to Securities Purchase Agreement dated as of November 28, 2006 between Myotech LLC and Biophan, incorporated by reference to Exhibit 10.2 to the Q3'05 10-Q. |
| 10.17 | Letter Agreement dated August 19, 2002 between Biomed Solutions, LLC and Biophan, incorporated by reference to Exhibit 10.1 to Form 8-K filed on December 8, 2006. |
| 10.18 | Payment Agreement dated June 3, 2004 between Biophan and TE Bio LLC, incorporated by reference to Exhibit 10.54 to Amendment No. 2 to Registration Statement on Form SB-2 (File No. 333-112678) filed with the SEC on April 9, 2004. |
| 10.19 | Joint Research Agreement between Nanolution, LLC and NaturalNano Inc. dated as of May 25, 2005, together with Non-Disclosure Agreement, incorporated by reference to Exhibit 10.16 to Form S-1 filed November 13, 2006. |
| 10.20 | Lease Agreement between Biophan and High Technology of Rochester, Inc., incorporated by reference to Exhibit 99.1 to Form 8-K filed with the SEC on June 3, 2004. |
| 10.21 | Lease between Schoen Place LLC and Biophan Technologies, Inc., incorporated by reference to Exhibit 10.19 to Amendment No. 1 to Registration Statement on Form SB-2/A (File No. 333-102526) filed with the SEC on March 14, 2003. |
| 10.22 | Amendment No. 1 to Lease between Schoen Place LLC and Biophan Technologies, Inc., incorporated by reference to Exhibit 10.1 to Form 8-K filed with the SEC on November 9, 2006. |
| 10.23 | Severance and Covenants Agreement between Biophan and Michael L. Weiner dated October 3, 2007, incorporated by reference to Exhibit 10.1 to the Form 8-K filed with the SEC on October 8, 2007. |
| 10.24 | Executive Employment Agreement between Biophan and Jeffrey L. Helfer dated June 6, 2002, incorporated by reference to Exhibit 10.7 to Form 10-QSB for the period ended May 31, 2002, filed with the SEC on July 15, 2002 (the "Q1'02 10-QSB"). |
| 10.25 | Executive Employment Agreement between Biophan and Stuart G. MacDonald dated June 6, 2002, incorporated by reference to Exhibit 10.9 to the Q1'02 10-QSB. |
| 10.26 | Executive Employment Agreement between Biophan and John F. Lanzafame effective as of September 9, 2004, incorporated by reference to Exhibit 10.49 to the 2005 10-KSB. |
| 10.27 | Amendment to Executive Employment Agreement, between Biophan and John F. Lanzafame, dated September 10, 2007, incorporated by reference to Exhibit 10.2 to Form 8-K filed with the SEC on September 13, 2007. |
| 10.28 | Executive Employment Agreement dated as of January 1, 2006 between Biophan and Jeffrey L. Helfer, incorporated by reference to Exhibit 10.2 to Form 8-K filed with the SEC on January 26, |

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| | 2006. |
| 10.29 | Employment Agreement dated February 24, 2005 among aMRIs GmbH, Dr. Michael Friebe and Biophan, incorporated by reference to Exhibit 10.47 to the 2005 10-KSB. |

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| 10.30 | Intellectual Property Assignment Agreement, dated August 6, 2007, by and between Biophan Technologies, Inc. and with Medtronic, Inc., incorporated by reference to Exhibit 10.1 to Form 8-K filed with the SEC on August 9, 2007. |
| 10.30 | Amendment to Executive Employment Agreement by and between Biophan Technologies, Inc. and John F. Lanzafame, dated September 10, 2007, incorporated by reference to Exhibit 10.2 to Form 8-K filed with the SEC on September 13, 2007. |
| 10.31 | Securities Purchase Agreement, dated October 2, 2007, by and between Biophan Technologies, Inc. and Myotech, LLC, incorporated by reference to Exhibit 10.1 to Form 8-K filed with the SEC on October 5, 2007. |
| 10.32 | Severance and Covenants Agreement dated October 3, 2007, incorporated by reference to Exhibit 10.1 to Form 8-K filed with the SEC on October 9, 2007. |
| 10.33 | Amendment No. 2 to Securities Purchase Agreement, Senior Secured Convertible Notes, Warrants, and Security Agreement, dated September 19, 2008, incorporated by reference to Exhibit 10.1 to Form 8-K filed with the SEC on September 25, 2008. |
| 10.34 | Amendment No. 2 to Securities Purchase Agreement, Senior Secured Convertible Notes, Warrants, and Security Agreement, dated September 19, 2008, incorporated by reference to Exhibit 10.2 to Form 8-K filed with the SEC on September 25, 2008. |
| 10.35 | Amendment to Letter of Credit Agreement, dated as of September 23, 2008, incorporated by reference to Exhibit 10.3 to Form 8-K filed with the SEC on September 25, 2008. |
| 21.1 | Subsidiaries, incorporated by reference to Exhibit 21.1 to Form 10-K for the year ended February 28, 2007 filed with the SEC on May 8, 2007. |
| 23.1 | Consent of Sichenzia Ross Friedman Ference LLP (See Exhibit 5.1) |
| 23.2 | Consent of Goldstein Golub Kessler LLP, incorporated by reference to Exhibit 23.2 to Form 10-K for the fiscal year ended February 29, 2008, filed with the SEC on June 13, 2008. |
| 23.3 | Consent of Freed, Maxick & Battaglia, CPAs, PC, incorporated by reference to Exhibit 23.3 to Form 10-K for the fiscal year ended February 29, 2008, filed with the SEC on June 13, 2008. |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a), filed herewith. |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a), filed herewith. |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, filed herewith. |
| 32.1 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, filed herewith. |

SIGNATURES

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

BIOPHAN TECHNOLOGIES, INC.
(Registrant)

By: /s/ John F. Lanzafame
Name: John F. Lanzafame
Title: Chief Executive Officer
(Principal Executive Officer)

By: /s/ Margaret V. Russell
Name: Margaret V, Russell

Title: Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Date: January 20, 2009

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