BIOPHAN TECHNOLOGIES INC
Form 10QSB
October 15, 2003

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

FORM 10-QSB

[x] Quarterly Report under Section 13 or 15(d)of the Securities Exchange Act of 1934

For the quarterly period ended: August 31, 2003

[ ] 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 small business issuer as specified in its charter)

Nevada	82-0507874
(State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
150 Lucius Gordon Drive, Suite 215 West Henrietta, New York	14586
(Address of principal executive offices)	(Zip code)

(585) 214-2441
Issuer's telephone number

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.

[X] Yes [ ] No

State 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 October 14, 2003
Common Stock, $.005 par value	46,004,177

Transitional small Business Disclosure Format (Check One): Yes[ ] No[x]

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
Biophan Technologies, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of Biophan Technologies, Inc. and Subsidiaries as of August 31, 2003, and the related condensed consolidated statements of operations for the three-month and six-month periods ended August 31, 2003 and 2002 and the condensed consolidated statements of cash flows for the six-month periods ended August 31, 2003 and 2002. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of February 28, 2003, and the related consolidated statements of operations, stockholders' deficiency, and cash flows for the year then ended (not presented herein); and in our report dated April 10, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of February 28, 2003, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

GOLDSTEIN GOLUB KESSLER LLP
New York, New York

October 7, 2003

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

CONDENSED CONSOLIDATED BALANCE SHEETS

	August 31, 2003 (Unaudited)	February 28, 2003
ASSETS		

Current Assets:		
Cash	$ 5,350	$ 48,935
Investments in marketable securities	-	302,000
Advances receivable	-	10,127
Due from related party	58,561	24,368
Prepaid expenses	78,932	90,923
Total Current Assets	142,843	476,353
Fixed Assets, at cost, net	70,394	63,232
Other Assets:		
Intellectual property rights	70,000	70,000
Security deposit	2,933	2,933
Deferred equity placement costs	-	70,538
Deferred tax asset, net of valuation allowance of $2,477,000 and $2,120,000 respectively	-	-
	72,933	143,471
	$ 286,170	$ 683,056
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Accounts payable and accrued expenses	696,782	$ 343,216
Loan payable to stockholder	-	143,570
Payable to related party, less discount	219,501	300,000
Due to related party	11,443	9,401
Total Current Liabilities	927,726	796,187
Long-term payable to related party, less discount	190,000	83,333
Stockholders' Deficiency:		
Common stock, $.005 par value Authorized, 80,000,000 shares Issued and outstanding, 40,951,317 shares, and 37,634,693 shares, respectively	204,757	188,173
Additional paid-in capital	8,292,433	7,588,520
Deficit accumulated during the development stage	(9,328,746)	(7,973,157)
	(831,556)	(196,464)
	$ 286,170	$ 683,056

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 August 31, 2003	Three Months Ended August 31, 2002	Six Months Ended August 31, 2003	Six Months Ended August 31, 2002	Period from August 1, 1968 (date of inception) to August 31, 2003
Operating expenses:					
Salaries and related	$ 129,861	$ 175,914	$ 257,503	$ 347,127	$ 1,427,297
Research and development	201,786	189,466	439,889	641,281	2,875,181
Professional fees	149,567	129,527	255,676	270,020	2,127,392
Write-down of intellectual property rights	-	-	-	-	530,000
General and administrative	119,709	122,300	224,445	287,609	1,308,699
Operating loss	(600,923)	(617,207)	(1,177,513)	(1,546,037)	(8,268,569)
Other income(expense):					
Interest income	362	93	1,264	16,701	46,027
Interest expense	(134,413)	(161,260)	(244,664)	(171,560)	(1,246,060)
Other income	37,520	76,226	65,324	89,724	294,399
Other expense	-	-		(28,805)	(65,086)
	(96,531)	(84,941)	(178,076)	(93,940)	(970,720)
Loss from continuing operations	(697,454)	(702,148)	(1,355,589)	(1,639,997)	(9,239,289)
Loss from discontinued operations	-	-	-	-	(89,357)
Net loss	$ (697,454)	$ (702,148)	$(1,355,589)	$(1,639,997)	$(9,328,646)
Loss per common share-basic and diluted	$ (0.02)	$ (0.02)	$ (0.04)	$ (0.06)	
Weighted average shares outstanding	39,070,506	29,652,082	38,532,599	29,600,761	

See Notes to Condensed Consolidated Financial Statements.

BIOPHAN TECHNOLOGIES, INC.

AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended August 31, 2003	2002	Period from August 1, 1968 (date of inception) to August 31, 2003
Cash flows used for operating activities:			
Net loss	$(1,355,589)	$(1,639,977)	$(9,328,746)
Adjustments to reconcile net loss to net cash provided(used) by operating activities:			
Depreciation	11,528	12,780	52,058
Realized and unrealized losses on marketable securities	-	28,805	66,948
Accrued interest on note payable converted to common stock	11,998		
Amortization of interest on convertible notes payable	210,118	150,000	593,451
Write-down of intellectual property rights	-	-	530,000
Amortization of discount on payable to related party	-	-	75,000
Issuance of common stock for services	-	-	101,108
Issuance of common stock for interest	-	-	468,823
Grant of stock options for services	116,000	94,000	1,303,800
Expenses paid by stockholder	-	-	2,640
Changes in operating assets and liabilities:			
(Increase)decrease in advances receivable	10,127	-	-
Increase in due from related parties	(34,193)	-	(58,561)
(Increase) decrease in prepaid expenses	11,991	(78,193)	(78,932)
Increase in security deposits	-	-	(2,933)
Increase in accounts payable and accrued expenses	353,566	203,974	683,451
Increase(decrease) in due to related parties	2,042	(7,421)	(32,053)
	(662,412)	(1,236,032)	(5,623,946)
Cash flows used for investing activities:			
Purchases of fixed assets	(18,690)	(7,951)	(122,452)
Sales of marketable securities	302,000	540,000	1,219,270
Purchases of marketable securities	-	-	(1,286,218)
	283,310	532,049	(189,400)
Cash flows provided by financing activities:			
Proceeds of bridge loans	-	-	986,500
Loan from stockholder	-	143,570	143,570
Line of credit borrowing from related party	175,000	300,000	475,000
Net proceeds from sales of capital stock	192,625	391,345	4,193,626
Proceeds from exercise of options	20,000	-	20,000
Deferred equity placement costs	52,108	(20,000)	-
Proceeds from exercise of options	20,000		20,000
	335,517	814,915	5,818,696
Net increase(decrease)in cash	(43,585)	110,932	5,350

Cash, beginning	48,935	12,199	-
Cash, ending	$ 5,350	$ 123,131	$ 5,350
Supplemental schedule of noncash investing and financing activities:			
Intellectual property acquired through issuance of capital stock and assumption of related party payable	$ -	$ -	$ 175,000
Acquisition of intellectual property	$ -	$ -	$ 425,000
Issuance of common stock upon conversion of bridge loans	$ 143,570	$ -	$ 1,130,070
Issuance of common stock upon partial conversion of line of credit loans	$ 183,950	$ -	$ 183,950

See Notes to Condensed Consolidated Financial Statements.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2003

INTERIM FINANCIAL STATEMENTS:

The condensed consolidated financial statements as of August 31, 2003 and for the three and six months ended August 31, 2003 and 2002 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.

BASIS OF CONSOLIDATION:

The condensed consolidated financial statements include the accounts of Biophan Technologies, Inc. ("Biophan")and its wholly owned subsidiaries, LTR Antisense Technology, Inc. ("Antisense") and MRIC Drug Delivery Systems, LLC ("MRIC") (collectively referred to as the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

ORGANIZATIONAL HISTORY:

The Company was incorporated under the laws of the State of Idaho on August 1, 1968. On January 12, 2000, the Company changed its domicile to Nevada by merging into a Nevada corporation, and on July 19, 2001, changed its name to Biophan Technologies, Inc. The Company's stock currently trades over-thecounter under the symbol BIPH. Our corporate headquarters are located at 150 Lucius Gordon Drive, Suite 215, West Henrietta, New York 14586; Tel. (585) 214-2441; website: www.biophan.com.

On December 1, 2000, the Company acquired LTR Antisense Technology, Inc., a New York corporation ("LTR"), from Biomed Solutions, LLC (formerly Biophan, LLC), a New York limited liability company ("Biomed"), in a share for share exchange. As a result of the exchange, LTR became a wholly owned subsidiary of the Company. The exchange was consummated pursuant to and in accordance with an Exchange Agreement, originally dated December 1, 2000 and subsequently amended, by and among the Company, LTR and Biomed. LTR owns multiple patents for proprietary HIV antisense gene therapy technology.

In connection with the exchange, the Company (i) issued an aggregate of 10,759,101 shares of common stock to Biomed in exchange for all the issued shares of LTR and (ii) issued an aggregate of 10,759,101 shares of common stock to a group of investors for $175,000. Also on December 1, 2000, the Company acquired intellectual property rights, including a pending patent to the MRI-compatible pacemaker technology from Biomed (the "Assignment"), for future consideration of $500,000 ("MRI technology purchase liability payable"). The Assignment was consummated pursuant to, and in accordance with, an Assignment and Security Agreement, originally dated December 1, 2000 and subsequently amended, by and between the Company and Biomed.

PRINCIPAL BUSINESS ACTIVITIES:

The Company is in the development stage and is expected to remain so for at least the next twelve months.

The Company is developing technologies that make implantable biomedical devices safe for use in an MRI (Magnetic Resonance Imaging) machine. Many implanted biomedical devices are prohibited for use in an MRI machine, including pacemakers, cardioverter-defibrillators, neurostimulators, bladder control devices, insulin pumps with wire connected sensors, pain control devices, interluminal imaging coils, interventional catheters and guide wires, endoscopes, and others. The Company plans to provide intellectual property licenses to manufacturers of these biomedical devices.

ACCOUNTING FOR STOCK OPTIONS:

The Company has elected to apply Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its stock options issued to employees (intrinsic value) and has adopted the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation. Had the Company elected to recognize compensation cost based on the fair value of the options granted at the grant date as prescribed by SFAS No. 123, the Company's net loss and loss per common share would have been as follows:

	Three Months Ended August 31, 2003	Three Months Ended August 31, 2002	Six Months Ended August 31, 2003	Six Months Ended August 31, 2002
Net loss - as reported	$ (697,454)	$ (702,148)	$ (1,355,589)	$ (1,639,977)
Add - stock based employee				

compensation expense included in reported net loss, net of related tax effects	30,000	47,000	60,000	94,000
Deduct - Total stock based employee compensation expense determined under fair value based method for all awards, net of related tax effects	64,000	115,000	114,000	230,034
Net loss - pro forma	$ (731,454)	$ (770,148)	$ (1,409,589)	$ (1,776,011)
Basic and diluted loss per share - as reported	$ (.02)	$ (.03)	$ (.04)	$ (.06)
Basic and diluted loss per share - pro forma	$ (.02)	$ (.03)	$ (.04)	$ (.06)

PREPAID EXPENSES:

Prepaid expenses at August 31, 2003 consist of the following:

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Prepaid insurance	$ 60,807
Prepaid supplies	18,125
	$ 78,932

LOAN AGREEMENTS:

In June 2002, the Company signed a Loan Agreement with a stockholder providing for borrowings of up to $400,000 with interest payable at 8% per annum.

Principal and accrued interest become due and payable on December 31, 2003. On July 28, 2003, the Company issued 775,000 shares of common stock for the conversion of the entire principal amount of the loan of $143,570 plus accrued interest of $11,998.

In June 2002, the Company executed a line-of-credit agreement (the "Line") with Biomed that provided for borrowings up to $250,000. Interest accrues at 8% per annum. Upon execution of the Line, Biomed received warrants to purchase 325,000 shares of restricted common stock at $1.00 per share. The warrants were valued at approximately $234,000 which was recorded as a discount against the Convertible Promissory Note (the "Note") supporting the Line. At issuance, the Note was convertible into shares of the Company's common stock, at a price below the market value of such stock. The intrinsic value of the beneficial conversion feature of the Note was recorded as an additional discount, such that the full $250,000 issued was discounted, with a corresponding increase to additional paid-in capital.

On August 19, 2002, the Line was increased by $100,000 and the expiration date thereof was extended to August 19, 2003. The payment date of amounts borrowed under the original Line was extended to December 1, 2002. The entire line now expires on June 1, 2004. In consideration for the increase in the Line, Biomed received 30,000 additional warrants to purchase shares of restricted common stock at a price dependent on the selling price of the Company's stock, as defined. The exercise price of the warrants issued to Biomed in exchange for the increase in the line of credit to $350,000 and the extension of the payment date to December 1, 2002 is the lowest of (i) the closing bid price on June 4, 2002; (ii) the closing bid price on the date of exercise; or (iii) the lowest per share purchase price paid by any third party between June 4, 2002 and the exercise date. The fair value of the warrants - in accordance with guidance provided by Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation - was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 5.25; no dividend yield; volatility factor of the expected market price of the company's common stock of 0.0%, and an expected life of 2.8 years. The value attributed to the warrants was insignificant. As a result, these warrants have been allocated no value.

On June 30, 2003, we issued 1,268,621 shares of common stock for the conversion of $183,950 of the $350,000 Line of Credit obligation. The Company has drawn additional amounts totaling $175,000 under the Line, which amounts were also fully discounted as a result of the beneficial conversion feature, and recorded as additional paid-in capital. At August 31, 2003, $291,050 was outstanding under the Line. The stated liability for financial reporting purposes is $291,050 less an unamortized discount $131,549, or $159,501.

Under the Transfer Agreement dated December 1, 2000, the Company incurred a

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liability ("MRI technology purchase liability payable") of $500,000 (including interest of $75,000) to Biomed in connection with the acquisition of the MRI intellectual property rights described above. Biomed maintains a security interest in the underlying patents until the liability is satisfied. The intellectual property rights will revert to Biomed if the Company does not satisfy the liability by June 1, 2004. The stated liability bears interest at an annual rate of 8%.

In December 2002, in consideration for extending the maturity date to June 1, 2004 and for prior extensions, the Company and Biomed agreed to make the $500,000 MRI technology purchase liability payable to Biomed convertible at Biomed's election into shares of the Company's common stock at a price dependent on the selling price of the Company's stock, as defined, but below market. Consequently, the intrinsic value of the beneficial conversion feature of the liability was recorded as a discount, such that the full $500,000 was discounted, with a corresponding increase to additional paid-in capital. At August 31, 2003, the balance of the MRI technology purchase liability payable, net of a discount of $250,000, is $250,000.

At August 31, 2003, the principal amounts of the Company's obligations approximated their estimated fair values based upon current borrowing rates for similar issues.

CHANGES IN EQUITY:

During November 2002, the Company entered into a Stock Purchase Agreement with an institutional investor whereby the Company agreed to sell up to $3,000,000 of the Company's common stock. The agreement required the Company to file with the Securities and Exchange Commission ("SEC") a Registration Statement covering the shares issuable under this agreement. The registration became effective on July 11, 2003. Through August 31, 2003, the Company sold and issued 1,119,348 shares of common stock under the agreement for gross proceeds of $192,625. Also, during the quarter, $122,646 of related offering expenses were charged against the additional paid-in capital account.

On August 13, 2003, 2,000,000 options were granted to two consultants, exercisable at prices equal to 80% of the closing price of the stock on the day prior to exercise. During the month of August, options for 153,655 shares were exercised for an aggregate of $20,000.

Item 2. PLAN OF OPERATION

The following information should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Form 10-QSB. This Quarterly Report on Form 10-QSB contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Actual events or results may differ materially from those projected in the forward-looking statements as a result of a number of factors including those identified herein and in the Company's Annual report on Form 10-KSB and other periodic reports and filings with the Securities and Exchange Commission.

We are currently in the development stage of operations and expect to be in that mode for at least the next 12 months. Our primary mission is to develop and commercially exploit technologies for enabling cardiac pacemakers and other life sustaining medical devices to be safe and compatible with MRI

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and other equipment that generates powerful magnetic and radio frequency signals.

On October 1, 2003, we entered into a stock purchase agreement with SBI Brightline Consulting, LLC that obligates SBI to purchase, upon our election, up to 11,000,000 shares of our common stock for an aggregate purchase price of $2.9 million. The agreement requires that the shares be registered with the SEC and a registration statement for that purpose was filed with the SEC on October 9, 2003. Once the registration statement becomes effective there will be no limitation on when we may require SBI to purchase the shares except that the shares are divided into six tranches that must be purchased in a particular order.

In addition to agreement with SBI, we are a party to a restated stock purchase agreement with Spectrum Advisors LTD. Pursuant to the Spectrum agreement, we may require Spectrum to purchase shares of our common stock at our sole discretion and from time to time over a period of 24 months ending July 11, 2005. The purchase price for shares purchased under the Spectrum agreement is 80% of the average daily volume weighted average price of our common stock during the trading days relating to a particular draw. Spectrum is currently committed to purchase shares for consideration of up to $3 million under the Spectrum agreement. We have registered for resale by Spectrum 8,960,000 shares of common stock that we may sell to Spectrum pursuant to the Spectrum agreement. As of the current date, we have sold Spectrum 3,325,757 shares for aggregate consideration of $491,190. If we were to sell to Spectrum the remaining shares that we have already registered at the closing price of our common stock on October 13, 2003 of $.22 per share, we would receive additional consideration of $1,014,163. If that were to occur, it would leave $1,494,647 available for sale under the Spectrum agreement if we were to choose to register additional shares for resale by Spectrum.

We estimate that a combination of the equity financing from the sale of our common stock pursuant to the SBI and Spectrum stock purchase agreements will be sufficient to satisfy our projected cash requirements over the next 12 months. Our estimate of these cash requirements is as follows:

Research and product development	$ 973,000
Operating expenses, including administrative salaries and benefits, office expenses, rent expense, legal and accounting, publicity, investor relations	1,137,000
Partially repay related party loans plus interest	330,000
Pay down past-due accounts payable	260,000
Total Cash Requirements	$2,700,000

Our estimate of operating expenses represents the expenditures we anticipate incurring in the operation of our business, and includes our estimated costs associated with the preparation and filing of the registration statement with respect to the shares to be sold to SBI.

We intend to pursue our research and product development activities, concentrating the major portion of our available resources on the shielding

and filtering technologies for achieving MRI safe solutions. We have identified a core group of potential customers/development partners for our technology and continue to meet with these companies on a regular basis. We are obligated by confidentiality and nondisclosure agreements with the companies we are speaking with concerning potential relationships. Consistent with our business strategy, on September 25, 2003, we entered into a development agreement with a medical device manufacturer to develop MRI capability for one of their products. The terms of this development agreement are confidential. Additionally, our negotiations with other biomedical device manufacturers and our evaluation of their proposals is continuing.

Our goal is to enter into a development arrangement with several or more of these entities whereby each entity would provide financial and research support to further the commercialization of our technologies. In addition to seeking development arrangements with potential partners, we will continue to expand our technology portfolio by seeking to acquire complementary technologies through licensing arrangements with other third parties. Key members of our management team have and will continue to attend and present technical papers at industry trade conferences and to leaders in the pacing and medical device arena.

We estimate that our research and development plan will require approximately $973,000 of our funds over the next 12 months, dedicated to the following activities:

MRI Shielding for Active Medical Devices	$ 563,000
MRI Shielding for Passive Medical Devices	410,000
Total	$ 973,000

The MRI Shielding project entails the development of technology that may be applied to active medical devices and passive medical devices to allow patients to undergo MRI diagnostics. Active medical devices include such items as pacemakers and drug pumps, and passive medical devices include such items as biopsy needles, stents and guidewires.

Our current strategic plan does not indicate a need for material capital expenditures in the conduct of research and development activities, nor does the plan contemplate any significant change in the number of employees. We currently employ ten full-time individuals.

New Accounting Standards

Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

Application of Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. The following accounting policies involve a "critical accounting estimate" because they are particularly dependent on

estimates and assumptions made by management about matters that are highly uncertain at the time the accounting estimates are made. In addition, while we have used our best estimates based on facts and circumstances available to us at the time, different estimates reasonably could have been used in the current period, or changes in the accounting estimates we used are reasonably likely to occur from period to period which may have a material impact on the presentation of our financial condition and results of operations. We review these estimates and assumptions periodically and reflect the effects of revisions in the period that they are determined to be necessary.

Acquired Intangibles

Acquired intangibles are reviewed for impairment whenever events such as a significant industry downturn, product discontinuance, product disposition, technology obsolescence or other changes in circumstances indicate that the carrying amount may not be recoverable. When such events occur, we compare the carrying amount of these assets to their undiscounted expected future cash flows. If this comparison indicates that there is an impairment, the amount of the impairment is calculated using discounted expected future cash flows. Our estimates of undiscounted and discounted future cash flows are dependent upon many factors, including general economic trends, industry trends, and technological developments. It is reasonably likely that future cash flows associated with these assets may exceed or fall short of our current estimates, in which case a different amount for our intangible assets and the related impairment charge would have resulted. If our actual cash flows exceed our estimates of future cash flows, there would be no change to our previously recognized impairment charge although, it may indicate that the amount of the impairment was greater than needed. If our actual cash flows are less than our estimates of future cash flows, we may need to recognize an additional impairment in future periods, which would be limited to the current carrying value of our acquired intangible assets.

Tax Valuation Allowance

A tax valuation allowance is established, as needed, to reduce net deferred tax assets to the amount for which recovery is probable. We have established a full valuation allowance against our net deferred tax assets because our lack of revenues and our recurring losses as a development stage company cause our long term financial forecast to have enough uncertainty that we do not meet the standard of "more likely than not" that is required for measuring the likelihood of realization of net deferred tax assets. In the event it becomes more likely than not that some or all of the deferred tax assets will be realized, our valuation allowance will be adjusted. Depending on the amount and timing of taxable income we ultimately generate in the future, as well as other factors, we could recognize no benefit from our deferred tax assets, in accordance with our current estimate, or we could recognize their full value.

Item 3. Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

Based on an evaluation under the supervision and with the participation of our management as of a date within 90 days of the filing date of this Quarterly Report on Form 10-QSB, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the securities Exchange Act of 1934,

are effective to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Changes in Internal Controls.

There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation. There were no significant deficiencies or material weaknesses, and therefore there were no corrective actions taken. However, the design of any system of controls is based in part upon certain assumptions about the likelihood of future events and there is no certainty that any design will succeed in achieving its stated goal under all potential future considerations, regardless of how remote.

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. 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 2. Changes in Securities and Use of Proceeds

On June 30, 2003, we issued 1,268,621 shares of common stock for the conversion of $183,950 of the $350,000 Line of Credit obligation payable to Biomed Solutions, LLC. Biomed had previously sold that portion of its receivable to a single purchaser. The shares were issued pursuant to the exemption provided by Section 3(a)(9) of the Securities Act of 1933, involving a private transaction in exchange for debt, and pursuant to the provisions of Regulation S of the Securities Act. All recipients of the shares were nonaffiliated, non U.S. persons deemed to be accredited investors and/or persons with knowledge of business. There was no general solicitation or general advertising related to the transaction, and the recipients were required to represent that they were non U.S. persons and that they were not acquiring the shares for the account or benefit of any U.S. Person. The offer to purchase the shares was not made to a person in the United States and, at the time of the transaction, the purchasers were outside the United States. All securities representing the shares were issued with appropriate restrictive legends.

On July 28, 2003, we issued 775,000 shares of common stock for the conversion of a debt obligation payable to a single investor in the aggregate amount of $155,568 ($143,570 principal, plus $11,998 interest). The shares were issued to the investor pursuant to the exemptions provided by Sections 3(a)(9) and 4(2) of the Securities Act, involving a private transaction in exchange for debt. The shares were exchanged by Biophan with a single

existing security holder who is a non-affiliated accredited investor. No commission or other remuneration was paid or given directly or indirectly for soliciting the exchange. All securities representing the shares were issued with appropriate restrictive legends.

Between July 12, 2003 and August 31, 2003 we issued an aggregate of 1,119,348 shares of our common stock to Spectrum Advisors, Ltd. in connection with the restated stock purchase agreement dated as of November 22, 2002 between us and Spectrum. We received aggregate proceeds of $192,625 from our sale of these shares to Spectrum. In connection with such sales, we are obligated to issue to Carolina Financial Services, LLC warrants to purchase 55,967 shares of our common stock at an average exercise price of $.19. These transactions were exempt from registration under Section 4(2) of the Securities Act because they did not involve any public offering.

Item 3. Defaults Upon Senior Securities

This Item is not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

On Wednesday, August 20, 2003, pursuant to proper notice to stockholders, the Company held its Annual Meeting of Stockholders at the Company's offices in West Henrietta, New York. At the Meeting, the following directors were elected, by the indicated vote, to serve as directors until the next Annual Meeting of Stockholders or until their successors are elected and qualified.

Nominee	For	Abstain
Guenter H. Jaensch	23,363,572	50,150
Michael L. Weiner	23,413,722	0
Steven Katz	23,413,572	150
Ross B. Kenzie	23,398,922	14,800
Robert S. Bramson	23,402,722	11,000

A proposal was also made to amend the Company's Certificate of Incorporation to increase the number of common shares authorized to be issued from 60,000,000 to 80,000,000 shares. The proposal carried by a vote of 22,971,812 for, 346,225 against and 95,685 abstaining.

A proposal to increase the number of shares reserved for issuance under the 2001 Stock Option Plan from 2,500,000 to 7,000,000 was approved by a vote of 18,858,567 For, 523,660 against and 22,410 abstaining.

Stockholders were also asked to amend the formula for the grant of options to non-employee directors under the 2001 Stock Option Plan. The proposal carried by a vote of 23,268,002 for, 55,950 against and 89,770 abstaining.

Lastly, stockholders ratified the appointment of Goldstein Golub Kessler, LLP, as independent auditors of the Company for the fiscal year ending February 28, 2004 by a vote of 23,184,652 for, 87,400 against and 141,670 abstaining.

Item 5. Other Information

This Item is not applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Exhibit Description	Location
2.1	Articles of Merger	Incorporated by reference to Exhibit 3.2 to Biophan's Form 10-KSB for the year ended February 29, 2000
2.2 `	Articles of Dissolution	Incorporated by reference to Exhibit 3.3 to the 2000 10-KSB
2.3	Exchange Agreement, dated as of December 1, 2000, by and among Biophan, Biomed Solutions, LLC (formerly Biophan, LLC), and LTR Antisense Technology, Inc.	Incorporated by reference to Exhibit 2.3 to Biophan's Registration Statement on Form SB-2 (File No. 333-102526) (the "Prior Registration")
3.1	Articles of Incorporation (Nevada)	Incorporated by reference to Exhibit 3.1 to the 2000 10-KSB

3.2	Bylaws (Nevada)	Incorporated by reference to Exhibit 3.2 to Biophan's Form 10-SB filed on May 13, 1999.
3.3	Amendment to the Articles of Incorporation	Incorporated by reference to Exhibit 3.1(i) to Biophan's Form 8-K, filed December 15, 2000.
3.4	Amendment to Exchange Agreement	Incorporated by reference to Exhibit 2 to Biophan's Form 10-KSB for the year ended February 28, 2001 and filed as an exhibit to Form SB-2a on May 1, 2003.
3.5	Certificate of Amendment to Articles of Incorporation	Incorporated by reference to Exhibit 3.1(i) to Biophan's Form 8-K on August 27, 2001.
4.1	Stock Purchase Warrant between Biophan and Biomed Solutions, LLC (formerly Biophan, LLC) dated June	Incorporated by reference to Exhibit 4.1 to Biophan's Form 10-QSB for

	4, 2002	the period ended May 31, 2002.
4.2	Restated Stock Purchase Warrant Biophan and Bonanza Capital Masterfund LTD	Incorporated by reference to Exhibit 4.2 to Biophan's Form 10-QSB for the period ended May 31, 2002.
4.3	Restated Stock Purchase Warrant between Biophan and Biomed Solutions, LLC, dated January 8, 2003	Incorporated by reference to Exhibit 4.3 to Biophan's Form 10-QSB for the period ended November 30, 2002.
4.4	Stock Purchase Warrant between Biophan and Biomed Solutions, LLC dated November 11, 2002	Incorporated by reference to Exhibit 4.4 to Biophan's Form 10-QSB for the period ended November 30, 2002.
4.5	Form of Stock Purchase Warrant issued to principals of Carolina Financial Services, for a total of 121,572 shares	Incorporated by reference to Exhibit 4.5 to Biophan's Form 10-QSB for the period ended November 30, 2002.
4.6	Form of Stock Purchase Warrant to be issued to Carolina Financial services in connection with the Stock Purchase Agreement with Spectrum Advisors, Ltd	Incorporated by reference to Exhibit 4.6 to Biophan's Form 10-QSB for the period ended November 30, 2002.
4.7	Form of Stock Purchase Warrant	Incorporated by reference

	issued to investors in private placement of securities, for a total of 2,770,550 shares	to Exhibit 4.7 to Biophan's Form 10-QSB for the period ended November 30, 2002.
4.8	Stock Purchase Warrant issued to SBI USA, LLC	Incorporated by reference to Exhibit 4.8 to Biophan's Form 10-QSB for the period ended November 30, 2002.
10.1	Stock Purchase Agreement dated October 1, 2003 between Biophan and SBI Brightline Consulting, LLC.	Incorporated by reference to Exhibit 10.50 to Biophan's Form SB-2 on October 9, 2003.
10.2	Development Agreement between Biophan and Alfred University dated July 17, 2003	Incorporated by reference to Exhibit 10.51 to Biophan's Form SB-2 on October 9, 2003.
31.1	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith
32.1	Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith

(b) Reports on Form 8-K

Not applicable.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BIOPHAN TECHNOLOGIES,INC.
(Registrant)

Date: October 15, 2003

By: /s/ Michael L. Weiner

Name: Michael L. Weiner,
Title: Chief Executive Officer

By: /s/ Robert J. Wood

Name: Robert J. Wood
Title: Chief Financial Officer