RISK FACTORS

The purchase of the securities offered hereby involves a high degree of risk. Each prospective investor should consult his, her or its own counsel, accountant and other advisors as to legal, tax, business, financial, and related aspects of an investment in the securities offered hereby. Prospective investors should carefully consider the following specific risk factors, in addition to the other information set forth in this Offering Circular, before purchasing the securities offered hereby.

The SEC requires the company to identify risks that are specific to its business and its financial condition. The company is still subject to all the same risks that all companies in its business, and all companies in the economy, are exposed to. These include risks relating to economic downturns, political and economic events and technological developments (such as hacking and the ability to prevent hacking). Additionally, early-stage companies are inherently more risky than more developed companies. You should consider general risks as well as specific risks when deciding whether to invest.

We are reliant on one main type of product.

We currently rely, and in the future will rely, on sales of our current and new WellnessPro products for our revenues. Though our WellnessPro POD product will be a consumer-focused version of our existing clinical product, it may not receive the market acceptance needed to achieve our revenue goals. Further, the current version of our product, the WellnessPro Plus, may face resistance in the market and we may not be able to expand the market acceptance of this product. Achieving and maintaining market acceptance of WellnessPro products could be negatively impacted by many other factors, including, but not limited to:

- lack of sufficient evidence supporting the benefits of WellnessPro over competitive products or other available treatment or lifestyle management;
- patient resistance to using the device or making required payments;
- results of clinical studies relating to WellnessPro or similar products;
- inability to receive FDA clearance or similar regulatory approvals or clearances to market our device as planned or to sell our device over-the-counter;
- claims that WellnessPro, or any component thereof, infringes on patent or other intellectual property rights of third-parties;
- perceived risks associated with the use of WellnessPro or similar products or technologies;
- the introduction of new competitive products or greater acceptance of competitive products;
- adverse regulatory or legal actions relating to WellnessPro or similar products or technologies; and
- problems arising from the outsourcing of our manufacturing capabilities, or our existing manufacturing and supply relationships.

Any factors that negatively impact sales of WellnessPro would adversely affect our business, financial condition and operating results.

We are a comparatively early stage company and have not generated profits in the last two years.

Electromedical Technologies began operations in 2003 and has a limited history upon which an evaluation of its performance and future prospects can be made. Our current and proposed operations are subject to all the business risks associated with comparatively new enterprises. These include likely fluctuations in operating results as the company reacts to developments in its market, managing its growth and the entry of competitors into the market. We will only be able to pay dividends on any shares once our board of directors determines that we are financially able to do so. Electromedical Technologies incurred losses in the fiscal years ended December 31, 2015 and December 31, 2016. As of September 30, 2017, the company has incurred $1,226,794 of accumulated net losses. There is no assurance that we will be profitable in the near future or generate sufficient revenues to pay dividends to the holders of the shares.

Our revenues and profits are subject to fluctuations.

It is difficult to accurately forecast our revenues and operating results, and these could fluctuate in the future due to a number of factors. These factors may include adverse changes in: general industry trends in the pain management, rehabilitation and physical therapy market, the perception of the efficacy of our products, our ability to market our products to consumer and medical practitioners, headcount and other operating costs, general industry and regulatory conditions and requirements. The company's operating results may fluctuate from year to year due to the factors listed above and others not listed. At times, these fluctuations may be significant and could impact our ability to operate our business.

We face significant market competition.

We operate in the pain management, rehabilitation and physical therapy market. We not only compete with other similar devices that treat pain and other medical ailments but also with traditional treatment approaches such as drug prescriptions and surgery and rehabilitation therapy. Further, our competitors include several large, diversified companies who have more financial, marketing and other resources, distribution networks and greater name recognition than us. Our ability to be successful will depend on our ability to compete with both device competitors as well as other treatment approaches.

We operate in an industry that is competitive and subject to technological change.

The bioelectronics and electro medicine industries are characterized by competition and technological change, where we compete on a variety of factors, including price, clinical outcomes, product features and services. Potential competitors include large medical device manufacturers and other companies, some of which have significantly greater financial and marketing resources than we do, and firms that are more specialized than we are with respect to particular markets. Our competitors may be able spend more money on marketing campaigns, respond quicker to new technological changes, or be better adept at attracting customers, employees and partners. If our competition is better able to develop and market products or services that are cheaper, safer, more effective or otherwise more appealing to consumers, we may be unable to effectively compete.

We may receive a significant number of warranty claims or our products may require significant amounts of service after sale.

Sales of the new WellnessPro products will include a one-year warranty to cover issues other than for normal wear and tear. We will also provide customers with the option to purchase an extended warranty to extend the standard warranty from a one-year to a three-year warranty. As the number and complexity of the features and functionalities of our products increase, we may experience a higher level of warranty claims. If product returns or warranty claims are significant or exceed our expectations, we could incur unanticipated expenditures for parts and services, which could have a material adverse effect on our operating results.

Product and software defects could harm our business.

Manufacturing or design defects, unanticipated use of our products or inadequate disclosure of risks relating to the use of our products can lead to injury or other adverse events, including recalls or safety alerts relating to WellnessPro products (either voluntary or required by the FDA or similar governmental authorities in other countries). These recalls could lead to significant costs or the removal of our product from the market. Further, even though we rely on third-party manufacturers, their liability is limited contractually; therefore, we could bear the burden of the costs for manufacturing defects. In addition, any defects could subject us to product liability claims, reputational damage and negative publicity, all of which would negatively impact our business.

We manufacture a medical device and therefore could be subject to litigation.

Product liability claims are common in the medical device industry. Even though, we have not been subject to such claims in the past, we could be the defendant in a lawsuit including those related to product liability claims alleging defects in the design, manufacture or labeling of our products. Any litigation, regardless of its merit or eventual outcome, could result in significant legal costs and high damage awards or settlements. Although we currently maintain product liability insurance, the coverage is subject to deductibles and limitations, and may not be adequate to cover future claims. Additionally, we may be unable to maintain our existing product liability insurance in the future at satisfactory rates or at adequate amounts.

We rely on sales representatives and distributors to sell our products.

We currently sell our products to consumers through a network of independent sales representatives and distributors, domestically and internationally, as well as through the company's website. We are dependent upon these sales representatives and distributors to both sell our products and assist in the promotion and marketing of our products; however, they are under no contractual obligation to continue to promote our products to their customers. Further, our sales representatives and distributors can sell the products of our competitors and are not required to promote our product over those of our competitors. Many of our sales representatives and distributors may terminate their relationship with us at any time. Moreover, one of our distributors represents approximately 20% of our annual sales. If we are no longer able to rely on one of more of our distributors, we may experience a decrease in sales, which will negatively impact our business.

We rely on third party manufacturers and service providers.

We currently use third party manufacturers to manufacture our products, and a U.S.-based third party global sourcing provider to source and manage, according to our specifications, our production that is currently based in Asia. For our business strategy to be successful, our contract manufacturers must be able to manufacture our products in sufficient quantities in compliance with regulatory requirements and quality control standards (including in accordance with agreed upon specifications), at acceptable costs and on a timely basis. Increases in our product sales, whether forecasted or unanticipated, could strain our ability to manufacture this increased volume of our current or future products in a manner that meets these various requirements. In addition, though we are not restricted from engaging an alternative service provider or manufacturers, the process of moving our manufacturing activities could be time consuming and costly, and may limit our ability to meet our sales commitments, which could harm our reputation and could have a material adverse effect on our business.

We currently rely on third party manufacturers located in Asia.

Currently, our products are primarily produced by, and purchased or procured from, independent manufacturing contractors located in Asia, mainly in China. A manufacturing contractor's failure to ship our products to us in a timely manner or meet the required quality standards could cause us to miss the delivery date requirements of our customers for those items. Due to our overseas production, which is more than 80% of total production, our business is subject to the following risks:

- political and economic instability, including heightened terrorism and other security concerns, which could subject imported or exported goods to additional or more frequent inspections, leading to delays in deliveries or impoundment of goods;
- imposition of regulations and quotas relating to imports;
- imposition of increased duties, taxes and other charges on imports;
- labor shortages in China;
- a significant decrease in availability or an increase in the cost of raw materials;
- restrictions on the transfer of funds to or from China;
- disease epidemics and health-related concerns, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas;
- increases in the costs of fuel, travel and transportation;
- increases in manufacturing costs in the event of a decline in the value of the United States dollar against major world currencies, particularly the Chinese Yuan, and higher labor costs being experienced by our manufacturers in China; and
- violations by foreign contractors of labor and wage standards and resulting adverse publicity.

If these risks limit or prevent us from selling or manufacturing products in any significant international market, prevent us from acquiring products from foreign suppliers, or significantly increase the cost of our products, our operations could be seriously disrupted until alternative suppliers are found or alternative markets are developed, which could negatively impact our business.

We depend on key personnel and have a difficult time recruiting needed personnel.

Our future success depends on the efforts of a small number of key personnel, including our founder and Chief Executive Officer, Matthew Wolfson, and our computer and engineering teams. In addition, due to our financial resources and specialized expertise required, we may not be able to recruit the individuals needed for our business needs. There can be no assurance that we will be successful in attracting and retaining the personnel we require to operate and be innovative.

Our strategies to grow our business may not be successful.

We are pursuing a variety of strategies to grow our business, including:

- collaborations, licensing arrangements, joint ventures, strategic alliances or partnerships;
- pursuing sales in international markets; and
- acquisitions of complementary products or technologies.

In addition to stretching our financial and management resources, each of these strategies has its own inherent risks. For instance, arranging collaborations, licensing arrangements, joint ventures, strategic alliances, partnerships and acquisitions can be a lengthy and complex process and we may not enter into such arrangements in a timely manner, on a cost-effective basis, on acceptable terms or at all. Even if we do enter into such arrangements, they may not result in achieving and developing new models and revenue streams. Expansion internationally could result in additional costs and risks, including those related to development of new distribution channels, increased shipping and distribution costs, compliance with foreign laws and regulations as well as U.S. law controlling international business practices of U.S. companies (such as regulations under the Foreign Corrupt Practices Act and the requirements of the Office of Foreign Assets Control), currency fluctuations as well as subjecting us to geopolitical and trade risks. Failure to implement growth strategies could severely impair our business.

We are subject to substantial regulation and industry standard guidelines related to the manufacturing, labeling and marketing of our products.

The FDA, other applicable U.S. and foreign government agencies, and industry associations regulate or provide guidance on the types of products that we can produce and how we manufacture, label, sell and market those products. For instance, we have received 510(k) clearance for our WellnessPro Plus device that allows us to market the device for relief of chronic pain and adjunctive treatment of post surgical and post traumatic acute pain. We may not receive similar clearance for our new devices or be able to expand to the scope of our clearance to market our devices more broadly. Further, our current device is only available with a prescription; there can be no guarantee that we will be able to sell our new device over-the-counter as planned. These regulations also relate to product quality, safety and effectiveness. Further, our facilities are subject to periodic and unannounced inspection by U.S. and foreign regulatory agencies to audit compliance with the FDA's Quality System Regulation ("QSR") and comparable foreign and ISO regulations. Moreover, as part of our business plan, we have previously partnered and plan in the future to partner with third parties in the development and manufacturing of these products. We may have limited ability to control any partners' process and quality control. Further, we do not independently have regulatory counsel and rely on our partners' specifications for compliance with their regulations and guidelines. Failure by us or our partners to comply with current or future government regulations and quality assurance guidelines or concerns related to safety and manufacturing issues could lead to product recalls, fines, temporary manufacturing shutdowns, product shortages, declines in sales, loss of approvals and certifications, and delays in manufacturing. Any or all of these actions could result in our failure to continue operations or become profitable.

We currently do not have regulatory approval or marketing pre-clearance for the WellnessPro POD and our ability to succeed will depend on our ability to obtain FDA and other regulatory approvals and clearance for our future products and product improvements.

We have received 510(k) clearance from the FDA to market our WellnessPro Plus device where the indication for use is (i) the relief of chronic, intractable pain and (ii) the adjunctive treatment of post surgical or post-traumatic acute pain. We are currently in the process of development of the WellnessPro POD and once we do, we intend to apply for similar clearance and broaden the scope of the indications of use. However, if we are unable to get the clearance or expand how we can market the device, that will limit our ability to market and sell our device. Further, our WellnessPro Plus device currently requires a prescription. We believe the new device will have modalities that will not require prescriptions and could be sold over-the-counter in the United States. If we are unable to get the requisite approval to sell over-the-counter, it could limit our sales prospects for the device and therefore impair future revenues. In addition, future products or improvements to our current product may require regulatory approval and clearance, which there is no guarantee that we will receive.

We operate in a market that is subject to changing statutory provisions and regulations and interpretations of those statutory provisions and regulations.

Regulatory authorities and legislative bodies pass inconsistent and constantly changing laws and regulations, including in the areas related to medical devices, labor and employment laws, and import-export regulations. In particular, we are subject to various domestic and international laws and regulations which determine how we develop, test, manufacture, label, store, install, service, advertise, promote, market, distribute, import, export and market our products. Currently, the WellnessPro device is considered a Class II device by the FDA. See "The Company's Business – Regulation." We anticipate that our current products and future products will continue to be governed by Class I and Class II and in the future possibly Class III requirements. Changes in laws and regulations or different interpretations of those laws and regulations could make it difficult or impossible to comply or increase our regulatory compliance burdens and therefore hinder our ability to operate profitably. In addition, various laws govern healthcare and the payment for medical devices. Some of our clients are able to purchase our devices because of reimbursements from third parties, including independent and government sponsored insurance schemes. Changes in reimbursements or how our devices are classified could negatively impact our business.

We may be subject to patient data protection requirements.

There are a number of federal, state and foreign laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the U.S. Department of Health and Human Services, or HHS, promulgated patient privacy rules under the Health Insurance Portability and Accountability Act of 1996, or HIPAA. If we or any of our service providers are found to be in violation of the promulgated patient privacy rules under HIPAA, we could be subject to civil or criminal penalties, which could increase our liabilities, harm our reputation and have a material adverse effect on our business, financial condition and operating results.

We may not be able to protect all of our intellectual property.

Our profitability may depend in part on our ability to effectively protect our proprietary rights, including obtaining patent protection for our methods of manufacturing our products, maintaining the secrecy of our internal workings and preserving our trade secrets, as well as our ability to operate without inadvertently infringing on the proprietary rights of others. There can be no assurance that we will be able to obtain future patents or defend our current and future patents. Further, policing and protecting our intellectual property against unauthorized use by third parties is time-consuming and expensive, and certain countries may not even recognize our intellectual property rights. There can also be no assurance that a third party will not assert patent infringement claims with respect to our products or technologies. Any litigation relating to either protecting our intellectually property or defending our use of certain technologies could have material adverse effect on our business, operating results and financial condition, regardless of the outcome of such litigation.

As a growing company, we have to develop reliable accounting resources and internal controls. Failure to achieve and maintain effective controls could prevent us from producing reliable financial reports.

Effective internal controls and accounting resources are necessary for us to provide reliable financial reports. We are in the process of implementing a system of internal controls. Failure to achieve and maintain an effective internal accounting and control environment could cause us to face regulatory action and also cause investors to lose confidence in our reported financial information, either of which could have an adverse effect on our business and financial results.

If the company cannot raise sufficient funds it will not succeed.

Electromedical is offering stock in the amount of up to $5 million in this Offering, and may close on any investments after we reach our Minimum Offering amount of $ 500,000. If we reach our Minimum Offering amount, this will not be enough money for us to fully develop our prototype for the WellnessPro POD and achieve our marketing goals. Further, even if the Maximum Offering amount is raised, the company may need additional funds in the future in order to grow, and if it cannot raise those funds for whatever reason, including reasons relating to the company itself or to the broader economy, it may not survive. If the company manages to raise only the minimum amount of funds sought, it will have to find other sources of funding for some of the plans outlined in "Use of Proceeds."

Voting control is in the hands of our founder and CEO.

Voting control is concentrated in the hands of our founder and CEO. Therefore, you will not be able to influence our policies or any other corporate matter, including the election of directors, changes to our company's governance documents, expanding the employee option pool, and any merger, consolidation, sale of all or substantially all of our assets, or other major action requiring stockholder approval. Our CEO is entitled to make all major decisions regarding the company.

Future fundraising may affect the rights of investors.

In order to expand, the company is likely to raise funds again in the future, either by offerings of securities or through borrowing from banks or other sources. The terms of future capital-raising, such as loan agreements (and including the re-negotiation of the company's Revolver loan), may include covenants that give creditors greater rights over the financial resources of the company. Further future refinancings, including that of the Revolver may be on terms less favorable than our current terms, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources."

There is no current market for our Common Stock.

There is no formal marketplace for the resale of our Common Stock. The shares may be traded over-the-counter to the extent any demand exists. These securities are illiquid and there will not be an official current price for them, as there would be if we were a publicly-traded company with a listing on a stock exchange. Investors should assume that they may not be able to liquidate their investment for some time, or be able to pledge their shares as collateral. Since we have not established a trading forum for the Common Stock, there will be no easy way to know what the Common Stock is "worth" at any time. Even if we were to eventually list on Nasdaq or seek a quotation on the "OTCQX" or the "OTCQB" markets, there may not be frequent trading and therefore no market price for the Common Stock.