

Edgar Filing: CYBERLUX CORP - Form SB-2

CYBERLUX CORP
Form SB-2
May 20, 2005

As filed with the Securities and Exchange Commission on May 20, 2005
An Exhibit List can be found on page II-7.
Registration No. 333-

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

FORM SB-2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CYBERLUX CORPORATION
(Name of small business issuer in its charter)

Nevada	3674	91-2048178
-----	-----	-----
(State or other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

4625 Creekstone Drive, Suite 100
Research Triangle Park
Durham, North Carolina 27703
(919) 474-9000
(Address and telephone number of principal executive offices and
principal place of business)

Don F. Evans, Chief Executive Officer
CYBERLUX CORPORATION
4625 Creekstone Drive, Suite 100
Research Triangle Park
Durham, North Carolina 27703
(919) 474-9000
(Name, address and telephone number of agent for service)

Copies to:
Gregory Sichenzia, Esq.
Sichenzia Ross Friedman Ference LLP
1065 Avenue of the Americas, 21st Flr.
New York, New York 10018
(212) 930-9700
(212) 930-9725 (fax)

APPROXIMATE DATE OF PROPOSED SALE TO THE PUBLIC:
From time to time after this Registration Statement becomes effective.

If any securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the

Edgar Filing: CYBERLUX CORP - Form SB-2

Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. _____

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per share (2)	Proposed maximum aggregate offering price	Amount registered
Common stock, \$.001 par value issuable upon conversion of Secured Convertible Notes	150,000,000 (3)	\$.02	\$3,000,000	
Common Stock, \$.001 par value issuable upon exercise of Warrants	25,000,000 (4)	\$.03	\$750,000	
Total	175,000,000		\$3,750,000.00	

(1) Includes shares of our common stock, par value \$0.001 per share, which may be offered pursuant to this registration statement, which shares are issuable upon conversion of secured convertible notes and the exercise of warrants held by the selling stockholders. In addition to the shares set forth in the table, the amount to be registered includes an indeterminate number of shares issuable upon conversion of the secured convertible notes and exercise of the warrants, as such number may be adjusted as a result of stock splits, stock dividends and similar transactions in accordance with Rule 416. The number of shares of common stock registered hereunder represents a good faith estimate by us of the number of shares of common stock issuable upon conversion of the secured convertible notes and upon exercise of the warrants. For purposes of estimating the number of shares of common stock to be included in this registration statement, we calculated a good faith estimate of the number of shares of our common stock that we believe will be issuable upon conversion of the secured convertible notes and upon exercise of the warrants to account for market fluctuations, and antidilution and price protection adjustments, respectively. Should the conversion ratio result in our having insufficient shares, we will not rely upon

Edgar Filing: CYBERLUX CORP - Form SB-2

Rule 416, but will file a new registration statement to cover the resale of such additional shares should that become necessary. In addition, should a decrease in the exercise price as a result of an issuance or sale of shares below the then current market price, result in our having insufficient shares, we will not rely upon Rule 416, but will file a new registration statement to cover the resale of such additional shares should that become necessary.

(2) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(c) and Rule 457(g) under the Securities Act of 1933, using the average of the high and low price as reported on the Over-The-Counter Bulletin Board on May 19, 2005, which was \$.02 per share.

(3) Includes a good faith estimate of the shares underlying secured convertible notes to account for market fluctuations.

(4) Includes a good faith estimate of the shares underlying warrants exercisable at \$.03 per share to account for antidilution protection adjustments.

Pursuant to Rule 429 promulgated under the Securities Act of 1933, the enclosed prospectus constitutes a combined prospectus also relating to an aggregate of up to 64,567,319 shares of our common stock that were previously registered for sale in a Registration Statement, as amended, on Form SB-2, Registration No. 333-119716. As such, this prospectus also constitutes post-effective amendment no. 1 to the Registration Statement on Form SB-2, Registration No. 333-119716, which shall hereafter become effective concurrently with the effectiveness of this Registration Statement on Form SB-2 in accordance with Section 8(c) of the Securities Act of 1933.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION, DATED MAY 20, 2005

CYBERLUX CORPORATION
175,000,000 SHARES OF
COMMON STOCK

This prospectus relates to the resale by the selling stockholders of up to 175,000,000 shares of our common stock, including up to 150,000,000 shares of common stock underlying secured convertible notes in a principal amount of \$1,500,000 and up to 25,000,000 issuable upon the exercise of common stock purchase warrants. The secured convertible notes are convertible into our common stock at the lower of \$0.03 or 50% of the average of the three lowest intraday trading prices for the common stock on a principal market for the 20 trading days before but not including the conversion date. The selling stockholders may sell common stock from time to time in the principal market on which the stock is traded at the prevailing market price or in negotiated transactions. The

Edgar Filing: CYBERLUX CORP - Form SB-2

selling stockholders may be deemed underwriters of the shares of common stock which they are offering. We will pay the expenses of registering these shares.

Our common stock is registered under Section 12(g) of the Securities Exchange Act of 1934 and is listed on the Over-The-Counter Bulletin Board under the symbol "CYBL". The last reported sales price per share of our common stock as reported by the Over-The-Counter Bulletin Board on May 19, 2005, was \$.02.

Investing in these securities involves significant risks. See "Risk Factors" beginning on page 4.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2005.

The information in this Prospectus is not complete and may be changed. This Prospectus is included in the Registration Statement that was filed by Cyberlux Corporation with the Securities and Exchange Commission. The selling stockholders may not sell these securities until the registration statement becomes effective. This Prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the sale is not permitted.

1

PROSPECTUS SUMMARY

The following summary highlights selected information contained in this prospectus. This summary does not contain all the information you should consider before investing in the securities. Before making an investment decision, you should read the entire prospectus carefully, including the "risk factors" section, the financial statements and the secured convertible notes to the financial statements.

CYBERLUX CORPORATION

We are in the development stage and our efforts have been principally devoted to designing, developing manufacturing and marketing advanced lighting systems that utilize white (and other) light emitting diodes as illumination elements. We are developing and marketing new product applications of diodal illumination(TM) that demonstrate added value over traditional lighting systems. Using proprietary technology, we are creating a family of products for emergency and security lighting offer extended light life and greater cost effectiveness than other existing forms of illumination. We are expanding our marketing activity into channels of retail, commercial and institutional sales.

For the year ended December 31, 2004, we generated \$23,803 in revenue and a net loss of \$6,025,848. For the quarter ended March 31, 2005, we generated \$13,568 in revenue and a net loss of \$423,660. As a result of recurring losses from operations and a net deficit in both working capital and stockholders' equity, our auditors, in their report dated March 17, 2005, have expressed substantial doubt about our ability to continue as going concern.

Our principal offices are located at 4625 Creekstone Drive, Suite 100, Research Triangle Park, Durham, North Carolina 27703, and our telephone number is (919) 474-9000. We are a Nevada corporation.

Edgar Filing: CYBERLUX CORP - Form SB-2

The Offering

Common stock offered by selling stockholders	Up to 175,000,000
	- up to 150, underlying principal amount, faith estimate, convertible fluctuations, adjustments,
	- up to 25, issuable upon purchase was per share (the shares antidilution)
	This number outstanding
Common stock to be outstanding after the offering	Up to 208,991,780

2

Use of proceeds.....	We will not receive the common stock. price of any common stockholders upon expect to use exercise of the working capital LLC, AJW Qualifi Ltd., and New M entitled to exercise cashless basis underlying the pursuant to an ef the event that A Partners, LLC, AJ Partners II, LLC basis, then we w the exercise of t received gross the secured conv obligated to prov \$500,000 within registration sta days of this pro The proceeds rec convertible not development pur
----------------------	--

Edgar Filing: CYBERLUX CORP - Form SB-2

pre-payment of i
legal fees and pu

Over-The-Counter Bulletin Board Symbol..... CYBL

Explanatory note: On April 22, 2005, we entered into a Securities Purchase Agreement with four accredited investors. Any issuance of shares of common stock pursuant to this agreement that would require us to issue shares of common stock in excess of our authorized capital is contingent upon us obtaining shareholder approval to increase our authorized shares of common stock from 300,000,000 to 700,000,000 and filing the certificate of amendment to our certificate of incorporation. On May 9, 2005, we filed a preliminary information statement with the Securities and Exchange Commission, which is currently being reviewed, stating that a majority of the shareholders of our company have authorized the increase in our authorized shares of common stock. We intend on filing the certificate of amendment to our certificate of incorporation 20 days after the mailing and filing of the definitive information statement. We are registering 175,000,000 shares of common stock pursuant to this prospectus that are underlying the secured convertible notes and warrants issued in connection with the Securities Purchase Agreement. Upon filing the certificate of amendment, we will amend this prospectus to include additional shares of common stock that are issuable pursuant to the Securities Purchase Agreement.

The above information regarding common stock to be outstanding after the offering is based on 33,991,780 shares of common stock outstanding as of May 2, 2005 and assumes the subsequent conversion of our issued secured convertible notes and series A convertible preferred stock and exercise of warrants by our selling stockholders.

To obtain funding for our ongoing operations, we entered into a Securities Purchase Agreement with four accredited investors on April 22, 2005 for the sale of (i) \$1,500,000 in secured convertible notes and (ii) warrants to buy 25,000,000 shares of our common stock.

This prospectus relates to the resale of the common stock underlying these secured convertible notes and warrants. The investors are obligated to provide us with an aggregate of \$1,500,000 as follows:

3

- o \$600,000 was disbursed on April 22, 2005;
- o \$500,000 will be disbursed within five days of the filing of this registration statement; and
- o \$400,000 will be disbursed within five days of the effectiveness of this prospectus.

Accordingly, we have received a total of \$600,000 pursuant to the Securities Purchase Agreement.

The secured convertible notes bear interest at 10%, mature three years from the date of issuance, and are convertible into our common stock, at the selling stockholders' option, at the lower of (i) \$0.03 or (ii) 50% of the average of the three lowest intraday trading prices for the common stock on a principal market for the 20 trading days before but not including the conversion date. Accordingly, there is in fact no limit on the number of shares into which the notes may be converted. As of May 20, 2005, the average of the three lowest

Edgar Filing: CYBERLUX CORP - Form SB-2

intraday trading prices for our common stock during the preceding 20 trading days as reported on the Over-The-Counter Bulletin Board was \$.02 and, therefore, the conversion price for the secured convertible notes was \$.01. Based on this conversion price, the \$1,500,000 secured convertible notes, excluding interest, were convertible into 150,000,000 shares of our common stock.

AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and New Millennium Partners II, LLC have contractually agreed to restrict their ability to convert or exercise their warrants and receive shares of our common stock such that the number of shares of common stock held by them and their affiliates after such conversion or exercise does not exceed 4.9% of the then issued and outstanding shares of common stock.

See the "Selling Stockholders" and "Risk Factors" sections for a complete description of the secured convertible notes.

4

RISK FACTORS

This investment has a high degree of risk. Before you invest you should carefully consider the risks and uncertainties described below and the other information in this prospectus. If any of the following risks actually occur, our business, operating results and financial condition could be harmed and the value of our stock could go down. This means you could lose all or a part of your investment.

Risks Relating to Our Business:

We Have a History Of Losses Which May Continue, Which May Negatively Impact Our Ability to Achieve Our Business Objectives.

We incurred net losses of \$6,025,848 for the year ended December 31, 2004 and \$1,494,556 for the year ended December 31, 2003. For the three months ended March 31, 2005, we incurred a net loss of \$423,660. We cannot assure you that we can achieve or sustain profitability on a quarterly or annual basis in the future. Our operations are subject to the risks and competition inherent in the establishment of a business enterprise. There can be no assurance that future operations will be profitable. Revenues and profits, if any, will depend upon various factors, including whether we will be able to continue expansion of our revenue. We may not achieve our business objectives and the failure to achieve such goals would have an adverse impact on us.

If We Are Unable to Obtain Additional Funding Our Business Operations Will be Harmed and If We Do Obtain Additional Financing Our Then Existing Shareholders May Suffer Substantial Dilution.

We will require additional funds to sustain and expand our sales and marketing activities. We anticipate that we will require up to approximately \$900,000 to fund our continued operations for the next twelve months, depending on revenue from operations. Additional capital will be required to effectively support the operations and to otherwise implement our overall business strategy. There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all. The inability to obtain additional capital will restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain additional financing, we will likely be required to curtail our marketing and development plans and possibly cease our operations. Any additional equity financing may involve substantial dilution to our then existing shareholders.

Edgar Filing: CYBERLUX CORP - Form SB-2

Our Independent Auditors Have Expressed Substantial Doubt About Our Ability to Continue As a Going Concern, Which May Hinder Our Ability to Obtain Future Financing.

In their report dated March 17, 2005, our independent auditors stated that our financial statements for the year ended December 31, 2003 were prepared assuming that we would continue as a going concern. Our ability to continue as a going concern is an issue raised as a result of losses for the years ended December 31, 2004 and 2003 in the amounts of \$6,025,848 and \$1,494,556, respectively. We continue to experience net operating losses. Our ability to continue as a going concern is subject to our ability to generate a profit and/or obtain necessary funding from outside sources, including obtaining additional funding from the sale of our securities, increasing sales or obtaining loans and grants from various financial institutions where possible. Our continued net operating losses increase the difficulty in meeting such goals and there can be no assurances that such methods will prove successful.

If We Are Unable to Retain the Services of Messrs. Evans, Schmidt or Ringo, or If We Are Unable to Successfully Recruit Qualified Managerial and Sales Personnel Having Experience in Business, We May Not Be Able to Continue Our Operations.

Our success depends to a significant extent upon the continued service of Mr. Donald F. Evans, our Chief Executive Officer, Mr. Mark D. Schmidt, our President and Mr. John Ringo, our Secretary and Corporate Counsel. Loss of the services of Messrs. Evans, Schmidt or Ringo could have a material adverse effect on our growth, revenues, and prospective business. We do not maintain key-man insurance on the life of Messrs. Evans or Ringo. In addition, in order to successfully implement and manage our business plan, we will be dependent upon, among other things, successfully recruiting qualified managerial and sales personnel having experience in business. Competition for qualified individuals is intense. There can be no assurance that we will be able to find, attract and retain existing employees or that we will be able to find, attract and retain qualified personnel on acceptable terms.

5

Many Of Our Competitors Are Larger and Have Greater Financial and Other Resources Than We Do and Those Advantages Could Make It Difficult For Us to Compete With Them.

The lighting and illumination industry is extremely competitive and includes several companies that have achieved substantially greater market shares than we have, and have longer operating histories, have larger customer bases, and have substantially greater financial, development and marketing resources than we do. If overall demand for our products should decrease it could have a materially adverse affect on our operating results.

Our Trademark and Other Intellectual Property Rights May Not be Adequately Protected Outside the United States, Resulting in Loss of Revenue.

We believe that our trademarks, whether licensed or owned by us, and other proprietary rights are important to our success and our competitive position. In the course of our international expansion, we may, however, experience conflict with various third parties who acquire or claim ownership rights in certain trademarks. We cannot assure that the actions we have taken to establish and protect these trademarks and other proprietary rights will be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as a violation of the trademarks and

Edgar Filing: CYBERLUX CORP - Form SB-2

proprietary rights of others. Also, we cannot assure you that others will not assert rights in, or ownership of, trademarks and other proprietary rights of ours or that we will be able to successfully resolve these types of conflicts to our satisfaction. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent, as do the laws of the United States.

Risks Relating to Our Current Financing Arrangement:

There Are a Large Number of Shares Underlying Our Secured Convertible Notes and Warrants That May be Available for Future Sale and the Sale of These Shares May Depress the Market Price of Our Common Stock.

As of May 2, 2005, we had 33,991,780 shares of common stock issued and outstanding, secured convertible notes outstanding that may be converted into an estimated 60,000,000 shares of common stock at current market prices and outstanding warrants to purchase 10,000,000 shares of common stock. Additionally, we have an obligation to sell secured convertible notes that may be converted into an estimated 90,000,000 shares of common stock at current market prices and issue warrants to purchase 15,000,000 shares of common stock in the near future. Additionally, pursuant to a prior financing with the selling stockholders, we still have outstanding secured convertible notes that may be converted into an estimated 141,294,800 shares of common stock at current market prices and outstanding warrants to purchase 2,250,000 shares of common stock. In addition, the number of shares of common stock issuable upon conversion of the outstanding secured convertible notes may increase if the market price of our stock declines. All of the shares, including all of the shares issuable upon conversion of the secured convertible notes and upon exercise of our warrants, may be sold without restriction. The sale of these shares may adversely affect the market price of our common stock.

The Continuously Adjustable Conversion Price Feature of Our Secured Convertible Notes Could Require Us to Issue a Substantially Greater Number of Shares, Which Will Cause Dilution to Our Existing Stockholders.

Our obligation to issue shares upon conversion of our secured convertible notes is essentially limitless. The following is an example of the amount of shares of our common stock that are issuable, upon conversion of our secured convertible notes (excluding accrued interest), based on market prices 25%, 50% and 75% below the market price, as of May 19, 2005 of \$0.02.

% Below Market -----	Price Per Share -----	With Discount at 50% -----	Number of Shares Issuable -----
25%	\$.015	\$.0075	200,000,000
50%	\$.01	\$.005	300,000,000
75%	\$.005	\$.0025	600,000,000

As illustrated, the number of shares of common stock issuable upon conversion of our secured convertible notes will increase if the market price of our stock declines, which will cause dilution to our existing stockholders.

Edgar Filing: CYBERLUX CORP - Form SB-2

The Continuously Adjustable Conversion Price Feature of our Secured Convertible Notes May Have a Depressive Effect on the Price of Our Common Stock.

The secured convertible notes are convertible into shares of our common stock at a 50% discount to the trading price of the common stock prior to the conversion. The significant downward pressure on the price of the common stock as the selling stockholders convert and sell material amounts of common stock could have an adverse effect on our stock price. In addition, not only the sale of shares issued upon conversion or exercise of secured convertible notes, series A convertible preferred stock and warrants, but also the mere perception that these sales could occur, may adversely affect the market price of the common stock.

The Issuance of Shares Upon Conversion of the Secured Convertible Notes and Exercise of Outstanding Warrants May Cause Immediate and Substantial Dilution to Our Existing Stockholders.

The issuance of shares upon conversion of the secured convertible notes and exercise of warrants may result in substantial dilution to the interests of other stockholders since the selling stockholders may ultimately convert and sell the full amount issuable on conversion. Although AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd., and New Millennium Partners II, LLC may not convert their secured convertible notes and/or exercise their warrants if such conversion or exercise would cause them to own more than 4.9% of our outstanding common stock, this restriction does not prevent AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd., and New Millennium Partners II, LLC from converting and/or exercising some of their holdings and then converting the rest of their holdings. In this way, AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd., and New Millennium Partners II, LLC could sell more than this limit while never holding more than this limit. There is no upper limit on the number of shares that may be issued which will have the effect of further diluting the proportionate equity interest and voting power of holders of our common stock, including investors in this offering.

In The Event That Our Stock Price Declines, The Shares Of Common Stock Allocated For Conversion Of The Secured Convertible Notes and Registered Pursuant To This Prospectus May Not Be Adequate And We May Be Required to File A Subsequent Registration Statement Covering Additional Shares. If The Shares We Have Allocated And Are Registering Herewith Are Not Adequate And We Are Required To File An Additional Registration Statement, We May Incur Substantial Costs In Connection Therewith.

Based on our current market price and the potential decrease in our market price as a result of the issuance of shares upon conversion of the secured convertible notes, we have made a good faith estimate as to the amount of shares of common stock that we are required to register and allocate for conversion of the secured convertible notes. Accordingly, we have allocated and registered 150,000,000 shares to cover the conversion of the secured convertible notes. In the event that our stock price decreases, the shares of common stock we have allocated for conversion of the secured convertible notes and are registering hereunder may not be adequate. If the shares we have allocated to the registration statement are not adequate and we are required to file an additional registration statement, we may incur substantial costs in connection with the preparation and filing of such registration statement.

If We Are Required for any Reason to Repay Our Outstanding Secured Convertible Notes, We Would Be Required to Deplete Our Working Capital, If Available, Or Raise Additional Funds. Our Failure to Repay the Secured Convertible Notes, If Required, Could Result in Legal Action Against Us, Which Could Require the Sale of Substantial Assets.

In April 2005, we entered into a Securities Purchase Agreement for the

Edgar Filing: CYBERLUX CORP - Form SB-2

sale of an aggregate of \$1,500,000 principal amount of secured convertible notes. The secured convertible notes are due and payable, with 10% interest, three years from the date of issuance, unless sooner converted into shares of our common stock. Although we currently have \$600,000 secured convertible notes outstanding, the investors are obligated to purchase additional secured convertible notes in the aggregate of \$900,000. In addition, any event of default such as our failure to repay the principal or interest when due, our failure to issue shares of common stock upon conversion by the holder, our failure to timely file a registration statement or have such registration statement declared effective, breach of any covenant, representation or warranty in the Securities Purchase Agreement or related convertible note, the assignment or appointment of a receiver to control a substantial part of our property or business, the filing of a money judgment, writ or similar process against our company in excess of \$50,000, the commencement of a bankruptcy, insolvency, reorganization or liquidation proceeding against our company and the delisting of our common stock could require the early repayment of the secured convertible notes, including a default interest rate of 15% on the outstanding principal balance of the notes if the default is not cured with the specified grace period. We anticipate that the full amount of the secured convertible notes will be converted into shares of our common stock, in accordance with the terms of the secured convertible notes. If we were required to repay the secured convertible notes, we would be required to use our limited working capital and raise additional funds. If we were unable to repay the notes when required, the note holders could commence legal action against us and foreclose on all of our assets to recover the amounts due. Any such action would require us to curtail or cease operations.

7

Risks Relating to Our Common Stock:

If We Fail to Remain Current on Our Reporting Requirements, We Could be Removed From the OTC Bulletin Board Which Would Limit the Ability of Broker-Dealers to Sell Our Securities and the Ability of Stockholders to Sell Their Securities in the Secondary Market.

Companies trading on the OTC Bulletin Board, such as us, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTC Bulletin Board. If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

Our Common Stock is Subject to the "Penny Stock" Rules of the SEC and the Trading Market in Our Securities is Limited, Which Makes Transactions in Our Stock Cumbersome and May Reduce the Value of an Investment in Our Stock.

The Securities and Exchange Commission has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- o that a broker or dealer approve a person's account for transactions in penny stocks; and

Edgar Filing: CYBERLUX CORP - Form SB-2

- o the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- o obtain financial information and investment experience objectives of the person; and
- o make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form:

- o sets forth the basis on which the broker or dealer made the suitability determination; and
- o that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

8

USE OF PROCEEDS

This prospectus relates to shares of our common stock that may be offered and sold from time to time by the selling stockholders. We will not receive any proceeds from the sale of shares of common stock in this offering. However, we will receive the sale price of any common stock we sell to the selling stockholders upon exercise of the warrants. We expect to use the proceeds received from the exercise of the warrants, if any, for general working capital purposes. However, AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd., and New Millennium Partners II, LLC will be entitled to exercise up to 18,333,334 warrants on a cashless basis if the shares of common stock underlying the warrants are not then registered pursuant to an effective registration statement. In the event that AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd., or New Millennium Partners II, LLC exercise the warrants on a cashless basis, then we will not receive any proceeds from the exercise of those warrants. In addition, we have received gross proceeds \$600,000 from the sale of the secured convertible notes and the investors are obligated to provide us with an additional \$900,000; \$500,000 within five days of the filing of this registration statement, and \$400,000 within five days of

Edgar Filing: CYBERLUX CORP - Form SB-2

this prospectus being declared effective. The proceeds received from the sale of the secured convertible notes will be used for business development purposes, working capital needs, pre-payment of interest, payment of consulting and legal fees and purchasing inventory.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is quoted on the OTC Bulletin Board under the symbol "CYBL".

For the periods indicated, the following table sets forth the high and low bid prices per share of common stock. These prices represent inter-dealer quotations without retail markup, markdown, or commission and may not necessarily represent actual transactions.

	High(\$) -----	Low (\$) -----
2003		
Third Quarter (1)	1.05	0.10
Fourth Quarter	0.55	0.12
2004		
First Quarter	0.53	0.19
Second Quarter	0.85	0.27
Third Quarter	0.55	0.23
Fourth Quarter	0.35	0.06
2004		
First Quarter	0.07	0.02
Second Quarter (2)	0.04	0.02

(1) Our stock first traded on July 13, 2003.

(2) As of May 19, 2005

HOLDERS

As of May 2, 2005, we had approximately 224 holders of our common stock. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers, and registered clearing agencies. The transfer agent of our common stock is Pacific Stock Transfer Company, 500 E. Warm Springs Road, Suite 240, Las Vegas, Nevada 89119.

We have never declared or paid any cash dividends on our common stock. We do not anticipate paying any cash dividends to stockholders in the foreseeable future. In addition, any future determination to pay cash dividends will be at the discretion of the Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements, and such other factors as the Board of Directors deem relevant.

Edgar Filing: CYBERLUX CORP - Form SB-2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Some of the information in this Form SB-2 contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. You should read statements that contain these words carefully because they:

- o discuss our future expectations;
- o contain projections of our future results of operations or of our financial condition; and
- o state other "forward-looking" information.

We believe it is important to communicate our expectations. However, there may be events in the future that we are not able to accurately predict or over which we have no control. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors," "Business" and elsewhere in this prospectus. See "Risk Factors."

Overview

We are in the development stage and our efforts have been principally devoted to designing, developing manufacturing and marketing advanced lighting systems that utilize white (and other) light emitting diodes as illumination elements.

We are developing and marketing new product applications of diodal illumination (TM) that demonstrate added value over traditional lighting systems. Using proprietary technology, we are creating a family of products for emergency and security lighting offer extended light life and greater cost effectiveness than other existing forms of illumination. We are expanding our marketing activity into channels of retail, commercial and institutional sales.

Our target markets include long-term interim lighting needs in hotels, hospitals, nursing homes, airports, shopping centers and multiple family complexes; long-term evacuation solutions for theaters, office and public buildings; reduced maintenance cost solutions for property managers as applied to walkway, corridor or landscape lighting; and certain sensitive applications for the military.

During the second quarter of 2004, we met with officials from the State of New York who expressed interest in our long-term interim lighting solutions. We also met with security administrators of the Metropolitan Transit Authority and the Port Authority in the City of New York. The Metropolitan Transit Authority requested that we submit a proposal to provide long term interim lighting pilot installations in New York City's subway system to include passenger platforms, rail cars and tunnel accesses. In June 2004, we submitted a proposal to the MTA for a pilot program. In March 2005, we submitted an implementation proposal for subway cars and stairwells. This program is currently being reviewed by the MTA. As a result of our meeting with the Port Authority, we anticipate a similar proposal request related to Newark, LaGuardia and JFK airports and the Holland Tunnel system, although we have not received a proposal request as of the date of this filing and no assurance can be given that we will receive a proposal request.

Critical Accounting Policies

The preparation of our consolidated financial statements in conformity

Edgar Filing: CYBERLUX CORP - Form SB-2

with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect our reported assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. We base our estimates and judgments on historical experience and on various other assumptions we believe to be reasonable under the circumstances. Future events, however, may differ markedly from our current expectations and assumptions. While there are a number of significant accounting policies affecting our consolidated financial statements; we believe the following critical accounting policies involve the most complex, difficult and subjective estimates and judgments:

- o stock-based compensation; and
- o revenue recognition.

11

Stock-Based Compensation

In December 2002, the FASB issued SFAS No. 148 - Accounting for Stock-Based Compensation - Transition and Disclosure. This statement amends SFAS No. 123 - Accounting for Stock-Based Compensation, providing alternative methods of voluntarily transitioning to the fair market value based method of accounting for stock based employee compensation. FAS 148 also requires disclosure of the method used to account for stock-based employee compensation and the effect of the method in both the annual and interim financial statements. The provisions of this statement related to transition methods are effective for fiscal years ending after December 15, 2002, while provisions related to disclosure requirements are effective in financial reports for interim periods beginning after December 31, 2002.

The Company elected to continue to account for stock-based compensation plans using the intrinsic value-based method of accounting prescribed by APB No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Under the provisions of APB No. 25, compensation expense is measured at the grant date for the difference between the fair value of the stock and the exercise price.

Revenue Recognition

For revenue from product sales, the Company recognizes revenue in accordance with SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectibility is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectibility of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue for which the product has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required.

RESULTS OF OPERATIONS

Three months ended March 31, 2005 compared to the three months ended March 31, 2004

Edgar Filing: CYBERLUX CORP - Form SB-2

REVENUES

Revenues for the three months ended March 31, 2005 were \$ 13,568 and compares to \$9,968 for the same period ended March 31, 2004. Included in sales for the quarter is a \$10,000 contract with Kings Park School District of Long Island, New York for the installation of our ELS products in a local middle school.

COST OF SALES

Cost of sales for the first quarter were \$6,369 and produced a gross margin on sales of 53%. This compares to \$8,395 in cost of sales for the quarter ended March 31, 2004 which produced a gross margin of 16%.

OPERATING EXPENSES

Operating expenses for the quarter ended March 31, 2005 were \$388,153 and compares to \$287,089 for the same period ended March, 31, 2004. Included in the Quarter ended March 31, 2005 are \$21,323 in expenses for market development and literature. This compares to \$0 for the first quarter of 2004.

12

As a result of limited capital resources and minimal revenues from operations from our inception, we have relied on the issuance of equity securities to non-employees in exchange for services. Our management enters into equity compensation agreements with non-employees if it is in our best interest under terms and conditions consistent with the requirements of Financial Accounting Standards No. 123, Accounting for Stock Based Compensation. In order to conserve our limited operating capital resources, we anticipate continuing to compensate non-employees for services during the next twelve months. This policy may have a material effect on our results of operations during the next twelve months.

Results of Operations for the Years Ended December 31, 2004 and 2003 Compared.

Revenues for the year ended December 31, 2004 were \$23,803 and include the pilot installation of our new ELS product for the City of Cleveland, Ohio. This compares to revenues of \$74,238 for the year ended December 31, 2003.

Cost of goods sold were \$160,260 for 2004 compared with \$161,984 for 2003. Much of the design effort on the ELS product was costed into the product installation for the City of Cleveland.

Operating expenses for the year ended December 31, 2004 were \$4,098,444 compared with \$1,268,802 for the year ended December 31, 2003. Included in expenses for 2004 was \$2,116,672 for consulting services compared with \$95,935 for the previous year. Most of this expense was the result of issuing common stock of the Company, recorded at the market price on the date of the awards, in lieu of cash payments. The services provided included product design, market development and capital fund-raising services.

Operating expenses for 2004 also include \$296,008 representing costs incurred in the design and pre-production of three products to be marketed during the second quarter of 2005. Accounting practices have historically attempted to match revenues and costs; however, in compliance with the requirements of FASB number 2, we have taken these costs to expense during the year 2004.

Edgar Filing: CYBERLUX CORP - Form SB-2

Interest expense for 2004 was \$1,600,087 compared to \$138,008 for 2003. Included in interest expense for 2004 is \$1,500,000 which was booked to recognize the imbedded beneficial conversion feature of the \$1,500,000 convertible notes payable entered into during the 3rd and 4th quarters of 2004.

The net loss realized for 2004 was \$6,825,848, or \$0.41 per share on an average of 16,701,174 shares outstanding and compares to a net loss of \$2,230,806, or \$0.29 per share on an average of 7,652,012 shares outstanding for the year 2003.

Liquidity and Capital Resources

As of March 31, 2005, we had a working capital deficit of \$875,666. This compares to a working capital deficit of \$ 442,303 as of December 31, 2004. As a result of our operating losses for the first three months ended March 31, 2005, we generated a cash flow deficit of \$326,442 from operating activities. Cash flows used in investing activities was \$963 during the quarter. Cash flows used in financing activities were \$77,510 on payment of short-term notes payable for the first three months ended March 31, 2005.

While we have raised capital to meet our working capital and financing needs in the past, additional financing is required in order to meet our current and projected cash flow deficits from operations and development.

By adjusting our operations and development to the level of capitalization, we believe we have sufficient capital resources to meet projected cash flow deficits through the next twelve months. However, if thereafter, we are not successful in generating sufficient liquidity from operations or in raising sufficient capital resources, on terms acceptable to us, this could have a material adverse effect on our business, results of operations, liquidity and financial condition.

Our independent certified public accountant has stated in their report, dated as of March 17, 2005, that we have incurred operating losses in the last two years, and that we are dependent upon management's ability to develop profitable operations. These factors among others may raise substantial doubt about our ability to continue as a going concern.

13

September 2004 Securities Purchase Agreement

To obtain funding for our ongoing operations, we entered into a Securities Purchase Agreement with four accredited investors on September 23, 2004 for the sale of (i) \$1,500,000 in secured convertible notes and (ii) warrants to buy 2,250,000 shares of our common stock. The investors provided us with an aggregate of \$1,500,000 as follows:

- o \$500,000 was disbursed on September 23, 2004;
- o \$500,000 was disbursed on October 20, 2004; and
- o \$500,000 was disbursed on November 18, 2004.

The proceeds received from the sale of the secured convertible notes were used for business development purposes, working capital needs, pre-payment of interest, payment of consulting and legal fees and purchasing inventory. As of May 18, 2005, \$295,829 of the convertible debentures has been converted and

Edgar Filing: CYBERLUX CORP - Form SB-2

\$1,204,171 remains outstanding.

The secured convertible notes bear interest at 10%, mature two years from the date of issuance, and are convertible into our common stock, at the investors' option, at the lower of (i) \$0.72 or (ii) 50% of the average of the three lowest intraday trading prices for the common stock on a principal market for the 20 trading days before but not including the conversion date. The full principal amount of the secured convertible notes is due upon default under the terms of secured convertible notes. The warrants are exercisable until five years from the date of issuance at a purchase price of \$0.50 per share. In addition, the conversion price of the secured convertible notes and the exercise price of the warrants will be adjusted in the event that we issue common stock at a price below the fixed conversion price, below market price, with the exception of any securities issued in connection with the Securities Purchase Agreement. The conversion price of the secured convertible notes and the exercise price of the warrants may be adjusted in certain circumstances such as if we pay a stock dividend, subdivide or combine outstanding shares of common stock into a greater or lesser number of shares, or take such other actions as would otherwise result in dilution of the selling stockholder's position. The selling stockholders have contractually agreed to restrict their ability to convert or exercise their warrants and receive shares of our common stock such that the number of shares of common stock held by them and their affiliates after such conversion or exercise does not exceed 4.9% of the then issued and outstanding shares of common stock. In addition, we have granted the investors a security interest in substantially all of our assets and intellectual property and registration rights.

Since the conversion price was less than the market price of the common stock at the time the secured convertible notes are issued, we recognized a charge relating to the beneficial conversion feature of the secured convertible notes during the quarter in which they are issued, including the third quarter of fiscal 2004 when \$1,500,000 of secured convertible notes were issued.

April 2005 Securities Purchase Agreement

To obtain funding for our ongoing operations, we entered into a Securities Purchase Agreement with four accredited investors on April 22, 2005 for the sale of (i) \$1,500,000 in secured convertible notes and (ii) warrants to buy 25,000,000 shares of our common stock. The investors are obligated to provide us with an aggregate of \$1,500,000 as follows:

- o \$600,000 was disbursed on April 22, 2005;
- o \$500,000 will be disbursed within five days of the filing of this registration statement; and
- o \$400,000 will be disbursed within five days of the effectiveness of this prospectus.

The proceeds received from the sale of the secured convertible notes were used for business development purposes, working capital needs, pre-payment of interest, payment of consulting and legal fees and purchasing inventory.

The secured convertible notes bear interest at 10%, mature three years from the date of issuance, and are convertible into our common stock, at the investors' option, at the lower of (i) \$0.03 or (ii) 50% of the average of the three lowest intraday trading prices for the common stock on a principal market

Edgar Filing: CYBERLUX CORP - Form SB-2

for the 20 trading days before but not including the conversion date. The full principal amount of the secured convertible notes is due upon default under the terms of secured convertible notes. The warrants are exercisable until five years from the date of issuance at a purchase price of \$0.03 per share. In addition, the conversion price of the secured convertible notes and the exercise price of the warrants will be adjusted in the event that we issue common stock at a price below the fixed conversion price, below market price, with the exception of any securities issued in connection with the Securities Purchase Agreement. The conversion price of the secured convertible notes and the exercise price of the warrants may be adjusted in certain circumstances such as if we pay a stock dividend, subdivide or combine outstanding shares of common stock into a greater or lesser number of shares, or take such other actions as would otherwise result in dilution of the selling stockholder's position. The selling stockholders have contractually agreed to restrict their ability to convert or exercise their warrants and receive shares of our common stock such that the number of shares of common stock held by them and their affiliates after such conversion or exercise does not exceed 4.9% of the then issued and outstanding shares of common stock. In addition, we have granted the investors a security interest in substantially all of our assets and intellectual property and registration rights.

Since the conversion price will be less than the market price of the common stock at the time the secured convertible notes are issued, we anticipate recognizing a charge relating to the beneficial conversion feature of the secured convertible notes during the quarter in which they are issued, including the second quarter of fiscal 2005 when \$600,000 of secured convertible notes were issued.

We will still need additional investments in order to continue operations to cash flow break even. Additional investments are being sought, but we cannot guarantee that we will be able to obtain such investments. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. However, the trading price of our common stock and the downturn in the U.S. stock and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Further, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. If additional financing is not available or is not available on acceptable terms, we will have to curtail our operations again.

Recent Accounting Pronouncements

Statement of Financial Accounting Standards No. 141, "Business Combinations" (SFAS No. 141), and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). The FASB also issued Statement of Financial Accounting Standards No. 143, "Accounting for Obligations Associated with the Retirement of Long-Lived Assets" (SFAS No. 143), and Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144) in August and October 2001, respectively.

SFAS No. 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interest method. The adoption of SFAS No. 141 had no material impact on the Company's consolidated financial statements.

Effective January 1, 2002, the Company adopted SFAS No. 142. Under the

Edgar Filing: CYBERLUX CORP - Form SB-2

new rules, the Company will no longer amortize goodwill and other intangible assets with indefinite lives, but such assets will be subject to periodic testing for impairment. On an annual basis, and when there is reason to suspect that their values have been diminished or impaired, these assets must be tested for impairment, and write-downs to be included in results from operations may be necessary. SFAS No. 142 also requires the Company to complete a transitional goodwill impairment test six months from the date of adoption.

15

Any goodwill impairment loss recognized as a result of the transitional goodwill impairment test will be recorded as a cumulative effect of a change in accounting principle no later than the end of fiscal year 2002. The adoption of SFAS No. 142 had no material impact on the Company's consolidated financial statements

SFAS No. 143 establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated asset retirement cost. It also provides accounting guidance for legal obligations associated with the retirement of tangible long-lived assets. SFAS No. 143 is effective in fiscal years beginning after June 15, 2002, with early adoption permitted. The Company expects that the provisions of SFAS No. 143 will not have a material impact on its consolidated results of operations and financial position upon adoption. The Company plans to adopt SFAS No. 143 effective January 1, 2003.

SFAS No. 144 establishes a single accounting model for the impairment or disposal of long-lived assets, including discontinued operations. SFAS No. 144 superseded Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS No. 121), and APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". The Company adopted SFAS No. 144 effective January 1, 2002. The adoption of SFAS No. 144 had no material impact on Company's consolidated financial statements.

In April 2002, the FASB issued Statement No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt", and an amendment of that Statement, FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements" and FASB Statement No. 44, "Accounting for Intangible Assets of Motor Carriers". This Statement amends FASB Statement No. 13, "Accounting for Leases", to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that a similar to sale-leaseback transactions. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

In June 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

Edgar Filing: CYBERLUX CORP - Form SB-2

In October 2002, the FASB issued Statement No. 147, "Acquisitions of Certain Financial Institutions—an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9", which removes acquisitions of financial institutions from the scope of both Statement 72 and Interpretation 9 and requires that those transactions be accounted for in accordance with Statements No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets. In addition, this Statement amends SFAS No. 144, Accounting for the Impairment or Disposal of

Long-Lived Assets, to include in its scope long-term customer relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. The requirements relating to acquisitions of financial institutions are effective for acquisitions for which the date of acquisition is on or after October 1, 2002. The provisions related to accounting for the impairment or disposal of certain long-term customer-relationship intangible assets are effective on October 1, 2002. The adoption of this Statement did not have a material impact to the Company's financial position or results of operations as the Company has not engaged in either of these activities.

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure", which amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition guidance and annual disclosure provisions of Statement 148 are effective for fiscal years ending after December 15, 2002, with earlier application permitted in certain circumstances. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The adoption of this statement did not have a material impact on the Company's financial position or results of operations as the Company has not elected to change to the fair value based method of accounting for stock-based employee compensation.

16

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." Interpretation 46 changes the criteria by which one company includes another entity in its consolidated financial statements. Previously, the criteria were based on control through voting interest. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. A company that consolidates a variable interest entity is called the primary beneficiary of that entity. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

Edgar Filing: CYBERLUX CORP - Form SB-2

Product Research and Development

We anticipate continuing to incur research and development expenditures in connection with the development of our Wireless Lighting System during the next twelve months.

These projected expenditures are dependent upon our generating revenues and obtaining sources of financing in excess of our existing capital resources. There is no guarantee that we will be successful in raising the funds required or generating revenues sufficient to fund the projected costs of research and development during the next twelve months.

Acquisition or Disposition of Plant and Equipment

We do not anticipate the sale of any significant property, plant or equipment during the next twelve months. We do not anticipate the acquisition of any significant property, plant or equipment during the next 12 months.

17

BUSINESS

OVERVIEW

We are a Nevada corporation that was incorporated on May 17, 2000. We were founded to design, develop, manufacture, market and sell advanced lighting systems that utilize Gallium Nitride light emitting diodes as illumination elements. White diodes are a relatively new phenomenon that offers major advances in illumination technology. Our Gallium Nitride diodes consume 92% less energy than incandescent or fluorescent counterparts to produce comparable light output. In electrochemical (battery powered) applications, this diminution of energy consumption positions our lighting solutions as more durable and reliable than other interim lighting alternatives. In standard alternating current electrical applications, the calculated life of Gallium Nitride diodes as lighting elements is over 20 years versus 750 hours for traditional incandescent light bulbs. These exceptional performance characteristics, diminutive energy consumption and extended life, have prompted Gallium Nitride diode implementation in traffic lights and automotive brake lights, but have not yet significantly occurred in our area of focus, diodal illumination (tm). Diodal illumination is the production of light through the use of white light emitting diodes. A light emitting diode is a chemical compound (gallium nitride, GaN) that produces a visible light when an electrical current is applied. This production of light through a diode is contrasted with light from a typical light bulb, in which light is produced as a by-product of a burning filament contained within a vacuum globe. The diode uses 92% less energy to produce comparable light to that of a traditional light bulb.

PRINCIPAL PRODUCTS AND PRINCIPAL MARKETS

We have introduced our first product, the Cyberlux Home Safety Light. Our production strategy has required the identification, qualification and engagement of a variety of talents in industrial design, integrated circuit board production, multi-cavity steel injection mold fabrication, component part assembly, performance testing and packaging to fulfill the tasks associated with finished goods delivery.. We are now planning to broaden our product line into optoelectronic technology and expand our marketing activity into various channels of retail and institutional sales. Our product line, consisting of the Home Safety Light, the Cyclone PLP (Power Light Plant), the Power-Outage

Edgar Filing: CYBERLUX CORP - Form SB-2

Adapter, the Task & Accent Light and the KeyCap LockLight, employ single use standard alkaline or lithium ion constant charge reusable batteries in different applications. These fixtures express superior characteristics in brightness, extended light life and durability through diodal(TM) illumination, an optoelectronic descriptor trademarked by Cyberlux.

During the early stages of research for long-term interim light solutions, all experimentation was confined to incandescent, fluorescent and, to a more limited extent, fiber optics as illumination sources. The recurring problem with these lighting elements was the inefficient use of electrical energy. For example, in an incandescent bulb, 95% of the electrical energy consumed is dissipated as radiant heat, not light. The discovery of the bright white Gallium Nitride diode provides an alternative that can produce the long-term interim light source that was to be the objective of our product development activities. Unlike light bulbs that are brittle glass globes surrounding a fragile wire filament in a vacuum, light emitting diodes are extraordinarily efficient solid state semiconductors that are practically indestructible. Diodes are manufactured from chemical compounds mixed with phosphors, which transform electrical energy to visible light without heat. When electrical current is applied to a diode, the energy creates electromagnetic radiation, which occurs as light.

The power outage that struck the Midwest to the Northeastern United States and parts of Canada in August of 2003 dramatized the absence of realistic emergency lighting solutions in North America. This event was followed by the hurricane season of 2004 during which millions of property owners in Florida were without conventional power for days up to several weeks. The recurring power losses are directly attributable to the grid system which delivers electrical power to the North American Continent. Storm activity or power surges may cause electrical power line damage which then causes grid collapse due to the domino effect of failing systems. Typically, in the event of a power outage, "emergency lighting" is utilized, which is short-term evacuation lights in public and private buildings which perform for 60 to 90 minutes. Long-term electrical power grid failure is a far different problem. We have developed an alternative to typical "emergency lighting" for grid failure blackouts with long-term emergency lighting using its Reliabrighttm family of battery powered products that provide 60 hours (3,600 minutes) of bright light from one battery charge.

18

Shortly after the blackout of August 2003, we were invited to propose an emergency lighting redundancy system for the City of Cleveland, Ohio where the power-outage darkened most of the city's buildings and homes. We reviewed existing systems and then demonstrated our Reliabrighttm Emergency Lighting System (ELS) over a three-month period beginning in December, 2003. In March of 2004, we were awarded a non-competitive bid contract by the City to begin implementation of our Reliabrighttm ELS and ELU products in Cleveland's Public Utilities Building. The nature and purpose of Reliabrighttm is its ability to provide 60 hours of light during blackouts in bathrooms, stairwells, elevators, corridors, equipment rooms and interior offices from its custom sealed constant-charge battery pack and expandable diodalTM lighting element configuration. The Reliabrighttm ELS retrofits into existing ceiling tiles in bathrooms, elevators or offices and the ELU is wall mounted in corridors, stairwells and equipment rooms.

Our initial product, the Home Safety Light (HSL), is an efficient portable fixture that provides a full week of light from one set of AA batteries compared to over 20 sets of replacement batteries required by other portable

Edgar Filing: CYBERLUX CORP - Form SB-2

lights to produce comparable light life. A proprietary intelligent circuit board provides three levels of light intensity controlled by a simple push button. The parabolic reflector broadcasts a blanket of light that can illuminate an entire room, corridor, stairwell or other strategic location. The unit may be hand-held, placed on a level platform or suspended from a wall-mounted hook. At the moderate light level, it provides a full week of reliable bright light. Because the patented HSL's performance characteristics are ideal for recreational boating and camping as well as home safety, certain modifications and package designs were implemented to create the CampLamp™ which address the needs of outdoor markets.

The Cyclone PLP (Power Light Plant) is a heavy-duty, rugged, portable fixture that is actually a "perpetual source of light". The Cyclone is powered by our proprietary sealed ConstaCharge™ lead-acid battery that is maintained at full charge by linkage to a standard electrical wall outlet or by linkage to a vehicle's charge port or its cigarette lighter. The fixture operates its articulated lens head for 60 hours of light from one charge session and can be renewed to full charge in approximately 4 hours. The PLP has an integrated charge port to enable recharge of a cell phone or other DC device and a reverse current flow switch that can trickle charge a disabled automobile battery through connection to the vehicle's internal charge port. The articulated lens head arm has the ability to rotate through graduated ratchet points to provide rigid focus of a powerful beam in task related applications. A 180 degree rotation of the lens head when the fixture is upended to a vertical stance positions the light source as a useful table lamp.

Our Power-Outage Adapter is a patented "intelligent electrical wall outlet" that replaces an existing wall outlet, continues to perform as an electrical outlet used by a variety of power cords, but now provides a new dimension of service as an emergency lighting system. The Adapter contains a constant charge battery, three sensors and three diode™ lighting elements. One sensor detects motion in a darkened space and illuminates one diode in the lower lens to provide a guide light for movement; a second sensor detects loss of power in the building's electrical system and illuminates two ultra-bright diodes in the upper lens to wash the attendant wall with light; and a third sensor detects ambient light in the space and deactivates the system. The Power Outage Adapter will be marketed to hospitals, eldercare facilities and hotels in the third quarter of 2005.

The "Heatless" new Task & Accent light is a fixture of several different lengths which offer alternatives for its application in closets, cabinets and under cabinet counter lighting. This product has the potential to become the favorite of kitchen and interior designers owing to its remarkable performance characteristics of several optional shades of white light, three levels of light intensity and its "cool to the touch" safety feature. The choice of electrical connections as plug-in, hard-wired or battery powered adds to the fixture's flexibility and its light life of 75,000 hours contributes to its leadership role in energy efficiency, durability and longevity.

Our patented KeyCapt™ LockLight provides an inexpensive solution for a key chain light source. This unique fixture is encased in an elastic fabric that easily fits over the head of any variety of keys. The slender circuitry is positioned to reside at the side of the key with the diode facing the lockset entry down the shaft of the key which brightly, and precisely, illuminates the keyhole. The KeyCapt™, which will be marketed three to a package surrounding plastic facsimiles of keys, is a practical, lightweight, addition to every consumer's key chain.

Edgar Filing: CYBERLUX CORP - Form SB-2

DISTRIBUTION METHODS OF OUR PRODUCTS

Consistent with our sales objectives, the reliable manufacture of proprietary component parts and assembly of finished products required exacting coordination of resources to provide detailed working drawings to tool manufacturers for injection molded parts and optics; precise circuitry diagrams to receive diodes, resistors and capacitors into the electronics platform; source identification for volume supplies of batteries and diodes; packaging considerations for presentation of product and corresponding dimensions of containment's for shipping and display; and an experienced contract assembly organization with an extensive infrastructure capable of collation and inventory of all component parts.

During the Fall of 2000, we identified Shelby County Community Services, Shelbyville, Illinois, as a contract manufacture and assembly organization that was positioned to meet our requirements. Shelby County Community Services has over a decade of successful performance on behalf of Fortune 100 companies and represented the quality of management, performance and fiscal stability that we sought to employ in the production process.

We have a Proprietary Product Manufacturing Agreement with Shelby County Community Services that provides for Shelby County Community Services to assemble, test, package, warehouse finished good inventory, palletize and ship per purchase orders for shipment FOB Shelbyville. In the Summer of 2004, we renewed our relationship with Shelby County Community Services. Shelby County Community Services will continue to serve as the warehousing and distribution center for our products, which are to be manufactured abroad. Shelby County Community Services coordinates customs protocols and manages incoming inventories.

Our internet site is serviced by Shelby County Community Services through a fulfillment operations agreement whereby Shelby County Community Services receives a daily batched summary of internet sales through an email link established by us and United Parcel Service. The software validates the address of the customer and advises shipping mode (next day, two day or ground), computes shipping and handling charges then prints the appropriate waybill at the shipping office of Shelby County Community Services. Packages are shipped within 24 hours of receipt of the email summary of business for the preceding day's orders. Shelby County Community Services coordinates materials inventory with our approved vendors based upon purchase orders or blanket orders for products.

Robrady Design, Inc., our industrial design firm, provides detailed working drawings for injection molded parts to tool manufacturers in the US and abroad. The initial production capacity at SCCS is 80,000 product units per month, which can be increased by 50% with a four month lead time to undertake expansion of facilities.

We have engaged Forma Designs, Inc. to produce, coordinate and manage our corporate and product marketing activities. Forma Designs, Inc. has broad-based experience in developing the corporate and product marketing required to launch technology companies. The role of Forma Designs, Inc. is to integrate marketing, sales, product and customer support activities and messages to optimize customer acquisition and retention. Forma Designs, Inc. serves as the liaison for the preparation and delivery of selling materials to the individual selling firms and an information conduit to management for production and finished goods inventory issues.

We have retained Capstrat, Inc. as our public relations firm responsible for the strategic and tactical communications for Cyberlux. Capstrat is a marketing communications firm that assists Cyberlux in communicating to our target audiences of customers, prospects, the media, policymakers, employees,

Edgar Filing: CYBERLUX CORP - Form SB-2

opinion leaders and shareholders. Capstrat draws on a wide array of disciplines, fueled by strategy and creativity, to aid Cyberlux in achieving our tactical and strategic goals.

20

We have retained two technology product sales firms, Smart Products, Inc., Westwood, NJ, and New Edison, LLC, Longmont, CO, to represent our product line over the range of channels addressed for distribution. The individual firms have been selected based upon established relationships with certain commercial and retail channels and proven track records of sales to those channels.

INDUSTRY BACKGROUND

A research study attempted to identify a new approach to the development of an electrochemical (battery powered), portable, interim lighting system capable of providing safe illumination for extended periods of time to property owners deprived of electrical service caused by power outages. Although power outages have come to be a recurring phenomenon due to anomalies in electrical service distribution networks, the focus of the initial study was on disruptions caused by severe storm activity along the Atlantic and Gulf States' coastlines and the corresponding affected inland electrical grids. The National Weather Service labels annual storm activity as the Hurricane Season, which is officially monitored from June 1st to November 30th each year. Other deficiency outages not related to weather have been labeled by the press as rolling blackouts. The loss of electrical power related to tropical and subtropical storms can be wide spread and cover extensive regional segments surrounding the matrix of the storm. It is the incidence of power outages that identified the need for a reliable, durable, safe and economical interim lighting system for property owners and the general population in areas affected by these seasonally severe weather systems. The research conducted to identify an optimum interim lighting system led to the discovery of a new illumination technology (optoelectronics).

REGULATION

Our advertising and sales practices concerning the Home Safety Light and the Wireless Interim Lighting Systems are regulated by the Federal Trade Commission and state consumer protection laws. Such regulations include restrictions on the manner that we promote the sale of our products. We believe we are in material compliance with such regulations. We believe that we will be able to comply in all material respects with laws and regulations governing the conduct of business operations in general. We are not aware of any pending government regulations that may adversely affect our business.

RESEARCH AND DEVELOPMENT ACTIVITIES

We anticipate continuing to incur research and development expenditures in connection with the development of our Wireless Lighting System during the next twelve months.

These projected expenditures are dependent upon our generating revenues and obtaining sources of financing in excess of our existing capital resources. There is no guarantee that we will be successful in raising the funds required or generating revenues sufficient to fund the projected costs of research and development during the next twelve months.

EMPLOYEES

Edgar Filing: CYBERLUX CORP - Form SB-2

We currently have eight (8) full time employees. Our employees are primarily at the executive level based upon our role in coordination of outsource contracts for manufacturing and other production considerations. Currently, there exist no organized labor agreements or union agreements between us and our employees. We have employment agreements with the following executive officers: Donald F. Evans, Chairman and CEO, Mark D. Schmidt, President and COO, Alan H. Ninneman, Senior Vice President and John W. Ringo, Secretary and Corporate Counsel. We believe that our relations with our employees are good.

DESCRIPTION OF PROPERTIES

We maintain our principal office at 4625 Creekstone Drive, Suite 100, Research Triangle Park, Durham, North Carolina 27703. Our telephone number at that office is (919) 474-9700 and our facsimile number is (919) 474-9712. We lease 2,405 square feet of office space. The lease expires on December 31, 2008. The monthly rent is \$3,457, subject to an annual cost of living increase. We believe that our current office space and facilities are sufficient to meet our present needs and do not anticipate any difficulty securing alternative or additional space, as needed, on terms acceptable to us.

21

LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. Except as disclosed below, we are currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse affect on our business, financial condition or operating results.

On April 18, 2001, we filed a civil complaint against Light Technology, Inc., Ervin J. Rachwal, Safe-Light Industries, LLC a/k/a JFER Innovations Group, LLC, James Meyer and John Fleming alleging fraud, breach of contract, monies lent, misappropriation of trade secrets, conspiracy and sought injunctive relief against the defendants to prevent them from misappropriating trade secrets as well as to recover monetary damages. On May 11, 2001, the Court granted a temporary injunction against the Defendants. On June 5, 2001, the Defendants filed their Answer denying the allegations of the Complaint and filed a counterclaim alleging fraud, violation of Trade Secret Act, breach of contract and money lent.

On January 18, 2002, the Court granted the Defendants' Motion to Dissolve the Injunction. On January 28, 2002, we filed a Motion for Rehearing or Clarification of the Motion to Dissolve. A hearing on our Motion for Rehearing or Clarification of the Motion to Dissolve was scheduled for March 18, 2002, but was cancelled by the Court and has not been rescheduled. The injunction still remains in effect until the Court rules on this Motion.

Background:

We came into contact with Light Technology, Inc. and Rachwal in early 2000. We were seeking someone with the knowledge and expertise to assist us in the development of an emergency light using white LEDs. Light Technology, Inc. and Rachwal represented that they had such knowledge and expertise and could finalize the development of our emergency light by September 30, 2000 so that we could begin manufacturing and selling the emergency light by November 2000. Rachwal and Light Technology, Inc. also advised us that we could acquire all the assets of Light Technology, Inc. and the rights to Light Technology, Inc.'s

Edgar Filing: CYBERLUX CORP - Form SB-2

flashlight which also used white LEDs provided Rachwal was made an officer and director of our company as well as be in charge of design work.

In order to evaluate this offer, we requested accounting and financial records to verify the representations of Light Technology, Inc. and Rachwal and to attempt to ascertain the value of Light Technology, Inc.. Despite repeated attempts, Light Technology, Inc. and Rachwal were unable to provide adequate, verifiable financial records. Nonetheless, in order allow Light Technology, Inc. and Rachwal to proceed with the development of the emergency light in order to meet the November shipping deadline, we entered into a Letter of Intent with Light Technology, Inc. on June 12, 2000. This Letter of Intent also contained a confidentiality clause protecting our interests. Pursuant to the Letter of Intent we paid Light Technology, Inc. \$100,000 to develop a prototype of an emergency storm light and possible acquisition of the assets of Light Technology, Inc. based upon an independent evaluation of the worth of the assets. We hired the Sarasota CPA firm, Kerkering, Barbario & Co. to independently do an evaluation of the Light Technology, Inc. assets. Kerkering, Barbario came to the conclusion that Light Technology, Inc. had no verifiable assets of any value. Furthermore, Light Technology, Inc. never developed and produced a working model of the emergency storm light. We incurred meeting and travel expenses of \$36,401 associated with Light Technology, Inc. during the period June through December 2000. \$43,699 was expended for marketing expense in anticipation of the promised delivery of the light. We also made loans to defendant Safe-Light in the amount of \$13,188 to assist in development and marketing of its products based upon representation that the assets of Safe-Light would be acquired by us.

We instituted our complaint against the defendants when we learned, through a local newspaper article that Light Technology, Inc. and Safe-Light had merged and had developed an emergency light. We had confidentiality rights with both companies. The defendants breached their contracts with us by misappropriating trade secrets and we are seeking monetary damages as well injunctive relief to prevent them from capitalizing on the misappropriation of trade secrets. Despite the news article in which Rachwal announced that Light Technology, Inc. had developed an emergency light, he did not object to the injunction stating that he did not have such a light.

22

There is no similarity between our product, the Home Safety Light, and Light Technology, Inc.'s product, known as the Pal Light. Our product has 10 diodes and provides a blanket of light to light up a room in the event of a power outage. The Light Technology, Inc. product is a small flashlight that uses one diode.

Light Technology, Inc. claims that we breached the contract terms of the letter of intent and joint venture agreement by failing to maintain confidential disclosed to us and intentionally disclosing confidential information to third parties. Despite receiving \$100,000 from us, defendants claim we failed to fund the development of the light and claim that we owe them in excess of \$100,000 by breaching the letter of intent and joint venture agreement. Further, defendants claim we failed to pay fees set forth in the licensing agreement notwithstanding that the condition precedent to pay said fees (the successful completion of a private placement by us, which was subsequently withdrawn due to market conditions). Defendant Safe-Light alleges that we requested that they assist us in raising funding for the products discussed in the complaint. We actually loaned them funds for the development of their barricade light.

Edgar Filing: CYBERLUX CORP - Form SB-2

We intend to fully prosecute our claims and actions against the Defendants. We deny the Defendants allegations alleged against us in their counterclaim. This litigation is still in the discovery stage and the ultimate outcome cannot presently be determined.

COURT: Circuit Court of the Twelfth Judicial District In and For Sarasota County, Florida.

CASE NAME: Cyberlux Corporation, Plaintiff v. Ervin J. Rachwal, Light Technology, Inc., Safe-Light Industries, LLC a/k/a JFER Innovations Group, LLC, James Meyer and John Fleming.

CASE NUMBER: 2001 CA 005309 NC Div. C.

23

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

Name	Age	Position
Donald F. Evans	70	Chief Executive Officer and Chairman of the Board of Directors
Mark D. Schmidt	40	President, Chief Operating Officer and Director
William P. Walker	42	Senior Vice President
John W. Ringo	60	Secretary, Corporate Counsel and Director
Alan H. Ninneman	61	Senior Vice President and Director
David D. Downing	55	Chief Financial Officer and Treasurer

Directors are elected to serve until the next annual meeting of stockholders and until their successors are elected and qualified. Currently there are three seats on our board of directors.

Currently, our Directors are not compensated for their services. Officers are elected by the Board of Directors and serve until their successors are appointed by the Board of Directors. Biographical resumes of each officer and director are set forth below.

DONALD F. EVANS. Mr. Evans has been our Chief Executive Officer and Chairman of the Board since May 2000. Between 1979 and May 2000, Mr. Evans was the Managing Partner of Research Econometrics, a North Carolina based corporation, where Mr. Evans began an investigative research study into the feasibility of a long-term electrochemical interim lighting system. From June 1996 until March 1999, Mr. Evans represented the investment interest of Research Econometrics in Waste Reduction Products Corporation, a privately held North Carolina corporation. Mr. Evans also served on the Board of Directors of Waste Reduction Products Corporation. Mr. Evans graduated from the University of North Carolina, Chapel Hill, NC with a BS Degree in Economics.

MARK D. SCHMIDT. Mr. Schmidt has been our President, Chief Operating Officer and Director since May 2003. From December 1999 until December 2002, Mr. Schmidt was a founder and executive of Home Director, Inc., the IBM Home Networking Division spin-off company and a public company. Mr. Schmidt is a former IBM executive with over 15 years of consumer marketing, business management and venture startup experience. Mr. Schmidt graduated Summa Cum Laude with a Bachelor of Science Degree in Engineering from North Carolina State University and earned an MBA Degree from the Fuqua School of Business at Duke University.

Edgar Filing: CYBERLUX CORP - Form SB-2

WILLIAM P. WALKER. Mr. Walker has been our Senior Vice President, Business Development & Sales since January 2005. From March 2004 until December 2004, Mr. Walker was the founding principal in New Edison, LLC, a marketing consulting firm focused on the emerging solid-state lighting industry. From October 2002 until February 2004, Mr. Walker was the Vice President of Sales for CorAccess Systems, a Golden, Colorado leading residential technology company. From February 2001 through October 2002, Mr. Walker was the Vice President at GE Smart, a start-up joint venture between Microsoft and GE, where he developed and implemented the sales and marketing strategies. From May 1996 until February 2001, Mr. Walker was the Founder and CEO of Wizer Home Technologies, a large home technology integrations company. Mr. Walker graduated from the University of Wyoming with a BS Degree in Business Administration.

JOHN W. RINGO. Mr. Ringo has been our Secretary, Corporate Counsel and a Director since May 2000. Since 1990, Mr. Ringo has been in private practice in Marietta, GA specializing in corporate and securities law. He is a former Staff Attorney with the U. S. Securities and Exchange Commission, a member of the Bar of the Supreme Court of the United States, the Kentucky Bar Association and the Georgia Bar Association. Mr. Ringo graduated from the University of Kentucky in Lexington, KY with a BA Degree in Journalism. Subsequently, he received a Juris Doctor Degree from the University of Kentucky College of Law.

24

ALAN H. NINNEMAN. Mr. Ninneman has been our Senior Vice President and a Director since May 2000. From 1992 until April 2000, Mr. Ninneman was a Chief Executive Officer of City Software, Inc. based in Albuquerque, New Mexico. He was a senior support analyst for Tandem Computer, San Jose, California from 1982 to 1985; senior business analyst at Apple Computer, Cupertino, California from 1985 to 1987; and Director of Operations at Scorpion Technologies, Inc., San Jose, California. Mr. Ninneman attended Elgin Community College, Elgin, IL and subsequently majored in business administration at Southern Illinois University, Carbondale, IL.

DAVID D. DOWNING. Mr. Downing has been our Chief Financial Officer and Treasurer since May 2000. Mr. Downing joined Marietta Industrial Enterprises, Inc., Marietta, Ohio in November 1991 as its Chief Financial Officer. He was elected to the Board of Directors of that Company in January 1994. He has been a Director of American Business Parks, Inc., Belpre, Ohio since January 1998 and served as a director of Agri-Cycle Products, Inc. from May 1998 until April 2001. Mr. Downing graduated from Grove City College, Grove City, PA with a BA Degree in Accounting.

EXECUTIVE COMPENSATION

The following tables set forth certain information regarding our CEO and each of our most highly-compensated executive officers whose total annual salary and bonus for the fiscal year ending December 31, 2004, 2003 and 2002 exceeded \$100,000:

SUMMARY COMPENSATION TABLE

ANNUAL COMPENSATION

Other

Edgar Filing: CYBERLUX CORP - Form SB-2

Name & Principal Position	Year	Salary (\$)	Bonus (\$)	Annual Compensation (\$)	Restricted Stock Awards (\$)	Options SARs (#)
Donald F. Evans CEO & Chairman	2004	180,000	0	0	-	550,000
	2003	180,000	0	0	-	700,000
	2002	98,004	0	0	-	-
John W. Ringo Secretary and Corporate Counsel	2004	102,000	0	0	-	400,000
	2003	102,000	0	0	-	250,000
	2002	69,000	0	0	-	-
Alan H. Ninneman Senior Vice President	2004	102,000	0	0	-	400,000
	2003	102,000	0	0	-	250,000
	2002	78,000	0	0	-	-
Mark D. Schmidt President & COO	2004	180,000	0	0	-	650,000
	2003	120,000	0	0	-	550,000
	2002	-	-	-	-	-

Annual compensation began accruing in the form of management fees as of July 2000. The compensation indicated in the table is the annualized amount of salary to be paid the respective officers in accordance with their employment agreements.

Option/SAR Grants in Last Fiscal Year

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED (#)	% OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE (\$/SH)	EXPIRATION DATE
Donald F. Evans	550,000	%27.5	\$0.2125 /Sh	2010
John W. Ringo	400,000	%20.0	\$0.2125 /Sh	2010
Alan H. Ninneman	400,000	%20.0	\$0.2125 /Sh	2010
Mark D. Schmidt	650,000	%32.5	\$0.2125 /Sh	2010

Stock Option Plans

We have created an Employee Stock Option Plan for incentive/retention of current key employees and as an inducement to employment of new employees. The 2003 plan, which sets aside 2,000,000 shares of common stock for purchase by employees, was made effective by the Board of Directors.

On September 2, 2003, our Board approved a 2004 Incentive Stock Option Plan, which will provide 2,000,000 shares to underwrite options.

Edgar Filing: CYBERLUX CORP - Form SB-2

On April 8, 2004 our Board approved the 2005 Incentive Stock Option Plan that provides for 12,000,000 shares to underwrite options and on January 10, 2005, the Board approved the 2006 Plan that provides for 18,000,000 shares to underwrite options.

The stock option plans are administered directly by our board of directors.

Subject to the provisions of the stock option plans, the board will determine who shall receive stock options, the number of shares of common stock that may be purchased under the options, the time and manner of exercise of options and exercise prices.

As of December 31, 2004, there were 2,000,000 stock options granted under the 2003 plan that were outstanding.

Employment Agreements

Donald F. Evans

On July 1, 2000, we entered into an eight-year employment contract with Donald F. Evans to serve as Chief Executive Officer, which was amended on January 1, 2003. The base salary under the agreement is \$180,000 per annum, plus benefits.

Alan H. Ninneman

On July 1, 2000, we entered into an eight-year employment contract with Alan H. Ninneman to serve as Senior Vice President, which was amended on January 1, 2003. The base salary under the agreement is \$102,000 per annum, plus benefits.

John W. Ringo

On July 1, 2000, we entered into an eight-year employment contract with John W. Ringo to serve as Secretary and Corporate Counsel, which was amended on January 1, 2003. The base salary under the agreement is \$102,000 per annum, plus benefits.

Mark D. Schmidt

On May 1, 2003, we entered into an employment contract with Mark D. Schmidt to serve as Executive Vice President and Chief Operating Officer until June 30, 2008. The base salary under the agreement is \$180,000 per annum, plus benefits.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We issued certain management fees, which were for accrued salaries for Messrs. Evans, Ninneman, Ringo, Schmidt and Downing consistent with employment agreements. These fees are in the form of non-interest bearing promissory notes. \$800,000 of these management fees were converted to Series B Convertible Preferred stock with superior voting rights. Salary accruals in the form of management fees for Messrs. Evans, Ninneman and Ringo are still owed in the amounts of \$125,401.95, \$82,347.82 and \$76,085.63, respectively.

Promissory notes were issued to certain officers for loans to the

Edgar Filing: CYBERLUX CORP - Form SB-2

Company for working capital. These Notes are listed as payable upon demand and accrue interest at 12% per annum. Don F. Evans, David D. Downing, Alan H. Ninneman loaned \$13,100, \$106,000 and \$3,745, respectively. The terms of transactions in this section are as fair to the Company as any transactions that could have been made with unaffiliated parties.

We have no policy regarding entering into transactions with affiliated parties.

27

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of our common stock as of May 2, 2005:

- o by each person who is known by us to beneficially own more than 5% of our common stock;
- o by each of our officers and directors; and
- o by all of our officers and directors as a group.

NAME AND ADDRESS OF OWNER	TITLE OF CLASS	NUMBER OF SHARES OWNED (1)	PERCENTAGE OF CLASS PRIOR TO OFFERING (2)	PERCENTAGE CLASS AFTER OFFERING
Donald F. Evans 4625 Creekstone Drive Suite 100 Research Triangle Park Durham, NC 27703	Common Stock	28,965,300 (4)	47.10%	12.25%
Mark D. Schmidt 4625 Creekstone Drive Suite 100 Research Triangle Park Durham, NC 27703	Common Stock	10,300,000 (5)	23.36%	4.70%
Alan H. Ninneman 4625 Creekstone Drive Suite 100 Research Triangle Park Durham, NC 27703	Common Stock	18,715,200 (6)	35.95%	8.24%
John W. Ringo 4625 Creekstone Drive Suite 100 Research Triangle Park Durham, NC 27703	Common Stock	17,141,500 (7)	33.82%	7.60%
David Downing 4625 Creekstone Drive Suite 100 Research Triangle Park	Common Stock	8,133,000 (8)	19.54%	3.75%

Edgar Filing: CYBERLUX CORP - Form SB-2

Durham, NC 27703

All Officers and Directors As a Group (5 persons)	Common Stock	83,255,000 (9)	70.18%	28.81%
=====				
Donald F. Evans	Preferred B	275,103	34.39%	34.39%
Mark D. Schmidt	Preferred B	101,000	12.63%	12.63%
Alan H. Ninneman	Preferred B	180,652	22.58%	22.58%
John W. Ringo	Preferred B	166,915	20.86%	20.86%
David Downing	Preferred B	76,330	9.54%	9.54%

(1) Beneficial Ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable or convertible, or exercisable or convertible within 60 days of May 2, 2005 are deemed outstanding for computing the percentage of the person holding such option or warrant but are not deemed outstanding for computing the percentage of any other person.

28

(2) Based upon 33,991,780 shares issued and outstanding on May 2, 2005.

(3) Percentage based on 208,991,780 shares of common stock outstanding.

(4) Includes 275,103 shares of Series B convertible preferred stock convertible into 27,510,300 shares of common stock.

(5) Includes 101,000 shares of Series B convertible preferred stock convertible into 10,100,000 shares of common stock.

(6) Includes 180,652 shares of Series B convertible preferred stock convertible into 18,065,200 shares of common stock.

(7) Includes 166,915 shares of Series B convertible preferred stock convertible into 16,691,500 shares of common stock.

(8) Includes 76,330 shares of Series B convertible preferred stock convertible into 7,633,000 shares of common stock.

(9) Includes 800,000 shares of Series B convertible preferred stock convertible into 80,000,000 shares of common stock.

29

DESCRIPTION OF SECURITIES

COMMON STOCK

We are authorized to issue up to 300,000,000 shares of common stock, par value \$.001. As of May 2, 2005, there were 33,991,780 shares of common stock

Edgar Filing: CYBERLUX CORP - Form SB-2

outstanding. Holders of the common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of funds legally available therefore. Upon the liquidation, dissolution, or winding up of our company, the holders of common stock are entitled to share ratably in all of our assets which are legally available for distribution after payment of all debts and other liabilities and liquidation preference of any outstanding common stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. The outstanding shares of common stock are validly issued, fully paid and nonassessable.

We have engaged Pacific Stock Transfer Company, located in Las Vegas, Nevada, as independent transfer agent or registrar.

PREFERRED STOCK

We are authorized to issue up to 5,000,000 shares of Preferred Stock, par value \$.001. As of May 2, 2005, there were 800,113.3606 shares of preferred stock issued and outstanding.

OPTIONS

There are currently options outstanding that have been issued to our officers and directors to purchase 2,000,000 shares of our common stock at a purchase price of \$0.001, which expire in 2010.

WARRANTS

In connection with a Securities Purchase Agreement dated September 23, 2004, we issued 2,250,000 warrants to purchase shares of common stock. The warrants are exercisable until five years from the date of issuance at a purchase price of \$0.50 per share.

In connection with a Securities Purchase Agreement dated April 22, 2005, we issued 10,000,000 warrants to purchase shares of common stock and are obligated to issue 15,000,000 additional warrants. The warrants are exercisable until five years from the date of issuance at a purchase price of \$0.03 per share.

In addition, in connection with a private placement offering, we have issued 8,543,064 Series A and 8,543,064 Series B warrants. The Series A warrants are exercisable at \$0.25 per share and the Series B warrants are exercisable at \$1.05 per share. The Series A warrants expire in 2006 and the Series B warrants expire in 2008. In addition, we issued Placement Agent warrants to the placement agent in the private placement offering. We issued a total of 100,000 placement agents warrants exercisable at \$0.01 per share, 1,550,000 placement agent warrants exercisable at \$0.10 per share, 1,550,000 placement agent warrants exercisable at \$0.25 per share and 1,550,000 placement agent warrants exercisable at \$1.05 per share. All placement agent warrants expire in 2008.

In addition, we have 58,500 warrants outstanding exercisable at \$0.10 per share, which expire in 2008. We have 605,000 warrants outstanding exercisable at \$0.20 per share, which expire in 2006. We have 1,441,500 warrants outstanding exercisable at \$0.25 per share, of which 1,350,000 expire in 2005 and 91,500 expire in 2008. We have 300,000 warrants outstanding exercisable at \$0.50 per share, which expire in 2006. We have 605,000 warrants outstanding exercisable at \$0.20 per share, which expire in 2006.

Edgar Filing: CYBERLUX CORP - Form SB-2

CONVERTIBLE SECURITIES

Not including approximately 27,453,064 shares of common stock issuable upon exercise of outstanding options and warrants and 15,000,000 warrants that we are obligated to issue in the near future, approximately 141,294,800 shares of common stock are issuable upon conversion of outstanding secured convertible notes issued pursuant to the Securities Purchase Agreement dated September 23, 2004, approximately 60,000,000 shares of common stock are issuable upon conversion of outstanding secured convertible notes issued pursuant to the Securities Purchase Agreement dated April 22, 2005. The 15,000,000 warrants to shares of common stock that we are obligated to issue in the near future are to be issued pursuant to the Securities Purchase Agreement dated April 22, 2005, which requires that 8,333,333 warrants be issued together with \$500,000 in secured convertible notes within five days of the filing of this registration statement and 6,666,667 warrants be issued together with \$400,000 in secured convertible notes within five days from the effective date of this prospectus.

To obtain funding for our ongoing operations, we entered into a Securities Purchase Agreement with four accredited investors on April 22, 2005 for the sale of (i) \$1,500,000 in secured convertible notes, and (ii) warrants to purchase 25,000,000 shares of our common stock.

This prospectus relates to the resale of the common stock underlying these secured convertible notes and warrants. The investors are obligated to provide us with an aggregate of \$1,500,000 as follows:

- o \$600,000 was disbursed on April 22, 2005;
- o \$500,000 will be disbursed within five days of the filing of this registration statement; and
- o \$400,000 will be disbursed within five days of the effectiveness of this prospectus.

Accordingly, we have received a total of \$500,000 pursuant to the Securities Purchase Agreement.

The notes bear interest at 10%, mature three years from the date of issuance, and are convertible into our common stock, at the investors' option, at the lower of:

- o \$0.03; or
- o 50% of the average of the three lowest intraday trading prices for the common stock on a principal market for the 20 trading days before but not including the conversion date.

The full principal amount of the secured convertible notes are due upon default under the terms of secured convertible notes. The warrants are exercisable until five years from the date of issuance at a purchase price of \$0.03 per share. In addition, we have granted the investors a security interest in substantially all of our assets and intellectual property and registration rights.

INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Our Articles of Incorporation, as amended, provide to the fullest extent permitted by Nevada law, our directors or officers shall not be personally liable to us or our shareholders for damages for breach of such director's or officer's fiduciary duty. The effect of this provision of our

Edgar Filing: CYBERLUX CORP - Form SB-2

Articles of Incorporation, as amended, is to eliminate our rights and our shareholders (through shareholders' derivative suits on behalf of our company) to recover damages against a director or officer for breach of the fiduciary duty of care as a director or officer (including breaches resulting from negligent or grossly negligent behavior), except under certain situations defined by statute. We believe that the indemnification provisions in our Articles of Incorporation, as amended, are necessary to attract and retain qualified persons as directors and officers.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act" or "Securities Act") may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

31

PLAN OF DISTRIBUTION

The selling stockholders and any of their respective pledgees, donees, assignees and other successors-in-interest may, from time to time, sell any or all of their shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling stockholders may use any one or more of the following methods when selling shares:

- o ordinary brokerage transactions and transactions in which the broker-dealer solicits the purchaser;
- o block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- o purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- o an exchange distribution in accordance with the rules of the applicable exchange;
- o privately-negotiated transactions;
- o short sales that are not violations of the laws and regulations of any state or the United States;
- o broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
- o through the writing of options on the shares;
- o a combination of any such methods of sale; and
- o any other method permitted pursuant to applicable law.

The selling stockholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus. The selling stockholders shall have the sole and absolute discretion not to accept any purchase offer or make any sale of shares if they deem the purchase price to be unsatisfactory at any particular time.

Edgar Filing: CYBERLUX CORP - Form SB-2

The selling stockholders may also engage in short sales against the box, puts and calls and other transactions in our securities or derivatives of our securities and may sell or deliver shares in connection with these trades.

32

The selling stockholders or their respective pledgees, donees, transferees or other successors in interest, may also sell the shares directly to market makers acting as principals and/or broker-dealers acting as agents for themselves or their customers. Such broker-dealers may receive compensation in the form of discounts, concessions or commissions from the selling stockholders and/or the purchasers of shares for whom such broker-dealers may act as agents or to whom they sell as principal or both, which compensation as to a particular broker-dealer might be in excess of customary commissions. Market makers and block purchasers purchasing the shares will do so for their own account and at their own risk. It is possible that a selling stockholder will attempt to sell shares of common stock in block transactions to market makers or other purchasers at a price per share which may be below the then market price. The selling stockholders cannot assure that all or any of the shares offered in this prospectus will be issued to, or sold by, the selling stockholders. The selling stockholders and any brokers, dealers or agents, upon effecting the sale of any of the shares offered in this prospectus, may be deemed to be "underwriters" as that term is defined under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the rules and regulations under such acts. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

We are required to pay all fees and expenses incident to the registration of the shares, including fees and disbursements of counsel to the selling stockholders, but excluding brokerage commissions or underwriter discounts.

The selling stockholders, alternatively, may sell all or any part of the shares offered in this prospectus through an underwriter. No selling stockholder has entered into any agreement with a prospective underwriter and there is no assurance that any such agreement will be entered into.

The selling stockholders may pledge their shares to their brokers under the margin provisions of customer agreements. If a selling stockholder defaults on a margin loan, the broker may, from time to time, offer and sell the pledged shares. The selling stockholders and any other persons participating in the sale or distribution of the shares will be subject to applicable provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations under such act, including, without limitation, Regulation M. These provisions may restrict certain activities of, and limit the timing of purchases and sales of any of the shares by, the selling stockholders or any other such person. In the event that the selling stockholders are deemed affiliated purchasers or distribution participants within the meaning of Regulation M, then the selling stockholders will not be permitted to engage in short sales of common stock. Furthermore, under Regulation M, persons engaged in a distribution of securities are prohibited from simultaneously engaging in market making and certain other activities with respect to such securities for a specified period of time prior to the commencement of such distributions, subject to specified exceptions or exemptions. In regards to short sells, the selling stockholder can only cover its short position with the securities they receive from us upon conversion. In addition, if such short sale is deemed to be a stabilizing activity, then the selling stockholder will not be permitted to engage in a short sale of our

Edgar Filing: CYBERLUX CORP - Form SB-2

common stock. All of these limitations may affect the marketability of the shares.

We have agreed to indemnify the selling stockholders, or their transferees or assignees, against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the selling stockholders or their respective pledgees, donees, transferees or other successors in interest, may be required to make in respect of such liabilities.

If the selling stockholders notify us that they have a material arrangement with a broker-dealer for the resale of the common stock, then we would be required to amend the registration statement of which this prospectus is a part, and file a prospectus supplement to describe the agreements between the selling stockholders and the broker-dealer.

PENNY STOCK

The Securities and Exchange Commission has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- o that a broker or dealer approve a person's account for transactions in penny stocks; and
- o the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must

- o obtain financial information and investment experience objectives of the person; and
- o make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form:

- o sets forth the basis on which the broker or dealer made the suitability determination; and
- o that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

Edgar Filing: CYBERLUX CORP - Form SB-2

SELLING STOCKHOLDERS

The table below sets forth information concerning the resale of the shares of common stock by the selling stockholders. We will not receive any proceeds from the resale of the common stock by the selling stockholders. We will receive proceeds from the exercise of the warrants unless the selling stockholders exercise the warrants on a cashless basis. Assuming all the shares registered below are sold by the selling stockholders, none of the selling stockholders will continue to own any shares of our common stock.

The following table also sets forth the name of each person who is offering the resale of shares of common stock by this prospectus, the number of shares of common stock beneficially owned by each person, the number of shares of common stock that may be sold in this offering and the number of shares of common stock each person will own after the offering, assuming they sell all of the shares offered.

Name	Total Shares of Common Stock Issuable Upon Conversion of Notes and/or Warrants*	Total Percentage of Common Stock, Assuming Full Conversion	Shares of Common Stock Included in Prospectus (1)	Beneficial Ownership Before the Offering**	Percentage of Common Stock Owned Before Offering**
AJW Offshore, Ltd. (3)	91,000,000	72.80%	Up to 91,000,000 shares of common stock	1,751,416 (2)	4.9%
AJW Qualified Partners, LLC (3)	63,000,000	64.95%	Up to 63,000,000 shares of common stock	1,751,416 (2)	4.9%
AJW Partners, LLC (3)	17,500,000	33.99%	Up to 17,500,000 shares of common stock	1,751,416 (2)	4.9%
New Millennium Capital Partners II, LLC (3)	3,500,000	9.34%	Up to 3,500,000 shares of common stock	1,751,416 (2)	4.9%

* This column represents an estimated number based on a conversion price as of a recent date of May 20, 2005 of \$.01, divided into the principal amount.

** These columns represent the aggregate maximum number and percentage of shares that the selling stockholders can own at one time (and therefore, offer for resale at any one time) due to their 4.9% limitation.

The number and percentage of shares beneficially owned is determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934, and the information is not necessarily indicative of beneficial ownership for any other

Edgar Filing: CYBERLUX CORP - Form SB-2

purpose. Under such rule, beneficial ownership includes any shares as to which the selling stockholders has sole or shared voting power or investment power and also any shares, which the selling stockholders has the right to acquire within 60 days. The actual number of shares of common stock issuable upon the conversion of the secured convertible notes is subject to adjustment depending on, among other factors, the future market price of the common stock, and could be materially less or more than the number estimated in the table.

(1) Includes a good faith estimate of the shares issuable upon conversion of the secured convertible notes and exercise of warrants, based on current market prices. Because the number of shares of common stock issuable upon conversion of the secured convertible notes is dependent in part upon the market price of the common stock prior to a conversion, the actual number of shares of common stock that will be issued upon conversion will fluctuate daily and cannot be determined at this time. Under the terms of the secured convertible notes, if the secured convertible notes had actually been converted on May 20, 2005, the conversion price would have been \$.01.

34

(2) The actual number of shares of common stock offered in this prospectus, and included in the registration statement of which this prospectus is a part, includes such additional number of shares of common stock as may be issued or issuable upon conversion of the secured convertible notes and exercise of the related warrants by reason of any stock split, stock dividend or similar transaction involving the common stock, in accordance with Rule 416 under the Securities Act of 1933. However the selling stockholders have contractually agreed to restrict their ability to convert their secured convertible notes or exercise their warrants and receive shares of our common stock such that the number of shares of common stock held by them in the aggregate and their affiliates after such conversion or exercise does not exceed 4.9% of the then issued and outstanding shares of common stock as determined in accordance with Section 13(d) of the Exchange Act. Accordingly, the number of shares of common stock set forth in the table for the selling stockholders exceeds the number of shares of common stock that the selling stockholders could own beneficially at any given time through their ownership of the secured convertible notes and the warrants. In that regard, the beneficial ownership of the common stock by the selling stockholder set forth in the table is not determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

(3) The selling stockholders are affiliates of each other because they are under common control. AJW Partners, LLC is a private investment fund that is owned by its investors and managed by SMS Group, LLC. SMS Group, LLC, of which Mr. Corey S. Ribotsky is the fund manager, has voting and investment control over the shares listed below owned by AJW Partners, LLC. AJW Offshore, Ltd. is a private investment fund that is owned by its investors and managed by First Street Manager II, LLC. First Street Manager II, LLC, of which Corey S. Ribotsky is the fund manager, has voting and investment control over the shares owned by AJW Offshore, Ltd. AJW Qualified Partners, LLC is a private investment fund that is owned by its investors and managed by AJW Manager, LLC, of which Corey S. Ribotsky and Lloyd A. Groveman are the fund managers, have voting and investment control over the shares listed below owned by AJW Qualified Partners, LLC. New Millennium Capital Partners II, LLC, is a private investment fund that is owned by its investors and managed by First Street Manager II, LLC. First Street Manager II, LLC, of which Corey S. Ribotsky is the fund manager, has voting and investment control over the shares owned by New Millennium Capital Partners II, LLC. We have been notified by the selling stockholders that they are not broker-dealers or affiliates of broker-dealers and that they believe they are not required to be broker-dealers.

Edgar Filing: CYBERLUX CORP - Form SB-2

(4) Assumes that all securities registered will be sold.

TERMS OF SECURED CONVERTIBLE NOTES

To obtain funding for our ongoing operations, we entered into a Securities Purchase Agreement with AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd., and New Millennium Partners II, LLC on April 22, 2005 for the sale of (i) \$1,500,000 in secured convertible notes and (ii) a warrants to buy 25,000,000 shares of our common stock.

The investors are obligated to provide us with the funds as follows:

- o \$600,000 was disbursed on April 22, 2005;
- o \$500,000 will be disbursed within five days of the filing of this registration statement; and
- o \$400,000 will be disbursed within five days of the effectiveness of this prospectus.

Accordingly, we have received a total of \$600,000 pursuant to the Securities Purchase Agreement.

The notes bear interest at 10%, mature three years from the date of issuance, and are convertible into our common stock, at the investors' option, at the lower of:

- o \$0.03; or
- o 50% of the average of the three lowest intraday trading prices for the common stock on a principal market for the 20 trading days before but not including the conversion date.

35

The full principal amount of the secured convertible notes are due upon default under the terms of secured convertible notes. In addition, we have granted the investors a security interest in substantially all of our assets and intellectual property and registration rights. We are liable for breach of any covenant, representation or warranty contained in the Securities Purchase Agreement for a period of two years from the date that the investors distribute the final \$500,000. In the event that we breach any representation or warranty regarding the condition of our company as set forth in the Securities Purchase Agreement, we are liable to pay liquidated damages in shares or cash, at the election of the investors, equal to three percent of the outstanding amount of the secured convertible notes per month plus accrued and unpaid interest. In the event that we breach any covenant as set forth in the Securities Purchase Agreement, including the failure to comply with blue sky laws, timely file all public reports, use the proceeds from the sale of the secured convertible notes in the agreed upon manner, obtain written consent from the investors to negotiate or contract with a party to for additional financing, reserve and have authorized the required number of shares of common stock or the maintenance of our shares of common stock on an exchange or automated quotation system, then we are liable to pay liquidated damages in shares or cash, at the election of the investors, equal to three percent of the outstanding amount of the secured convertible notes per month plus accrued and unpaid interest.

The warrants are exercisable until five years from the date of issuance

Edgar Filing: CYBERLUX CORP - Form SB-2

at a purchase price of \$0.03 per share. The selling stockholders will be entitled to exercise the warrants on a cashless basis if the shares of common stock underlying the warrants are not then registered pursuant to an effective registration statement. In the event that the selling stockholder exercises the warrants on a cashless basis, then we will not receive any proceeds. In addition, the exercise price of the warrants will be adjusted in the event we issue common stock at a price below market, with the exception of any securities issued as of the date of this warrant or issued in connection with the secured convertible notes issued pursuant to the Securities Purchase Agreement, dated April 22, 2005.

Upon the issuance of shares of common stock below the market price, the exercise price of the warrants will be reduced accordingly. The market price is determined by averaging the last reported sale prices for our shares of common stock for the five trading days immediately preceding such issuance as set forth on our principal trading market. The exercise price shall be determined by multiplying the exercise price in effect immediately prior to the dilutive issuance by a fraction. The numerator of the fraction is equal to the sum of the number of shares outstanding immediately prior to the offering plus the quotient of the amount of consideration received by us in connection with the issuance divided by the market price in effect immediately prior to the issuance. The denominator of such issuance shall be equal to the number of shares outstanding after the dilutive issuance.

The conversion price of the secured convertible notes and the exercise price of the warrants may be adjusted in certain circumstances such as if we pay a stock dividend, subdivide or combine outstanding shares of common stock into a greater or lesser number of shares, or take such other actions as would otherwise result in dilution of the selling stockholder's position.

AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd., and New Millennium Partners II, LLC have contractually agreed to restrict their ability to convert their secured convertible notes or exercise their warrants and receive shares of our common stock such that the number of shares of common stock held by them in the aggregate and their affiliates after such conversion or exercise does not exceed 4.9% of the then issued and outstanding shares of common stock.

A complete copy of the Securities Purchase Agreement and related documents are filed with the SEC as exhibits to our Form SB-2 relating to this prospectus.

Sample Conversion Calculation

The number of shares of common stock issuable upon conversion of the notes is determined by dividing that portion of the principal of the notes to be converted and interest, if any, by the conversion price. For example, assuming conversion of \$1,500,000 of notes on May 20, 2005, a conversion price of \$0.01 per share, the number of shares issuable upon conversion would be:

$$\$1,500,000/\$0.01 = 150,000,000 \text{ shares}$$

The following is an example of the amount of shares of our common stock that are issuable, upon conversion of the principal amount of our secured convertible notes, based on market prices 25%, 50% and 75% below the market price, as of May 19, 2005 of \$0.02.

Edgar Filing: CYBERLUX CORP - Form SB-2

% Below Market -----	Price Per Share -----	With Discount at 50% -----	Number of Shares Issuable -----
25%	\$.015	\$.0075	200,000,000
50%	\$.01	\$.005	300,000,000
75%	\$.005	\$.0025	600,000,000

LEGAL MATTERS

Sichenzia Ross Friedman Ference LLP, New York, New York will issue an opinion with respect to the validity of the shares of common stock being offered hereby.

EXPERTS

Russell Bedford Stefanou Mirchandani LLP, independent registered public accounting firm, have audited, as set forth in their report thereon appearing elsewhere herein, our financial statements at December 31, 2004 and 2003 and for the years then ended that appear in the prospectus. The financial statements referred to above are included in this prospectus with reliance upon the independent registered public accounting firm's opinion based on their expertise in accounting and auditing.

AVAILABLE INFORMATION

We have filed a registration statement on Form SB-2 under the Securities Act of 1933, as amended, relating to the shares of common stock being offered by this prospectus, and reference is made to such registration statement. This prospectus constitutes the prospectus of Cyberlux Corporation, filed as part of the registration statement, and it does not contain all information in the registration statement, as certain portions have been omitted in accordance with the rules and regulations of the Securities and Exchange Commission.

We are subject to the informational requirements of the Securities Exchange Act of 1934 which requires us to file reports, proxy statements and other information with the Securities and Exchange Commission. Such reports, proxy statements and other information may be inspected at public reference facilities of the SEC at Judiciary Plaza, 450 Fifth Street N.W., Washington D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at Judiciary Plaza, 450 Fifth Street N.W., Washington, D.C. 20549 at prescribed rates. Because we file documents electronically with the SEC, you may also obtain this information by visiting the SEC's Internet website at <http://www.sec.gov>.

37

INDEX TO FINANCIAL STATEMENTS

CYBERLUX CORPORATION INDEX TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2004 and December 31, 2003

Edgar Filing: CYBERLUX CORP - Form SB-2

	Page

Report of Independent Certified Public Accountants	F-1

Balance Sheet at December 31, 2004 and 2003	F-2

Statements of Operations for the Years ended December 31, 2004 and 2003 and for the Period May 17, 2000 (Date of Inception) through December 31, 2004	F-3

Statement of Deficiency in Stockholders' Equity for the Period May 17, 2000 (Date of Inception) through December 31, 2004	F-4 - F-9

Statements of Cash Flows for the Years ended December 31, 2004 and 2003 and for the Period May 17, 2000 (Date of Inception) through December 31, 2004	F-10 - F11

Notes to Financial Statements	F-12 - F-21

Condensed Consolidated Balance Sheets: March 31, 2005 (Unaudited) and December 31, 2004 (Audited)	F-22

Condensed Consolidated Statements of Losses: Three Months Ended March 31, 2005 and 2004 (Unaudited)	F-23

Condensed Consolidated Statements of Cash Flows: Three Months Ended March 31, 2005 and 2004 (Unaudited)	F-24 - F-25

Notes to Unaudited Condensed Consolidated Financial Statements	F-26 - F-27

RUSSELL BEDFORD STEFANOU MIRCHANDANI LLP
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Cyberlux Corporation
North Carolina 28370-2010

We have audited the accompanying consolidated balance sheets of Cyberlux Corporation (the "Company"), as of December 31, 2004 and 2003 and the related statements of losses, deficiency in stockholders' equity, and cash flows for the two years then ended and for the period May 17, 2000 (Date of Inception) through December 31, 2004. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based upon our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about

Edgar Filing: CYBERLUX CORP - Form SB-2

whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and 2003 and for the period May 17, 2000 (Date of Inception) through December 31, 2004, and the results of its operations and its cash flows for the two years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note I to the financial statements, the Company has suffered recurring losses from operations. This raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note I. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ RUSSELL BEDFORD STEFANOU MIRCHANDANI LLP

Russell Bedford Stefanou Mirchandani LLP
Certified Public Accountants

McLean, Virginia
March 17, 2005

F-1

CYBERLUX CORPORATION
(A Development Stage Company)
Balance Sheets

	December 31, 2004
Assets	
Current assets:	
Cash & cash equivalents	\$ 415,375
Prepaid expenses	68,404

Total current assets	483,779
Property, plant and equipment, net of accumulated depreciation of \$ 92,335 and \$44,649, respectively	43,018

Edgar Filing: CYBERLUX CORP - Form SB-2

Other Assets:

Deposits - escrow	--
Patents, at cost	30,544

Total other assets	30,544
Total Assets	\$ 557,341
	=====

Liabilities and Deficiency in Stockholders' Equity

Current liabilities:

Accounts payable	\$ 176,094
Accrued liabilities	323,408
Management fees payable - related party (Note E)	--
Short-term notes payable - shareholders (Note E)	399,080
Short-term notes payable (Note B)	27,500

Total current liabilities	926,082

Long-term liabilities:

Notes payable - (Note B)	1,355,069
Warrants payable convertible preferred	--

Total long-term liabilities	1,355,069

Stockholders' equity:

Preferred stock, \$0.001 par value, 5,000,000 shares authorized, Class A, 151,860 and 0 shares issued and outstanding as of December 31, 2004 and 2003 respectively	1
Preferred stock, \$0.001 par value, 8,000,000 shares authorized, Class B, 800,000 and 0 shares issued and outstanding as of December 31, 2004 and 2003 respectively	800
Common stock, \$0.001 par value, 300,000,000 shares authorized, 23,770,233 and 8,049,141 shares issued and outstanding as of December 31, 2004 and 2003 respectively	23,770
Additional paid-in capital	9,099,302
Subscriptions receivable	--
Accumulated deficit	(10,847,683)

Deficiency in stockholders' equity	(1,723,810)

Total liabilities and (deficiency) in stockholders'	\$ 557,341
	=====

The accompanying notes are an integral part of these financial statements

Edgar Filing: CYBERLUX CORP - Form SB-2

F-2

CYBERLUX CORPORATION
(A Development Stage Company)
STATEMENTS OF OPERATIONS

	For the Year Ended Dec. 31, 2004	For the Year Ended Dec. 31, 2003	For the Per May 17, 200 (Inception) December 3 2004
Revenue	\$ 23,803	\$ 74,238	\$ 98,04
Cost of goods sold	(160,260)	(161,984)	(322,24
Gross (loss)	(136,457)	(87,746)	(224,20
Operating Expenses:			
Marketing and advertising	109,651	20,820	257,51
Depreciation and amortization	47,686	246,598	386,08
Organization costs	--		25,47
Research and development	391,421		635,48
Management and consulting services - related party	445,997	504,000	1,717,31
General and administrative expenses	3,103,689	497,384	3,992,76
Total operating expenses	4,098,444	1,268,802	7,014,64
(Loss) from operations	(4,234,901)	(1,356,548)	(7,238,85
Other income/(expense)			
Interest income	282		32
Interest expense	(1,600,087)	(138,008)	(1,881,76
Debt acquisition costs	(191,142)		(191,14
Net loss before preferred dividend	(6,025,848)	(1,494,556)	(9,311,43
Preferred dividend - Beneficial conversion discount on convertible preferred	800,000	736,250	1,536,25
Net loss available to common stockholders	\$ (6,825,848)	\$ (2,230,806)	\$ (10,847,68
Weighted average number of common shares outstanding, basic and fully diluted	16,701,174	7,652,012	
Net loss per share - Basic and fully diluted	\$ (0.41)	\$ (0.29)	
Preferred dividend	\$ 96,000		

The accompanying notes are an integral part of these financial statements

Edgar Filing: CYBERLUX CORP - Form SB-2

F-3

Cyberlux Corporation
(A Development Stage Company)
CONDENSED STATEMENT OF DEFICIENCY IN STOCKHOLDERS' EQUITY FOR THE
FROM INCEPTION THROUGH DECEMBER 31, 2004

	Common Stock		Preferred Stock		Additional Paid-in Capital	Stock Subscripti Receivab
	Shares	Amount	Shares	Amount		
Common shares issued in May 2000 to founders in exchange for cash at \$. 001 per share	1,640,000	\$1,640			\$560	
Common shares issued in May 2000 in exchange for research and development services valued at \$.09 per share	750,000	750			68,003	
Common shares issued in May 2000 in exchange for services valued @ \$. 05 per share	875,000	875			35,710	
Common shares issued in July 2000 in exchange for convertible debt at \$.15 per share	288,000	288			39,712	
Capital contributed by principal shareholders	-	-			16,000	
Common shares issued in November 2000 for cash in connection with private placement at \$. 15 per share	640,171	640			95,386	
Common shares issued in November 2000 in exchange for services valued @ \$. 15 per share hares issued for consulting services	122,795	123			18,296	
Net (loss)	-	-	-	-	-	
Balance, December 31, 2000	4,315,966	\$4,316	-	-	\$273,667	
Common shares issued in January, 2001 in exchange for convertible debt at \$.15 per share	698,782	\$699			\$104,118	
Stock options issued in May 2001, valued at \$. 15 per option, in exchange for services					52,500	
Warrant issued in May 2001, valued at \$. 15 per						

Edgar Filing: CYBERLUX CORP - Form SB-2

warrant, in exchange for placement of debt					75,000
Common shares issued in September 2001 for cash in connection with exercise of warrant at \$.15 per share	3,000	3			447
Common shares issued in September 2001 for cash in connection with exercise of warrant at \$.10 per share	133,000	133			13,167
Common shares issued in November 2001 for cash in connection with exercise of warrant at \$.0001 per share	500,000	500			-
Common shares issued in November 2001 for cash in connection with exercise of options at \$.0001 per share	350,000	350			-
Common shares issued in December 2001 in exchange for convertible debt at \$.50 per share	133,961	134			66,847
Common shares issued in December 2001 in exchange for debt at \$.50 per share	17,687	18			8,825
Net (loss)	-	-	-	-	-
Balance, December 31, 2001	6,152,396	\$6,152			594,571

The accompanying notes are an integral part of these financial statements

F-4

Cyberlux Corporation
(A Development Stage Company)
CONDENSED STATEMENT OF DEFICIENCY IN STOCKHOLDERS' EQUITY FOR THE
FROM INCEPTION THROUGH DECEMBER 31, 2004 (Continued)

	Common Stock		Preferred Stock		Additional Paid-in Capital	Sto Subscripti Receivab
	Shares	Amount	Shares	Amount		
Common shares issued in May 2002 in exchange for services valued at \$.70 per share	70,000	\$70			\$49,930	
Common shares issued in Nov, 2002 in exchange for services valued at \$0.25 per share	150,000	150			37,350	
Common shares issued in Dec. 2002 as rights						

Edgar Filing: CYBERLUX CORP - Form SB-2

offering at \$0.25 per share	256,000	256			63,744	
Subscription Receivable for 10,000 shares issued						-2,5
Net loss	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
Balance at December 31, 2002	6,628,396	\$6,628			\$745,593	(\$2,50
Common shares issued in March, 2003 for cash in connection with exercise of options at \$0.001 per share	250,000	\$250				2,5
Funds received for stock subscription						
Common Shares issued to Cornell Capital Partners in March, 2003 in connection with Loan Commitment valued at \$0.75 per share	300,000	300			224,700	
Common shares issues in March, 2003 in exchange for services valued at \$0.75 per share	13,333	14			9,987	
Robrady Design Note was converted into 196,120 Shares @ .25 Per share.	196,120	196			48,833	
Common Shares issued to Mark Schmidt for services in June, 2003. The 200,000 shares were issued at \$0.25 per share.	200,000	200			49,800	
Common Shares issued to Capital Funding Solutions September 2003. 450,000 shares were issued at \$0.20 per share. Shares secure a sales factoring agreement	450,000	450			89,550	
Common shares issued on 11/12/03 for consulting services valued at .50 per share to Tom & Cheryl Rose	11,292	11			5,634	
Preferred shares issued in December 2003 valued at \$5,000 per share, Class A Warrants on convertible preferred shares		-	155	1	\$774,999	(276,1
Beneficial conversion discount on convertible preferred shares					-347,610	
Net (Loss)					736,250	

The accompanying notes are an integral part of these financial statements

Edgar Filing: CYBERLUX CORP - Form SB-2

Cyberlux Corporation
(A Development Stage Company)
CONDENSED STATEMENT OF DEFICIENCY IN STOCKHOLDERS' EQUITY FOR THE
FROM INCEPTION THROUGH DECEMBER 31, 2004 (Continued)

	Common Stock		Preferred	
	Shares	Amount	Shares	Amount
Balance, December 31, 2003	8,049,141	\$ 8,049	155	\$
Issuance of Convertible preferred shares Class B in January, 2004 for accrued management fees at \$1 per share			800,000	
Collected Balance of Stock Subscriptions Receivable				
Common Shares issued in January, 2004 in exchange for services valued at \$0.37 per share	260,000	260		
Common Shares issued in January, 2004 in exchange for services valued at \$0.37 per share	225,000	225		
Common Shares issued in January, 2004 in exchange for services valued at \$0.37 per share	2,100,000	2,100		
Shares issued for note payable @ \$.25 in January, 2004	110,764	111		
Shares issued for consulting services @ \$0.21 per share	1,200,000	1,200		
Beneficial conversion discount - preferred stock dividend with respect to convertible preferred shares Class B				
Warrants issued in exchange for services in April, 2004				
Common shares cancelled for return of collateral deposit with factor	(450,000)	(450)		
Common shares issued in May for Private Placement at \$0.10/Share	5,310,000	5,310		
Class A preferred shares issued for cash at \$5,000 per share in May, 2004			15.861	
Warrants on convertible preferred Class A Shares				
Common shares issued in exchange for note payable at \$.10/share in June, 2004	50,000	50		

Edgar Filing: CYBERLUX CORP - Form SB-2

Common Shares issued in June, 2004 in exchange for services valued at \$0..10 per share	1,560,000	1,560
Common Shares issued in June, 2004 in exchange for services valued at \$0.10 per share	200,000	200
Subscription received in advance for shares to be issued		
Common Shares issued in exchange for services adjusted for issue prices		
Common Shares issued in July, 2004 in exchange for services valued at \$0.40 per share	100,000	100
Common shares issued in July, 2004 for private placement at \$0.10/Share	100,000	100

The accompanying notes are an integral part of these financial statements

F-6

Common shares issued in August, 2004 for Conversion of Preferred "A" Shares	200,000	200	(4)
Common shares issued in August, 2004 for Exercise of warrants at \$0.25/Share	701,000	701	
Warrants issued to consultants for services			
Beneficial conversion feature of convertible debentures (Note D) Common shares issued in September for Exercise of warrants at \$0..25/Share	200,000	200	
Options issued to employees as Incentive Compensation			
Common Shares issued in October, 2004 in exchange for services valued at \$0.25 per share	690,000	690	
Shares issued in October, 2004 for note payable at \$0.15 pershare	140,019	140	
Shares issued in November, 2004 for note payable at \$0.105 pershare	1,035,221	1,035	
Shares issued in December, 2004 for note payable at \$0.035 pershare	1,035,221	1,035	

Edgar Filing: CYBERLUX CORP - Form SB-2

Shares issued in December, 2004 as a penalty for late registration to Preferred "A" shareholders	203,867	204	
Shares issued in December, 2004 for conversion of Preferred "A" shares	750,000	750	(15)
Beneficial conversion feature of convertible debentures (Note D)			
Warrants issued for services			
Net (Loss)			
Balance, December 31, 2004	23,770,233	23,770	800,152

The accompanying notes are an integral part of these financial statements

F-7

	Stock Subscription Receivable	Deficiency Accumulated During Development Stage	Total in Stockholders' Equity
	-----	-----	-----
Balance, December 31, 2003	\$ (276,186)	\$ (4,021,835)	\$ (1,952,235)
Issuance of Convertible preferred shares Class B in January, 2004 for accrued management fees at \$1 per share			800,000
Collected Balance of Stock Subscriptions Receivable	276,186		276,186
Common Shares issued in January, 2004 in exchange for services valued at \$0.37 per share			96,200
Common Shares issued in January, 2004 in exchange for services valued at \$0..37 per share			83,250
Common Shares issued in January, 2004 in exchange for services valued at \$0.37 per share			777,000
Shares issued for note payable @ \$.25 in January, 2004			27,691
Shares issued for consulting services @ \$0.21 per share			252,000
Beneficial conversion discount -			

Edgar Filing: CYBERLUX CORP - Form SB-2

preferred stock dividend with respect to convertible preferred shares Class B		800,000
Warrants issued in exchange for services in April, 2004		243,000
Common shares cancelled for return of collateral deposit with factor		(90,000)
Common shares issued in May for Private Placement at \$0.10/Share		531,000
Class A preferred shares issued for cash at \$5,000 per share in May, 2004		79,307
Warrants on convertible preferred Class A Shares		(58,915)
Common shares issued in exchange for note payable at \$.10/share in June, 2004		5,000
Common Shares issued in June, 2004 in exchange for services valued at \$0..10 per share		156,000
Common Shares issued in June, 2004 in exchange for services valued at \$0.10 per share		20,000

The accompanying notes are an integral part of these financial statements

F-8

Subscription received in advance for shares to be issued	22,500	22,500
Common Shares issued in exchange for services adjusted for issue prices		(44,640)
Common Shares issued in July, 2004 in exchange for services valued at \$0.40 per share		40,000
Common shares issued in July, 2004 for private placement at \$0.10/Share	(10,000)	--
Common shares issued in August, 2004 for Conversion of Preferred "A" Shares		--
Common shares issued in August, 2004 for Exercise of warrants at \$0.25/Share	(12,500)	162,750
Warrants issued to consultants for services		106,172
Beneficial conversion feature of convertible debentures (Note D)	500,000	500,000

Edgar Filing: CYBERLUX CORP - Form SB-2

Common shares issued in September for Exercise of warrants at \$0..25/Share			50,000
Options issued to employees as Incentive Compensation			275,000
Common Shares issued in October, 2004 in exchange for services valued at \$0.25 per share			172,500
Shares issued in October, 2004 for note payable at \$0.15 pershare			21,003
Shares issued in November, 2004 for note payable at \$0.105 pershare			108,698
Shares issued in December, 2004 for note payable at \$0.035 pershare			36,232
Shares issued in December, 2004 as a penalty for late registration to Preferred "A" shareholders			89,702
Shares issued in December, 2004 for conversion of Preferred "A" shares			--
Beneficial conversion feature of convertible debentures (Note D)			1,000,000
Warrants issued for services			516,637
Net (Loss)		(6,825,848)	(6,825,848)
Balance, December 31, 2004	-----	-----	-----
	--	(10,847,683)	(1,723,810)

The accompanying notes are an integral part of these financial statements

F-9

Cyberlux Corporation
(A Development Stage Company)
Statement of Cash Flows

	For theYear Ended December 31, 2004	For theY December
Cash flows from operating activities		
Net (loss) available to common stockholders	\$ (6,825,848)	\$ (2,2

Edgar Filing: CYBERLUX CORP - Form SB-2

Depreciation and amortization	47,686	2
Beneficial conversion discount - preferred stock dividend	800,000	7
Amortization of debt discount - beneficial conversion feature of convertible note (Note D)	1,500,000	
Stock options issued for consulting services		
Stock options issued as compensation	275,000	
Shares issued for previously incurred debt	288,326	
Warrants issued to consultants for services	516,637	
Shares issued/(cancelled) for factoring deposit	(90,000)	
Loan extension write off		
Preferred shares issued for conversion of accrued management fees	723,670	
Preferred shares issued for previously incurred debt	76,330	
Accrued expenses relating to escrow deposits		
Shares issued for consulting services	1,494,955	
Shares issued for research and development		
Decrease (increase) in deposits	236,000	(2
(Increase) decrease in prepaid expenses	(68,404)	
(Increase)/decrease in other assets	(30,544)	
Increase (decrease) in accrued liabilities	218,432	
(Decrease) increase in management fee payable-related party	(996,508)	4
(Decrease) increase in other accounts payable	(120,294)	2
Net cash used in operating activities	(1,954,562)	(5
Cash flows from investing activities		
Payments for property, plant and equipment	(21,859)	(
Cash used in investing activities	(21,859)	(
Cash flows from financing activities		
(Payments for)/proceeds from short-term notes payable, net	(292,500)	(
Proceeds from short-term notes payable-shareholders (net)	191,235	
Proceeds from issuance of preferred stock	79,308	4
Capital contributed by shareholders	276,186	

Edgar Filing: CYBERLUX CORP - Form SB-2

Proceeds from convertible long-term notes	1,355,069	
Proceeds from issuance of common stock	766,250	
Net cash provided by financing activities	2,375,548	5
Net increase (decrease) in cash	399,128	

The accompanying notes are an integral part of these financial statements

F-10

Cash - beginning	16,247	
Cash - ending	\$ 415,375	\$
Supplemental disclosures:		
Interest Paid	75,103	
Income Taxes Paid	-	
Non-Cash investing and financing activities:		
Shares issued for research and development and consulting		
Shares issued for conversion of debt	288,326	
Warrants issued in connection with financing	406,525	
Warrants issued to consultants for services	349,173	
Options issued in connection with services	-	
Shares issued in connection with services	1,494,955	
Shares issued in connection with loan	-	2
Shares issued in connection with factoring	(90,000)	
Amortization of debt discount - beneficial conversion feature of convertible note (Note D)	1,500,000	
Warrants payable (detachable) with convertible preferred shares	(347,610)	3
Beneficial conversion discount on convertible preferred stock	800,000	7
Convertible preferred shares issued for previously incurred debt	76,330	
Convertible preferred shares issued for accrued management fees	723,670	

The accompanying notes are an integral part of these financial statements

F-11

Edgar Filing: CYBERLUX CORP - Form SB-2

CYBERLUX CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

NOTE A-SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

Business and Basis of Presentation Cyberlux Corporation (the "Company") is incorporated under the laws of the State of Nevada. The Company is in the development stage as defined under Statement on Financial Accounting Standards No.7, Development Stage Enterprises ("SF AS No.7") and is seeking to develop, manufacture and market long-term portable lighting products for commercial and industrial us. To date the Company has generated little revenue, has incurred expenses, and sustained losses. Consequently, its operations are subject to all risks inherent in the establishment of a new business enterprise. As of December 31, 2004, the Company has accumulated losses of \$10,847,683.

The Company is in the development stage and its efforts have been principally devoted to designing, developing manufacturing and marketing advanced lighting systems that utilize white (and other) light emitting diodes as illumination elements.

The Company's common stock has been listed on the NASDAQ OTC Electronic Bulletin Board sponsored by the National Association of Securities Dealers, Inc. under the symbol "CYBL" since July 11,2003.

Revenue Recognition

For revenue from product sales, the Company recognizes revenue in accordance with SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectibility is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectibility of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue for which the product has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required.

SAB 104 incorporates Emerging Issues Task Force 00-21 ("EITF 00-21"), MULTIPLE DELIVERABLE REVENUE ARRANGEMENTS. EITF 00-21 addresses accounting for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. The effect of implementing EITF 00-21 on the Company's consolidated financial position and results of operations was not significant.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual

Edgar Filing: CYBERLUX CORP - Form SB-2

results could differ from those estimates.

Cash and cash equivalents

For purposes of the Statements of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Property, plant and equipment

Property and equipment are recorded at cost. Minor additions and renewals are expensed in the year incurred. Major additions and renewals are capitalized and depreciated over their estimated useful lives. Depreciation is calculated using the straight-line method over the estimated useful lives

Advertising costs

The Company expenses all costs of advertising as incurred. Advertising costs totaled \$100,132 and \$20,820 in 2004 and 2003 respectively.

Impairment of long lived assets

The Company has adopted Statement of Financial Accounting Standards No. 144 (SFAS 144). The Statement requires that long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undercounted cash flows. Should an impairment in value be indicated, the carrying value of intangible assets will be adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset. SFAS No. 144 also requires assets to be disposed of be reported at the lower of the carrying amount or the fair value less costs to sell.

F-12

NOTE A-SUMMARY OF ACCOUNTING POLICIES (Continued)

Fair value of financial instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2004 and 2003. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash and accounts payable. Fair values were assumed to approximate carrying values for cash and payables because they are short term in nature and their carrying amounts approximate fair values or they are payable on demand.

Concentrations of Credit Risk

Financial instruments and related items which potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and trade receivables. The Company places its cash and temporary cash investments with credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit.

Stock-Based Compensation:

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of SFAS 123." This statement

Edgar Filing: CYBERLUX CORP - Form SB-2

amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary charge to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in APB Opinion No.25 and related interpretations. Accordingly, compensation expense for stock options is measured as the excess, if any, of the fair market value of the Company's stock at the date of the grant over the exercise price of the related option. The Company has adopted the annual disclosure provisions of SFAS No.148 in its financial reports for the year ended December 31,2002 and subsequent years.

Had compensation costs for the Company's stock options been determined based on the fair value at the grant dates for the awards, the Company's net loss and losses per share would have been as follows (transactions involving stock options issued to employees and Black-Scholes model assumptions are presented in Note D):

	For the year ended Dec 2004 -----
Net loss attributable to common stockholders -as reported	\$(6,825,848)
Add. Total stock based employee compensation expense as reported under intrinsic value method (APB No. 25)	105,000
Deduct Total stock based employee compensation expense as reported under fair value based method (SFAS No. 123)	(658,800)
Net loss -Pro Forma	\$(7,379,648)
 Net loss attributable to common stockholders - Pro forma	 \$(7,379,648)
 Basic (and assuming dilution) loss per share -as reported	 \$ (0.41)
Basic (and assuming dilution) loss per share - Pro forma	\$ (0.44)

Loss per share

Net loss per share is provided in accordance with Statement of Financial Accounting Standards No.128 (SFAS #128) Earnings Per Share. Basic loss per share is computed by dividing losses available to common stockholders by the weighted average number of common shares outstanding during the period.

Segment reporting

The Company follows Statement of Financial Accounting Standards No.130, Disclosures About Segments of an Enterprise and Related Information. The Company operates as a single segment and will evaluate additional segment disclosure requirements as it expands its operations.

Edgar Filing: CYBERLUX CORP - Form SB-2

NOTE A-SUMMARY OF ACCOUNTING POLICIES (Continued)

Income taxes

The Company follows Statement of Financial Accounting Standard No.109, Accounting for Income Taxes (SFAS No.109) for recording the provision for income taxes. Deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability during each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change. Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse

Recent pronouncements

In November, 2004, the Financial Accounting Standards Board (FASB) issued SFAS 151, Inventory Costs - an amendment of ARB No. 43, Chapter 4. This statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing", to clarify the accounting for normal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Paragraph 5 of ARB 43, Chapter 4, previously stated that "... under certain circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges. "This Statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal". In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This Statement is effective for inventory costs incurred during the fiscal years beginning after June 15, 2005. Management does not believe the adoption of this Statement will have any immediate material impact on the Company.

In December, 2004, the FASB issued SFAS No. 152, "Accounting for Real Estate Time-Sharing Transactions - an amendment of FASB Statements No. 66 and 67" (SFAS 152). The amendments made by Statement 152. This Statement amends FASB Statement No. 66, Accounting for Sales of Real Estate, to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position (SOP 04-2), Accounting for Real Estate Time-Sharing Transactions. This Statement also amends FASB Statement No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects, to state that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and costs is subject to the guidance of SOP 04-2. This Statement is effective for financial statements for fiscal years beginning after June 15, 2005, with earlier application encouraged. The Company does not anticipate that the implementation of this standard will have a material impact on its financial position, results of operations, or cash flows.

On December 16, 2004, the Financial Accounting Standards Board ("FASB") published Statement of Financial Accounting Standards No. 123 (Revised, 2004),

Edgar Filing: CYBERLUX CORP - Form SB-2

Share-Based Payment ("SFAS 123R"). SFAS 123R requires that compensation cost related to share-based payment transactions be recognized in the financial statements. Share-based payment transactions within the scope of SFAS 123R include stock options, restricted stock plans, performance-based awards, stock appreciation rights, and employee share purchase plans. The provisions of SFAS 123R are effective as of the first interim period that begins after June 15, 2005. Accordingly, the Company will implement the revised standard in the third quarter of fiscal year, 2005. Currently the Company accounts for its share-based payment transactions under the provisions of APB25, which does not necessarily require the recognition of compensation costs in the financial statements. Management is assessing the implications of this revised standard, which may materially impact the Company's results of operations in the third quarter of fiscal year 2005 and thereafter.

On December 16, 2004, the FASB issued Statement of Financial Accounting Standards No. 153, Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions ("SFAS 153"). This Statement amends APB Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. Under SFAS 153, if a nonmonetary exchange of similar productive assets meets a commercial-substance criterion and fair value is determinable, the transaction must be accounted for at fair value resulting in recognition of any gain or loss. SFAS 153 is effective for nonmonetary transactions in the fiscal periods that begin after June 15, 2005. The Company does not anticipate that the implementation of this standard will have a material impact on its financial position, results of operations or cash flows.

F-14

NOTE B-NOTES PAYABLE AND CONVERTIBLE DEBENTURES

Notes payable at December 31, 2004 and 2003 are as follows:

10 % convertible note payable, unsecured and due September, 2003; accrued and unpaid interest due at maturity ; Note holder has the option to convert unpaid note principal together with accrued and unpaid interest to the Company's common stock at a rate of \$.50 per share. The company was in violation of the loan covenants.

10% convertible notes payable, unsecured and due March, 2003; accrued and unpaid interest due at maturity; Note holder has the option to convert unpaid note principal together with accrued and unpaid interest to the Company's common stock at a rate of \$ 1.00 per share. The Company is in violation of the loan covenants.

10% convertible notes payable, unsecured and due March, 2003; accrued and unpaid interest due at maturity; Note holder has the option to convert unpaid note principal together with accrued and unpaid interest to the Company's common stock at a rate of \$.50 per share. The Company is in violation of the loan covenants.

10% notes payable, unsecured and due March, 2003; accrued and unpaid interest due at maturity; Note holder has the option to convert unpaid note principal together with accrued and unpaid interest to the Company's common stock at a

Edgar Filing: CYBERLUX CORP - Form SB-2

rate of \$ 1.00 per share.

18% note payable, interest payable monthly and due June, 2003; note secured by Company's assets and pledge of 3,265,000 shares of the Company's common stock owned by Company's principal shareholders and officers; Note holder has the option to convert unpaid note principal together with accrued and unpaid interest to the Company's common stock at the lower of \$.15 per share or a price per share equal to 85 % of the average daily bid price over the ten preceding days prior to the date of conversion. The Company is in violation of the loan covenants. This note was paid off and settled subsequently in January 2004.

10% Convertible note payable, unsecured and due October 2003; accrued and unpaid interest due at maturity. Note holder has the option to convert the unpaid note principal together with accrued and unpaid interest to the Company's common stock at \$.25 per share. The Note was redeemed in March, 2004 for a combination of common stock and cash.

10% convertible note payable, unsecured and due October 2003 ; accrued and unpaid interest due at maturity; Note holder has the option to convert unpaid note principal together with accrued and unpaid interest to the Company's common stock at the rate of \$.10 per share. The Company is in violation of the loan covenants. The note was converted to common stock in June, 2004

10% convertible note payable in the original amount of \$1,500,000, and due September, 2006. Interest is payable quarterly during the life of the note. The note is convertible into the Company's common stock at the lower of a) \$0.72; b) 50% of the average of the three lowest intraday trading prices for the common stock. The full principal amount of the secured convertible notes is due upon a default under the terms of the secured convertible notes. The note is secured by substantially all of the Company's assets, including the assets of wholly owned subsidiaries and intellectual property. As of December 31, 2004 the Note holder has converted \$144,931 of the principal to common stock of the Company.

Less: current portion

1,3

1,3
(

\$1,3

NOTE B-NOTES PAYABLE AND CONVERTIBLE DEBENTURES (Continued)

In accordance with the Emerging Issues Task Force Issue 98-5, Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios ("EITF 98-5"), the Company recognized an imbedded beneficial conversion feature present in the convertible note. The Company allocated a portion of the proceeds equal to the intrinsic value of that feature to additional paid in capital. During the year ended December 31, 2004, the Company recognized and measured an aggregate of \$1,500,000 of the proceeds, which is equal to the intrinsic value of the imbedded beneficial conversion feature, to additional paid in capital as a discount against the convertible note. The debt discount attributed to the beneficial conversion feature is expensed immediately as interest expense since the note can be converted to common shares at any time.

In connection with the placement of the convertible note, the Company issued non-detachable warrants granting the holders the right to acquire 2,250,000

Edgar Filing: CYBERLUX CORP - Form SB-2

shares of the Company's common stock at \$0.50 per share. The Company valued the warrants in accordance with EITF 00-27 using the Black-Scholes pricing model and the following assumptions: contractual terms of 5 years, an average risk free interest rate of 2.0%, a dividend yield of 0%, and a volatility of 149%.

NOTE C -STOCKHOLDER'S EQUITY

Common Stock

The Company has authorized 300,000,000 shares of common stock, with a par value of \$.001 per share.

During May, 2000, the Company issued 1,640,000 shares of its common stock to its founders in exchange for cash of \$2,200.

During May 2000, the Company issued 750,000 shares of its common stock in exchange for research and development and organizational costs paid for by Research Econometrics, LLP the totaling \$68,753. The stock issued was valued at approximately \$.09 per share, which represents the fair value of the stock issued, which did not differ materially from the value of the services rendered.

During May 2000, the Company issued 875,000 shares of its common stock to an officer of the Company for consulting services valued at \$36,585. The stock issued was valued at approximately \$.05 per share, which represents the fair value of the stock issued, which did not differ materially from the value of the services rendered.

In May, 2000 the Company issued \$40,000 of notes payable convertible into the Company's common stock at a price equal to \$.15 per share. In July 2000, the holders of the notes payable elected to convert \$40,000 of the notes, plus accrued interest, in exchange for 288,000 shares of the Company's common stock.

In November, 2000 the Company issued 640,171 shares of common stock in exchange for \$ 96,026 in connection With a private placement memorandum, net of costs.

During November 2000, the Company issued 122,795 shares of its common stock in exchange for services totaling \$18,419. The stock issued was valued at approximately \$0.15 per share, which represents the fair value of the stock issued, which did not differ materially from the value of the services rendered.

In January 2001, holders of the Company's convertible notes payable elected to convert \$104,817 of debt in exchange for 698,782 shares of the Company's common stock.

In May, 2001, the Company granted certain officers of the Company options to purchase 350,000 shares the Company's common stock at its par value for services rendered.. The options issued were valued at \$.15 per share, or \$52,500 which represents the fair value of the option issued, which did not differ materially from the value of the services received. In November, 2001, the officers elected to exercise their options to purchase the stock for \$350.

In connection with the placement of the Company's Note Payable in October, 2001, the Company issued warrants to purchase 500,000 shares of the Company's common stock at par value to the holders of the Note. The warrant agreement expires October 22, 2004, and is callable upon election by the Company. The 500,000 warrants are valued at \$0.15 per warrant, or \$75,000, which represents the fair value of the warrants, issued and is being amortized over the life of the loan. The warrant was exercised in November, 2001. Amortization expense of \$ 50,000 and \$12,500 was charged to operations in 2002 and 2001, respectively.

During the year ended December 31, 2001, certain warrant holders elected to convert their warrants to 636,000 shares of the Company's \$0.00 1 par value

Edgar Filing: CYBERLUX CORP - Form SB-2

common stock for cash of \$ 14,250.

F-16

NOTE C -STOCKHOLDER'S EQUITY (Continued)

In December 2001, holders of the Company's convertible notes payable elected to convert \$ 75,824 of debt in exchange for 151,648 shares of the Company's common stock.

During May 2002, the Company issued 70,000 shares of its common stock in exchange for services totaling \$49,998. The stock issued was valued at approximately \$.70 per share, which represents the fair value of the stock issued, which did not differ materially from the value of the services rendered.

During November 2002, the Company issued 150,000 shares of its common stock in exchange for services totaling \$ 37,500. The stock issued was valued at approximately \$.25 per share, which represents the fair value of the stock issued, which did not differ materially from the value of the services rendered.

In December, 2002 the Company issued 256,000 shares of common stock in exchange for \$ 64,000 for cash in connection with a private placement memorandum, net of costs.

In May, 2003, the holder of a \$49,030 note payable exchanged the unpaid principal together with accrued interest for 196,120 shares of the Company's common stock.

In June, 2003, the Company issued 200,000 shares of its common stock in exchange for services totaling \$ 50,000. The stock issued was valued at approximately \$.25 per share, which represents the fair value of the stock issued, which did not differ materially from the value of the services rendered.

In September, 2003, the Company issued 450,000 shares of its common stock in exchange for services totaling \$ 90,000. The stock issued was valued at approximately \$.20 per share, which represents the fair value of the stock issued, which did not differ materially from the value of the services rendered.

In November, 2003, the Company issued 11,292 shares of its common stock in exchange for services totaling \$ 5,645. The stock issued was valued at approximately \$.50 per share, which represents the fair value of the stock issued, which did not differ materially from the value of the services rendered.

In January, 2004, the Company collected the balance of its subscriptions receivable of \$276,186.

In January, 2004, the holders of \$27,691 in notes payable exchanged the unpaid principal together with accrued interest for 110,764 shares of the Company's common stock.

In January, 2004, the Company issued 2,585,000 shares of its common stock in exchange for services totaling \$ 956,450. The stock issued was valued at approximately \$.37 per share, which represents the fair value of the stock issued, which did not differ materially from the value of the services rendered.

In January, 2004, the Company issued 1,200,000 shares of its common stock in exchange for services totaling \$ 252,000. The stock issued was valued at approximately \$.21 per share, which represents the fair value of the stock issued, which did not differ materially from the value of the services rendered.

Edgar Filing: CYBERLUX CORP - Form SB-2

In April, 2004, the Company received back and cancelled 450,000 shares of its common stock for return of collateral deposit with factor at \$90,000.

In April, 2004, the Company issued warrants to consultants for services of \$243,000 which represents the fair value of the warrants issued, which did not differ materially from the value of the services rendered.

In April, 2004, the Company issued 2,000,000 options to purchase common stock at \$0.2125 per share to employees of the Company. The company recognized \$275,000 as stock-based compensation and additional paid in capital, which is equal to the intrinsic value of the stock on the date of the award.

In May, 2004, the Company issued 5,310,000 shares of common stock at \$0.10 per share for private placement for cash. In connection with the offering, the investors received a warrant to purchase the Company's common stock for each share of common stock purchased ("Class A Warrants"). The warrants have an exercise price of \$0.25 per share and expire on June 30, 2004.

F-17

NOTE C -STOCKHOLDER'S EQUITY (Continued)

In May, 2004, the Company issued 50,000 shares of common stock at \$0.10 per share on conversion of notes payable.

In June, 2004, the Company issued 1,760,000 shares of its common stock in exchange for services totaling \$ 176,000. The stock issued was valued at approximately \$.10 per share, which represents the fair value of the stock issued, which did not differ materially from the value of the services rendered.

In July, 2004 the Company issued 100,000 shares of common stock in exchange for services rendered to the Company valued at \$40,000. The shares were issued at \$0.40 per share which represents the fair value of the stock issued which did not materially differ from the value of the services rendered.

In July, 2004 the Company issued 100,000 shares of common stock at \$0.10 for private placement for cash.

In August 2004, the Company issued 651,000 shares of common stock against exercise of warrants at \$0.25 per share for \$150,250 in cash and balance \$12,500 was adjusted out of cash received in June 2004.

In August 2004, the Company issued 200,000 shares of common stock for exercise of warrants at \$0.25 per share for cash.

In August, 2004, holders converted 4 shares of preferred stock - Class A into 200,000 of common stock at \$.10 per share.

In September 2004, the Company recognized and measured an aggregate of \$500,000 of the proceeds, which is equal to the intrinsic value of the imbedded beneficial conversion feature, to additional paid in capital and expensed as interest.

In September, 2004, the Company issued warrants to consultants for services for \$106,173 which represents the fair value of the warrants issued, which did not differ materially from the value of the services rendered.

In October, 2004, the Company issued 690,000 shares of its common stock in

Edgar Filing: CYBERLUX CORP - Form SB-2

exchange for services totaling \$ 172,500. The stock issued was valued at approximately \$.25 per share, which represents the fair value of the stock issued, which did not differ materially from the value of the services rendered.

In October, 2004, the Company issued 140,019 shares of its common stock at \$0.15 per share on conversion of notes payable.

In October, 2004, the Company recognized and measured an aggregate of \$500,000 of the proceeds, which is equal to the intrinsic value of the imbedded beneficial conversion feature, to additional paid in capital and expensed as interest.

In November, 2004, the Company recognized and measured an aggregate of \$500,000 of the proceeds, which is equal to the intrinsic value of the imbedded beneficial conversion feature, to additional paid in capital and expensed as interest.

In November, 2004, the Company issued 1,035,221 shares of its common stock at \$0.105 per share on conversion of notes payable.

In December, 2004, the Company issued 1,035,221 shares of its common stock at \$0.035 per share on conversion of notes payable.

In December, 2004, holders converted 15 shares of preferred stock - Class A into 750,000 shares of common stock at \$.10 per share.

In December, 2004, the Company issued 203,867 shares of its common stock to holders of preferred - Class A stock as a penalty for late registration of the underlying common shares. The Company recorded an expense of \$0.44 per share in the amount of \$89,702.

Preferred Stock

The Company has also authorized 5,000,000 shares of preferred Class A stock, with a par value of \$.001 per share.

In December, 2003, the Company issued 155 shares of its convertible preferred stock -class A, valued at \$5,000 per share. This has a stated value of \$5,000 per share and a conversion price of \$0.10 per share and warrants to purchase an aggregate of 15,500,000 shares of our common stock. The Company recorded beneficial conversion discount for the year ended December 31, 2003 of \$736,250.

In May, 2004, the Company issued 15.861 shares of its convertible preferred stock - class A, valued at \$5,000 per share. This has a stated value of \$5,000 per share and a conversion price of \$0.10 per share and warrants to purchase an aggregate of 1,600,000 shares of our common stock.

The Company has also authorized 8,000,000 shares of preferred Class B stock, with a par value of \$.001 per share.

F-18

NOTE C -STOCKHOLDER'S EQUITY (Continued)

In January, 2004, the Company issued 800,000 shares of its preferred stock - class B in lieu of certain accrued management service fees payable and notes payable including interest payable thereon totaling \$800,000 to officers of the company. The stock issued was valued at \$1.00 per share, which represents the

Edgar Filing: CYBERLUX CORP - Form SB-2

fair value of the stock. The shares of preferred stock are convertible into common shares at \$0.20 per share which was amended in April, 2004 to \$0.10 per share. In connection with the transaction, the Company recorded a beneficial conversion discount of \$800,000 - preferred dividend relating to the issuance of the convertible preferred stock. The preferred stock - class B accumulates interest, payable as dividends at the rate of 12% per annum. For the year ended December 31, 2004 \$96,000 in dividends were accumulated. These dividends are not recorded until declared by the Company.

NOTE D -STOCK OPTIONS

Class A Warrants

The following table summarizes the changes in warrants outstanding and the related prices for the shares of the Company's common stock issued to shareholders at December 31,2004.

Exercise Prices	Number Outstanding	Warrants Outstanding		Warrants Exercisable	
		Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	
\$ 0.10	91,500	5	\$ 0.10	91,500	
0.20	1,445,000	4	0.20	1,445,000	
0.25	10,101,564	3	0.25	10,101,164	
0.50	2,600,000	5	0.50	2,600,000	
\$ 1.05	8,643,064	3	1.05	8,643,064	
	22,881,128	3.30	\$ 0.58	22,881,128	

Transactions involving the Company's warrant issuance are summarized as follows:

	Number of Shares	Weighted Average Price Per Share
Outstanding at December 31,2003	15,895,000	\$ 0.54
Granted	11,756,128	0.39
Exercised	(851,000)	0.25
Canceled or expired	(3,919,000)	0.25
Outstanding at December 31, 2004	22,881,128	\$0 .58

Employee Stock Options

The following table summarizes the changes in options outstanding and the related prices for the shares of the Company's common stock issued to employees of the Company under a non-qualified employee stock option plan.

Exercise Prices	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	

Edgar Filing: CYBERLUX CORP - Form SB-2

\$ 0.2125	2,000,000	5	\$ 0.2125	2,000,000
0.2975	2,000,000	6	0.2125	2,000,000
	4.000.000	5.5	\$ 0.2125	4.000.000

F-19

NOTE D -STOCK OPTIONS (Continued)

Transactions involving stock options issued to employees are summarized as follows:

	Number of Shares	Weighted Average Price Per Share
Outstanding at December 31, 2003	2,000,000	\$0.2125
Granted	2,000,000	0.2125
Exercised	-	-
Canceled or expired	-	-
Outstanding at December 31, 2004	4.000.000	\$0.2125

The weighted-average fair value of stock options granted to employees during the period ended December 31, 2004 and 2003 and the weighted-average significant assumptions used to determine those fair values, using a Black-Scholes option pricing model are as follows:

	2004	2003
Significant assumptions (weighted-average):		
Risk-free interest rate at grant date	2.0%	1.02%
Expected stock price volatility	149%	26%
Expected dividend payout	-	-
Expected option life-years (a)	6	5

(a)The expected option life is based on contractual expiration dates.

If the Company recognized compensation cost for the stock options and warrants for the non-qualified employee stock option plan in accordance with SF AS No.123, the Company's pro forma net loss and net loss per share would have been \$(7,379,648) and \$(0.44) for the year ended December 31,2004 and \$(2,337,606) and \$(0.31) for the year ended December 31, 2003, respectively.

NOTE E -RELATED PARTY TRANSACTIONS

The Company entered into a sub-lease agreement with Research Econometrics, LLP, which provides the Company the ability to continue the research and development efforts of the Electrochemical Portable Power Plant and Lighting System. The agreement is on a month-to-month basis. Total rental expense for the years ending December 31, 2004 and 2003 was \$ 0 and \$8,814, respectively.

The Company incurred management fees to its officers totaling \$445,997 and \$504,000 during the years ended December 31, 2004 and December 31, 2003, respectively. Unpaid management fees aggregate \$ 0 and \$996,508 as of December 31, 2004 and 2003, respectively. In May, 2004 the Board of Directors converted \$723,670 in unpaid management fees to Preferred Class B shares of the Company at a rate of \$1.00 per preferred share. The Company also issued notes payable to officers in the amount of \$283,835 for the balance of the unpaid management

Edgar Filing: CYBERLUX CORP - Form SB-2

fees.

From time to time, the Company's principal officers have advanced funds to the Company for working capital purposes in the form of unsecured promissory notes, accruing interest at 12% per annum. As of December 31, 2004 and 2003, the balance due to the officers was \$ 399,080 and \$207,845, respectively.

NOTE F -COMMITMENTS AND CONTINGENCIES

Consulting Agreements

The Company has consulting agreements with outside contractors, certain of whom are also Company stockholders. The Agreements are generally for a term of 12 months from inception and renewable automatically from year to year unless either the Company or Consultant terminates such engagement by written notice.

NOTE G- LOSSES PER SHARE

The following table presents the computation of basic and diluted losses per share:

	2004	2003
Net loss available to Common stockholders	\$ (6,825,848)	\$ (2,230,806)
Basic and diluted loss per share	(0.41)	(0.29)
Weighted average common shares outstanding	16,701,174	7,652,012

F-20

NOTE H- INCOME TAXES

The Company has adopted Financial Accounting Standards No.109, which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statement or tax returns.

Under this method, deferred tax liabilities and assets are determined based on the difference between financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Temporary differences between taxable income reported for financial reporting purposes and income tax purposes are insignificant. At December 31,2004 and 2003, the Company has available for federal income tax purposes a net operating loss carry forward of approximately \$ 8,500,000, expiring in the year 2023, that may be used to offset future taxable income. The Company has provided a valuation reserve against the full amount of the net operating loss benefit, since in the opinion of management based upon the earnings history of the Company, it is more likely than not that the benefits will not be realized.

Components of deferred tax assets as of December 31,2004 are as follows:

Non current:	
Net operating loss carry forward	\$ 2,900,000
Valuation allowance	\$ (2,900,000)
Net deferred tax asset	-

The realization of these net operating loss carry forwards is dependent upon generating taxable income prior to the related year of expiration. The amount of carry forward that may be utilized in any future tax year may also be subject to certain limitations, including limitations as a result of certain stockholder

Edgar Filing: CYBERLUX CORP - Form SB-2

ownership changes in which may be beyond the control of the Company.

NOTE I- GOING CONCERN MATTERS

The accompanying statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements during the years ended December 31, 2004 and 2003, the Company incurred losses from operations of \$(6,025,848) and \$(1,494,556), respectively. These factors among others may indicate that the Company will be unable to continue as a going concern for a reasonable period of time.

The Company is actively pursuing additional equity financing through discussions with investment bankers and private investors. There can be no assurance the Company will be successful in its effort to secure additional equity financing.

If operations and cash flows continue to improve through these efforts, management believes that the Company can continue to operate. However, no assurance can be given that management's actions will result in profitable operations or the resolution of its liquidity problems.

The Company's existence is dependent upon management's ability to develop profitable operations and resolve its liquidity problems. Management anticipates the Company will attain profitable status and improve its liquidity through the continued developing, marketing and selling of its services and additional equity investment in the Company. The accompanying financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

NOTE J-SUBSEQUENT EVENTS

In January, 2005, the Company issued 1,035,221 shares of its common stock at \$0.0248 per share on conversion of notes payable.

In January, 2005, the Company issued 1,035,221 shares of its common stock at \$0.0135 per share on conversion of notes payable.

In February, 2005, the Company issued 1,035,221 shares of its common stock at \$0.00883 per share on conversion of notes payable.

In March, 2005, the Company issued 1,035,221 shares of its common stock at \$0.01358 per share on conversion of notes payable.

In March, 2005, the Company issued 1,035,221 shares of its common stock at \$0.00983 per share on conversion of notes payable.

F-21

CYBERLUX CORPORATION
(A Development Stage Company)
Balance Sheets

Assets

March 31, 2005
Unaudited

Edgar Filing: CYBERLUX CORP - Form SB-2

Current assets:

Cash & cash equivalents	\$ 10,
Accounts Receivable	13,
Prepaid expenses	36,

Total current assets	60,

Property, plant and equipment, net of accumulated depreciation of \$ 100,629 and \$92,335, respectively 35,

Other Assets:

Patents	61,

Total other assets	61,

Total Assets \$ 157,
=====

Liabilities and Deficiency in Stockholders' Equity

Current liabilities:

Accounts payable	\$ 166,
Accrued liabilities	347,
Short-term notes payable - shareholders	394,
Short-term notes payable	27,

Total current liabilities	935,

Long-term liabilities:

Notes payable	1,282,

Total long-term liabilities	1,282,

Deficiency Stockholders' equity:

Preferred stock, \$0.001 par value, 5,000,000 shares authorized, Class A, 113.3606 and 151.8606 shares issued and outstanding as of March 31, 2005 and December 31, 2004 respectively

Preferred stock, \$0.001 par value, 8,000,000 shares authorized, Class B, 800,000 and 0 shares issued and outstanding as of March 31, 2005 and December 31, 2004 respectively

Common stock, \$0.001 par value, 300,000,000 shares authorized, 30,871,338 and 23,770,233 shares issued and outstanding as of March 31, 2005 and December 31, 2004 respectively 30,

Additional paid-in capital	9,179,
Accumulated deficit	(11,271,

Deficiency in stockholders' equity (2,060,

Edgar Filing: CYBERLUX CORP - Form SB-2

Total liabilities and (deficiency) in stockholders' equity \$ 157,
=====

The accompanying notes are an integral part of these financial statements

F-22

CYBERLUX CORPORATION
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Fo March 31, 2
Revenue	\$ 13,
Cost of goods sold	(6,

Gross margin (loss)	7,
Operating Expenses:	
Marketing and advertising	21,
Depreciation and amortization	8,
Research and development	18,
General and administrative expenses	339,

Total operating expenses	388,

(Loss) from operations	(380,
Other income/(expense)	
Other Income	15,
Interest income	
Interest expense	(43,

Net Loss before provision for income taxes and preferred dividend	(423,
Income taxes (benefit)	

Net loss	(423,
Preferred dividend - Beneficial conversion discount on convertible preferred	

Net loss available to common stockholders	\$ (423, =====
Weighted average number of common shares outstanding, basic and fully diluted	27,919,
Net loss per share - Basic and fully diluted	\$ (0

Edgar Filing: CYBERLUX CORP - Form SB-2

Preferred dividend \$ 24,

The accompanying notes are an integral part of these financial statements

F-23

CYBERLUX CORPORATION
CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Fo
	March 31, 2
Cash flows provided by (from-used in) operating activities	
Net (loss) available to common stockholders	\$ (423,
Depreciation and amortization	8,
Beneficial conversion discount - preferred stock dividend	
Shares issued for previously incurred debt	73,
Warrants issued to consultants for services	14,
Preferred shares issued for conversion of accrued management fees	
Preferred shares issued for previously incurred debt	76,
Shares issued for consulting services	47,
Shares issued for research and development	
Decrease (increase) in accounts receivable	(13,
Decrease (increase) in deposits	236,
(Increase) decrease in prepaid expenses	32,
(Increase)/decrease in other assets	(31,
Increase (decrease) in accrued liabilities	23,
(Decrease) increase in management fee payable-related party	
(Decrease) increase in other accounts payable	(9,
Net cash (used in) operating activities	----- (326,
Cash flows provided by (used in) investing activities	

Edgar Filing: CYBERLUX CORP - Form SB-2

Payments for property, plant and equipment	(
Cash (used in) investing activities	(
Cash flows provide by (used in) financing activities	
(Payments for)/proceeds from short-term notes payable, net	
(Payments for)/proceeds from short-term notes payable-shareholders (net)	(4,
Proceeds from advance deposits	
(Payments for)/Proceeds from convertible long-term notes	(73,
Proceeds from issuance of common stock	
Net cash provided by (used in) financing activities	(77,
Net increase (decrease) in cash	(404,
Cash - beginning	415,
Cash - ending	\$ 10,
Supplemental disclosures:	
Interest Paid	\$
Income Taxes Paid	
Non-Cash investing and financing activities:	
Shares issued for research and development and consulting	
Shares issued for conversion of debt	73,
Warrants issued in connection with financing	
Warrants issued to consultants for services	14,
Shares issued in connection with loan	
Beneficial conversion discount on convertible preferred stock	
Convertible preferred shares issued for note payable and accrued interest -	
Convertible preferred shares issued for accrued management fees	

The accompanying notes are an integral part of these financial statements

F-24

CYBERLUX CORPORATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005
(Unaudited)

Edgar Filing: CYBERLUX CORP - Form SB-2

NOTE A-SUMMARY OF ACCOUNTING POLICIES

General

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Accordingly, the results from operations for the three-month period ended March 31, 2005, are not necessarily indicative of the results that may be expected for the year ended December 31, 2005. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated December 31, 2004 financial statements and footnotes thereto included in the Company's Form 10-KSB for the year ended December 31, 2004.

Business and Basis of Presentation

Cyberlux Corporation (the "Company") is incorporated under the laws of the State of Nevada. The Company, which has transitioned from a development state enterprise, develops, manufactures and markets long-term portable lighting products for commercial and industrial users. While the Company has generated revenues from its sale of products, the Company has incurred expenses, and sustained losses. Consequently, its operations are subject to all risks inherent in the establishment of a new business enterprise. As of March 31, 2005, the Company has accumulated losses of \$11,271,344.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain reclassifications have been made to conform prior periods' data to the current presentation. These reclassifications had no effect on reported losses.

Stock-Based Compensation:

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of SFAS 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary charge to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in APB Opinion No.25 and related interpretations. Accordingly, compensation expense for stock options is measured as the excess, if any, of the fair market value of the Company's stock at the date of the grant over the exercise price of the related option. The Company has adopted the annual disclosure provisions of SFAS No.148

Edgar Filing: CYBERLUX CORP - Form SB-2

in its financial reports for the year ended December 31,2002 and subsequent years.

Had compensation costs for the Company's stock options been determined based on the fair value at the grant dates for the awards, the Company's net loss and losses per share would have been as follows (transactions involving stock options issued to employees and Black-Scholes model assumptions are presented in Note D):

F-25

CYBERLUX CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 MARCH 31, 2005
 (Unaudited)

NOTE A-SUMMARY OF ACCOUNTING POLICIES (Continued)

	For the three months ended March	
	2004	2003
	-----	-----
Net loss attributable to common stockholders -as reported	\$ (423,660)	\$ (719,709)
Add. Total stock based employee compensation expense as reported under intrinsic value method (APB No. 25)	--	--
Deduct Total stock based employee compensation expense as reported under fair value based method (SFAS No. 123)	--	--
	-----	-----
Net loss -Pro Forma	\$ (423,660)	\$ (719,709)
	-----	-----
Net loss attributable to common stockholders - Pro forma	\$ (423,660)	\$ (719,709)
	=====	=====
Basic (and assuming dilution) loss per share - as reported	\$ (0.02)	\$ (0.06)
Basic (and assuming dilution) loss per share - Pro forma	\$ (0.02)	\$ (0.06)

NOTE B -RELATED PARTY TRANSACTIONS

From time to time, the Company's principal officers have advanced funds to the Company for working capital purposes in the form of unsecured promissory notes, accruing interest at 12% per annum. As of March 31, 2005 and December 31, 2004, the balance due to the officers was \$ 394,595 and \$399,080, respectively.

NOTE C-SUBSEQUENT EVENTS

In April, 2005, the Company issued 1,035,221 shares of its common stock at \$0.0118 per share on conversion of notes payable.

In April, 2005, the Company issued 1,035,221 shares of its common stock at \$0.011 per share on conversion of notes payable.

In May, 2005, the Company issued 1,035,221 shares of its common stock at \$0.0108 per share on conversion of notes payable.

F-26

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 24. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Our Articles of Incorporation, as amended, provide to the fullest extent permitted by Nevada law, our directors or officers shall not be personally liable to us or our shareholders for damages for breach of such director's or officer's fiduciary duty. The effect of this provision of our Articles of Incorporation, as amended, is to eliminate our right and our shareholders (through shareholders' derivative suits on behalf of our company) to recover damages against a director or officer for breach of the fiduciary duty of care as a director or officer (including breaches resulting from negligent or grossly negligent behavior), except under certain situations defined by statute. We believe that the indemnification provisions in its Articles of Incorporation, as amended, are necessary to attract and retain qualified persons as directors and officers.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

ITEM 25. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth an itemization of all estimated expenses, all of which we will pay, in connection with the issuance and distribution of the securities being registered:

NATURE OF EXPENSE AMOUNT

SEC Registration fee	\$ 441.38
Accounting fees and expenses	10,000.00*
Legal fees and expenses	40,000.00*
Miscellaneous	4,558.62

TOTAL	\$55,000.00*
	=====

* Estimated.

Edgar Filing: CYBERLUX CORP - Form SB-2

ITEM 26. RECENT SALES OF UNREGISTERED SECURITIES.

On May 29, 2002, we issued 70,000 shares of our common stock to an individual for services rendered valued at \$49,000. The shares were issued in accordance with Section 4(2) of the Securities Act. No broker or dealer was involved in the transaction and no discounts or commissions were paid.

During November 2002, we issued 150,000 shares of our common stock in exchange for services totaling \$37,500. The stock issued was valued at \$0.25 per share, which represents the fair value of the stock issued, which did not differ materially from the value of the services rendered.

In December 2002, we issued 256,000 shares of common stock for \$64,000 in connection with a private placement memorandum, net of costs.

On October 1, 2003, we entered into an agreement with Consulting for Strategic Growth 1, Ltd. ("CFSG"), in which CFSG would provide consulting services in the form of investor relations and public relations. On January 27, 2004, in consideration for services rendered, Stanley Wunderlich, Chairman of CFSG was issued 125,000 shares of our common stock at \$0.001 per share and Bonnie Stretch, public relations for CFSG, was issued 25,000 shares of our Common stock at \$0.001 per share. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act.

On October 30, 2003, we entered into an agreement with Roccus Capital Partners, LLC ("RCP") and Alliance Advisors ("AA") in which RCP and AA would provide strategic advisement to us. On January 27, 2004, as an engagement fee, Richard L. Berkley and Marc A. Heskell, principals of RCP and Alan Sheinwald, principal of AA were each issued 75,000 shares of our common stock at \$0.001 per share. These issuances were private transactions pursuant to Section 4(2) of the Securities Act.

On December 1, 2003, we entered into an agreement with CFSG, in which CFSG would provide consulting services in the form of investor relations and public relations. In consideration for services to be rendered, on January 27, 2004, Stanley Wunderlich was issued 60,000 shares of our common stock at \$0.001 per share with 10,000 shares issued each month based upon performance criteria satisfactory to both parties. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act.

On January 27, 2004, we issued 700,000 shares of our Common stock at \$0.01 per share to Titan Entertainment Group pursuant to a consulting services agreement in which Titan Entertainment Group would create strategic business relationships for us. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act.

On January 27, 2004, we issued 600,000 shares of our Common stock at \$0.01 per share to Michael J. Stern pursuant to a consulting services agreement in which Michael J. Stern would create strategic business relationships for us. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act.

On January 27, 2004, we issued 600,000 shares of our Common stock at \$0.01 per share to KBK Ventures, Inc. pursuant to a consulting services agreement in which KBK Ventures would create strategic business relationships for us. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act.

On January 27, 2004, we issued 800,000 shares of our Common stock at \$0.01 per share to 3CD Consulting, LLC pursuant to a consulting services

Edgar Filing: CYBERLUX CORP - Form SB-2

agreement in which 3CD Consulting would create strategic business relationships for us. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act.

On January 27, 2004, we issued 600,000 shares of our Common stock at \$0.01 per share to Ronald E. Gee pursuant to a consulting services agreement in which Ronald E. Gee would create strategic business relationships us. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act.

On January 27, 2004, we issued 155 shares of Series A Preferred Stock (with a stated value of \$5,000 per share and a conversion price of \$0.10 per share) and warrants to purchase an aggregate of 15,500,000 of our common stock. This private placement was exempt from registration pursuant to Section 4(2) of the Securities Act.

II-2

On January 27, 2004, we issued 40,000 shares of our Common stock at \$0.001 per share to Donald F. Huffman in consideration of services on our behalf. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act.

On January 27, 2004, we issued 10,000 shares of our common stock at \$0.001 per share to Robert Rubin in consideration of services on our behalf. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act.

On January 27, 2004, Brian Scott converted a \$20,000 promissory note dated April 1, 2003 in the amount of \$20,000 into 80,000 shares of the our common stock at \$0.25 per share. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act.

On April 5, 2004, we issued 450,000 shares of our common stock issued to Capital Funding Solutions as collateral pursuant to a factoring agreement were cancelled.

In May 2004, we issued 5,310,000 shares of our common stock at \$0.10 per share and 5,310,000 warrants exercisable at \$0.25 per share. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act

On May 25, 2004, we issued 15.861 shares of Series A Preferred Stock (with a stated value of \$5,000 per share and a conversion price of \$0.10 per share) and warrants to purchase an aggregate of 793,065 of our common stock. This private placement was exempt from registration pursuant to Section 4(2) of the Securities Act.

On June 4, 2004, we issued 30,500 stock purchase warrants exercisable at \$0.25 per share and 19,500 stock purchase warrants exercisable at \$0.10 per share each to Marc Haskell, Richard Berkley and Alan Sheinwald pursuant to a consulting agreement. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act.

On June 4, 2004, Michael Kelly converted a promissory note in the amount of \$5,000 into 50,000 shares of our common stock at \$0.10 per share. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act.

On June 4, 2004, we issued 30,000 shares of our common stock valued at

Edgar Filing: CYBERLUX CORP - Form SB-2

\$.10 per share to Forma Designs, Inc. for services rendered. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act.

On June 4, 2004, we issued 310,000 stock purchase warrants to Dennis Oon, Gary Murphy, Brian Kramen and Ed English exercisable at \$0.20 per share for services rendered. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act.

On June 8, 2004, we issued 975,000 shares of our common stock valued at \$.10 per share and 975,000 stock purchase warrants exercisable at \$0.25 per share pursuant to an agreement in which Current Capital would provide investor relation services for us. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

On June 8, 2004, we issued 375,000 shares of our common stock valued at \$.10 per share and 375,000 stock purchase warrants exercisable at \$0.25 per share to Advisory Group Ltd. pursuant to an agreement in which Advisory Group Ltd. would provide investor relation services for us. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

On June 8, 2004, we issued 200,000 shares of our common stock valued at \$.10 per share to Phil Snowden and C. Clark Burns pursuant to a consulting agreement. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act.

On June 16, 2004, we issued 60,000 shares of our common stock valued at \$.10 per share and 100,000 stock purchase warrants exercisable at \$0.50 each to Frank Maresca Associate, Inc., William Schnell & Associates, Inc. and Bruce W. Geiger & Associates, Inc. pursuant to a consulting agreement. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act.

II-3

On July 14, 2004, we issued 100,000 shares of our Common Stock to John Hanemaayer at \$0.10 per share. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

On July 15, 2004, we issued 100,000 stock purchase warrants exercisable at \$0.20 per share to Michael G. Konicek for services rendered. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

On July 30, 2004, we issued 100,000 shares of our Common Stock to David Bomberg pursuant to a consulting agreement. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act.

On August 24, 2004, we issued 701,000 shares of our Common Stock against exercise of warrants at \$0.25 per share. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

On August 24, 2004, holders of 4 shares of our Series A Convertible Preferred Stock exercised their rights to convert into 200,000 shares of our Common Stock. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

On September 17, 2004, we issued 200,000 shares of our Common Stock against exercise of warrants at \$0.25 per share. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

On September 17, 2004, we issued 150,000 stock purchase warrants to

Edgar Filing: CYBERLUX CORP - Form SB-2

Donald B. Hutton for services rendered at \$0.25 per share. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

To obtain funding for our ongoing operations, we entered into a Securities Purchase Agreement with AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd., and New Millennium Partners II, LLC on September 23, 2004 for the sale of (i) \$1,500,000 in secured convertible notes and (ii) a warrants to buy 2,250,000 shares of our common stock.

The investors provided us with the funds as follows:

- o \$500,000 was disbursed on September 23, 2004;
- o \$500,000 was disbursed on October 20, 2004; and
- o \$500,000 was disbursed on November 18, 2004.

The secured convertible notes bear interest at 10%, mature two years from the date of issuance, and are convertible into our common stock, at the investors' option, at the lower of (i) \$0.72 or (ii) 50% of the average of the three lowest intraday trading prices for the common stock on a principal market for the 20 trading days before but not including the conversion date. The full principal amount of the secured convertible notes are due upon default under the terms of secured convertible notes. In addition, we have granted the investors a security interest in substantially all of our assets and intellectual property and registration rights. The warrants are exercisable until five years from the date of issuance at a purchase price of \$0.50 per share. In addition the warrants exercise price gets adjusted in the event we issue common stock at a price below market, with the exception of any securities issued as of the date of this warrant.

On October 11, 2004, we issued 50,000 stock purchase warrants exercisable at \$0.20 per share to Fleetwood Associates for services rendered. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

On October 18, 2004, we issued 500,000 shares of our Common Stock to Greenfield Capital, LLC pursuant to a placement agent agreement. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

II-4

On October 18, 2004, Dolores and Ray L. Jennings converted a promissory note in the amount of \$21,002.85 into 140,019 shares of our Common Stock at \$0.15 per share. This issuance was a private transaction pursuant to Section 4(2) of the Securities Act.

On October 18, 2004, we issued 90,000 shares of our Common Stock to Dolores and Ray L. Jennings for services rendered. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

On October 18, 2004, we issued 100,000 shares of our Common Stock to Sichenzia Ross Friedman Ference LLP for legal services rendered. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

On November 8, 2004, we issued 250,000 stock purchase warrants exercisable at \$0.20 per share to RoBrady Capital, LLC for services rendered. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

Edgar Filing: CYBERLUX CORP - Form SB-2

On November 8, 2004, we issued 50,000 stock purchase warrants exercisable at \$0.20 per share to Stephen W. Gropp for services rendered. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

On November 8, 2004, we issued 50,000 stock purchase warrants exercisable at \$0.20 per share to Timothy C. Dudgeon for services rendered. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

On November 8, 2004, we issued 200,000 stock purchase warrants exercisable at \$0.20 per share to William Walker for services rendered. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

On December 10, 2004, we issued 203,867 shares of our Common Stock to our Series A Preferred Shareholders at \$0.44 per share as a penalty for late registration of the underlying stock. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

On December 14, 2004, we issued 200,000 stock purchase warrants exercisable at \$0.20 per share to William Walker for services rendered. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

On December 14, 2004, we issued 200,000 stock purchase warrants exercisable at \$0.20 per share to Hunter H. Bostfor services rendered. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

In December 2004, holders converted 15 shares of our Series A Preferred Stock into 750,000 shares of our Common Stock at \$.10 per share. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

In January 2005, holders converted 33.5 shares of our Series A Preferred Stock into 1,425,000 shares of our Common Stock at \$.10 per share. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

In February 2005, holders converted 5 shares of our Series A Preferred Stock into 250,000 shares of our Common Stock at \$.10 per share. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

To obtain funding for our ongoing operations, we entered into a Securities Purchase Agreement with AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd., and New Millennium Partners II, LLC on April 22, 2005 for the sale of (i) \$1,500,000 in secured convertible notes and (ii) a warrants to buy 25,000,000 shares of our common stock.

II-5

The investors are obligated to provide us with an aggregate of \$1,500,000 as follows:

- o \$600,000 was disbursed on April 22, 2005;
- o \$500,000 will be disbursed within five days of the filing of this registration statement; and

Edgar Filing: CYBERLUX CORP - Form SB-2

- o \$400,000 will be disbursed within five days of the effectiveness of this prospectus.

The secured convertible notes bear interest at 10%, mature three years from the date of issuance, and are convertible into our common stock, at the investors' option, at the lower of (i) \$0.03 or (ii) 50% of the average of the three lowest intraday trading prices for the common stock on a principal market for the 20 trading days before but not including the conversion date. The full principal amount of the secured convertible notes are due upon default under the terms of secured convertible notes. In addition, we have granted the investors a security interest in substantially all of our assets and intellectual property and registration rights. The warrants are exercisable until five years from the date of issuance at a purchase price of \$0.03 per share. In addition the warrants exercise price gets adjusted in the event we issue common stock at a price below market, with the exception of any securities issued as of the date of this warrant.

* All of the above offerings and sales were deemed to be exempt under rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933, as amended. No advertising or general solicitation was employed in offering the securities. The offerings and sales were made to a limited number of persons, all of whom were accredited investors, business associates of Cyberlux or executive officers of Cyberlux, and transfer was restricted by Cyberlux Corporation in accordance with the requirements of the Securities Act of 1933. In addition to representations by the above-referenced persons, we have made independent determinations that all of the above-referenced persons were accredited or sophisticated investors, and that they were capable of analyzing the merits and risks of their investment, and that they understood the speculative nature of their investment. Furthermore, all of the above-referenced persons were provided with access to our Securities and Exchange Commission filings.

Except as expressly set forth above, the individuals and entities to whom we issued securities as indicated in this section of the registration statement are unaffiliated with us.

II-6

ITEM 27. EXHIBITS.

The following exhibits are included as part of this Form SB-2. References to "the Company" in this Exhibit List mean Cyberlux Corporation, a Nevada corporation.

Exhibit No.	Description
3.1	Articles of Incorporation, dated as of May 17, 2000, filed as an exhibit to the registration statement on Form 10-SB filed with the Commission on December 17, 2001 and incorporated herein by reference.
3.2	Certificate of Amendment to the Articles of Incorporation, dated as of April 3, 2003, filed as an exhibit to the registration statement on Form SB-2 filed with the Commission on April 30, 2003 and incorporated herein by reference.
3.3	Bylaws of Cyberlux Corporation, filed as an exhibit to the registration statement on Form 10-SB filed with the

Edgar Filing: CYBERLUX CORP - Form SB-2

Commission on December 17, 2001 and incorporated herein by reference.

- 3.4 Certificate of Designation of Series A Preferred Stock, filed as an exhibit to the current report on Form 8-K filed with the Commission on January 8, 2004 and incorporated herein by reference.
- 4.1 Securities Purchase Agreement, dated as of September 23, 2004, by and among Cyberlux Corporation, AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and New Millennium Capital Partners II, LLC, filed as Exhibit 4.1 to the current report on Form 8-K filed with the Commission on September 29, 2004 and incorporated herein by reference.
- 4.2 Secured Convertible Note issued to AJW Offshore, Ltd., dated September 23, 2004, filed as Exhibit 4.2 to the current report on Form 8-K filed with the Commission on September 29, 2004 and incorporated herein by reference.
- 4.3 Secured Convertible Note issued to AJW Qualified Partners, LLC, dated September 23, 2004, filed as Exhibit 4.3 to the current report on Form 8-K filed with the Commission on September 29, 2004 and incorporated herein by reference.
- 4.4 Secured Convertible Note issued to AJW Partners, LLC, dated September 23, 2004, filed as Exhibit 4.4 to the current report on Form 8-K filed with the Commission on September 29, 2004 and incorporated herein by reference.
- 4.5 Secured Convertible Note issued to New Millennium Capital Partners II, LLC, dated September 23, 2004, filed as Exhibit 4.5 to the current report on Form 8-K filed with the Commission on September 29, 2004 and incorporated herein by reference.
- 4.6 Common Stock Purchase Warrant issued to AJW Offshore, Ltd., dated September 23, 2004, filed as Exhibit 4.6 to the current report on Form 8-K filed with the Commission on September 29, 2004 and incorporated herein by reference.
- 4.7 Common Stock Purchase Warrant with AJW Qualified Partners, LLC, dated September 23, 2004, filed as Exhibit 4.7 to the current report on Form 8-K filed with the Commission on September 29, 2004 and incorporated herein by reference.
- 4.8 Common Stock Purchase Warrant with AJW Partners, LLC, dated September 23, 2004, filed as Exhibit 4.8 to the current report on Form 8-K filed with the Commission on September 29, 2004 and incorporated herein by reference.
- 4.9 Common Stock Purchase Warrant with New Millennium Capital Partners II, LLC, dated September 23, 2004, filed as Exhibit 4.9 to the current report on Form 8-K filed with the Commission on September 29, 2004 and incorporated herein by reference.

Edgar Filing: CYBERLUX CORP - Form SB-2

- 4.10 Registration Rights Agreement, dated as of September 23, 2004, by and among Cyberlux Corporation, AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and New Millennium Capital Partners II, LLC, filed as Exhibit 4.10 to the current report on Form 8-K filed with the Commission on September 29, 2004 and incorporated herein by reference.
- 4.11 Security Agreement, dated as of September 23, 2004, by and among Cyberlux Corporation, AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and New Millennium Capital Partners II, LLC, filed as Exhibit 4.11 to the current report on Form 8-K filed with the Commission on September 29, 2004 and incorporated herein by reference.
- 4.12 Intellectual Property Security Agreement, dated as of September 23, 2004, by and among Cyberlux Corporation, AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and New Millennium Capital Partners II, LLC, filed as Exhibit 4.12 to the current report on Form 8-K filed with the Commission on September 29, 2004 and incorporated herein by reference.
- 4.13 Guaranty and Pledge Agreement, dated as of September 23, 2004, by and among Cyberlux Corporation, AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd., New Millennium Capital Partners II, LLC and Donald F. Evans, filed as Exhibit 4.13 to the current report on Form 8-K filed with the Commission on September 29, 2004 and incorporated herein by reference.
- 4.14 Secured Convertible Note issued to AJW Offshore, Ltd., dated October 20, 2004.
- 4.15 Secured Convertible Note issued to AJW Qualified Partners, LLC, dated October 20, 2004.
- 4.16 Secured Convertible Note issued to AJW Partners, LLC, dated October 20, 2004.
- 4.17 Secured Convertible Note issued to New Millennium Capital Partners II, LLC, dated October 20, 2004.
- 4.18 Common Stock Purchase Warrant issued to AJW Offshore, Ltd., dated October 20, 2004.
- 4.19 Common Stock Purchase Warrant with AJW Qualified Partners, LLC, dated October 20, 2004.
- 4.20 Common Stock Purchase Warrant with AJW Partners, LLC, dated October 20, 2004.
- 4.21 Common Stock Purchase Warrant with New Millennium Capital Partners II, LLC, dated October 20, 2004.
- 4.22 Secured Convertible Note issued to AJW Offshore, Ltd., dated November 18, 2004.
- 4.23 Secured Convertible Note issued to AJW Qualified Partners, LLC, dated November 18, 2004.
- 4.24 Secured Convertible Note issued to AJW Partners, LLC, dated November 18, 2004.

Edgar Filing: CYBERLUX CORP - Form SB-2

- 4.25 Secured Convertible Note issued to New Millennium Capital Partners II, LLC, dated November 18, 2004.
- 4.26 Common Stock Purchase Warrant issued to AJW Offshore, Ltd., dated November 18, 2004.
- 4.27 Common Stock Purchase Warrant with AJW Qualified Partners, LLC, dated November 18, 2004.
- 4.28 Common Stock Purchase Warrant with AJW Partners, LLC, dated November 18, 2004.

II-8

- 4.29 Common Stock Purchase Warrant with New Millennium Capital Partners II, LLC, dated November 18, 2004.
- 4.30 Securities Purchase Agreement, dated as of April 22, 2005, by and among Cyberlux Corporation, AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and New Millennium Capital Partners II, LLC, filed as an exhibit to the current report on Form 8-K filed with the Commission on April 28, 2005 and incorporated herein by reference.
- 4.31 Secured Convertible Note issued to AJW Offshore, Ltd., dated April 22, 2005, filed as an exhibit to the current report on Form 8-K filed with the Commission on April 28, 2005 and incorporated herein by reference.
- 4.32 Secured Convertible Note issued to AJW Qualified Partners, LLC, dated April 22, 2005, filed as an exhibit to the current report on Form 8-K filed with the Commission on April 28, 2005 and incorporated herein by reference.
- 4.33 Secured Convertible Note issued to AJW Partners, LLC, dated April 22, 2005, filed as an exhibit to the current report on Form 8-K filed with the Commission on April 28, 2005 and incorporated herein by reference.
- 4.34 Secured Convertible Note issued to New Millennium Capital Partners II, LLC, dated April 22, 2005, filed as an exhibit to the current report on Form 8-K filed with the Commission on April 28, 2005 and incorporated herein by reference.
- 4.35 Common Stock Purchase Warrant issued to AJW Offshore, Ltd., dated April 22, 2005, filed as an exhibit to the current report on Form 8-K filed with the Commission on April 28, 2005 and incorporated herein by reference.
- 4.36 Common Stock Purchase Warrant with AJW Qualified Partners, LLC, dated April 22, 2005, filed as an exhibit to the current report on Form 8-K filed with the Commission on April 28, 2005 and incorporated herein by reference.
- 4.37 Common Stock Purchase Warrant with AJW Partners, LLC, dated April 22, 2005, filed as an exhibit to the current report on Form 8-K filed with the Commission on April 28, 2005 and incorporated herein by reference.

Edgar Filing: CYBERLUX CORP - Form SB-2

- 4.38 Common Stock Purchase Warrant with New Millennium Capital Partners II, LLC, dated April 22, 2005, filed as an exhibit to the current report on Form 8-K filed with the Commission on April 28, 2005 and incorporated herein by reference.
- 4.39 Registration Rights Agreement, dated as of April 22, 2005, by and among Cyberlux Corporation, AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and New Millennium Capital Partners II, LLC, filed as an exhibit to the current report on Form 8-K filed with the Commission on April 28, 2005 and incorporated herein by reference.
- 4.40 Security Agreement, dated as of April 22, 2005, by and among Cyberlux Corporation, AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and New Millennium Capital Partners II, LLC, filed as an exhibit to the current report on Form 8-K filed with the Commission on April 28, 2005 and incorporated herein by reference.
- 4.41 Intellectual Property Security Agreement, dated as of April 22, 2005, by and among Cyberlux Corporation, AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and New Millennium Capital Partners II, LLC, filed as an exhibit to the current report on Form 8-K filed with the Commission on April 28, 2005 and incorporated herein by reference.

II-9

- 4.42 Guaranty and Pledge Agreement, dated as of April 22, 2005, by and among Cyberlux Corporation, AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd., New Millennium Capital Partners II, LLC and Donald F. Evans, filed as an exhibit to the current report on Form 8-K filed with the Commission on April 28, 2005 and incorporated herein by reference.
- 5.1 Sichenzia Ross Friedman Ference LLP Opinion and Consent (filed herewith)
- 10.1 Donald F. Evans Employment Agreement, dated as of July 1, 2000, filed as an exhibit to the registration statement on Form 10-SB filed with the Commission on December 17, 2001 and incorporated herein by reference.
- 10.2 Alan H. Ninneman Employment Agreement, dated as of July 1, 2000, filed as an exhibit to the registration statement on Form 10-SB filed with the Commission on December 17, 2001 and incorporated herein by reference.
- 10.3 John W. Ringo Employment Agreement, dated as of July 1, 2000, filed as an exhibit to the registration statement on Form 10-SB filed with the Commission on December 17, 2001 and incorporated herein by reference.
- 10.4 Donald F. Evans Amended Employment Agreement, dated as of January 1, 2003, filed as an exhibit to the registration statement on Form SB-2 filed with the Commission on April 30, 2003 and incorporated herein by reference.

Edgar Filing: CYBERLUX CORP - Form SB-2

- 10.5 Alan H. Ninneman Amended Employment Agreement, dated as of January 1, 2003, filed as an exhibit to the registration statement on Form SB-2 filed with the Commission on April 30, 2003 and incorporated herein by reference.
- 10.6 John W. Ringo Amended Employment Agreement, dated as of January 1, 2003, filed as an exhibit to the registration statement on Form SB-2 filed with the Commission on April 30, 2003 and incorporated herein by reference.
- 10.7 Mark D. Schmidt Employment Agreement, dated as of May 1, 2003, filed as an exhibit to the quarterly report on Form 10-QSB filed with the Commission on August 19, 2003 and incorporated herein by reference.
- 10.8 Proprietary Product Manufacturing Agreement, dated as April 24, 2001, by and between Cyberlux Corporation and Shelby County Community Services, Inc., filed as an exhibit to the registration statement on Form 10-SB filed with the Commission on December 17, 2001 and incorporated herein by reference.
- 10.9 Design Agreement, dated as of March 2, 2001, by and between Cyberlux Corporation and ROBRADY Design, filed as an exhibit to the registration statement on Form 10-SB/A filed with the Commission on February 4, 2001 and incorporated herein by reference.
- 10.10 Series A Convertible Preferred Stock Purchase Agreement, dated as of December 31, 2003, by and among Cyberlux Corporation and the purchasers set forth therein, filed as an exhibit to the current report on Form 8-K filed with the Commission on January 8, 2004 and incorporated herein by reference.
- 10.11 Registration Rights Agreement, dated as of December 31, 2003, by and among Cyberlux Corporation and the purchasers of Series A Convertible Preferred Stock set forth therein, filed as an exhibit to the current report on Form 8-K filed with the Commission on January 8, 2004 and incorporated herein by reference.
- 10.12 Form of Series A Warrant issued in connection with the sale of Series A Convertible Preferred Stock, filed as an exhibit to the current report on Form 8-K filed with the Commission on January 8, 2004 and incorporated herein by reference.
- II-10
- 10.13 Form of Series B Warrant issued in connection with the sale of Series A Convertible Preferred Stock, filed as an exhibit to the current report on Form 8-K filed with the Commission on January 8, 2004 and incorporated herein by reference.
- 10.14 Lock-up Agreement, dated as of December 31, 2003, by and among Cyberlux Corporation and certain officers and directors of Cyberlux Corporation, filed as an exhibit to the current report on Form 8-K filed with the Commission on January 8,

Edgar Filing: CYBERLUX CORP - Form SB-2

2004 and incorporated herein by reference.

- 14.1 Code of Conduct, filed as an exhibit to the annual report on Form 10-KSB filed with the Commission on April 15, 2005 and incorporated herein by reference.
- 23.1 Consent of Russell Bedford Stefanou Mirchandani LLP (filed herewith).
- 23.2 Consent of legal counsel (see Exhibit 5.1).

ITEM 28. UNDERTAKINGS.

The undersigned registrant hereby undertakes to:

(1) File, during any period in which offers or sales are being made, a post-effective amendment to this registration statement to:

(i) Include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the "Securities Act");

(ii) Reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of the securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) under the Securities Act if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement, and

(iii) Include any additional or changed material information on the plan of distribution.

(2) For determining liability under the Securities Act, treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering.

(3) File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

(4) For purposes of determining any liability under the Securities Act, treat the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act as part of this registration statement as of the time it was declared effective.

(5) For determining any liability under the Securities Act, treat each post-effective amendment that contains a form of prospectus as a new registration statement for the securities offered in the registration statement, and that offering of the securities at that time as the initial bona fide offering of those securities.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act

Edgar Filing: CYBERLUX CORP - Form SB-2

and is, therefore, unenforceable.

II-11

In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

II-12

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form SB-2 and authorizes this registration statement to be signed on its behalf by the undersigned, in the City of Durham, State of North Carolina, on May 20, 2005.

CYBERLUX CORPORATION

By: /s/ DONALD F. EVANS

Donald F. Evans, Chief Executive Officer, Principal
Executive Officer and Chairman of the Board of Directors

By: /s/ DAVID D. DOWNING

David D. Downing, Chief Financial Officer, Principal
Financial Officer and Principal Accounting Officer

In accordance with the requirements of the Securities Act of 1933, this registration statement was signed by the following persons in the capacities and on the dates stated.

SIGNATURE -----	TITLE -----	DATE -----
/s/ DONALD F. EVANS ----- Donald F. Evans	Chief Executive Officer and Chairman of the Board of Directors	May 20, 2005

Edgar Filing: CYBERLUX CORP - Form SB-2

/s/ MARK D. SCHMIDT ----- Mark D. Schmidt	President, Chief Operating Officer and Director	May 20, 2005
/s/ JOHN W. RINGO ----- John W. Ringo	Secretary, Corporate Counsel and Director	May 20, 2005
/s/ ALAN H. NINNEMAN ----- Alan H. Ninneman	Senior Vice President and Director	May 20, 2005

II-13